

THE STRATEGY GROUP

“Architects of Financial Security.”™

ASSET PROTECTION & ESTATE PLAN SOLUTIONS!

The Baldwin Trust Group

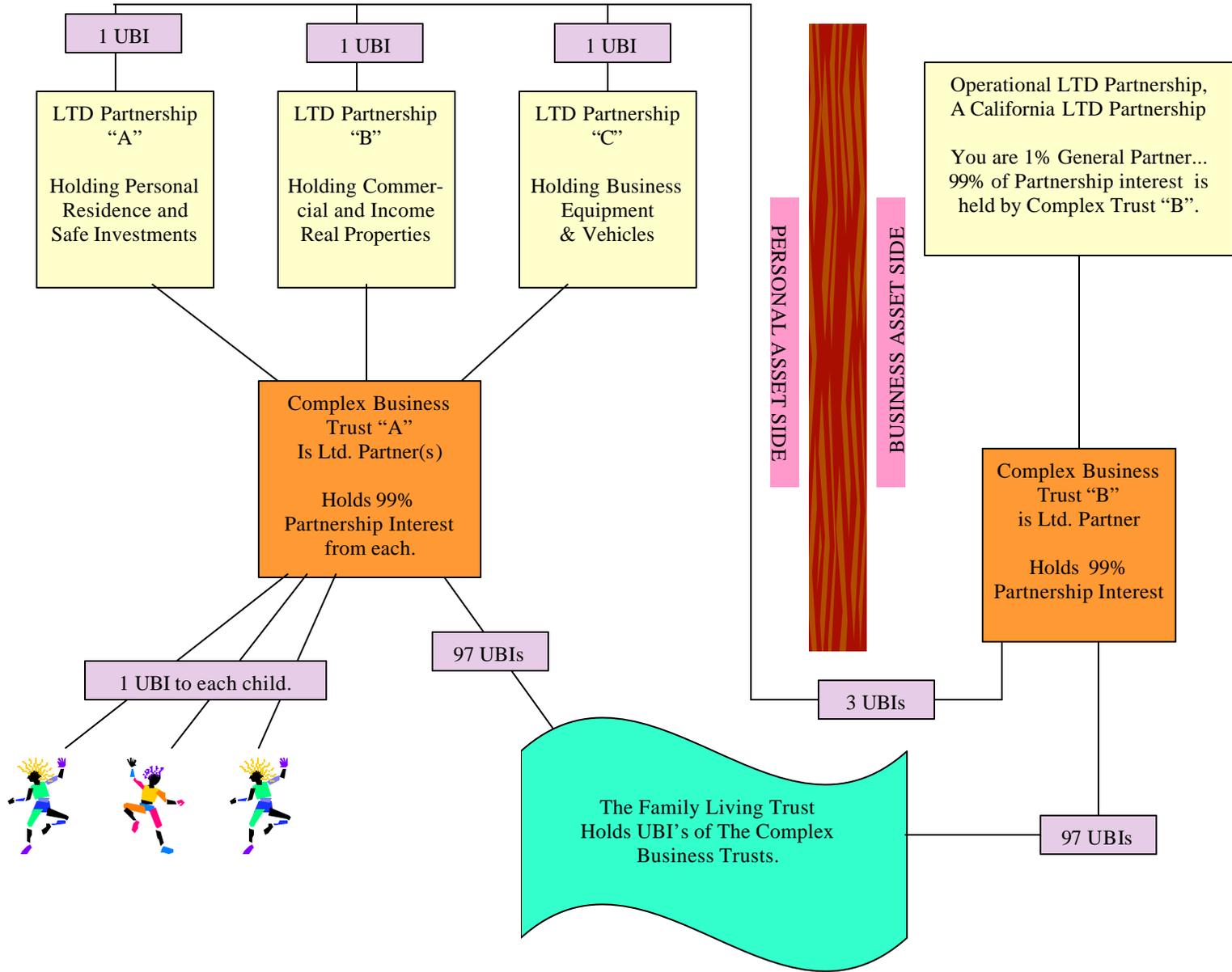
“Architects of Financial Security”

The Baldwin Trust Group CBO
Charles F. Baldwin, General Manager
6966 Sunrise Blvd., PMB 246
Citrus Heights, California 95610
(916) 722-0667 ? fax (916) 729-7468

ESTATE PLAN SOLUTIONS
For: John & Mary Taxpayer

ASSET PROTECTION & HOLDING STRUCTURE

OPERATIONAL ENTITY STRUCTURE



ESTATE PLAN SOLUTIONS
The Estate & Business Entity Structuring Process

1. The first step of making the transition to the new business structure is to determine what type of business and estate structure the client currently has in place. If the client is a sole proprietor; then no additional steps need to be taken. The Client/Agent simply set up the new structure and place the assets in the correct entities according to your plan. However, if the client currently has a corporation; steps need to be taken in order to assure no adverse tax position arises from the restructuring. This is accomplished by first exchanging (transferring) all of the corporate assets into Complex Business Trust "A" in exchange for Units of Beneficial Interest (UBIs). This establishes the fact that an equivalent value exchange has taken place and there has been no gift or sale. When initiating the original exchange (transfer); it must occur in exactly the same ownership percentages as the former business structure or it could cause a gift tax situation to occur. For example, if two partners owned the previous business as 50/50, each partner must receive 50% of the units of beneficial interest from the complex business trust in order to avoid any tax assessments from being applied.

2. Once all of the business's assets are inside Complex Business Trust "A"; the owner of the business exchanges (transfers) his personal holdings into Complex Trust "A" for additional units of beneficial interest. The Exchangor should now have everything of the business owners estate in Complex Trust "A."

3. We then divide the holdings into three categories: (a) The personal residence and safe assets (i.e. investment holdings), (b) commercial and residential income properties, and (c) business equipment and vehicles. We then take these three types of assets and place them into three separate limited partnerships. If a particular client does not have a certain type of asset, we simply do not set up the limited partnership for that asset. The assets are pledged by the Trustee of Complex Trust "A" in exchange for 99% partnership interest in each of the limited partnerships. The owner of the business now has a paper partner, "The Complex Business Trust", that owns most of the business assets as a a limited partner. This gives the trust the majority of ownership with out any control over the busi-

3. Continued – ness, it's assets, or how the business owner runs his business. Although, as the general partner, the business owner has only one percent ownership in the business, he/she/they maintain 100% control over the business. This is the greatest secrets of asset protection; *"control everything ... own nothing"*!

4. Once the asset protection and holding structure has been put into place, we then need to establish the operational side of the business. We do this to establish a complete break between (a) where the assets are held and (b) from where the business is operated. This also provides us with some unique tax advantages. We are able to take all of the active deductions from the operational entity, and all of the passive deductions from the asset holding side of the estate. We set up the operational side of the business by setting up Complex Trust "B" and it becomes the limited partner of the Operational Limited Partnership Entity. The owner(s) become(s) a/the one percent General Partner of the Operational Limited Partnership Entity.

5. Complex Trust "B" will then distribute one (1) Unit of Beneficial Interest to each of the Asset Protection Limited Partnerships; i.e., "A," "B," and "C" on the asset holding side of the structure. We do this in order to give the owner the ability to transfer income monies anywhere in the structure without changing the percentages of partnership interest. The income flowing to any of the entities is simply a K-1 dividend distribution. The remainder of the Units of Beneficial Interest are placed inside of the client's Revocable/Irrevocable Family Living Trust, or perhaps one UBI is given out to each of the children.

6. From Complex Trust "A" we make a similar distribution of Units of Beneficial Interest . However, because this Trust is on the asset protection side of the structure; no Units of Beneficial Interest are given out to Limited Partnerships "A," "B," or "C" which holds the assets.

7. Once the structure is in place; there are unique benefits and tax

ESTATE PLAN SOLUTIONS
The Estate & Business Entity Structuring Process Continued

7. Continued – advantages that instantly take place:

A. By exchanging (transferring) the assets from the existing business structure into the complex business trust; the trust then pledges the assets to the limited partnership(s) in exchange for partnership interest; thereby, a new basis for accounting is established on the various asset classes. We are then able to re-depreciate the various assets at their current “fair market value.” This can only be achieved by utilizing the unique structure of a Complex Trust as the limited partner to a limited partnership. This excess depreciation could be used to fund an Investment Grade Life Insurance Policy; i.e., the depreciation is used to offset the income flowing into the limited partnership and placed inside of the Investment Policy. Once the income is inside the Investment Grade Life Policy; the account grows tax deferred and can be accessed tax free through policy loans. As you can see, this advantage alone can make a substantial difference in someone’s financial life.

B. After the depreciation has been used to offset the income in the limited partnership; we then set up a Key-Man / Deferred Compensation Plan from the Complex Business Trust. The income placed into this plan is tax deductible to the trust under Section 264 of the IRS Code (*no financial or beneficial interest*). While the money going in is tax deductible to the trust, and the money in the Investment Grade Life Policy grows tax deferred; when the money comes out of the policy and is distributed to the Complex Trust manager; it must be distributed in the form of a K-1 dividend distribution and is of course taxable as passive income. If the trustee of the Complex Trust spends the borrowed money from of the investment grade life policy for Trust business purposes; it is a loan to the Complex Trust and therefore it is non-reportable income and as such no income tax is due. This can be a great storage tank for future business needs, without creating a problem like many corporations have, by invoking the Alternative Minimum Tax.

C. These are two great investment options that are created by using

C. Continued – this unique business entity and estate structure. Sometimes people ask us why we use Investment Grade Life Insurance as one of the primary investments in our structure? The answer is quite simple. Life insurance is the only investment that can be owned by a non-individual entity and still grow tax deferred. No other investment, other than a Tax Free Municipal bond, can be owned by a non-person and still grow tax deferred. The problem with the municipal bonds is not the taxation, it’s the low rate of return these investments get over a long period of time. As compared to the investment grade life policy, that has mutual fund accounts inside of it, they have averaged more than fifteen (15%) per cent per year over the past ten (10) years .

D. Another exciting benefit derived from setting up this structure is found in the ability to give Units of Beneficial Interest to your children or grandchildren. Since they are in a much lower tax bracket, you can make K-1 dividend income distributions to them as an expense to the trust, and without much of a tax impact on the recipient either. This can be a big tax saver for money to your children; you can send them up to \$10,000 per year without any tax consequence.

IN SUMMARY . . . We at The Strategy Group believe that you will find the advantages of our multi-entity, pass through taxation structure very valuable in many areas of your financial life. You will have the peace of mind knowing that the wealth you have worked so hard to accumulate is now judgment proof. Your tax consequence position will no longer be dropped on your head each April 15th like a led balloon. You will be able to legally, and honestly, adjust and maneuver your personal and business incomes to create a more favorable tax position for yourselves. You will also enjoy the knowledge that your family or favorite charity will be the beneficiary of your estate rather than Uncle Sam! All of the above are reasons why you need to consider the Estate Planning Solutions of the Strategy Group for your financial life.

The pricing table on the next page is illustrative ONLY to disclose entity pricing breakdowns to the client. Pricing will vary!

***BUSINESS ENTITY & ESTATE
STRUCTURING PRICE LIST***

| Document Type | Internal Processing Costs | Total Strategy Group's Compensation | Trust Group Document Preparation Fees | Accountant's Review (if paid for by Client) | Attorney Review (if paid for by Client) | TOTAL PRICE (Suggested) |
|--|---------------------------|-------------------------------------|---------------------------------------|---|---|-------------------------|
| Complex Business Trust | \$400 | \$800 | \$600 ** | \$200 | \$500 | \$2,500 each |
| Limited Partnerships | \$400 | \$800 | \$600 ** | \$200 | \$500 | \$2,500 each |
| Charitable Remainder Trusts | \$400 | \$800 | \$600 ** | \$200 | \$500 | \$2,500 each |
| Revocable & Irrevocable Living Trusts | \$200 | \$500 | \$400 ** | \$100 | \$300 | \$1,500 each |
| Life Insurance Trust | \$200 | \$500 | \$400 ** | \$100 | \$300 | \$1,500 each |
| Complete Model * | \$2,600 | \$5,300 | \$4,000 ** | \$1,300 | \$3,300 | \$16,500 package |
| Financial, Estate & Tax Savings Analysis | \$300 | Any charge above \$500 base price. | | \$200 (could be more based on the complexity) | | \$500 (minimum) |

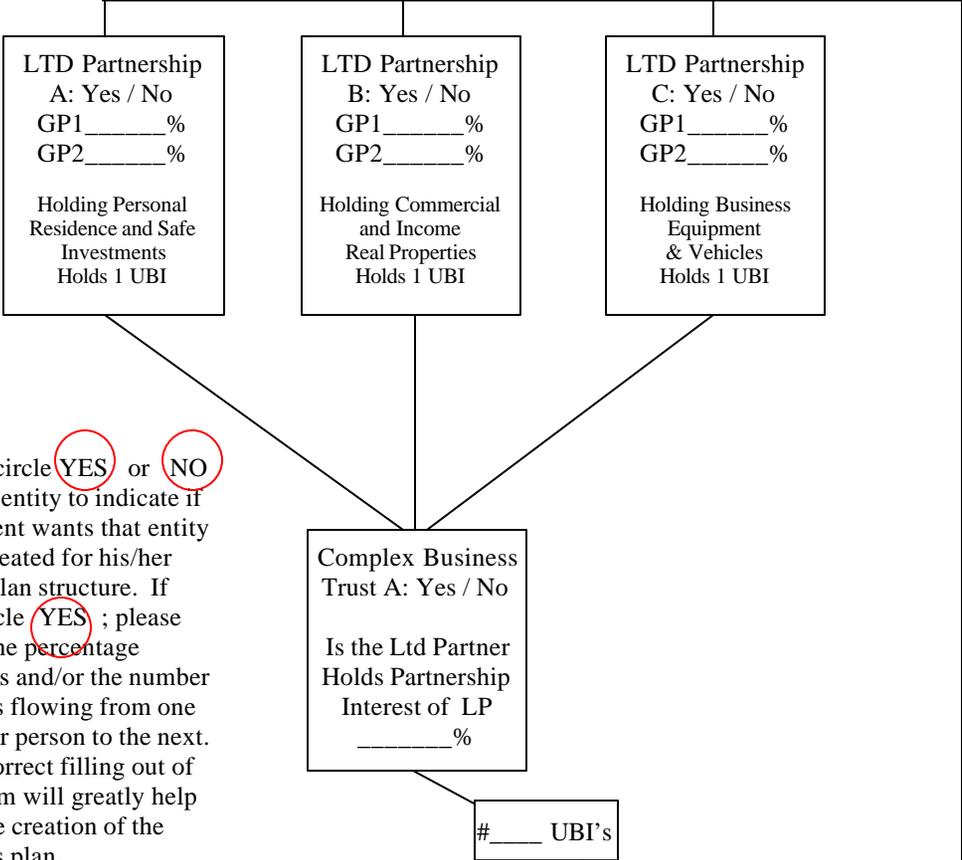
* **The Complete Model** includes four (4) Limited Partnerships, two (2) Complex Business Trusts, and one (1) Living Trust. ** **Each entity is entitled** to two (2) free property deeds. Each additional deed prepared is \$30.00 each. The cost is added to the fees of the Trust Group Document Preparation Fees.

- ◆ When conducting joint case work, we split the Group's Compensation 50/50, along with any investments or insurance that come the case in question. This equals \$500 dollars per business entity. In our complete model this equates to \$3,300 per client on joint cases for the advisor.
- ◆ Two checks should be collected from the client per entity. One for \$500 to the Attorney, and one for \$2,000 for The Baldwin Trust Group. For example: The Complete Model portfolio consisting of four LP's, two Complex Trusts, and one Living Trust ... you would collect one check for \$3,300 payable to the attorney, and one check for \$13,200 payable to The Baldwin Trust Group.

Estate Plan Selection
For: _____ **Date:** _____

ASSET PROTECTION & HOLDING STRUCTURE

OPERATIONAL ENTITY STRUCTURE



Please circle **YES** or **NO** in each entity to indicate if the Client wants that entity to be created for his/her estate plan structure. If you circle **YES**; please fill in the percentage amounts and/or the number of UBIs flowing from one entity or person to the next. Your correct filling out of this form will greatly help with the creation of the Client's plan.

Operational LTD Partnership, Yes / No

GP1 _____%

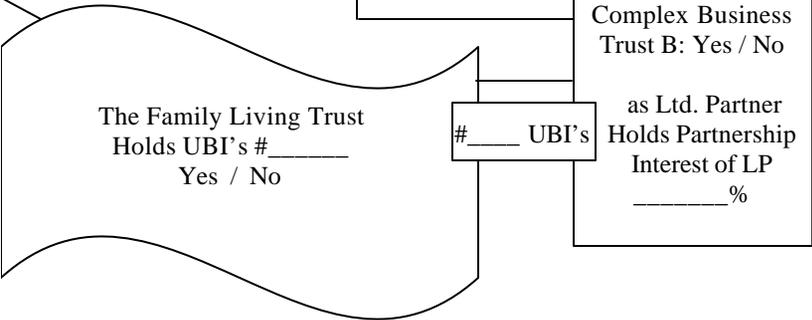
GP2 _____%

_____ % of Ltd. Partnership interest held by the "ICT" Complex Trust.

For each entity needed by the client, select it by circling Yes in the entity box.

Disregard it by circling No in the entity box.

The Final decision regarding the client structure is the responsibility of the reviewing attorney.



Client _____ Date: _____

Client _____ Date: _____

Agent _____ Date: _____

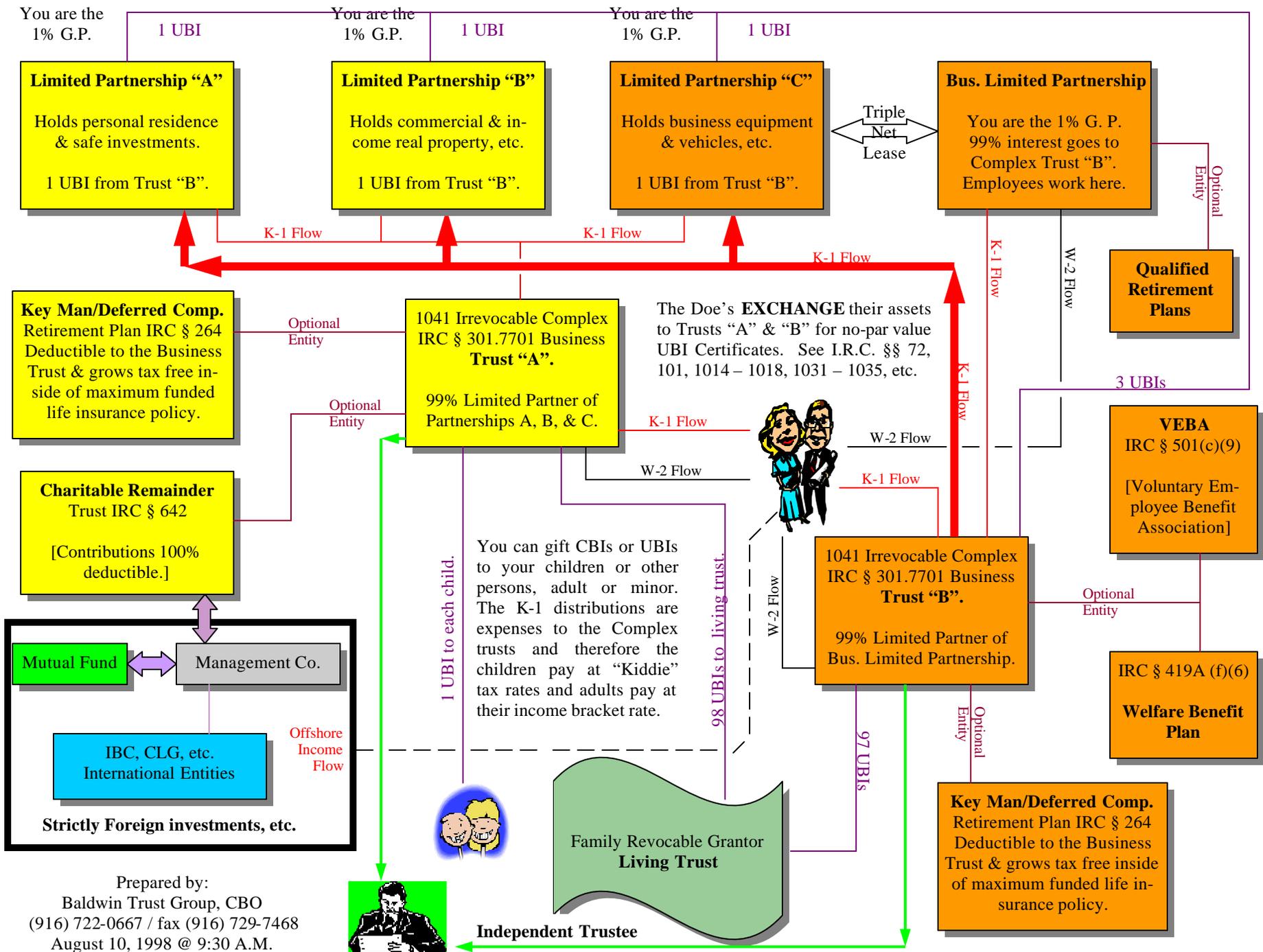
Financial & Estate Plan Price: \$ _____

ESTATE PLAN SOLUTION

For John & Jane Doe and Family

Asset Protection & Holding Structure

Business & Operational Entity Structure



Prepared by:
 Baldwin Trust Group, CBO
 (916) 722-0667 / fax (916) 729-7468
 August 10, 1998 @ 9:30 A.M.