INCOME TAX EXIT STRATEGIES FROM BUSINESSES

STEVEN B. GORIN
THOMPSON COBURN LLP
314-552-6151
sgorin@thompsoncoburn.com
http://thompsoncoburn.com/people/steve-gorin
http://www.thompsoncoburn.com/insights/blogs/business-succession-solutions

Overview

- Type of Entity
- Buy-Out by Management or Other Existing Owners
- Deferred Compensation

Overview

- Basis Step-Up Issues
- Which Entity for Which Stage
- Life Insurance Issues
- Leveraging Real Estate

Type of Entity

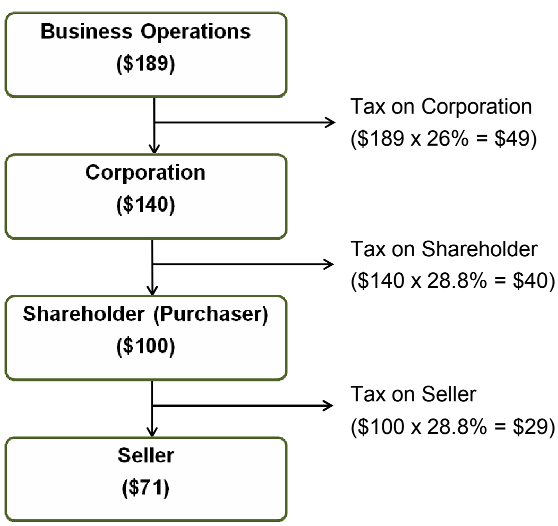
- Corporation
  - C Corporation
  - S Corporation
- Partnership
  - Limited Liability Company
  - Limited Partnership
- Limited Liability Company
  - Partnership or Disregarded Entity
  - S or C Corporation

Seller – Financed Sale of Goodwill

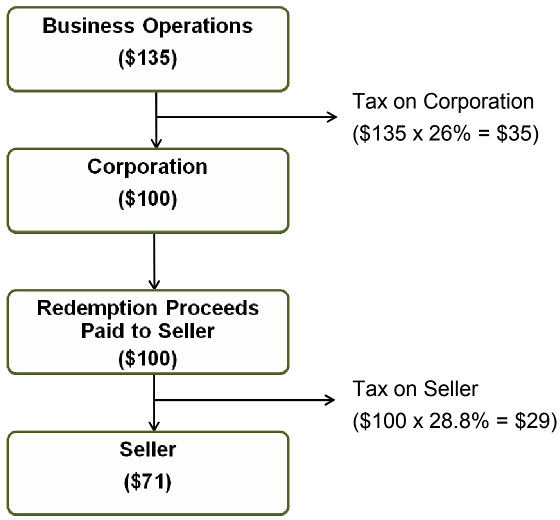
Part II.Q., especially II.Q.1.a.i.

- C Corporation Triple Taxation and Double Taxation
- S Corporation Double Taxation
- Partnership Single Taxation
- Partnership Use of Same Earnings as S Corporation

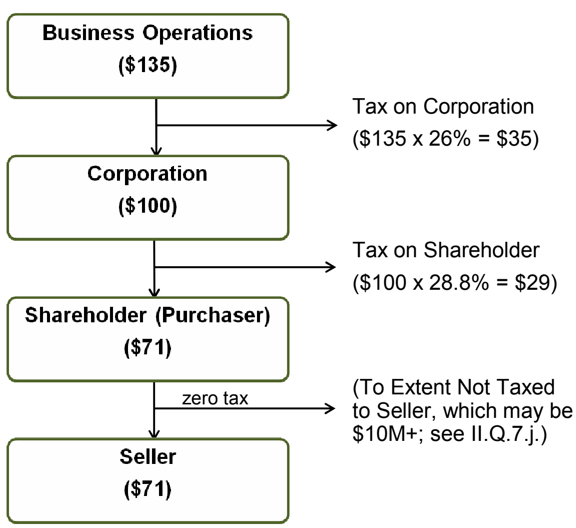
C Corporation Triple Taxation (II.Q.1.a.i.(a).)



C Corporation Redemption
(II.Q.1.a.i.(b).)



C Corporation Double Taxation Under Exclusion of Gain on the Sale of Certain Stock in a C Corporation
(II.Q.1.a.i.(c).)



S Corporation Double Taxation (II.Q.1.a.i.(d).)

S Corporation
Business Operations
($153-$185) (no tax inside)

Tax on Shareholder
($185 x 45.8% = $85)
($153 x 34.6% = $53)

Shareholder (Purchaser)
($100)

Tax on Seller
($100 x 28.8% = $29)

Seller
($71)

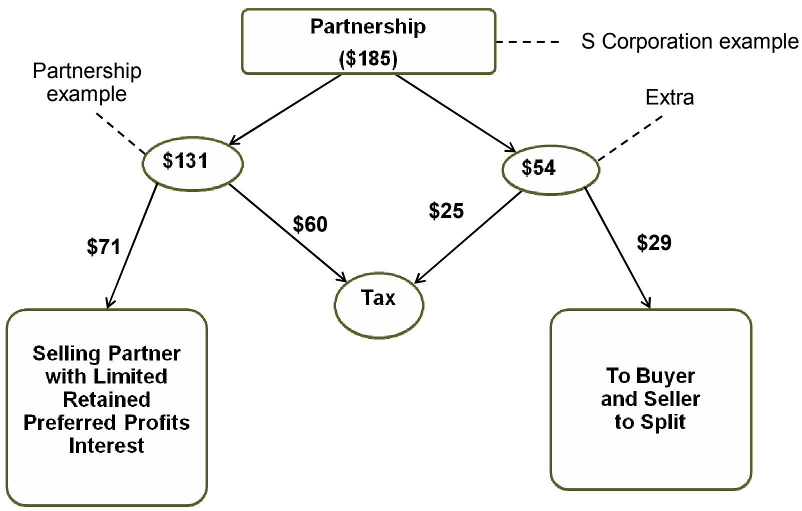
Partnership Single Taxation (II.Q.1.a.i.(e).)

Partnership
($109-$131)

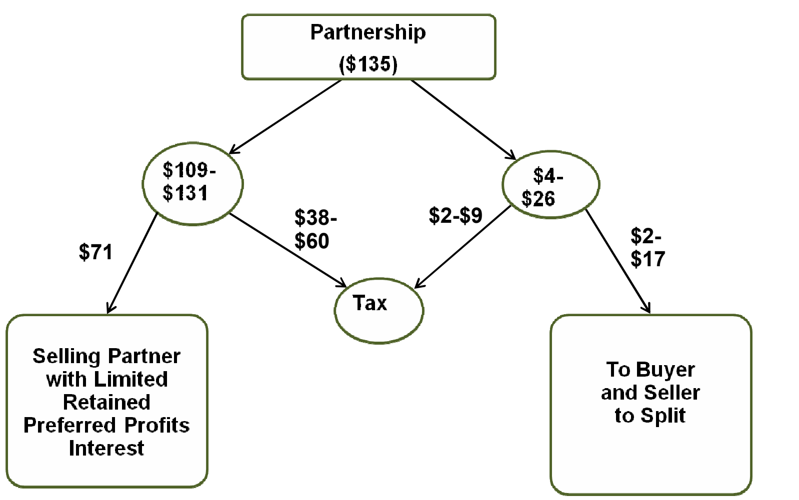
Tax on Seller
($109 x 34.6% = $38)
($131 x 45.8% = $60)

Selling Partner under Code § 736(a)(1)
(II.Q.8.b.ii.(b).)
($71)

Partnership Use of Same Earnings as S Corporation (II.Q.1.a.i.(f).)



Partnership Use of Same Earnings as C Corporation Assuming Redemption or Exclusion of Gain on the Sale of Certain Stock in a C Corporation (II.Q.1.a.i.(g).)



Deferred Compensation

Parts II.Q.1.d. and II.M.4.d.

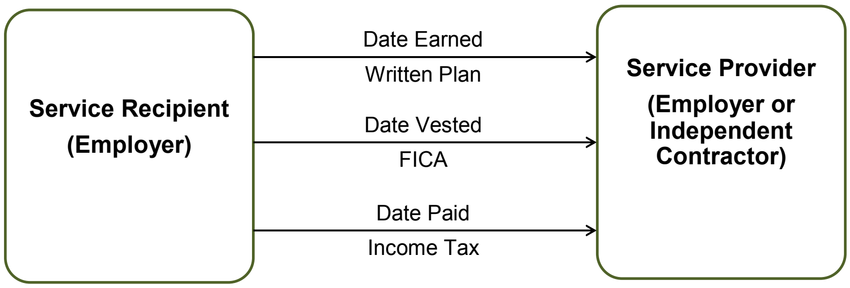
•Using nonqualified deferred compensation to facilitate a sale

•Introduction to Code § 409A nonqualified deferred compensation rules

Deferred Compensation (II.Q.1.c.i., II.M.4.d.)

- Income tax dynamics are similar to partnership exit strategy, but not as favorable now that the deduction may save less to the service recipient than tax on the income received by the service provider
- Careful in buy-sell agreement not to make it a substitute for purchase price
- Balance sheet effect (II.Q.8.b.ii.(e). Contrast against profits interests and Code § 736(a)(1) payments)

Timeline for FICA and Income Taxation of Deferred Compensation (II.Q.1.d.iii.)



Deferred Compensation

- Code § 409A Violation Incurs (II.M.4.d.)
  - ➢ Acceleration of income taxation
  - ➢ 20% penalty
  - ➢ Interest on previously deferred tax

Deferred Compensation

- Written plan when legally binding
- Reasonable compensation overlay
- § 409A applies with impermissible triggers, acceleration, or re-deferral

Deferred Compensation – Permissible Delay (Part II.M.4.d.ii.)

- $150,000 per Year Current Compensation
- $100,000 Annual Retirement Payments 2020-2029
- End of 2019, Wants to Push Back Retirement

Deferred Compensation – Permissible Delay (Part II.M.4.d.ii.)

- Agree in 2019
  - ➢ 2020 Work Will Generate $50,000 Compensation Paid in 2020 and $100,000 Compensation Paid in 2030
  - ➢ 2020 Cash Paid $150,000
    - o $100,000 Previously Scheduled Deferred Compensation
    - o $50,000 from 2020 Work
  - ➢ 2020-2029 Stream of Payments Stays Intact
  - ➢ 2030 Retirement Payment Added

Distributing 100% of Corporate Net Income After Income Tax

Income after Income Tax	Individual in Top Bracket	Individual in Modest Bracket
Corporate Taxable Income	$100,000	$100,00
Federal and State Income Tax	-26,000	-26,000
Net Income after Income Tax	$74,000	$74,000
Income Taxes at 28.8% or 20%	-21,312	-14,800
Net Cash to Owner	$52,688	$59,200

Distributing 50% of Corporate Net Income After Income Tax

Income after Income Tax	Individual in Top Bracket	Individual in Modest Bracket
Corporate Taxable Income	$100,000	$100,00
Federal and State Income Tax	-26,000	-26,000
Net Income after Income Tax	$74,000	$74,000
Distribution to Owner	$37,000	$37,000
Income Taxes at 28.8% or 20%	-10,656	-7,400
Net Cash to Owner	$26,344	$29,600
Corporate Cash Plus Shareholder Cash	$63,344	$66,600

Distributing None of Corporate Net Income After Income Tax

Distributing None of Corporate Net Income After Income Tax	$100,000
Federal and State Income Tax	-26,000
Net Income after Income Tax	$74,000

Comparing Taxes on Annual Operations of C Corporations and Pass-Through Entities (II.E.1.)

	Individual in Top Bracket	Individual in Modest Bracket
Distributing 100% of Corporate Net Income After Income Tax	47.3%	40.8%
Distributing 50% of Corporate Net Income After Income Tax	36.7%	33.4%
Distributing None of Corporate Net Income After Income Tax	26.0%	26.0%
S Corporation, Partnership, or Sole Proprietorship	34.6%-45.8%	27.4%-46.2%

Declaring Dividends

- Professional firms tend to distribute all profits
- Sale to irrevocable grantor trust requires much cash
- Personal holding company tax (II.A.1.e.)
- Accumulated earnings tax (if not a personal holding company) (II.Q.7.a.vi.)

Code § 199A Deduction for Qualified Business Income (II.E.1.c.)

- Repealed Code § 199 deduction for domestic production activities
- Taxable years beginning after December 31, 2017 but not beginning after December 31, 2025
- Applies to an individual or trust that owns a partnership interest, S corporation stock, or a sole proprietorship (passthrough entity)
- Deduction up to 20% of qualified business income (QBI)
- Each trade or business separately tested (not defined)
- Causes underpayment penalty to apply at 5% instead of 10% understatement

Types of Income and Activities Eligible for Deduction (II.E.1.c.ii.)

- Must be a qualified trade or business
- Each is tested separately; no guidance how to delineate
- Does not include:
  - Compensation for services rendered (salary to S corporation owner-employee)
  - Code § 707(c) guaranteed payment (but preferred profits interest should qualify)
  - Code § 707(a) payment for services rendered

Types of Income and Activities Eligible for Deduction (II.E.1.c.ii.)

Specified service business

- Disfavored businesses include any trade or business involving the performance of services in the fields of health, law, ~~engineering, architecture,~~ accounting, actuarial science, performing arts, consulting, athletics, financial services, brokerage services, or any other trade or business where the principal asset of such trade or business is the reputation or skill of one or more of its employees.
- Taxable income (before QBI deduction) below threshold means that these businesses are not blacklisted

Types of Income and Activities Eligible for Deduction (II.E.1.c.ii.)

Specified service business (continued)

•Disfavored business involves the performance of services that consist of investing and investment management, trading, or dealing in securities (as defined in Code § 475(c)(2)), partnership interests, or commodities (as defined in Code § 475(e)(2)).

•No relief for taxable income under thresholds

Calculation of Deduction Generally (II.E.1.c.iii.)

- (A) the sum of certain QBI-related amounts for each qualified trade or business the taxpayer carries on, plus
- (B) 20% of the aggregate amount of the qualified REIT dividends and qualified publicly traded partnership income of the taxpayer for the taxable year.
- Focus on (A)
- Losses from a qualified trade or business carry to the following year to reduce the deduction

QBI amount (II.E.1.c.iii.)

- QBI-amount is the lesser of the taxpayer's combined QBI amount or 20% of the excess (if any) of (i) the taxpayer's taxable income over (ii) the sum of the taxpayer's net capital gain and aggregate qualified cooperative dividends
- Add 20 percent of the aggregate amount of the qualified REIT dividends and qualified publicly traded partnership income (not discussed later)

QBI-related amount (II.E.1.c.iii.)

For each separate trade or business, the lesser of:

•20% of the taxpayer's QBI with respect to the qualified trade or business, or

•the wage limitation

The wage limitation does not apply when taxable income (before the Code § 199A deduction) is below certain thresholds.

Wage Limitation (II.E.1.c.iii.)

For each separate trade or business, the greater of:

•50% of the W–2 wages with respect to the qualified trade or business, or

•the sum of:

➢25% of the W–2 wages with respect to the qualified trade or business, plus

➢2.5 percent of the unadjusted basis immediately after acquisition of all qualified property

Wage Limitation (II.E.1.c.iii.)

W-2 wages:

•Wages subject to withholding and include elective deferral, such as Code § 401(k) and similar plans

•Must relate to qualified business income

•Must be properly included in a return filed with the Social Security Administration on or before the 60th day after the due date (including extensions) for such return

Qualified Property (II.E.1.c.iii.)

Depreciable property:

•held by, and available for use in, the qualified trade or business at the close of the taxable year

•used at any point during the taxable year in the production of qualified business income

•the depreciable period for which has not ended before the close of the taxable year

Depreciable period is greater of 10 years or class life.

Qualified Property (II.E.1.c.iii.)

- Unadjusted basis
- Appears to require capitalization and therefore disqualify Code § 179 expensing
- Bonus depreciation capitalizes and depreciates part immediately (II.G.4.b.)
- Using bonus depreciation, most property placed in service after September 27, 2017, and before January 1, 2023 receives an immediate deduction for the <u>entire</u> purchase price. This is simpler and more favorable than Code § 179.

Taxable Income Thresholds (II.E.1.c.v.)

- \$315,000-\$415,000 for married filing jointly
- \$157,500-\$207,500 for all other taxpayers, including trusts
- Below threshold, most ineligible service businesses become eligible and the wage limitations do not apply
- Benefits phase out over that range
- Phase-outs apply cumulatively

Partnerships Compared to S Corporations (II.E.1.e.)

Example

•$300K QBI before owner's compensation

•Reasonable comp would be $200K

•Distribute $200K or more

Results:

•S corporation deduction based on $100K QBI after deducting wages

•Partnership deduction based on $300K QBI

Real Estate as QBI (II.E.1.f.)

- Code § 199A deduction is only for a "trade or business"
- From preamble to NII regulations: "Within the scope of a section 162 determination regarding a rental activity, key factual elements that may be relevant include, but are not limited to, the type of property (commercial real property versus a residential condominium versus personal property), the number of properties rented, the day-to-day involvement of the owner or its agent, and the type of rental (for example, a net lease versus a traditional lease, short-term versus long-term lease)."

Real Estate as QBI (II.E.1.f.)

- Consider moving from triple net lease to one in which the landlord incurs expenses and the tenant reimburses the landlord
- Although not directly on point, the S corporation (that has earnings & profits from its C corporation years) passive investment rules regarding rental may add weight to the taxpayer's argument

Whether a High-Bracket Taxpayer Should Hold Long-Term Investments in a C Corporation(II.E.1.d.)

- Dividends a C corporation receives from another domestic C corporation have up to 10.5% federal income tax rate
- Taxable interest and capital gains have 21% federal income tax
- Top individual – 23.8% on qualified dividends and long-term capital gain
- Top individual – 40.8% on taxable interest income, nonqualified dividends, and net short-term capital gains

Whether a High-Bracket Taxpayer Should Hold Long-Term Investments in a C Corporation (II.E.1.d.)

Investment management fees deductible to C corporation but not to individual

But a C corporation needs to pay dividends to avoid:

•Personal holding company tax, or

•Accumulated earnings tax ($125,000 accumulated earnings & profits if merely holds investments and is not a personal holding company)

Whether a High-Bracket Taxpayer Should Hold Long-Term Investments in a C Corporation(II.E.1.d.)

How distribute earnings?

•Convert to S corporation to distribute current taxable (not tax-exempt) but not accumulated earnings and profits

•Passive investment income test easy to plan around

Whether a High-Bracket Taxpayer Should Hold Long-Term Investments in a C Corporation (II.E.1.d.)

How divide assets on death of taxpayer or primary beneficiary?

•Code § 355 N/A

•Create partnership of C corporations now – one for each share of bequest or remaindermen

•Post-mortem, partnership divides assets among corporations according to each beneficiary's desired allocation

Convert from S Corporation to C Corporation (II.E.3.b.)

- Might need to covert from cash to accrual method if more than $25M gross receipts and not a qualified farmer or personal service corporation
- Consider distributing note before yearend
- Consider distributing money in first C corporation year

Convert from S Corporation to C Corporation (II.E.3.b.)

Preserving AAA in case later convert back to S corporation (II.P.3.c.)

•Form new parent S corporation

•Old corporation becomes a QSub, and its tax attributes now belong to parent

•QSub converts to C corporation

•When convert back to QSub later (Code § 332 liquidation), the old AAA remain

Convert C Corporation to S Corporation (II.E.3.c.)

- Code § 1374 built-in gain tax (II.P.3.c.ii.). Consider pre-conversion (a) converting from cash to accrual if material accounts receivable, and (b) selling assets that might be sold within 5 years.
- Excess passive investment income (II.P.3.c.iii.); tax-free investments do not generate AAA (II.P.3.c.iv.)
- If inventory, beware LIFO recapture (II.P.3.c.i.)

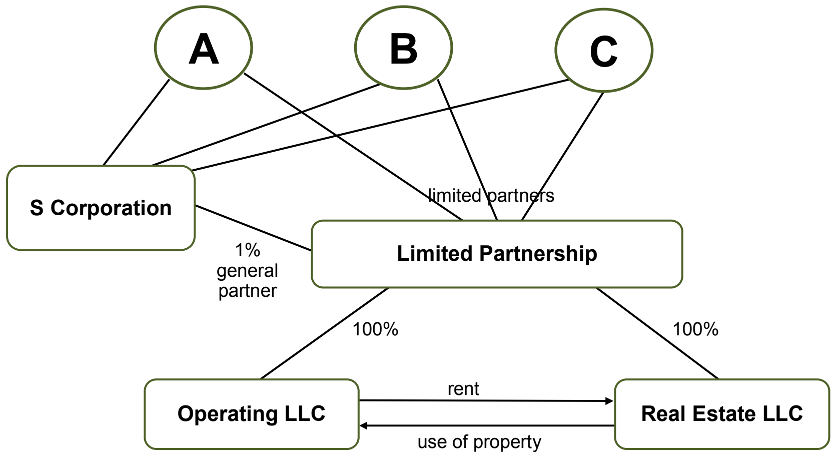
Hybrid (II.E.4.)

- Consider a limited partnership with a C corporation general partner.
- C corporation is allocated the profits intended to be reinvested.
- Limited partners are allocated the profits intended to be distributed.
- As with any structure, it is easier to get into this structure if one starts with a partnership than if one starts with a corporation (whether S or C).

Which Entity for Which Stage

- Simple LLC (II.E.3.)
  - Start-Up Losses (II.G.3.)
  - Profitable, But Not Overly So
    - Little or No Earnings in Excess of Taxable Wage Base (II.L.2.a.i.) ($128,400 in 2018)
    - Generous Equipment Write-Offs (II.G.4.)
- Transition to Limited Partnership When Significant Earnings in Excess of Taxable Wage Base

Recommended Structure (II.E.5. and II.E.6.)



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Recommended Structure with Hybrid (II.E.5.f.)

Changes to preceding slide:

•General partner is a C corporation

•General partner owns much more than 1%

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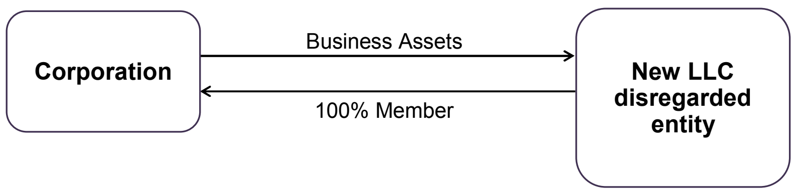
Migrating Existing Corporation into Preferred Structure (II.E.7, II.E.7.c.i.(a).)

Corporation Forms New LLC – Two Options

Direct Formation of LLC (1st option)



Migrating Existing Corporation into Preferred Structure

Corporation Forms New LLC

Direct Formation of LLC (1st option)

<u>Advantages</u>

•Corporation Can Keep Nonbusiness Assets

•Corporation Can Keep Business Assets That Would Generate Complications if Transferred to the Limited Partnership Structure and Then Had Income Recognition Event

•New LLC Can Stay as a Disregarded Entity for a While as Transition to New Structure and Get Everyone Used to Working in LLC Structure

Migrating Existing Corporation into Preferred Structure

Corporation Forms New LLC

Direct Formation of LLC (1st option)

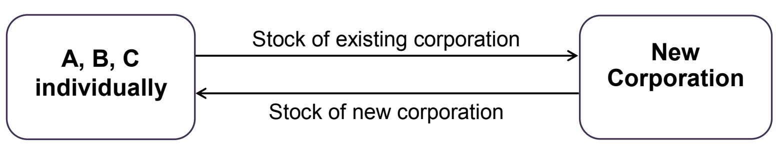
Disadvantages

- Piecemeal Transfer of Assets
- Some Assets Not Readily Transferable

Migrating Existing Corporation into Preferred Structure (II.P.3.i.)

Corporation Forms New LLC

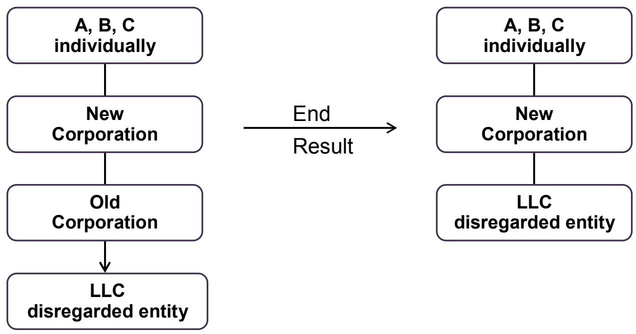
Use F Reorganization to Form LLC (2nd option)



Migrating Existing Corporation into Preferred Structure (II.E.5.c.)

Corporation Forms New LLC

Use F Reorganization to Form LLC (2nd option)



Migrating Existing Corporation into Preferred Structure

Corporation Forms New LLC

Use F Reorganization to Form LLC (2nd option)

<u>Advantage</u>

•Moves all assets in one fell swoop

Migrating Existing Corporation into Preferred Structure

Corporation Forms New LLC

Use F Reorganization to Form LLC (2nd option)

Disadvantages

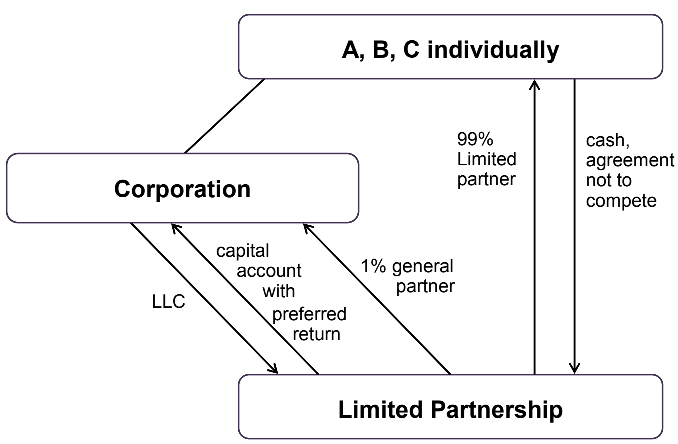
•No Selectivity of Retained Assets

•Contribution of Stock of Old Corporation to New Corporation and Merger or Conversion of Old Corporation into New Corporation Need to Be Done at the Same Time

•If S Corporation Involved, New Corporation Does New S Election and Old Corporation Does Qualified Subchapter S Subsidiary Election

Migrating Existing Corporation into Preferred Structure (II.E.7.c.ii., II.Q.7.h.)

Migrating LLC to LP



Profits Interest

Part II.M.4.f.

•No Income on Issuance of Profits Interest

•No Balance Sheet Liability

•No Code § 409A Concerns

Profits Interest

Part II.M.4.f.

•Annual income taxed to partner

•Partnership makes tax distributions

•Balance can be paid whenever makes sense for the business

Profits Interest

- Revaluation required
- Code § 2701 if controlled by one Family
- Under 2017 tax reform, certain sales of compensatory partnership interests recharacterized from long-term to short-term gains (II.M.4.f.ii.(b).)

➢ More than 3-year holding period

➢ Taxpayer may net the gains and losses unless sale to a related party.

Basis – Inside or Outside? (II.Q.8.e.iii.)

- "Outside basis" means the basis in your corporate stock or partnership interest
- "Inside basis" means the corporation's or partnership's basis in its property
- Death of owner or sale by owner of stock changes outside basis but never inside basis
- Death of owner or sale by owner of partnership interest changes outside basis and will change inside basis if the appropriate election is in place

Basis Step-Up at Death

- When assets are included in the decedent's estate for estate tax purposes, they receive a new tax basis
- Probate estate, revocable trust, marital deduction trust for surviving spouse all create this results

Multiple Depreciation Opportunities

- Original owner depreciates his or her investment
- When first spouse dies, no estate tax on assets passing to surviving spouse, and stepped-up basis obtains depreciation deductions of the new basis
- When surviving spouse dies, possible estate tax, and another stepped-up basis lets children depreciate new basis

Partnership vs. S Corporation

- Some say they are equivalent, but they are not
- Transfer of partnership interest by sale or death allows buyer or beneficiary to get inside and outside basis step-up
- Basis step-up → more depreciation/less gain on sale if partnership sells assets
- S corporation <u>might</u> replicate if it sells all assets <u>and</u> liquidates in the same year

Basis Step-Up Issues: Depreciable Real Estate in an S Corporation (Sale to Third Party)

Part II.H.8.

Sale to Third Party

(<u>Zero basis, $1M value</u>)

Proceeds from sale	$ 1M
Basis of real estate	<u>$ 0</u>
Gain on K-1	<u>$ 1M</u>

Basis Step-Up Issues: Depreciable Real Estate in an S Corporation (Sale to Third Party) (Cont'd)

Sale to Third Party

(<u>Zero basis, $1M value</u>)

Stock basis after death	$1M
Gain on K-1	<u>$1M</u>
Stock basis after sale of real estate	<u>$2M</u>

Basis Step-Up Issues: Depreciable Real Estate in an S Corporation (Sale to Third Party) (Cont'd)

Sale to Third Party

(<u>Zero basis, $1M value</u>)

Liquidation proceeds	$ 1M
Stock basis	(<u>$ 2M</u>)
Loss on liquidation	(<u>$ 1M</u>)

Basis Step-Up Issues: Depreciable Real Estate in an S Corporation (Sale to Third Party) (Cont'd)

Sale to Third Party

(<u>Zero basis, $1M value</u>)

Long-term capital gain on K-1	$ 1M
Long-term capital loss on liquidation	(<u>$1M</u>)
Net long-term capital gain (loss)	<u>$ 0</u>

Basis Step-Up Issues: Depreciable Real Estate in an S Corporation (Sale to Third Party) (Cont'd)

- Sale to Third Party Required If Depreciable or Amortizable Property
- State Income Tax Disconnect

Estate Taxes

- Federal rate is 40% for estates over $5,490,000 (indexed annually for inflation)
- States may impose their own tax at various thresholds
- Unlimited marital deduction postpones tax until second death

Depreciable Property – Example 1

Property	Basis	FMV
Building	$0	$8M
Land	$2M	$2M
Total	**$2M**	**$10M**

- Parents transfer property to Children
- First spouse dies and no estate tax is due
- Children sell Property for $10M
- Children pay capital gain tax of $2.4M (30% of $8M)

Depreciable Property – Example 2

Property	**Basis**	**FMV**
Building	$0	$8M
Land	$2M	$2M
Total	**$2M**	**$10M**

•A Parent keeps Property

•That Parent dies, property passes to surviving Parent, and no estate tax is due

•Survivor sells Property for $10M

•Survivor pays no income tax

Leveraged Transaction – Example 3

Property	**Basis**	**FMV**
Building	$0	$8M
Land	$2M	$2M
Total	**$2M**	**$10M**

•Parents keep Property

•Parents borrow $10M against Property and transfer the $10M using leveraged estate planning techniques

•Parents retain Property subject to $10M debt

•Parents die and the survivor's estate pays estate tax on the Property's net equity, if any ($10M property less $10M mortgage)

Leveraged Transaction – Example 3

- Building basis is stepped-up from zero to $8M
  - ➢ If building is held and depreciated, basis step-up secures cumulative annual income tax savings of $3.2M-$4M (40%-50% of $8M, depending on entity of owner)
  - ➢ If building is sold instead, the approximate capital gain tax savings would be $2.4M (30% of $8M) that would have been paid without a basis step-up
- Possible estate tax on any equity may be a small price to pay for income tax savings if building is held and depreciated or sold, whichever applies

Leveraged Transaction and Preferred Partnership

- See Example 3
- To protect against future growth in value of the Property, consider a preferred partnership
- Husband and Wife form a partnership that includes a preferred interest and a common interest in exchange for the $10M Property; preferred interest must represent ≤90% of all partnership equity interests
- Husband and Wife could transfer common interest to Children

Practical Lending Strategy

- Normally, one cannot borrow all of the equity in an asset
- Here, a $10M loan against the $10M asset <u>and</u> maintain a security interest in the $10M proceeds, for $20M collateral
- When loan proceeds are transferred using advanced estate planning techniques, make sure the security interest stays intact

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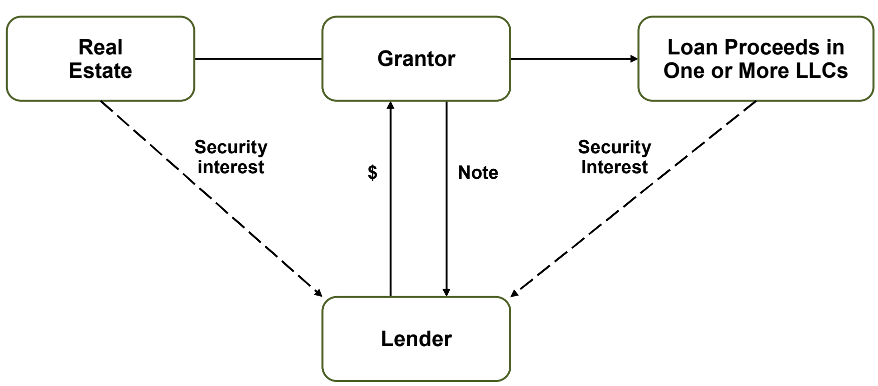
Real Estate Equity Strip: INITIAL STRIP (II.H.10.e.i.)



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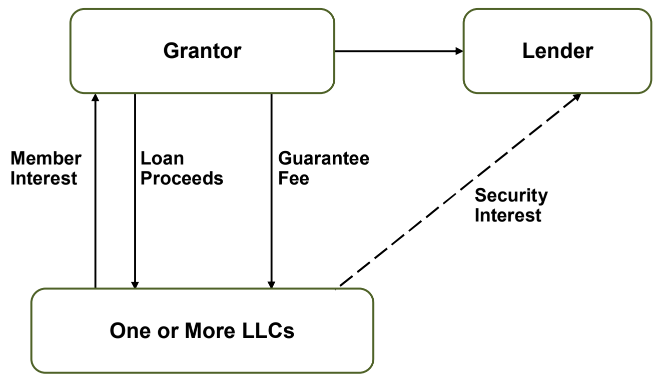
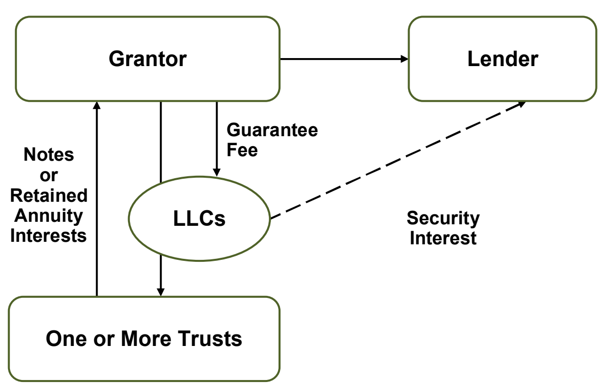
Real Estate Equity Strip:
PLACING LOAN PROCEEDS INTO ENTITY
(II.H.10.e.ii.)



Real Estate Equity Strip:
TRANSFER OF LOAN PROCEEDS
(II.H.10.e.iii.)



Practical Lending Strategy

- To the extent possible, make interest payments only, so that the debt can keep the taxable estate low
- Cash flow from real estate would be the primary source of repayments
- Leveraged estate planning techniques also return funds for repayment
- Extract more equity later if possible

Result of Lending Strategy

- Basis step-up
- Minimal estate tax
- Bank's security interest is protected
- Less post-mortem pressure on business client

Other Exit Strategies

- Leasing (Part II.Q.1.b.)
- Personal Goodwill and Covenants Not to Compete (Part II.Q.1.c.)
- Deferring Tax on Lump Sum Payout Expected More than Two Years in the Future (Part II.Q.3.)

Partnership Distribution vs. Corporation Split-Up: Corporate Division

Part II.Q.7.f., II.Q.7.g.

•Code § 355 Requirements

•Tax Effects When Code § 355 Provisions Are Not Met

•Code § 1239: Distributions or Other Dispositions of Depreciable or Amortizable Property (Including Goodwill)

Partnership Distribution vs. Corporation Split-Up: Partnership Redemption

Part II.Q.8.b.

•Distribution of Property by a Partnership

•Partnership Redemption – Complete Withdrawal Using Code § 736

•Partnership Alternative to Seller - Financed Sale of Goodwill

Partnership Distribution vs. Corporation Split-Up: Partnership Redemption (Cont'd)

- Related Party Sales of Non-Capital Assets By or To Partnerships (Part II.Q.8.c.)
- Partnership Division (Part II.Q.8.d.)
- Transfers of Partnership Interests (Part II.Q.8.e.)

Life Insurance (II.Q.4.)

- Funding the Buy-Sell (including generational split-dollar)
- Income Tax Trap for Business-Owned Life Insurance
- Establishing Estate Tax Values
- Life Insurance LLC

Life Insurance (II.Q.4.b.)

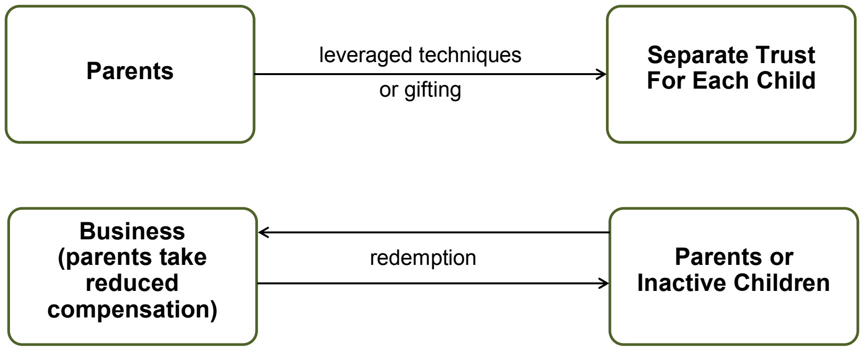
2017 Tax Reform

•Retroactively invalidated Rev. Rul. 2009-13

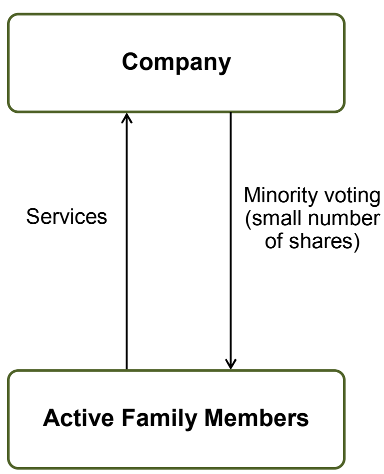
•Reportable policy sale

- ➢Code § 103(a)(3) changes tax consequence to stranger-owned policies
- ➢Code § 6050Y reporting requirements

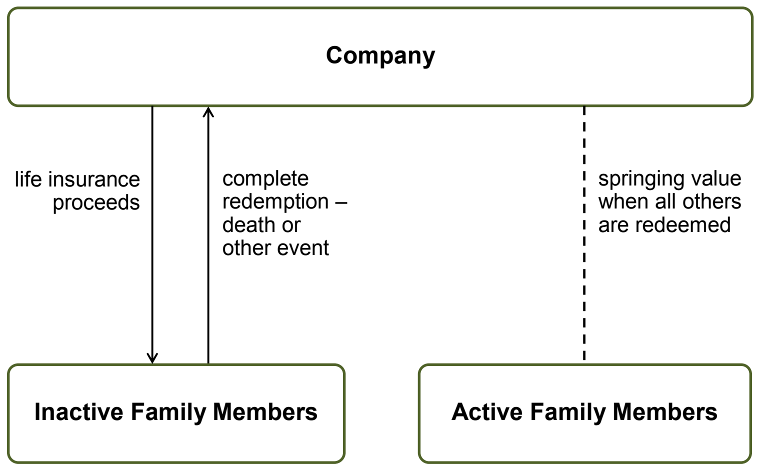
Succession Planning Using Redemptions When Parent is Living (II.M.4.e.ii.)



Succession Planning Using Redemptions Funded by Life Insurance (II.M.4.e.iii.)



Succession Planning Using Redemptions Funded by Life Insurance (II.M.4.e.iii.)



Providing Equity to Key Employees

Parts II.M.4.a.i., II.M.4.a.ii., and II.M.4.e.

- Bonus vs. Equity
- Equity vs. Synthetic Equity
- Issuing Stock to an Employee

Additional Equity

Parts II.M.4.f. and II.M.4.g

•Issuing a Profits Interest to an Employee (already discussed)

•Options to Acquire Equity

Conclusion

- Email me at sgorin@thompsoncoburn.com for full searchable PDF of my business structuring materials (over 1,500 pages).
- Free quarterly newsletter includes the most recent version of the PDF. Completing form at http://www.thompsoncoburn.com/forms/gorin-newsletter gets you the PDF and newsletter.
- Blog that is less technical is at http://www.thompsoncoburn.com/insights/blogs/business-succession-solutions.