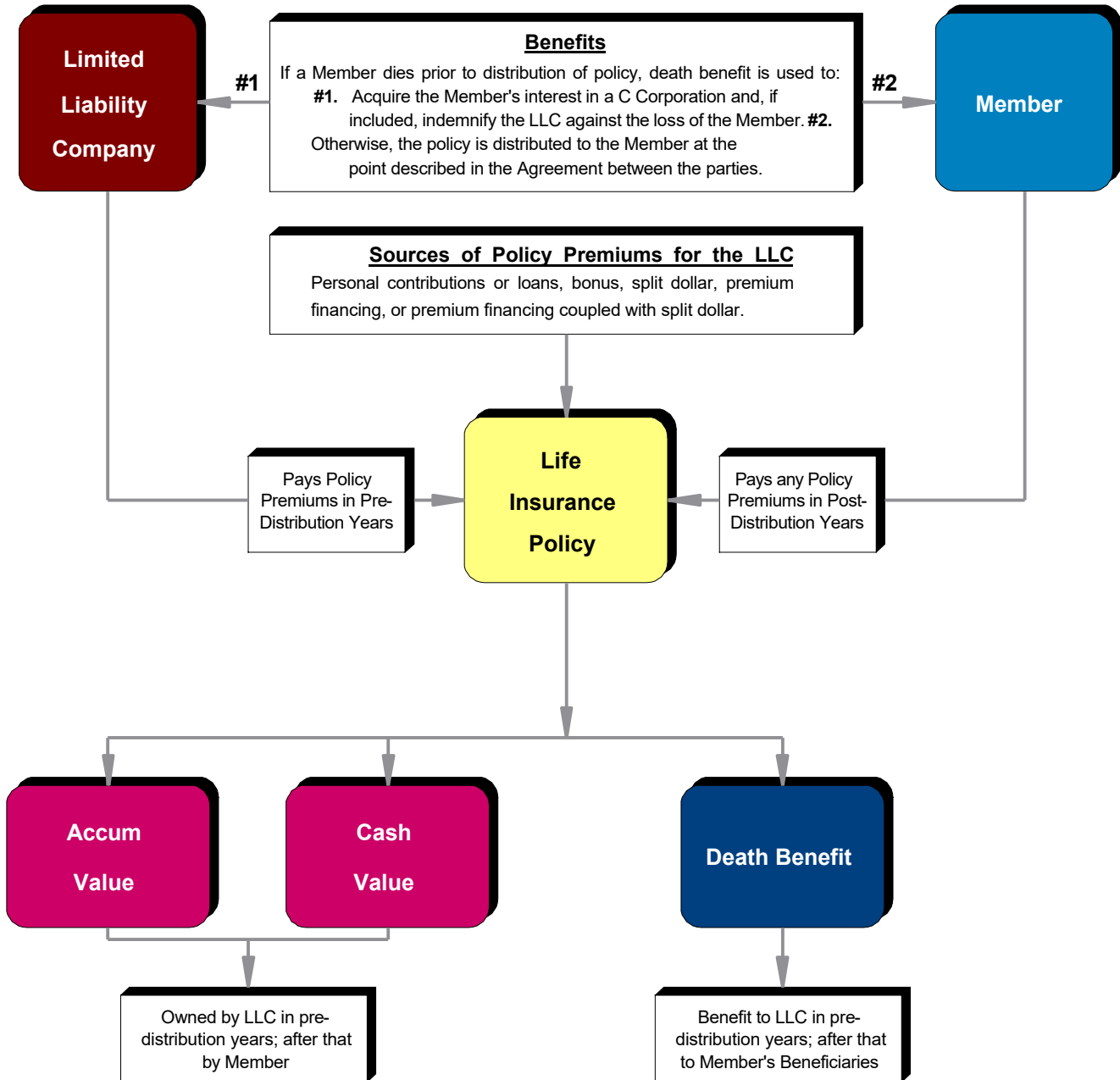


Dual Security Buy-Sell Plan Using Indexed Universal Life

Presented By: [Licensed user's name appears here]

Plan Sponsor: Brady and Carpenter, LLC
Limited Liability Company

Who Pays What - Who Receives What



When the policy is distributed to the Member as a K-1 distribution, no gain or loss need be recognized by the LLC on a distribution of property to a Member IRC Sec. 731(b)). (A life insurance policy is legally considered property). Likewise, no gain or loss need be recognized by the Member receiving the policy, regardless of whether the value of the policy is higher or lower than the adjusted basis Member's interest in the LLC. (IRC Sec. 731(a)). The basis of property (the policy in this case) distributed by the LLC to a Member, other than in liquidation of the Member's interest, is its adjusted basis to the LLC immediately before the distribution (which is the sum of the premiums paid by the LLC less any withdrawals made by the LLC prior to the distribution (IRS Rev. Proc. 2005-25)). LLCs have significant flexibility in how they account for assets, and the taxation of the policy distribution should be able to be arranged in this manner.

If multiple members are insured, the tax consequences of each distributed policy should be the same.