
FAMILY WEALTH BLUEPRINT

PREPARED FOR:

JD AND MARY RILEY

February 15, 2016

PRESENTED BY

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GOALS AND OBJECTIVES

1. Take care of ourselves and not be a burden on others in old age. Our after tax income needs are \$20,000 per month net of taxes, family gifts, charitable gifts, investments, etc.
2. Sell the business in 1 to 3 years. Continue the process of improving our business systems, filling and developing key leadership staff so the business is less dependent on JD and more attractive to a buyer.
3. Consider ways to make our operation more efficient to increase our Earnings before Income Taxes, Depreciation, and Amortization (EBITDA). We do not want to transfer the business to Garrett. His primary strengths are in the area of sales, not management. But he will be an asset to the next owner or be able to earn a good living elsewhere.
4. Reduce income tax on the sale of the business. Consider charitable planning strategies for this if it is feasible.
5. Consider asset protection issues and restructure the ownership of our key assets to reduce our exposure to lawsuits.
6. Minimize estate taxes.
7. Provide for our family from our estate. When asked how we would like to divide our estate between family, taxes and charity; we said 75% to family, 25% to charity and 0% to taxes. We want to know if this is feasible with conservative strategies that do not jeopardize our income or compromise our flexibility and security.
8. Provide half of the college expenses for our grandchildren for a state university education. This should take approximately \$20,000 per year for each grandchild for up to 4 years.
9. Make sure any inheritance we leave to our family cannot ever be transferred to ex-spouses of our children in the event of a future divorce.
10. Keep the lake cottage in the family and make it available for future generations. We want our family to continue to gather in this place that has become so special to us.
11. We feel that giving is a responsibility. We want to develop a strategy to accelerate and facilitate the philanthropic motivations of our children and grandchildren.
12. Develop a strategy to celebrate and perpetuate the core values which have contributed to our success and prosperity. We want to be intentional about family gatherings. We built our prosperity on hard work. We want to inoculate our family members from developing an entitlement mentality or a dependency on gifts.

JD AND MARY RILEY

FAMILY INFORMATION

BIOGRAPHICAL DATA

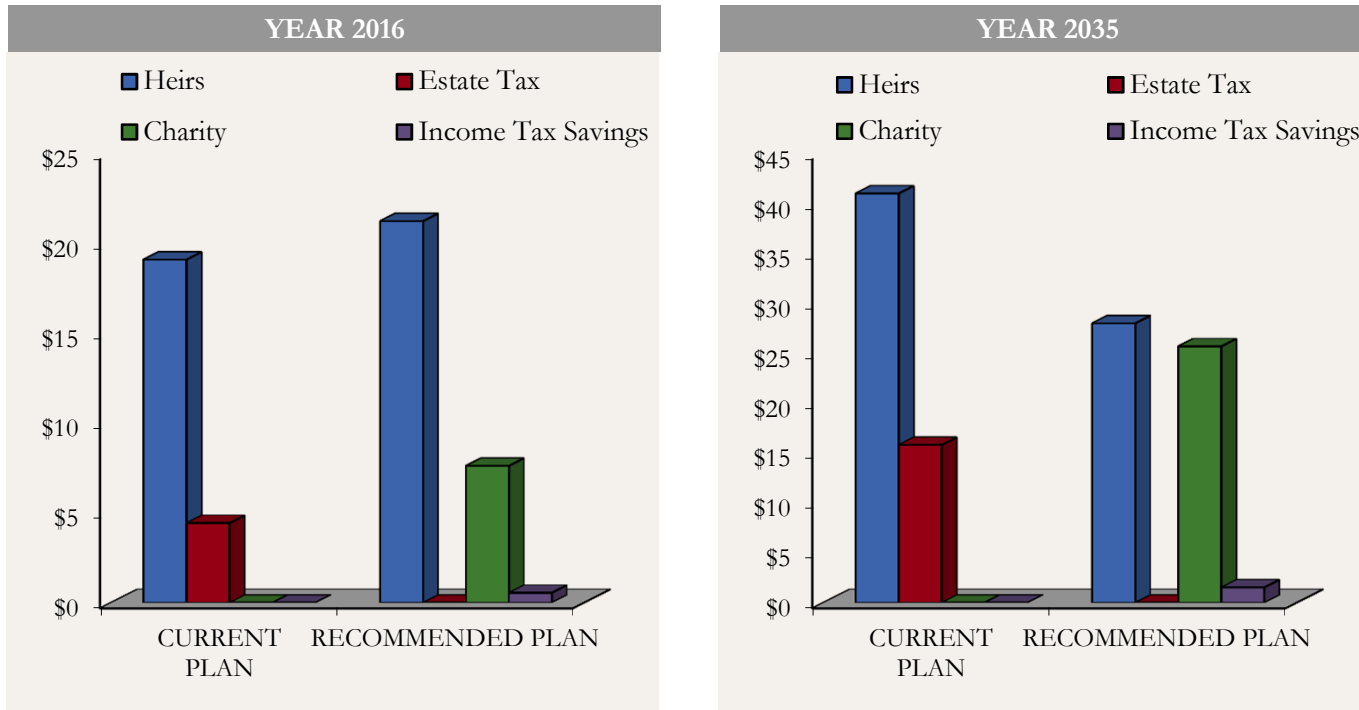
CLIENT NAME	JD Riley	AGE	70
SPOUSE NAME	Mary Riley	AGE	70
HOME ADDRESS	123 Liberty Way Small Town, USA 12345		

CHILDREN AND GRANDCHILDREN

NAME	AGE	SPOUSE'S NAME	CHILDREN
Jody Riley Combs	45	Tyler	Megan (8), Garrett (6)
Heather Riley Marks	42	Derek	Jordan (3)
Garrett Riley	40	Alissa	Marissa (5), JD (2)

COMPARISON OF CURRENT VS RECOMMENDED PLAN RESULTS

DOLLARS IN MILLIONS



	YEAR 2016		YEAR 2035	
	CURRENT PLAN	RECOMMENDED PLAN	CURRENT PLAN	RECOMMENDED PLAN
Heirs at 2nd Death	\$19.1 *	\$15.7	41.0 *	\$23.2
Deferred Inheritance	0.0	5.6	0.0	4.8
Estate Tax	4.4	0.0	15.8	0.0
Charity	0.0	7.6	0.0	25.7
Income Tax Savings	0.0	0.6	0.0	1.5

*After sale of company and payment of capital gain tax

JD AND MARY RILEY

STATEMENT OF NET WORTH

CURRENT VALUES

	JD	MARY	JOINT	TOTAL
CASH AND EQUIVALENTS				
Checking and savings	\$ -	\$ -	\$ 150,000	\$ 150,000
Total of Cash and Equivalents	-	-	150,000	150,000
MARKETABLE SECURITIES AND NOTES				
Personal brokerage account	-	-	350,000	350,000
Promissory notes from brothers	560,000	-	-	560,000
Total of Taxable Marketable Securities	560,000	-	350,000	910,000
OTHER INVESTMENTS				
UltraStone Inc.	1,500,000	1,500,000	-	3,000,000
UltraStone USA, Inc.	6,000,000	6,000,000	-	12,000,000
Total of Other Investments	7,500,000	7,500,000	-	15,000,000
QUALIFIED RETIREMENT PLANS				
401(k)	430,000	-	-	430,000
IRA	-	110,000	-	110,000
Total Qualified Retirement Plans	\$ 430,000	\$ 110,000	\$ -	\$ 540,000

JD AND MARY RILEY

STATEMENT OF NET WORTH

CONTINUED

	JD	MARY	JOINT	TOTAL
INVESTMENT REAL ESTATE				
1120 E. Tressel St. (UltraStone USA)	\$ 900,000	\$ 900,000	\$ -	\$ 1,800,000
1080 E. Tressel St. (UltraStone)	450,000	\$ 450,000	\$ -	900,000
Big Tumbler Ranch, 540 ac.	720,000	-	-	720,000
Total of Real Estate Holdings	2,070,000	1,350,000	-	3,420,000
PERSONAL RESIDENCES				
123 Liberty Way	-	-	550,000	550,000
Lake house	-	-	800,000	800,000
Total of Personal Residences	-	-	1,350,000	1,350,000
PERSONAL PROPERTY				
Vehicles, jewelry, art, boat	-	-	400,000	400,000
TOTAL ASSETS	10,560,000	8,960,000	2,250,000	21,770,000
LIABILITIES				
TOTAL LIABILITIES	-	-	-	-
NET WORTH	\$ 10,560,000	\$ 8,960,000	\$ 2,250,000	\$ 21,770,000

ENDNOTES

Sale Analysis for UltraStone USA and associated real estate	
For purposes of illustration	
Ultrastone USA is illustrated as sold outright for	12,000,000
Adjusted cost basis	500,000
Selling expenses	400,000
Ordinary income	320,000
Charitable deduction	
Long-term gain income	10,780,000
Estimated tax	2,700,000
Net cash proceeds after taxes & expenses	8,900,000
UltraStone USA Offices and Warehouse	1,800,000
Adjusted cost basis	600,000
Selling expenses	75,000
Long-term gain income	1,125,000
Estimated tax	225,000
Net cash proceeds after taxes & expenses	1,500,000

JD AND MARY RILEY

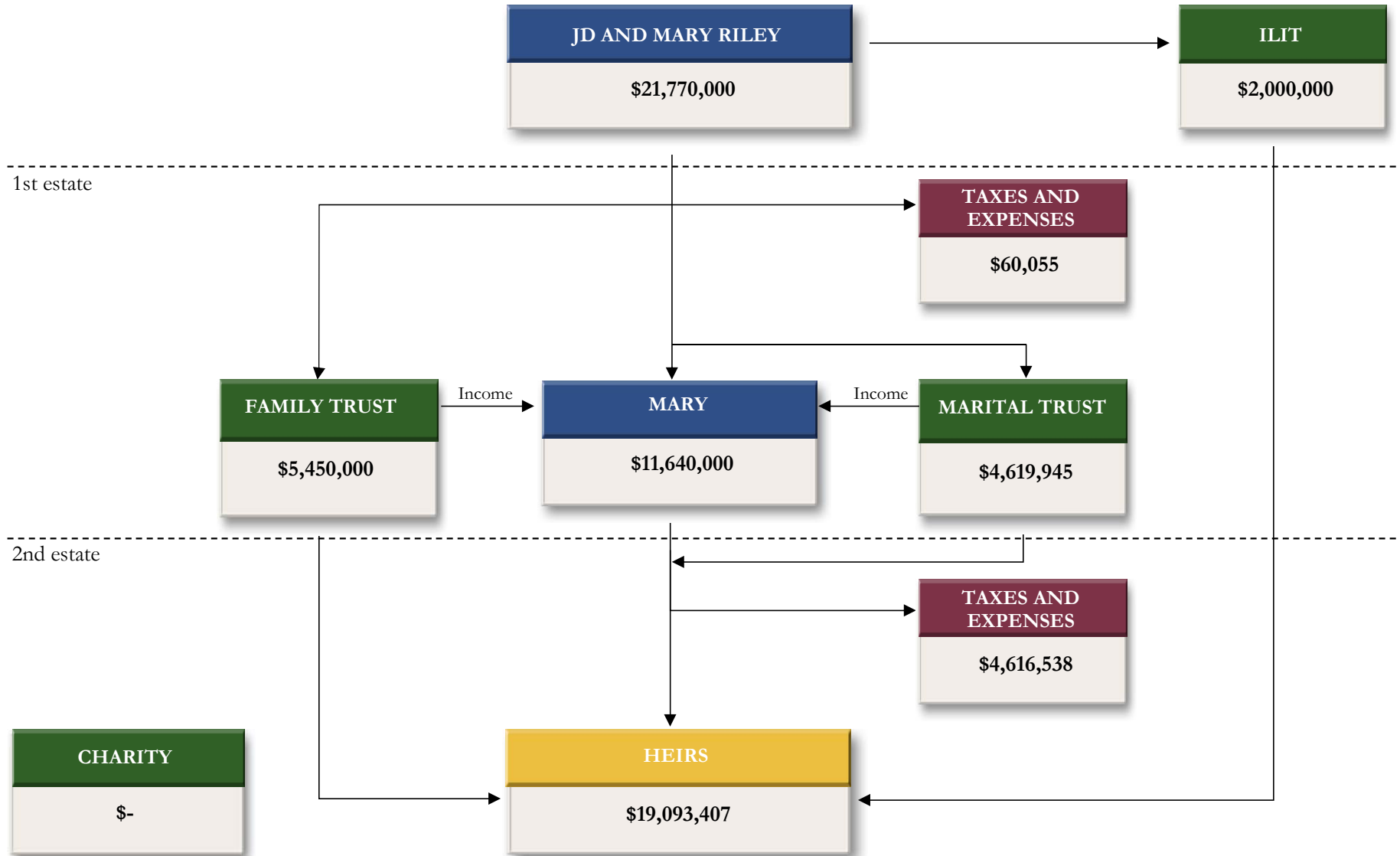
SCHEDULE OF LIFE INSURANCE

CURRENT PLAN

COMPANY	INSURED	POLICY #	BENE-FICIARY	PREMIUM	CASH VALUE	DEATH BENEFIT
POLICIES OWNED BY ILIT						
Outstandia Life	JD	98654321	2005 Trust	24,000	37,000	2,000,000
Totals				\$ 24,000	\$ 37,000	\$ 2,000,000

CURRENT ESTATE DISTRIBUTION DIAGRAM

DEATH OCCURS IN 2016



OBSERVATIONS

What's Working?

- ◆ Your family. You have healthy relationships with your children and grandchildren.
- ◆ Your business. You have done an incredible job of accumulating wealth.
- ◆ Your business succession plan. You have developed a good management team are well positioned to maximize your business building efforts.
- ◆ Your contributions to and involvement with charity.

Financial Resources

1. You are in a very strong financial position. Your current resources appear to be sufficient to meet all your personal, family and charitable goals.
2. You indicated a desire to provide funds to help with your grandchildren's college expenses. You appear to have sufficient resources to do this and still maintain a comfortable reserve fund.
3. You have indicated a strong desire to make charitable gifts in stead of paying taxes to the extent that is safe and affordable. Our preliminary analysis indicates that you should be able to maintain your current standard of living, provide for your family, make a charitable gift commitment of approximately \$5 million and still maintain a comfortable reserve fund.

Estate Planning Issues

4. Your wills, revocable trust and durable powers are old and should be updated.
5. Your current estate plan would likely result in an estate tax liability of nearly \$3 million at the death of the survivor spouse. You indicated that you want to avoid this.
6. Your current estate plan does nothing to manage the growth in the size of your taxable estate or the additional estate tax this growth could generate.
7. Despite your strong charitable intent, you have no provisions in your current plan to leave any bequests to charity.

OBSERVATIONS

Income Tax Issues

8. In recent years, your income taxes have been in the \$1.5 million range. This is largely due to the pass-through income from your businesses. In the future, it may be useful to give consideration to structures for your investments that generate taxable income only to the extent of your personal cash flow needs. For example, if your personal cash flow needs are \$300,000, then taxable income of \$450,000 may be sufficient to meet your needs after paying \$150,000 of income tax. This is far less tax than you have been paying and would require a legal structure that would avoid the tax on earnings that are not distributed to you for spending.
9. When you sell UltraStone, USA, you also plan to sell your facility at 1120 E. Tressel St. You have no plan in place to reduce the capital gain tax liability that will be due on this sale.
10. Despite your strong charitable intent, you have no provisions in your current business succession plan to make gifts to charity with pretax dollars.

Asset Protection Issues

11. Your current plan leaves assets to your children in trust. But your trustee is instructed to distribute one third of the assets to them at age 30, one half of the remaining assets at age 35 and the balance of the assets at age 40. These outright distributions will become subject to the risk of lawsuits, creditors and potential future divorces.

SUMMARY OF RECOMMENDATIONS

1. Qualified Personal Residence Trust

- ◆ Transfer your beach home to a QPRT. Retain the right to use the property for a term of years.
- ◆ Following the term, the property will legally belong to your children. This can be held in trust for them for generations.
- ◆ After the term expires, you can lease the property. Your rent payments can be tax-free to the trust. These funds can be used to maintain the property.

2. Donor Advised Fund

- ◆ Income tax and charitable planning
- ◆ Recapitalize UltraStone into voting and nonvoting shares
- ◆ Contribute the real estate 1120 E. Tressel St. (UltraStone USA offices and warehouse) to a Donor Advised Fund in advance of selling to the buyer.
- ◆ Contribute shares of nonvoting stock in UltraStone, Inc. to a Donor Advised Fund Trust systematically over time.

3. Irrevocable Life Insurance Trust

- ◆ Consider transferring your existing \$2 million policy to a new trust with provisions that are more
- ◆ Create a new irrevocable trust for the benefit of your family and have it acquire a new \$3 million policy on your lives.
- ◆ This will bring the total inheritance passing at the second death to be consistent with your goals.

4. Testamentary Charitable Lead Trust

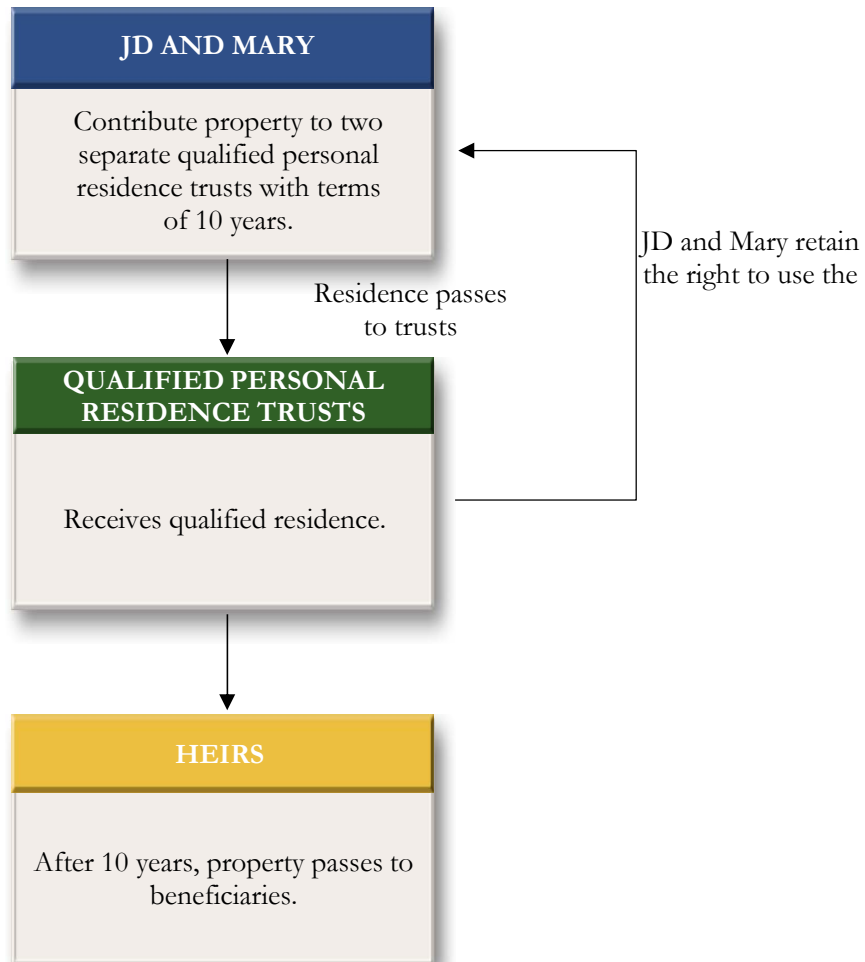
- ◆ Revise your revocable living trusts and leave a portion of the estate the survivor to the TCLAT to reduce your estate to the maximum allowable tax-free amount.
- ◆ The TCLAT will be designed so contributions to it will be 100% deductible from your taxable estate.
- ◆ This will provide income to your Family Foundation for a term of years that begins upon the death of the surviving spouse. At the end of the term, the property remaining in the trust passes to your family.
- ◆ Since this will be incorporated into your revocable living trust, you can change your mind about this as long as you are living and competent.

SUMMARY OF RECOMMENDATIONS

5. Testamentary Bequest of IRA

- ◆ Revise your IRA beneficiary designations to name the surviving spouse as primary beneficiary and charity (your Donor Advised Fund) as contingent beneficiary.
- ◆ Qualified plans are some of the most heavily taxed assets. This strategy will avoid all taxes on any portion of your IRAs that you don't spend.

QUALIFIED PERSONAL RESIDENCE TRUSTS



QUALIFIED PERSONAL RESIDENCE TRUSTS

KEY BENEFITS AND DESIGN CONCEPTS

KEY BENEFITS

- ◆ Reduce gift and estate tax
- ◆ Increase benefits to heirs
- ◆ Retain control of assets transferred to heirs

DESIGN CONCEPTS

- ◆ The QPRT is an arrangement in which you irrevocably agree to give away one or more qualified residences to your heirs in the future. You retain the right to live in this residence for the number of years you choose. Following this term, the residence passes to your heirs.
- ◆ You begin by retitling your home into separate interests. Then, each of you transfers your separate interest in the home to a QPRT. We are showing only one box for simplicity purposes.
- ◆ You obtain an appraisal on each of your separate interests from a qualified appraiser. Because one of you cannot easily sell your portion of the property without the cooperation of the other, the sum of the appraised separate interests should be less than the value of the home as you hold title to it now.
- ◆ When you make the contribution, you are making a gift to the beneficiaries. The value of this gift for tax purposes is less than the current value of the property since the beneficiaries have to wait to receive the property.
- ◆ The present value of this taxable gift is calculated by reference to Treasury Regulation tables and is based upon the term, the current applicable federal interest rate, and other factors.
- ◆ We assumed that the property contributed has a current value of \$800,000, and that the reduction in value due to the lack of marketability of fractional interests is 20%.
- ◆ Based on these assumptions, we estimate that your combined total taxable gifts is \$343,085. You can use a portion of your lifetime exemption to shelter this gift.
- ◆ We estimate the value of the property passing to your beneficiaries to be \$1,075,133 by the year 2035.
- ◆ After the term expires, you can lease the home from your children. This provides an additional wealth transfer opportunity because your lease payments are not considered gifts. And, if the trust continues on behalf of the children but is drafted as a grantor trust with respect to JD, the lease payments would not be subject to income tax.
- ◆ Should you die prior to the expiration of the term, the residence will revert to your estate and the situation will be no different than if you had not established the trust.

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QUALIFIED PERSONAL RESIDENCE TRUSTS

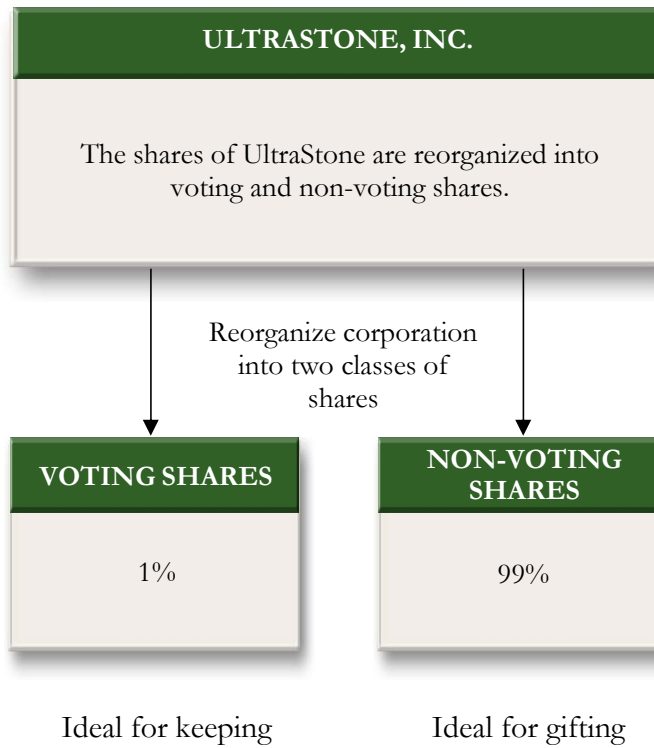
HYPOTHETICAL VALUES

ASSUMPTIONS			
GROWTH RATE	3.0%	TAXABLE GIFT	343,085
TERM	10	7520 RATE	2.2%

Year	Initial Contributions	Value of Taxable Gifts	(End of Yr) Value of Residence in Estate	Value to Heirs
1	640,000	343,085	824,000	-
2	-	-	848,720	-
3	-	-	874,182	-
4	-	-	900,407	-
5	-	-	927,419	-
6	-	-	955,242	-
7	-	-	983,899	-
8	-	-	1,013,416	-
9	-	-	1,043,819	-
10	-	-	-	1,075,133
Totals	640,000	343,085		1,075,133

JD AND MARY RILEY

RECAPITALIZE ULTRASTONE, INC.



RECAPITALIZE ULTRASTONE, INC.

KEY BENEFITS AND DESIGN CONCEPTS

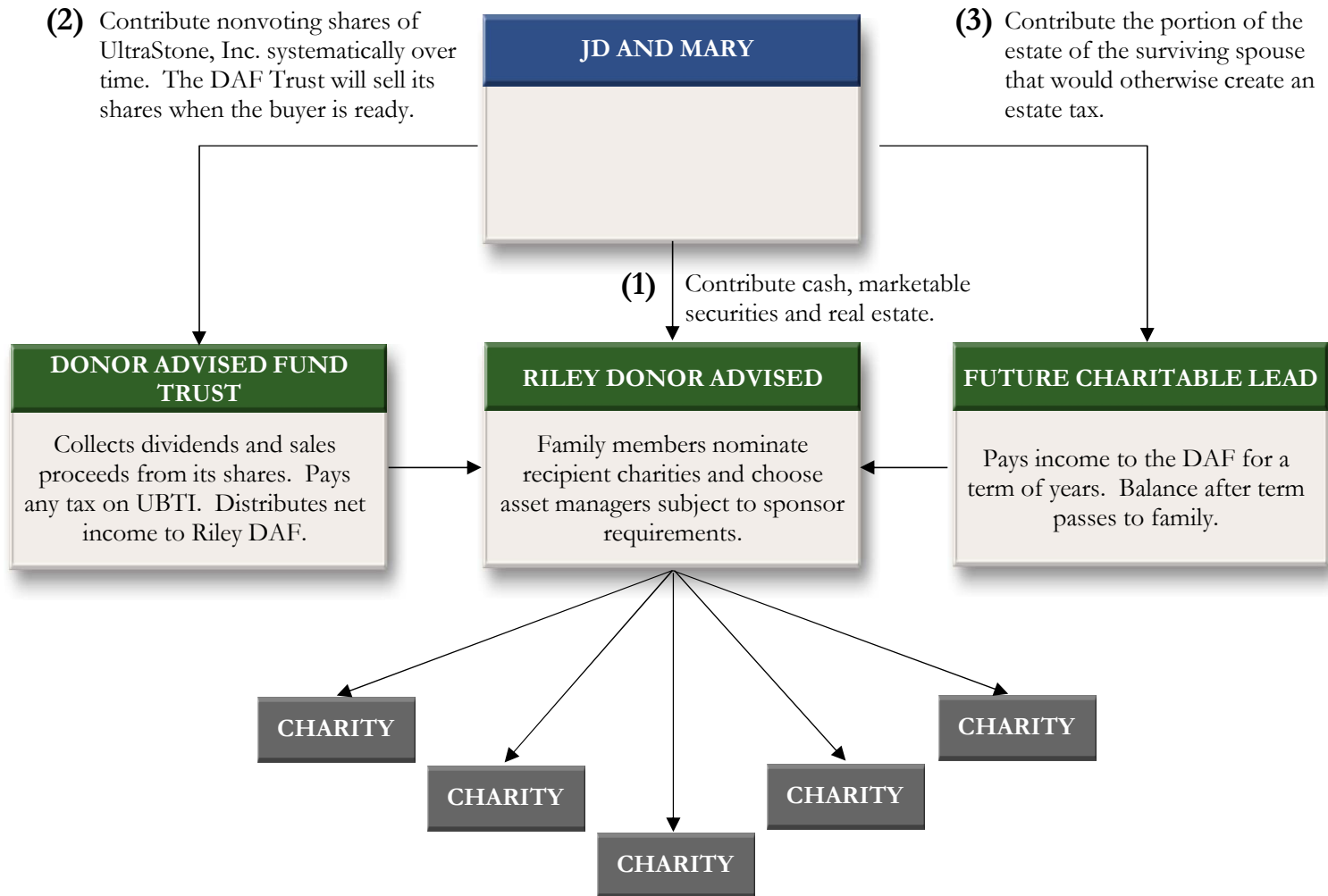
KEY BENEFITS

- ◆ Maintain control
- ◆ Create an asset that is acceptable for a Donor Advised Fund strategy.
- ◆ Non-voting shares could be used to reward and retain key employees if desired in the future

DESIGN CONCEPTS

- ◆ A recapitalization is an income tax-free corporate reorganization for both the current stockholders and the corporation, assuming that the reorganization has a valid business purpose.
- ◆ These recapitalizations will separate the existing shares into two classes, voting and non-voting.
- ◆ By retaining the voting class shares, you will maintain control of the business.
- ◆ Non-voting shareholders have limited liability and no control over investment or distribution decisions. Non-voting shares are illiquid and have limited marketability.
- ◆ A charity will generally **ONLY** accept non-voting shares as gifts.

DONOR ADVISED FUND



DONOR ADVISED FUND

KEY BENEFITS AND DESIGN CONCEPTS

KEY BENEFITS

- ◆ Create large charitable income tax deductions
- ◆ Support worthy charitable causes
- ◆ Maintain significant influence over investments, policies, timing of distributions
- ◆ Perpetuate family name and influence
- ◆ Involve family members in philanthropic activities
- ◆ Create leadership, management and community involvement opportunities for family
- ◆ Simplicity

DESIGN CONCEPTS

- ◆ A DAF is a program offered by some public charities that allows a donor to make a charitable contribution and retain a meaningful influence over how the funds are allocated toward recipient charitable organizations. A DAF may be an attractive alternative to a private foundation.
- ◆ The charitable organizations that offer DAFs have specific policies with respect to operational details. Because policies differ among organizations, it is important to obtain specific information about any DAF before making a contribution.
- ◆ You can make gifts directly to your DAF during your life and name your DAF as the beneficiary of charitable trusts and as a partial beneficiary of your estate.
- ◆ When you make a charitable contribution to establish a DAF, the charity accounts for the funds as if they were held in a segregated account. The donor generally is given the privilege to request that the board of directors make distributions from the fund, from time to time, to charitable projects of the donor's choosing.
- ◆ Although the board is under no legal obligation to comply with the donor's request, as a matter of policy, they generally will do so provided that the request falls within the scope of the stated purpose of the sponsoring organization and if the designated recipient is a public charity.
- ◆ Public charities include many hospitals, educational institutions, social service providers, religious groups, environmental organizations and community foundations.

DONOR ADVISED FUND

DESIGN CONCEPTS CONTINUED

- ◆ Contributions to a DAF are irrevocable and become the sole property of the organization. Without this feature, no charitable income tax deduction would be allowed.
- ◆ Donors that make a contribution to a DAF generally receive a charitable income tax deduction equal to the fair market value of the contribution. Donors are allowed to use the charitable deductions up to an amount equal to 50% of their adjusted gross income for contributions of cash and up to 30% for contributions of long term capital gain property. Any excess deduction can be carried over and used in the following year for up to five additional years.
- ◆ Most charities will insist on investing the funds according to investment policies established by the board of directors. In a few instances, the board may be open to the requests of the donor but legally the donor can have no direct control over the management of funds.
- ◆ The charitable organization handles all reporting and administrative issues. The donor does not have to file any paperwork other than requests to the board to make charitable distributions. Generally, you will receive at least quarterly reports on your DAF.
- ◆ Set up fees are usually modest and annual administrative expenses are often 1% of asset value.
- ◆ You may choose to enhance your family influence through your DAF helping to preserve your family name and reputation, giving the members of each generation better opportunities to establish their own presence in their communities or you can elect to give anonymously.
- ◆ You can establish an advisory board composed of your family members and decide together which causes to support. Some DAF sponsors will allow second generation family members to continue to advise on charitable distributions.
- ◆ A Donor Advised Fund Trust is purposefully designed to accept gifts of closely-held stock and other assets that generate unrelated business taxable income ("UBTI"). Even though tax on UBTI cannot be entirely avoided, special rules that apply to these trusts enable this structure to minimize the tax payable by charity and maximize the net after tax income that can ultimately pass to your Donor Advised Fund.
- ◆ It will be important to charity to have an exit plan for the stock within five years.

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DONOR ADVISED FUND

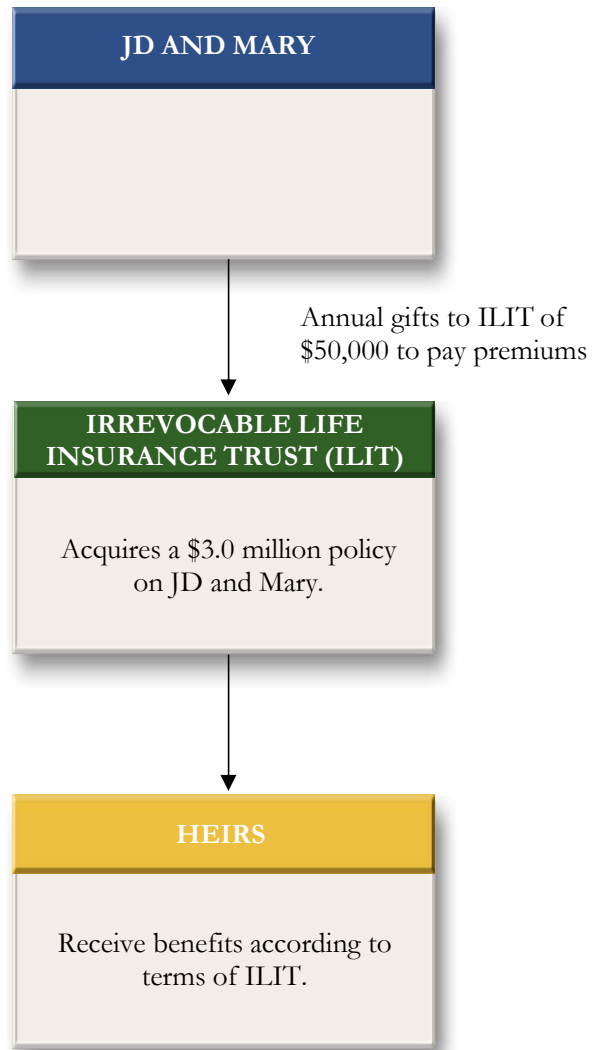
HYPOTHETICAL CONTRIBUTIONS AND POTENTIAL TAX SAVINGS

Year	Contributions of Cash	Contribution of Real Estate	Contribution of UltraStone, Inc	Total Charitable Deductions	Hypothetical Income Tax Savings*
1	30,000	1,800,000	-	1,830,000	549,000
2	30,600	-	252,070	282,670	84,801
3	31,212	-	259,632	290,844	87,253
4	31,836	-	267,421	299,257	89,777
5	32,473	-	275,444	307,916	92,375
6	33,122	-	283,707	316,829	95,049
7	33,785	-	292,218	326,003	97,801
8	34,461	-	300,985	335,445	100,634
9	35,150	-	310,014	345,164	103,549
10	35,853	-	319,315	355,167	106,550
11	36,570	-	328,894	365,464	109,639
12	37,301	-	0	37,301	11,190
Totals	402,363	1,800,000	2,889,698	5,092,061	1,527,618

* This is an estimate only and derived by multiplying the total charitable deductions by an average tax rate of 30%. The actual tax savings will be determined annually. It will be affected by your actual tax rates at the

JD AND MARY RILEY

IRREVOCABLE LIFE INSURANCE TRUST



IRREVOCABLE LIFE INSURANCE TRUST

KEY BENEFITS AND DESIGN CONCEPTS

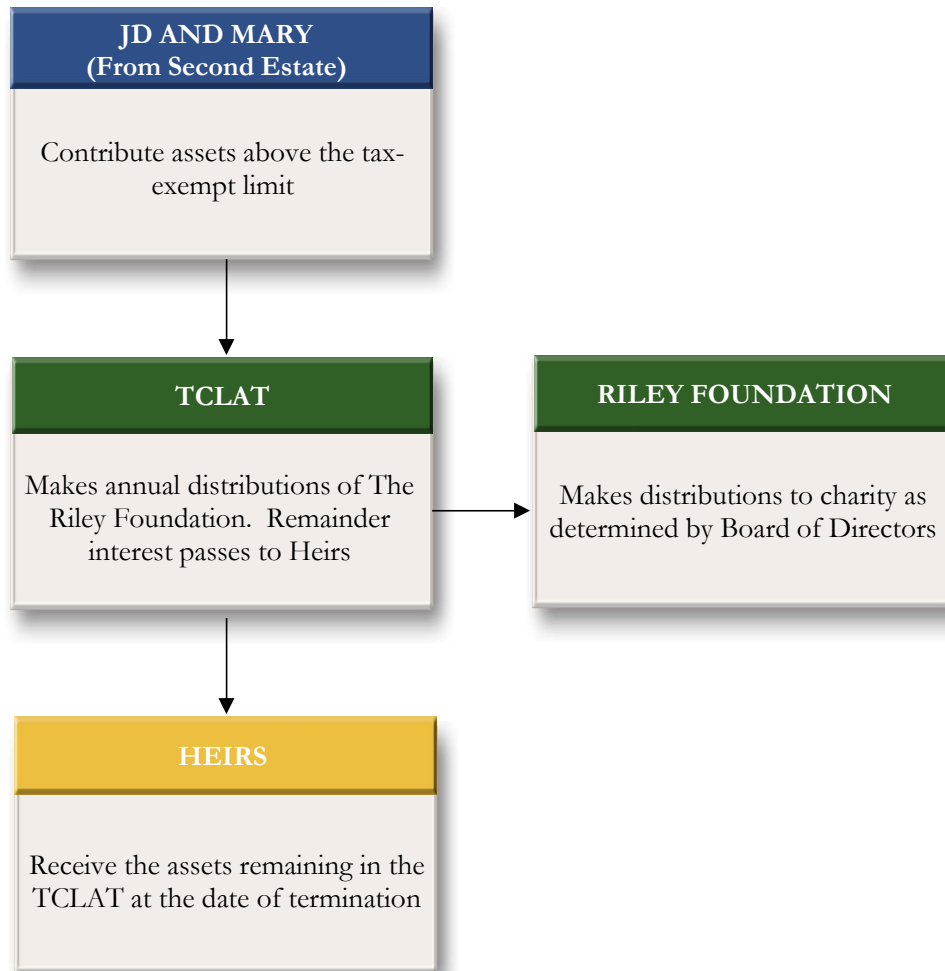
KEY BENEFITS

- ◆ Make current gifts to family members
- ◆ Accumulate assets outside your taxable estate
- ◆ Protect assets from claims of creditors
- ◆ Avoid income tax on the accumulation of funds
- ◆ Avoid estate tax upon the distribution of funds to the family
- ◆ Create a source of liquidity to cover estate taxes or expenses

DESIGN CONCEPTS

- ◆ A primary purpose of this trust is to provide an inheritance benefit to your children to compensate, in part, for the charitable gifts you make during your life.
- ◆ Although you could use your 2005 Irrevocable Life Insurance Trust, we recommend establishing a new trust with better provisions.
- ◆ The trustee will be the applicant and owner of a \$3.0 million life insurance policy insuring your life (or lives). The trustee will pay annual premiums of \$50,000.
- ◆ You can shelter gifts to the ILIT by applying your annual exclusions. To qualify for the annual gift tax exclusion, your gifts must be gifts of *present interest*. To accomplish this, after you make each gift, the trustee will notify your children that they have a right to withdraw the funds within thirty days.
- ◆ After the withdrawal period expires, the trustee will use the funds to pay premiums on a life insurance policy on your lives.
- ◆ If the amount of desired death benefit requires premiums greater than the annual gift exclusion, you can use a portion of your unified credit for the excess gift.
- ◆ Upon receiving the policy death benefit, the trustee will either hold the proceeds, invest the funds, and distribute income to the beneficiaries, or distribute the funds outright, depending on how you direct the document to be drafted.
- ◆ A joint and last-to-die life insurance policy has the advantage of relatively inexpensive joint mortality rates, but careful consideration of the client's situation should be taken before selecting a policy.

TESTAMENTARY CHARITABLE LEAD ANNUITY TRUST



TESTAMENTARY CHARITABLE LEAD ANNUITY TRUST

KEY BENEFITS AND DESIGN CONCEPTS

KEY BENEFITS

- ◆ Create a deferred inheritance for your beneficiaries
- ◆ Reduce or eliminate the estate tax attributable to the assets transferred to the trust
- ◆ Make large charitable contributions

DESIGN CONCEPTS

- ◆ Your Executor or Trustee funds a Testamentary Charitable Lead Annuity Trust (TCLAT) with assets from your estate according to the instructions you leave in your Will or Revocable Trust. You can change these instructions any time during your life.
- ◆ It is an irrevocable trust that will make annual distributions to a charity(ies) you choose for a specified term of years. At the end of the term, the assets remaining in the trust pass to your beneficiaries.
- ◆ We have assumed that you direct your Trustee to fund the trust with the minimum amount needed to
- ◆ The TLCAT will make fixed distributions annually for a term of 18 years.
- ◆ When your Trustee funds the TCLAT, the contribution is treated as a simultaneous gift to charity and a gift to your beneficiaries.
- ◆ The charitable gift value is calculated by reference to tables in Treasury Regulations and is based upon the term, the charitable distributions, the current interest rate and other factors. It is deductible from your taxable estate.
- ◆ Based on these assumptions, we estimate your estate tax charitable deduction to be 100.0% of the value of your contribution.

JD AND MARY RILEY

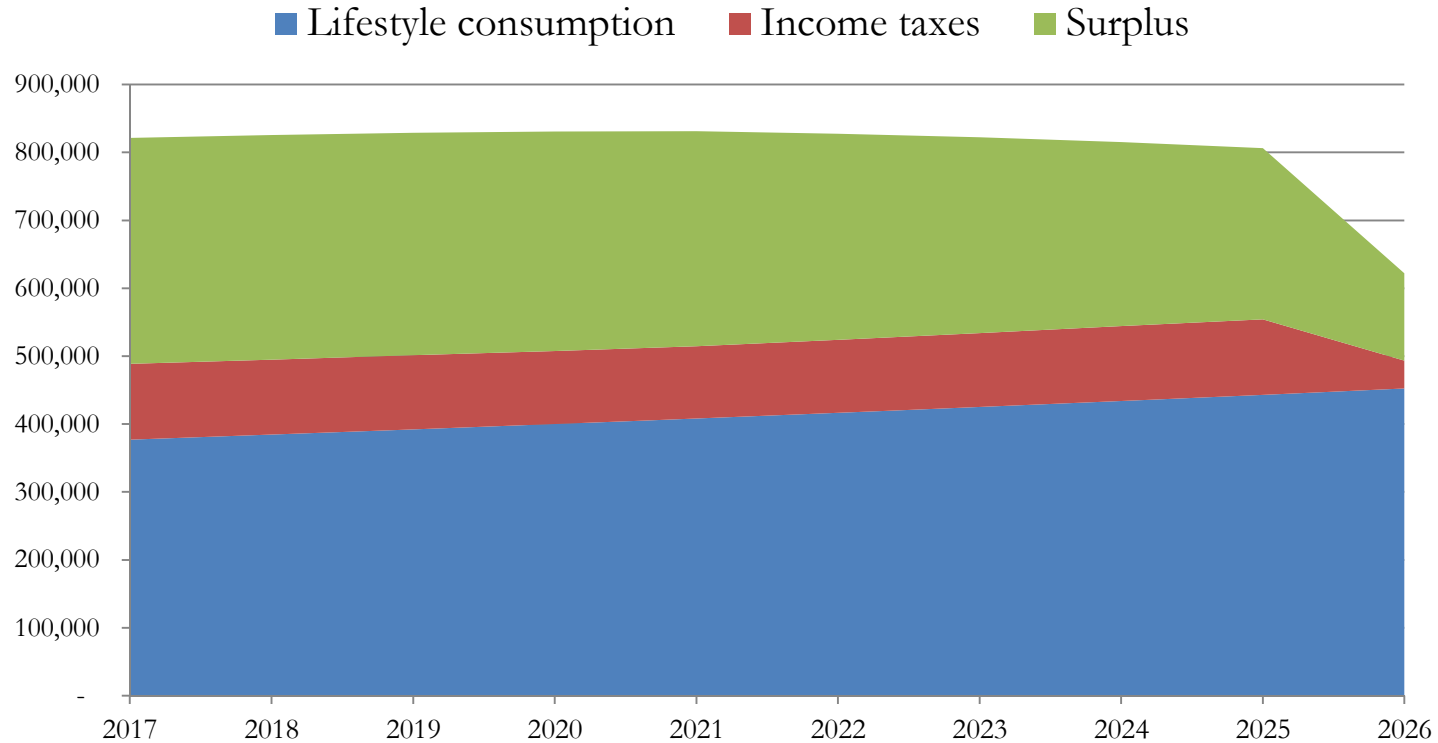
TESTAMENTARY CHARITABLE LEAD ANNUITY TRUST

HYPOTHETICAL VALUES

ASSUMPTIONS			
TOTAL RETURN	7.0%	PAYOUT RATE	6.67%
DEDUCTION FACTOR	100.0%	TERM	18
CURRENT 7520 RATE	2.0%		

Year	Hypothetical Contribution in 2016	Value of Assets In TCLAT	Distribution to Charity	Distribution to Heirs
1	8,554,422	8,582,632	570,599	-
2	-	8,612,817	570,599	-
3	-	8,645,115	570,599	-
4	-	8,679,674	570,599	-
5	-	8,716,652	570,599	-
6	-	8,756,219	570,599	-
7	-	8,798,555	570,599	-
8	-	8,843,855	570,599	-
9	-	8,892,326	570,599	-
10	-	8,944,189	570,599	-
11	-	8,999,684	570,599	-
12	-	9,059,062	570,599	-
13	-	9,122,598	570,599	-
14	-	9,190,580	570,599	-
15	-	9,263,322	570,599	-
16	-	9,341,155	570,599	-
17	-	9,424,437	570,599	-
18	-	-	570,599	9,513,549
Totals	8,554,422		10,270,784	9,513,549
NPV @ 3%			7,847,742	5,588,207

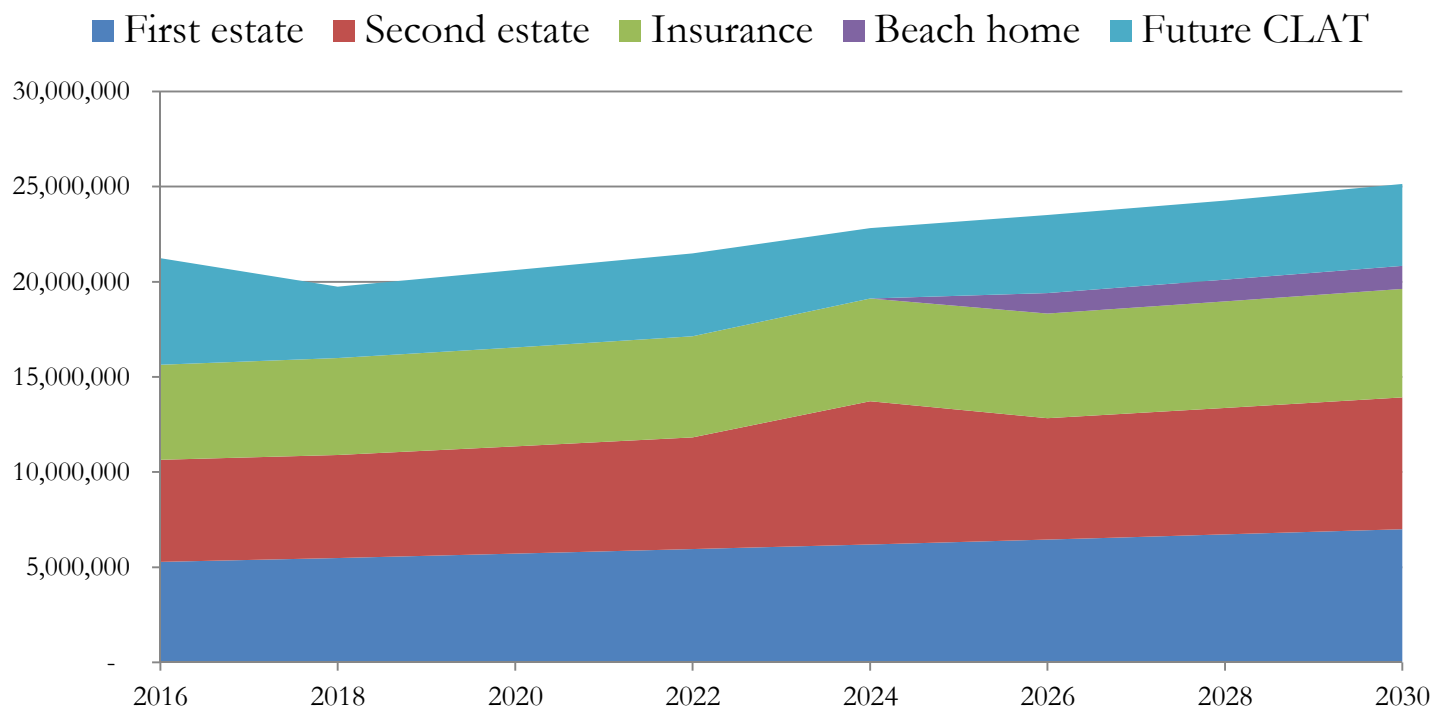
JD AND MARY RILEY
SURPLUS CASH FLOW ANALYSIS



This chart illustrates several important points.

1. You have significantly more income than you need to support your lifestyle.
2. Your income taxes are high.
3. It appears you can afford to allocate some of your excess cash to strategies which will reduce your income taxes, contribute to your wealth transfer goals, contribute to your charitable goals or some combination of the three.

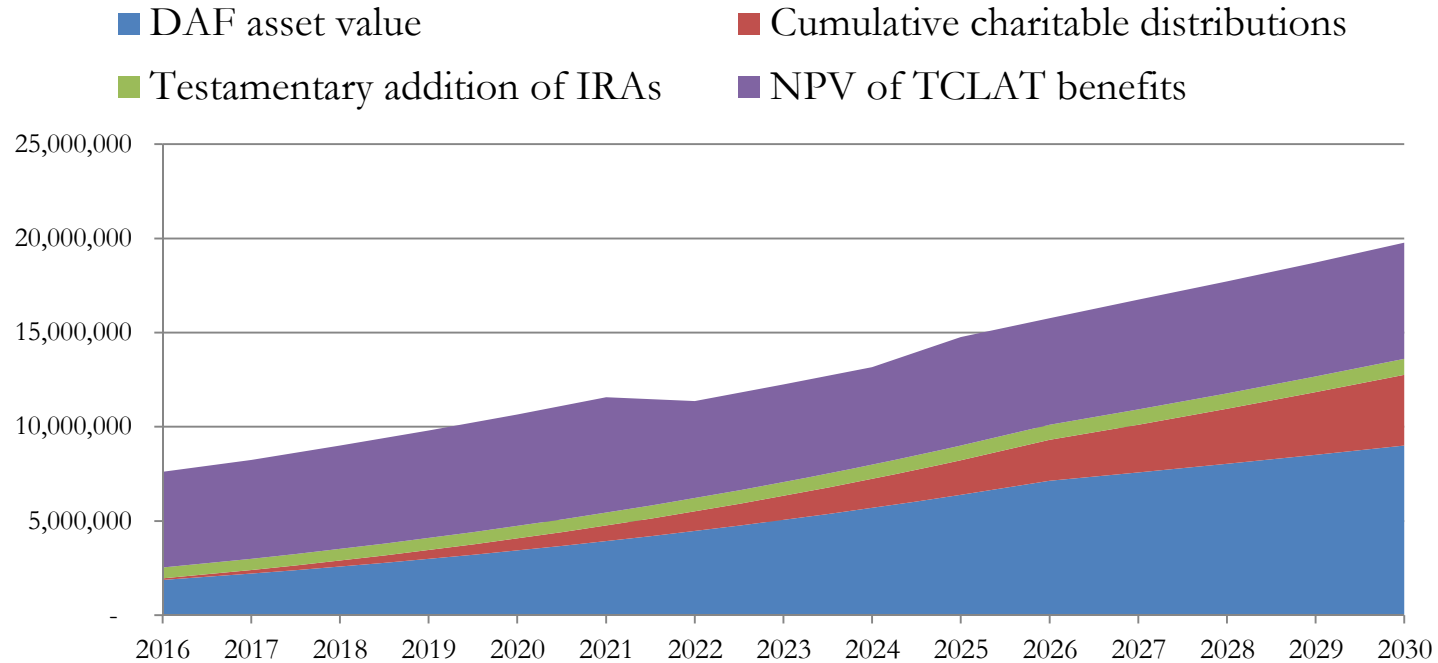
JD AND MARY RILEY
SOURCES OF INHERITANCE



This chart illustrates the multiple facets of the inheritance designed to provide for your family.

1. The plan provides that your full estate and GST exemptions passes to them in trust.
2. Your insurance program provides a meaningful component of their inheritance
3. The beach property passes to them when the QPRT expires at the end of the term. This is likely to happen during your lives.
4. The CLAT provides a benefit at the end of the term. This would happen 18 years after the death of the survivor of you.

SUMMARY OF BENEFITS TO CHARITY



This chart illustrates the potential benefit you can provide to charity.

1. The DAF value is the hypothetical account balance of the assets in this account including
2. Cumulative distributions is simply one way to account for the growing benefit over time of the distributions you make to charities.
3. The testamentary addition of your IRAs indicates the hypothetical value that would be added to your DAF if the death of the surviving spouse occurred in any given year.
4. The addition of the TCLAT income interest indicates the hypothetical value that would be added to your DAF if the death of the surviving spouse occurred in any given year.

FUTURE CONSIDERATIONS

1. Purposeful Family Gatherings

- ◆ Make a plan to hold purposeful family gatherings.
- ◆ These gatherings should be organized around three important components:
 - > Have fun together. This will help insure everybody will want to come!
 - > Learn about wealth, philanthropy, trusts, leadership development, etc.
 - > Make decisions about family business and other family matters.

2. Qualified Personal Residence Trust - Long-term Plan

- ◆ Think about funding for maintenance and upkeep
- ◆ Make plan for governance. How will the family make decisions about the use and potential

3. Donor Advised Fund

- ◆ Develop and refine a family philanthropic mission statement.
- ◆ Use philanthropic projects to build family character and culture.
- ◆ Consider hiring a philanthropic consultant to help develop a plan for family philanthropy.

4. Business Succession Plan and Purchase of Stock from DAF Trust

- ◆ Identify a buyer. This could be your existing management team or an outside buyer.
- ◆ Work to get the business ready to sell.

JD AND MARY RILEY

REVISED STATEMENT OF NET WORTH

	JD	MARY	JOINT	TOTAL
CASH AND EQUIVALENTS				
Checking and savings	\$ -	\$ -	\$ 150,000	\$ 150,000
Total of Cash and Equivalents	-	-	150,000	150,000
MARKETABLE SECURITIES AND NOTES				
Personal brokerage account	-	-	350,000	350,000
Promissory notes from brothers	560,000	-	-	560,000
Total of Taxable Marketable Securities	560,000	-	350,000	910,000
OTHER INVESTMENTS				
UltraStone Inc.	1,500,000	1,500,000	-	3,000,000
UltraStone USA, Inc. (immediate sale)	6,000,000	6,000,000	-	12,000,000
Total of Other Investments	7,500,000	7,500,000	-	15,000,000
QUALIFIED RETIREMENT PLANS				
401(k)	430,000	-	-	430,000
IRA	-	110,000	-	110,000
Total Qualified Retirement Plans	\$ 430,000	\$ 110,000	\$ -	\$ 540,000

JD AND MARY RILEY

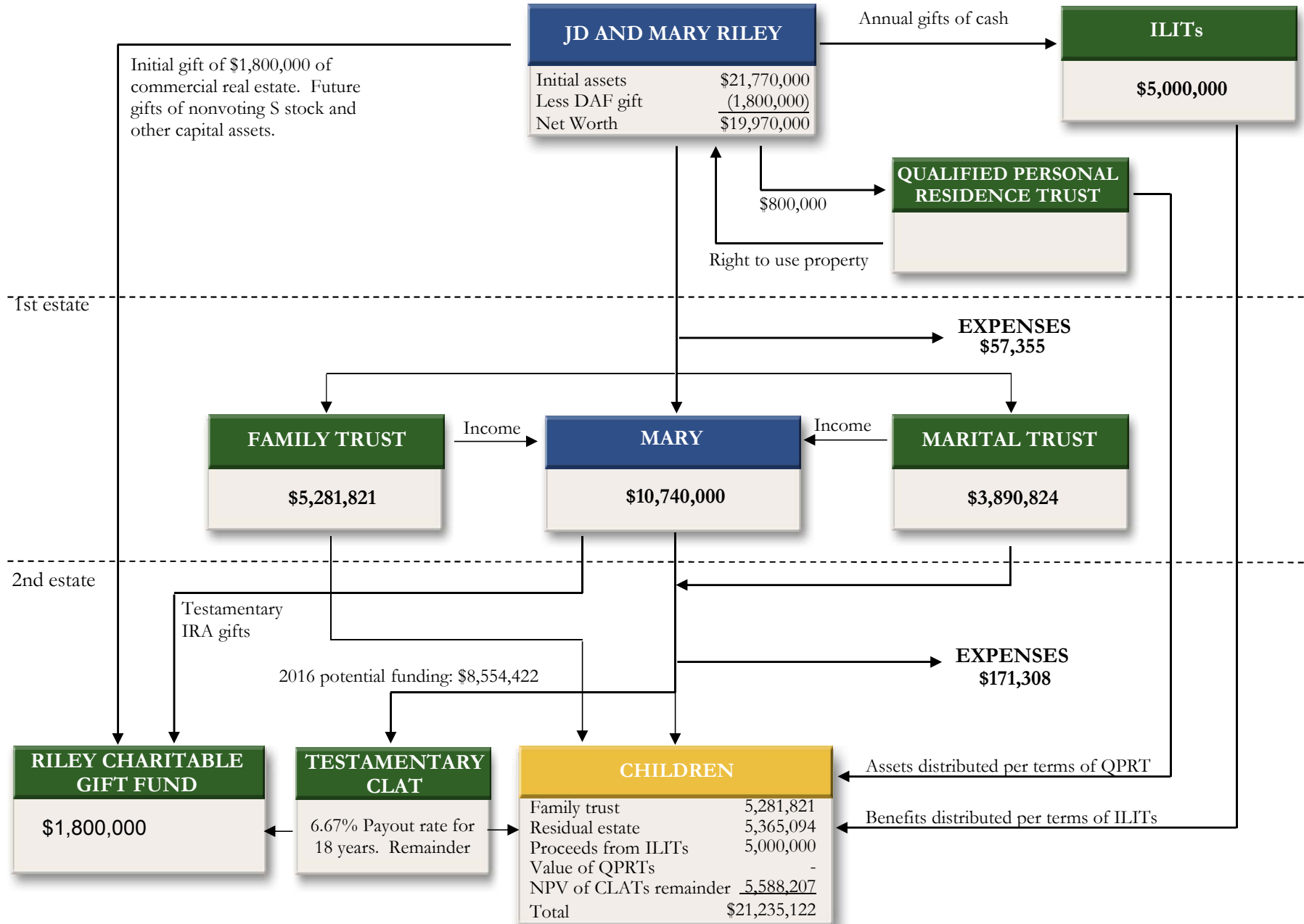
REVISED STATEMENT OF NET WORTH

CONTINUED

	JD	MARY	JOINT	TOTAL
INVESTMENT REAL ESTATE				
1120 E. Tressel St. (gifted to DAF)	\$ -	\$ -	\$ -	\$ -
1080 E. Tressel St. (UltraStone)	450,000	450,000	-	900,000
Big Tumbler Ranch, 540 ac.	720,000	-	-	720,000
Total of Real Estate Holdings	1,170,000	450,000	-	1,620,000
PERSONAL RESIDENCES				
123 Liberty Way	-	-	550,000	550,000
Lake house	-	-	800,000	800,000
Total of Personal Residences	-	-	1,350,000	1,350,000
PERSONAL PROPERTY				
Vehicles, jewelry, art, boat	-	-	400,000	400,000
-	-	-	400,000	400,000
TOTAL ASSETS	9,660,000	8,060,000	2,250,000	19,970,000
TOTAL LIABILITIES	-	-	-	-
NET WORTH	\$ 9,660,000	\$ 8,060,000	\$ 2,250,000	\$ 19,970,000

RECOMMENDED PLAN DISTRIBUTION DIAGRAM

DEATH OCCURS IN 2016



DETAILED HYPOTHETICAL PROJECTIONS

The following hypothetical projections are included largely to help your other advisors evaluate the details and assumptions used to derive results contained in this analysis. The purpose of the projections is to consider a possible outcome of your current plan and to provide a baseline against which to compare our recommendations. These and other projections contained in this analysis are not intended to suggest that circumstances will actually turn out as illustrated. In fact, we are confident that they will not. Instead, the projections, based on assumptions common to the current and recommended plans, are intended to highlight the difference between the plans. This difference is the important thing, not the absolute values indicated in either plan.

The pages that follow may include: details of the current analysis, details of each individual strategy, and aggregate results of all the strategies with respect to asset values, cash flows, income taxes, estate taxes and gifts of various types.

In developing these projections, numerous simplifying assumptions have been made. For instance, average income tax rates have been used instead of referring to actual tax tables. This allows us to blend Federal and State taxes; and long-term and ordinary income tax rates in a way that does not place undue emphasis on details that are likely to change over the years.

Assets in both spouses' estates have been combined for projected growth calculations. The ratio of joint to separate property in the combined estate is assumed to remain constant.

Additionally, itemized deductions are estimated and increased at the assumed inflation rate, and rates of return are assumed to be net of administrative and money management fees.

If, upon careful evaluation, the participants in the planning team determine that any of these simplifying assumptions are unreasonable, we can add additional layers of analysis as needed to generate the desired results.

ASSET VALUE AND INCOME PROJECTIONS

CURRENT PLAN

YEAR	Current	2016	2017	2018	2019	2020	2021	2022	2025
Asset Values									
Cash and cash equivalents	\$ 150,000	\$ 150,000	\$ 150,000	\$ 150,000	\$ 150,000	\$ 150,000	\$ 150,000	\$ 150,000	\$ 150,000
Marketable securities and note	910,000	10,660,864	11,360,824	12,118,417	12,938,234	13,825,213	14,784,672	15,822,233	19,467,422
UltraStone Inc.	3,000,000	3,210,000	3,434,700	3,675,129	3,932,388	4,207,655	4,502,191	4,817,344	5,901,454
UltraStone USA, Inc. (Sold)	12,000,000	-	-	-	-	-	-	-	-
Qualified retirement plans	540,000	566,974	590,342	613,845	637,358	660,736	683,809	706,506	770,004
UltraStone USA offices (Sold)	1,800,000	-	-	-	-	-	-	-	-
Other investment real estate	1,620,000	1,643,874	1,668,099	1,692,682	1,717,626	1,742,939	1,768,624	1,794,688	1,875,207
Personal residences	1,350,000	1,390,500	1,432,215	1,475,181	1,519,437	1,565,020	1,611,971	1,660,330	1,814,287
Personal property	400,000	400,000	400,000	400,000	400,000	400,000	400,000	400,000	400,000
Total assets in estate	21,770,000	18,022,212	19,036,179	20,125,254	21,295,043	22,551,563	23,901,267	25,351,101	30,378,374
Less estimated liabilities	-	-	-	-	-	-	-	-	-
Combined net worth	\$ 21,770,000	\$ 18,022,212	\$ 19,036,179	\$ 20,125,254	\$ 21,295,043	\$ 22,551,563	\$ 23,901,267	\$ 25,351,101	\$ 30,378,374
Sources of Taxable Income									
Cash and cash equivalents		1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500
Marketable securities and note		29,400	344,428	367,042	391,518	418,004	446,661	477,659	586,605
UltraStone Inc.		456,000	487,920	522,074	558,620	597,723	639,564	684,333	838,337
UltraStone USA, Inc. (Sold)		10,780,000	-	-	-	-	-	-	-
Qualified retirement plans		16,226	21,990	23,724	25,594	27,611	29,785	32,008	39,746
UltraStone USA offices (Sold)		1,125,000	-	-	-	-	-	-	-
Other investment real estate		57,979	58,833	59,700	60,580	61,473	62,379	63,298	66,138
Client earned income		150,000	157,500	165,375	173,644	182,326	191,442	201,014	232,699
Social security income		28,000	28,560	29,131	29,714	30,308	30,914	31,533	33,463
Other income		-	-	-	-	-	-	-	-
Gross income		\$ 12,644,105	\$ 1,100,731	\$ 1,168,547	\$ 1,241,170	\$ 1,318,945	\$ 1,402,245	\$ 1,491,345	\$ 1,798,489

INCOME TAX AND CASH FLOW PROJECTIONS

CURRENT PLAN

YEAR	Current	2016	2017	2018	2019	2020	2021	2022	2025
Income Tax Estimation									
Adjusted gross income:									
Income from assets		\$ 561,105	\$ 914,671	\$ 974,041	\$ 1,037,812	\$ 1,106,311	\$ 1,179,888	\$ 1,258,798	\$ 1,532,327
Reportable gain from sale		11,905,000	-	-	-	-	-	-	-
Earned and other income		178,000	186,060	194,506	203,358	212,634	222,356	232,547	266,162
Adjusted gross income		12,644,105	1,100,731	1,168,547	1,241,170	1,318,945	1,402,245	1,491,345	1,798,489
Deductions									
Taxes		16,000	16,320	16,646	16,979	17,319	17,665	18,019	19,121
Interest		-	-	-	-	-	-	-	-
Charitable gifts		30,000	30,600	31,212	31,836	32,473	33,122	33,785	35,853
Total deductions		46,000	46,920	47,858	48,816	49,792	50,788	51,803	54,974
Reductions due to IRC Sec. 68		(36,800)	(23,495)	(25,340)	(27,324)	(29,460)	(31,756)	(34,224)	(42,793)
Deductions allowed		9,200	23,425	22,519	21,491	20,332	19,032	17,579	12,181
Taxable income		12,634,905	1,077,307	1,146,029	1,219,679	1,298,613	1,383,213	1,473,765	1,786,308
Estim. Fed. and State Income Tax		\$ 2,560,741	\$ 247,988	\$ 263,603	\$ 280,309	\$ 298,183	\$ 317,308	\$ 337,747	\$ 408,058
Sources of Cash									
Income from assets		561,105	914,671	974,041	1,037,812	1,106,311	1,179,888	1,258,798	1,532,327
Sales proceeds after expenses		11,905,000	-	-	-	-	-	-	-
Earned and other income		178,000	186,060	194,506	203,358	212,634	222,356	232,547	266,162
Total sources of cash		12,644,105	1,100,731	1,168,547	1,241,170	1,318,945	1,402,245	1,491,345	1,798,489
Uses of Cash									
Living expenses		240,000	247,200	254,616	262,254	270,122	278,226	286,573	313,146
Income tax		2,560,741	247,988	263,603	280,309	298,183	317,308	337,747	408,058
Cash gifts to ILIT		24,000	24,000	24,000	24,000	24,000	24,000	24,000	24,000
Cash gifts to family		56,000	56,000	56,000	56,000	56,000	56,000	56,000	56,000
Cash gifts to charity		30,000	30,600	31,212	31,836	32,473	33,122	33,785	35,853
Total outlay		2,910,741	605,788	629,431	654,400	680,778	708,656	738,104	837,056
Surplus/ (Shortage)		\$ 9,733,364	\$ 494,943	\$ 539,116	\$ 586,770	\$ 638,167	\$ 693,589	\$ 753,241	\$ 961,432
(+ or - to marketable securities)									

FIRST ESTATE TAX ESTIMATION AND DISTRIBUTION

CURRENT PLAN

YEAR	Current	2016	2017	2018	2019	2020	2021	2022	2025
Tax on First Estate									
Combined net worth	\$ 21,770,000	\$ 18,022,212	\$ 19,036,179	\$ 20,125,254	\$ 21,295,043	\$ 22,551,563	\$ 23,901,267	\$ 25,351,101	\$ 30,378,374
Estimated first estate	11,685,000	9,673,383	10,217,628	10,802,186	11,430,068	12,104,502	12,828,953	13,607,148	16,305,526
Total gross estate	11,685,000	9,673,383	10,217,628	10,802,186	11,430,068	12,104,502	12,828,953	13,607,148	16,305,526
First death expenses	(60,055)	(54,020)	(55,653)	(57,407)	(59,290)	(61,314)	(63,487)	(65,821)	(73,917)
Joint, personal and IRA to spouse	(1,555,000)	(1,382,806)	(1,453,812)	(1,528,807)	(1,607,982)	(1,691,530)	(1,779,652)	(1,872,647)	(2,183,003)
Marital trust	(4,619,945)	(2,786,557)	(3,058,163)	(3,455,972)	(3,882,796)	(4,351,659)	(4,865,814)	(5,428,679)	(7,428,607)
Taxable estate	5,450,000	5,450,000	5,650,000	5,760,000	5,880,000	6,000,000	6,120,000	6,240,000	6,620,000
Plus lifetime taxable gifts	-	-	-	-	-	-	-	-	-
Tax base	5,450,000	5,450,000	5,650,000	5,760,000	5,880,000	6,000,000	6,120,000	6,240,000	6,620,000
Tentative estate tax	2,161,800	2,161,800	2,205,800	2,249,800	2,297,800	2,345,800	2,393,800	2,441,800	2,593,800
Less applicable credit amount	(2,161,800)	(2,161,800)	(2,205,800)	(2,249,800)	(2,297,800)	(2,345,800)	(2,393,800)	(2,441,800)	(2,593,800)
Less credit for gift tax paid	-	-	-	-	-	-	-	-	-
Total Federal estate tax due	-	-	-	-	-	-	-	-	-
Distribution of First Estate									
Estimated expenses	60,055	54,020	55,653	57,407	59,290	61,314	63,487	65,821	73,917
Taxes	-	-	-	-	-	-	-	-	-
To family trust	5,450,000	5,450,000	5,650,000	5,760,000	5,880,000	6,000,000	6,120,000	6,240,000	6,620,000
Joint, personal and IRA to spouse	1,555,000	1,382,806	1,453,812	1,528,807	1,607,982	1,691,530	1,779,652	1,872,647	2,183,003
Marital trust	4,619,945	2,786,557	3,058,163	3,455,972	3,882,796	4,351,659	4,865,814	5,428,679	7,428,607
Total	\$ 11,685,000	\$ 9,673,383	\$ 10,217,628	\$ 10,802,186	\$ 11,430,068	\$ 12,104,502	\$ 12,828,953	\$ 13,607,148	\$ 16,305,526

SECOND ESTATE TAX ESTIMATION AND DISTRIBUTION

CURRENT PLAN

YEAR	Current	2016	2017	2018	2019	2020	2021	2022	2025
Tax on Second Estate									
Spouse's assets	\$ 10,085,000	\$ 8,348,829	\$ 8,818,552	\$ 9,323,068	\$ 9,864,975	\$ 10,447,061	\$ 11,072,314	\$ 11,743,953	\$ 14,072,848
Plus assets from first estate	6,174,945	4,169,363	4,511,975	4,984,780	5,490,778	6,043,189	6,645,466	7,301,327	9,611,609
Estimated second estate	16,259,945	12,518,191	13,330,527	14,307,847	15,355,753	16,490,249	17,717,780	19,045,280	23,684,458
Second estate expenses	(187,599)	(150,182)	(158,305)	(168,078)	(178,558)	(189,902)	(202,178)	(215,453)	(261,845)
Taxable estate	16,072,346	12,368,009	13,172,221	14,139,769	15,177,195	16,300,347	17,515,602	18,829,827	23,422,613
Plus lifetime taxable gifts	-	-	-	-	-	-	-	-	-
Tax base	16,072,346	12,368,009	13,172,221	14,139,769	15,177,195	16,300,347	17,515,602	18,829,827	23,422,613
Tentative tax	6,374,738	4,893,004	5,214,689	5,601,708	6,016,678	6,465,939	6,952,041	7,477,731	9,314,845
Less applicable credit amount	(2,161,800)	(2,161,800)	(2,205,800)	(2,249,800)	(2,297,800)	(2,345,800)	(2,393,800)	(2,441,800)	(2,593,800)
Less spouse's unused credit	-	-	-	-	-	-	-	-	-
Less credit for gift tax paid	-	-	-	-	-	-	-	-	-
Tax on qualified plan liquidation	216,000	226,789	236,137	245,538	254,943	264,294	273,524	282,602	308,001
Total Federal estate tax due	4,428,938	2,957,993	3,245,025	3,597,445	3,973,821	4,384,433	4,831,765	5,318,533	7,029,047
Total state estate tax due	-	-	-	-	-	-	-	-	-
Total Federal and State estate tax	4,428,938	2,957,993	3,245,025	3,597,445	3,973,821	4,384,433	4,831,765	5,318,533	7,029,047
Distribution of Second Estate									
Expenses	187,599	150,182	158,305	168,078	178,558	189,902	202,178	215,453	261,845
Taxes	4,428,938	2,957,993	3,245,025	3,597,445	3,973,821	4,384,433	4,831,765	5,318,533	7,029,047
Qualified plan to heirs	540,000	566,974	590,342	613,845	637,358	660,736	683,809	706,506	770,004
Insurance passing to children	-	-	-	-	-	-	-	-	-
Charitable Bequests	-	-	-	-	-	-	-	-	-
Residual estate to heirs	11,103,407	8,843,043	9,336,854	9,928,479	10,566,016	11,255,178	12,000,028	12,804,788	15,623,563
Total	\$ 16,259,945	\$ 12,518,191	\$ 13,330,527	\$ 14,307,847	\$ 15,355,753	\$ 16,490,249	\$ 17,717,780	\$ 19,045,280	\$ 23,684,458
* Estimated federal estate tax only. Additional state death tax may be due depending on state of residence.									

SUMMARY OF BENEFITS TO FAMILY

CURRENT PLAN

YEAR	Current	2016	2017	2018	2019	2020	2021	2022	2025
Benefits to Family									
Family trust	\$ 5,450,000	\$ 5,450,000	\$ 5,650,000	\$ 5,760,000	\$ 5,880,000	\$ 6,000,000	\$ 6,120,000	\$ 6,240,000	\$ 6,620,000
Residual estate	11,103,407	8,843,043	9,336,854	9,928,479	10,566,016	11,255,178	12,000,028	12,804,788	15,623,563
Qualified plan assets	540,000	566,974	590,342	613,845	637,358	660,736	683,809	706,506	770,004
Proceeds from ILIT	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000
Total assets to heirs	\$ 19,093,407	\$ 16,860,016	\$ 17,577,196	\$ 18,302,323	\$ 19,083,374	\$ 19,915,914	\$ 20,803,838	\$ 21,751,294	\$ 25,013,566

DETAILS OF JD'S QUALIFIED PLAN

CURRENT PLAN

YEAR	Current	2016	2017	2018	2019	2020	2021	2022	2025
JD's Qualified Plans									
JD's age		71	72	73	74	75	76	77	80
Mary's age		70	71	72	73	74	75	76	79
Minimum distribution factor		26.5	25.6	24.7	23.8	22.9	22.0	21.2	18.7
Plan balance	\$ 430,000	\$ 448,174	\$ 466,521	\$ 484,955	\$ 503,375	\$ 521,664	\$ 539,685	\$ 557,403	\$ 606,713
Minimum distribution		16,226	17,507	18,887	20,376	21,981	23,712	25,457	31,606
Actual distribution		\$ 16,226	\$ 17,507	\$ 18,887	\$ 20,376	\$ 21,981	\$ 23,712	\$ 25,457	\$ 31,606

DETAILS OF MARY'S QUALIFIED PLAN

CURRENT PLAN

YEAR	Current	2016	2017	2018	2019	2020	2021	2022	2025
Mary's Qualified Plans									
Mary's age		70	71	72	73	74	75	76	79
JD's age		71	72	73	74	75	76	77	80
Minimum distribution factor		27.4	26.5	25.6	24.7	23.8	22.9	22.0	19.5
Plan balance	\$ 110,000	\$ 118,800	\$ 123,821	\$ 128,890	\$ 133,983	\$ 139,072	\$ 144,125	\$ 149,104	\$ 163,291
Minimum distribution		-	4,483	4,837	5,218	5,630	6,073	6,551	8,140
Actual distribution		\$ -	\$ 4,483	\$ 4,837	\$ 5,218	\$ 5,630	\$ 6,073	\$ 6,551	\$ 8,140

ASSET VALUE AND INCOME PROJECTIONS

RECOMMENDED PLAN

YEAR	Current	2016	2017	2018	2019	2020	2021	2025
Asset Values								
Cash and cash equivalents	\$ 150,000	\$ 150,000	\$ 150,000	\$ 150,000	\$ 150,000	\$ 150,000	\$ 150,000	\$ 150,000
Marketable securities	910,000	10,276,750	10,887,805	11,506,763	12,132,644	12,764,368	13,399,771	15,916,778
UltraStone Inc.	3,000,000	2,478,180	2,300,456	2,109,837	1,905,712	1,687,439	1,454,356	359,632
UltraStone USA, Inc.	12,000,000	-	-	-	-	-	-	-
Qualified retirement plans	540,000	566,974	590,342	613,845	637,358	660,736	683,809	770,004
Investment real estate	1,620,000	1,634,400	1,648,928	1,663,585	1,678,373	1,693,291	1,708,343	1,769,899
Personal residences	550,000	566,500	583,495	601,000	619,030	637,601	656,729	739,154
Residences in QPRTs	800,000	824,000	848,720	874,182	900,407	927,419	955,242	-
Personal property	400,000	400,000	400,000	400,000	400,000	400,000	400,000	400,000
Total assets in estate	19,970,000	16,896,804	17,409,745	17,919,211	18,423,523	18,920,854	19,408,250	20,105,466
Less estimated liabilities	-	-	-	-	-	-	-	-
Combined net worth	19,970,000	16,896,804	17,409,745	17,919,211	18,423,523	18,920,854	19,408,250	20,105,466
Sources of Taxable Income								
Cash and cash equivalents		1,500	1,500	1,500	1,500	1,500	1,500	1,500
Marketable securities		29,400	332,018	351,760	371,757	391,978	412,387	494,161
UltraStone Inc.		456,000	376,683	349,669	320,695	289,668	256,491	100,194
UltraStone USA, Inc.		10,780,000	-	-	-	-	-	-
Qualified retirement plans		16,226	21,990	23,724	25,594	27,611	29,785	39,746
Investment real estate		14,400	14,528	14,657	14,787	14,919	15,051	15,594
Client earned income		150,000	157,500	165,375	173,644	182,326	191,442	232,699
Social security income		28,000	28,560	29,131	29,714	30,308	30,914	33,463
Other income		-	-	-	-	-	-	-
Gross income		\$ 11,475,526	\$ 932,779	\$ 935,817	\$ 937,692	\$ 938,310	\$ 937,571	\$ 917,357

INCOME TAX ESTIMATION

RECOMMENDED PLAN

YEAR	Current	2016	2017	2018	2019	2020	2021	2025
Income Tax Estimation								
Adjusted gross income:								
Income from assets		\$ 517,526	\$ 746,719	\$ 741,310	\$ 734,334	\$ 725,676	\$ 715,215	\$ 651,195
Reportable gain from sale		10,780,000	-	-	-	-	-	-
Earned and other income		178,000	186,060	194,506	203,358	212,634	222,356	266,162
Adjusted gross income		11,475,526	932,779	935,817	937,692	938,310	937,571	917,357
Deductions								
Taxes		16,000	16,320	16,646	16,979	17,319	17,665	19,121
Cash charitable gifts		30,000	30,600	31,212	31,836	32,473	33,122	35,853
Gift of real estate		1,800,000	-	-	-	-	-	-
Gift of UltraStone stock		-	252,070	259,632	267,421	275,444	283,707	319,315
Deduction available		1,800,000	252,070	259,632	267,421	275,444	283,707	387,431
Deduction allowed		1,800,000	252,070	259,632	267,421	275,444	281,271	275,207
Deduction carried over		-	-	-	-	-	2,436	112,224
Total deductions		1,846,000	298,990	307,490	316,236	325,235	332,059	330,181
Reductions due to IRC Sec. 68		(334,927)	(18,457)	(18,358)	(18,221)	(18,041)	(17,816)	(16,359)
Deductions allowed		1,511,073	280,533	289,132	298,016	307,194	314,243	313,822
Taxable income		9,964,453	652,246	646,684	639,676	631,116	623,328	603,535
Estim. Fed. and State Income Tax		\$ 1,726,276	\$ 111,555	\$ 110,412	\$ 109,004	\$ 107,311	\$ 106,288	\$ 111,175

CASH FLOW PROJECTIONS

RECOMMENDED PLAN

Sources of Cash							
Income from assets	517,526	746,719	741,310	734,334	725,676	715,215	651,195
Sales proceeds after expenses	10,780,000	-	-	-	-	-	-
Earned and other income	178,000	186,060	194,506	203,358	212,634	222,356	266,162
Total sources of cash	11,475,526	932,779	935,817	937,692	938,310	937,571	917,357
Uses of Cash							
Living expenses	240,000	247,200	254,616	262,254	270,122	278,226	313,146
Income tax	1,726,276	111,555	110,412	109,004	107,311	106,288	111,175
Cash gifts to ILIT	74,000	74,000	74,000	74,000	74,000	74,000	74,000
Cash gifts to family	56,000	56,000	56,000	56,000	56,000	56,000	56,000
Cash gifts to charity	30,000	30,600	31,212	31,836	32,473	33,122	35,853
Gift tax due	-	-	-	-	-	-	-
Total outlay	2,126,276	519,355	526,240	533,094	539,906	547,637	590,173
Surplus/(Shortage)	\$ 9,349,250	\$ 413,425	\$ 409,577	\$ 404,597	\$ 398,404	\$ 389,934	\$ 327,183
(+ or - to marketable securities)							

FIRST ESTATE TAX ESTIMATION AND DISTRIBUTION

RECOMMENDED PLAN

YEAR	Current	2016	2017	2018	2019	2020	2021	2025
Tax on First Estate								
Combined net worth	\$ 19,970,000	\$ 16,896,804	\$ 17,409,745	\$ 17,919,211	\$ 18,423,523	\$ 18,920,854	\$ 19,408,250	\$ 20,105,466
Estimated first estate	10,785,000	9,125,289	9,402,309	9,677,451	9,949,809	10,218,398	10,481,621	10,858,160
Death benefit exceeding CV								
Total gross estate	10,785,000	9,125,289	9,402,309	9,677,451	9,949,809	10,218,398	10,481,621	10,858,160
First death expenses	(57,355)	(52,376)	(53,207)	(54,032)	(54,849)	(55,655)	(56,445)	(57,574)
Joint, personal and IRA to spouse	(1,555,000)	(1,403,352)	(1,450,856)	(1,498,272)	(1,545,406)	(1,592,038)	(1,637,869)	(1,745,782)
Marital trust	(3,890,824)	(2,387,741)	(2,416,425)	(2,533,326)	(2,637,734)	(2,738,884)	(2,835,486)	(2,602,982)
Taxable estate	5,281,821	5,281,821	5,481,821	5,591,821	5,711,821	5,831,821	5,951,821	6,451,821
Plus lifetime taxable gifts	168,179	168,179	168,179	168,179	168,179	168,179	168,179	168,179
Tax base	5,450,000	5,450,000	5,650,000	5,760,000	5,880,000	6,000,000	6,120,000	6,620,000
Tentative estate tax	2,161,800	2,161,800	2,205,800	2,249,800	2,297,800	2,345,800	2,393,800	2,593,800
Less applicable credit amount	(2,161,800)	(2,161,800)	(2,205,800)	(2,249,800)	(2,297,800)	(2,345,800)	(2,393,800)	(2,593,800)
Less credit for gift tax paid	-	-	-	-	-	-	-	-
Total Federal estate tax due	-	-	-	-	-	-	-	-
Distribution of First Estate								
Expenses	57,355	52,376	53,207	54,032	54,849	55,655	56,445	57,574
Taxes	-	-	-	-	-	-	-	-
To family trust	5,281,821	5,281,821	5,481,821	5,591,821	5,711,821	5,831,821	5,951,821	6,451,821
Joint, personal and IRA to spouse	1,555,000	1,403,352	1,450,856	1,498,272	1,545,406	1,592,038	1,637,869	1,745,782
Marital trust	3,890,824	2,387,741	2,416,425	2,533,326	2,637,734	2,738,884	2,835,486	2,602,982
Total	\$ 10,785,000	\$ 9,125,289	\$ 9,402,309	\$ 9,677,451	\$ 9,949,809	\$ 10,218,398	\$ 10,481,621	\$ 10,858,160

SECOND ESTATE TAX ESTIMATION AND DISTRIBUTION

RECOMMENDED PLAN

YEAR	Current	2016	2017	2018	2019	2020	2021	2025
Tax on Second Estate								
Spouse's assets	\$ 9,185,000	\$ 7,771,515	\$ 8,007,437	\$ 8,241,761	\$ 8,473,714	\$ 8,702,456	\$ 8,926,629	\$ 9,247,306
Plus assets from first estate	5,445,824	3,791,093	3,867,281	4,031,598	4,183,139	4,330,922	4,473,355	4,348,765
Estimated second estate	14,630,824	11,562,607	11,874,717	12,273,358	12,656,853	13,033,378	13,399,984	13,596,071
Second estate expenses	(171,308)	(140,626)	(143,747)	(147,734)	(151,569)	(155,334)	(159,000)	(160,961)
Charitable gift of IRA	(540,000)	(566,974)	(590,342)	(613,845)	(637,358)	(660,736)	(683,809)	(770,004)
Charitable deduction from TCLAT	(8,554,422)	(5,544,796)	(5,722,155)	(5,985,898)	(6,224,385)	(6,456,040)	(6,678,082)	(6,281,985)
Charitable gift of other assets								
Taxable estate	5,365,094	5,310,212	5,418,474	5,525,882	5,643,541	5,761,268	5,879,093	6,383,122
Plus lifetime taxable gifts	174,906	174,906	174,906	174,906	174,906	174,906	174,906	174,906
Tax base	5,540,000	5,485,118	5,593,380	5,700,788	5,818,447	5,936,174	6,053,999	6,558,027
Tentative tax	2,161,800	2,139,847	2,183,152	2,226,115	2,273,179	2,320,270	2,367,399	2,569,011
Less applicable credit amount	(2,161,800)	(2,161,800)	(2,205,800)	(2,249,800)	(2,297,800)	(2,345,800)	(2,393,800)	(2,593,800)
Less spouse's unused credit	-	-	-	-	-	-	-	-
Less credit for gift tax paid	-	-	-	-	-	-	-	-
Total Federal estate tax due	-	-	-	-	-	-	-	-
Total Federal and State estate tax	-	-	-	-	-	-	-	-
Distribution of Second Estate								
Expenses	171,308	140,626	143,747	147,734	151,569	155,334	159,000	160,961
Taxes	-	-	-	-	-	-	-	-
IRAs to charity	540,000	566,974	590,342	613,845	637,358	660,736	683,809	770,004
Residual estate to heirs	5,365,094	5,310,212	5,418,474	5,525,882	5,643,541	5,761,268	5,879,093	6,383,122
Contribution to TCLAT	8,554,422	5,544,796	5,722,155	5,985,898	6,224,385	6,456,040	6,678,082	6,281,985
Total	\$ 14,630,824	\$ 11,562,607	\$ 11,874,717	\$ 12,273,358	\$ 12,656,853	\$ 13,033,378	\$ 13,399,984	\$ 13,596,071

SUMMARY OF BENEFITS TO FAMILY

RECOMMENDED PLAN

YEAR	Current	2016	2017	2018	2019	2020	2021	2025
Benefits to Family								
Family trust	5,281,821	5,281,821	5,481,821	5,591,821	5,711,821	5,831,821	5,951,821	6,451,821
Residual estate	\$ 5,365,094	\$ 5,310,212	\$ 5,418,474	\$ 5,525,882	\$ 5,643,541	\$ 5,761,268	\$ 5,879,093	\$ 6,383,122
Proceeds from ILITs	5,000,000	5,050,000	5,100,000	5,150,000	5,200,000	5,250,000	5,300,000	5,500,000
Value of QPRTs	-	-	-	-	-	-	-	1,075,133
NPV of CLATs remainder interest	5,588,207	3,622,158	3,738,018	3,910,310	4,066,103	4,217,432	4,362,481	4,103,729
Total assets to heirs	\$ 21,235,122	\$ 19,264,191	\$ 19,738,313	\$ 20,178,012	\$ 20,621,464	\$ 21,060,521	\$ 21,493,395	\$ 23,513,805

DETAILS OF ULTRASTONE, INC

RECOMMENDED PLAN

YEAR	Current	2016	2017	2018	2019	2020	2021	2025
Going concern value (End of Yr.)	\$ 3,000,000	\$ 3,090,000	\$ 3,182,700	\$ 3,278,181	\$ 3,376,526	\$ 3,477,822	\$ 3,582,157	\$ 4,031,749
Discounted value of nonvoting shares	2,376,000	2,447,280	2,520,698	2,596,319	2,674,209	2,754,435	2,837,068	3,193,145
Value of voting shares	30,000	30,900	31,827	32,782	33,765	34,778	35,822	40,317
Projected dividend distribution		360,000	370,800	381,924	393,382	405,183	417,339	469,718
% Voting stock retained by JD		1%	1%	1%	1%	1%	1%	1%
% Nonvoting stock retained by JD	100%	100%	90%	80%	70%	60%	50%	10%
% of Nonvoting stock gifted by JD		0%	10%	10%	10%	10%	10%	10%
% of UltraStone owned by charity	0%	0%	10%	20%	30%	40%	50%	90%
Value of voting stock retained by JD		30,900	31,827	32,782	33,765	34,778	35,822	40,317
Value of nonvoting stock charitable gift			252,070	259,632	267,421	275,444	283,707	319,315
Nonvoting retained by JD (End of Yr.)		2,447,280	2,268,629	2,077,055	1,871,946	1,652,661	1,418,534	319,315
Nonvoting stock owned by charity (End of Yr.)		-	252,070	519,264	802,263	1,101,774	1,418,534	2,873,831
Dividends payable to JD		360,000	334,091	306,303	276,547	244,731	210,756	51,199
Dividends payable to charity (UBTI)		-	36,709	75,621	116,834	160,453	206,583	418,519
Tax on UBTI paid by charity		-	7,342	15,124	23,367	32,091	41,317	83,704
Tax on UBTI paid by charity upon sale								
Net deposit into Riley Donor Advised Fund			29,367	60,497	93,467	128,362	165,266	334,815

IRREVOCABLE LIFE INSURANCE TRUST DETAILS

RECOMMENDED PLAN

YEAR	Current	2016	2017	2018	2019	2020	2021	2025
Cash gift to current ILIT	\$ 24,000	\$ 24,000	\$ 24,000	\$ 24,000	\$ 24,000	\$ 24,000	\$ 24,000	\$ 24,000
Cash gift to new ILIT	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000
Total outlay to ILIT	74,000	74,000	74,000	74,000	74,000	74,000	74,000	74,000
NPV for financial independence analysis	1,664,442							
Death benefit from current ILIT	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000
Death benefit from new ILIT	3,000,000	3,050,000	3,100,000	3,150,000	3,200,000	3,250,000	3,300,000	3,500,000
Total potential death benefit	\$ 5,000,000	\$ 5,050,000	\$ 5,100,000	\$ 5,150,000	\$ 5,200,000	\$ 5,250,000	\$ 5,300,000	\$ 5,500,000

QUALIFIED PERSONAL RESIDENCE TRUST DETAILS

RECOMMENDED PLAN

YEAR	Current	2016	2017	2018	2019	2020	2021	2025
QPRT Values								
Gross Value of Residence	\$ 800,000	\$ 824,000	\$ 848,720	\$ 874,182	\$ 900,407	\$ 927,419	\$ 955,242	\$ 1,075,133
Discounted Value of Residence	640,000	659,200	678,976	699,345	720,326	741,935	764,193	860,106
Diff. between gross and discount	160,000	164,800	169,744	174,836	180,081	185,484	191,048	215,027
Value in Estate	800,000	824,000	848,720	874,182	900,407	927,419	955,242	-
Value to Heirs	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,075,133

TESTAMENTARY CHARITABLE LEAD TRUST DETAILS

RECOMMENDED PLAN

YEAR	Current	2016	2017	2018	2019	2020	2021	2025
Charitable Lead Annuity Trust								
Assets								
Contribution if death occurs in 2016	\$ 8,554,422	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
End of Yr. value of assets in TCLAT		8,582,632	8,612,817	8,645,115	8,679,674	8,716,652	8,756,219	8,944,189
Cash Flow								
TCLAT earnings		598,810	600,784	602,897	605,158	607,577	610,166	622,463
Distribution to charity		570,599	570,599	570,599	570,599	570,599	570,599	570,599
TCLAT earnings added to principal		28,210	30,185	32,298	34,559	36,978	39,567	51,864
Distribution to heirs		-	-	-	-	-	-	-
Benefits								
NPV of TCLAT income distributions	7,847,742	5,086,741	5,249,448	5,491,404	5,710,190	5,922,708	6,126,406	5,763,031
NPV of benefits to children	\$ 5,588,207	\$ 3,622,158	\$ 3,738,018	\$ 3,910,310	\$ 4,066,103	\$ 4,217,432	\$ 4,362,481	\$ 4,103,729

BENEFITS TO RILEY FOUNDATION

RECOMMENDED PLAN

YEAR	Current	2016	2017	2018	2019	2020	2021	2025
New Contributions								
Cash gifts		\$ 30,000	\$ 30,600	\$ 31,212	\$ 31,836	\$ 32,473	\$ 33,122	\$ 35,853
Real estate (sold immediately)		1,800,000	-	-	-	-	-	-
Gifts of UltraStone, Inc.		-	252,070	259,632	267,421	275,444	283,707	319,315
Total planned contributions		\$ 1,830,000	\$ 282,670	\$ 290,844	\$ 299,257	\$ 307,916	\$ 316,829	\$ 355,167
Cumulative contributions		1,830,000	2,112,670	2,403,514	2,702,771	3,010,687	3,327,517	4,689,296
Assets								
Marketable Securities (End of Yr.)	-	1,866,600	1,951,908	2,057,694	2,185,454	2,336,762	2,513,274	3,507,548
Value of UltraStone, Inc.		-	252,070	519,264	802,263	1,101,774	1,418,534	2,873,831
End of year DAF balance	-	1,866,600	2,203,978	2,576,958	2,987,717	3,438,536	3,931,809	6,381,379
Earnings from securities		128,100	132,804	138,818	146,267	155,255	165,892	227,342
Net UBTI earnings		-	29,367	60,497	93,467	128,362	165,266	334,815
Less distributions to charities	5.0%	(91,500)	(107,463)	(124,741)	(143,811)	(164,782)	(187,768)	(302,359)
Maintained as DAF principal		36,600	54,708	74,574	95,924	118,835	143,390	259,799
Economic Value to Charity								
DAF asset value		1,866,600	2,203,978	2,576,958	2,987,717	3,438,536	3,931,809	6,381,379
Cumulative charitable distributions		91,500	198,963	323,705	467,515	632,297	820,065	1,845,640
Testamentary addition of IRAs		566,974	590,342	613,845	637,358	660,736	683,809	770,004
NPV of TCLAT benefits		5,086,741	5,249,448	5,491,404	5,710,190	5,922,708	6,126,406	5,763,031
Total hypothetical charitable benefits		7,611,814	8,242,731	9,005,911	9,802,780	10,654,277	11,562,090	14,760,054

DETAILS OF JD'S QUALIFIED PLAN

RECOMMENDED PLAN

YEAR	Current	2016	2017	2018	2019	2020	2021	2025
JD's Qualified Plans								
JD's age		71	72	73	74	75	76	80
Mary's age		70	71	72	73	74	75	79
Minimum distribution factor		26.5	25.6	24.7	23.8	22.9	22.0	18.7
Securities in plans	\$ 430,000	\$ 448,174	\$ 466,521	\$ 484,955	\$ 503,375	\$ 521,664	\$ 539,685	\$ 606,713
CV of life insurance in plans	-	-	-	-	-	-	-	-
Plan balance during life	430,000	448,174	466,521	484,955	503,375	521,664	539,685	606,713
Excess of DB over CV	-	-	-	-	-	-	-	-
Plan balance at death of survivor	430,000	448,174	466,521	484,955	503,375	521,664	539,685	606,713
Minimum distribution		16,226	17,507	18,887	20,376	21,981	23,712	31,606
Preferred distribution	-	-	-	-	-	-	-	-
Actual distribution		\$ 16,226	\$ 17,507	\$ 18,887	\$ 20,376	\$ 21,981	\$ 23,712	\$ 31,606

DETAILS OF MARY'S QUALIFIED PLAN

RECOMMENDED PLAN

YEAR	Current	2016	2017	2018	2019	2020	2021	2025
Mary's Qualified Plans								
Mary's age		70	71	72	73	74	75	79
JD's age		71	72	73	74	75	76	80
Minimum distribution factor		27.4	26.5	25.6	24.7	23.8	22.9	19.5
Securities in plans	\$ 110,000	\$ 118,800	\$ 123,821	\$ 128,890	\$ 133,983	\$ 139,072	\$ 144,125	\$ 163,291
CV of life insurance in plans	-	-	-	-	-	-	-	-
Plan balance during life	110,000	118,800	123,821	128,890	133,983	139,072	144,125	163,291
Excess of DB over CV	-	-	-	-	-	-	-	-
Plan balance at death of survivor	110,000	118,800	123,821	128,890	133,983	139,072	144,125	163,291
Minimum distribution		-	4,483	4,837	5,218	5,630	6,073	8,140
Preferred distribution	-	-	-	-	-	-	-	-
Actual distribution		\$ -	\$ 4,483	\$ 4,837	\$ 5,218	\$ 5,630	\$ 6,073	\$ 8,140

GENERAL ASSUMPTIONS

Tax Rate Assumptions		
Average income tax rate (blended federal and state)	40%	
Capital gains tax rate	20%	
Tax rate on Income in Respect of Decedent	40%	
Estate tax rate	From Tables	
AFR Rates		
Highest current 7520 rate	2.2%	Feb-16
Lowest current 7520 rate	2.0%	Dec-15
Salary and Other Earned Income Assumptions		
Annual increase in client earned income	5%	
Number of years client income expected to continue	10	
Annual increase in spouse earned income	0%	
Number of years spouse income expected to continue	-	
Lifestyle Need Assumptions		
Net annual outlay for lifestyle needs	\$ 240,000	
Annual increase in lifestyle needs	3%	
Balance Sheet Categories of Assets Returns		
	Yield	Growth
Cash and Equivalents	1.0%	0.0%
Taxable Marketable Securities	3.2%	1.9%
Non-Taxable Marketable Securities	0.0%	0.0%
Other Investments	15.2%	7.0%
Qualified Retirement Plans	8.0%	0.0%
Investment Real Estate	3.6%	1.5%
Personal Residences	0.0%	3.0%
Personal property	0.0%	0.0%
Charitable Remainder Trusts	0.0%	0.0%

GENERAL ASSUMPTIONS

CONTINUED

Projected Cash Flow Analysis Assumptions

- All columns in the supporting cash flow pages are end of year values except for the "current" column, which shows today's values
- End of year surpluses/deficits are automatically applied to the marketable securities account

Timing of Death

- This illustration assumes that the death of both spouses occurs in the same year, with the 2nd death occurring immediately following the 1st

Settlement and Administrative Expenses

Fixed estate settlement costs	\$	25,000
Variable estate settlement costs, 1st death		0.3% (of assets)
Variable estate settlement costs, 2nd death		1.0% (of assets)

DETAILS OF RECOMMENDED STRATEGIES

FACTORS AND ASSUMPTIONS

	JD	MARY	JOINT	CONTRIBUTIONS & FACTORS	CALCULATED VALUES
STRATEGY 1					
QUALIFIED PERSONAL RESIDENCE TRUSTS				Totals	
Value of property 1	-		800,000	800,000	
Fractional interest discount/Net value of property				20%	640,000
Term				10	
Contribution to QPRTs:					
JD's interest in property					320,000
JD's age					71
JD's taxable gift factor					52.56%
Value of JD's Taxable Gift					168,179
Mary's interest in property					320,000
Mary's age					70
Mary's taxable gift factor					54.66%
Value of Mary's Taxable Gift					174,906
Total Taxable Gift					343,085
STRATEGY 2					
DONOR ADVISED FUND					
Gift of real estate	900,000	900,000		1,800,000	
Initial gift of appreciated assets	UltraStone gifts of nonvoting S stock				
Recapitalize UltraStone, Inc. as follows:					
Voting shares				1%	
Nonvoting shares				99%	
Discount attributable to nonvoting shares				20%	
Number of years for equal gifts to charity				10	
Estimated tax on ordinary income UBTI				20%	
Estimated tax on LTCG UBTI				10%	
Total return on DAF marketable securities				7%	

DETAILS OF RECOMMENDED STRATEGIES

FACTORS AND ASSUMPTIONS

	JD	MARY	JOINT	CONTRIBUTIONS & FACTORS	CALCULATED VALUES
STRATEGY 3					
IRREVOCABLE LIFE INSURANCE TRUST					
Purchase New Policy in ILIT					
Face Amount				3,000,000	
Cost per thousand	Option B			16,667	
Annual Premium					50,000
 <i>FROM THE SECOND ESTATE</i>					
STRATEGY 4					
TESTAMENTARY CLAT					
Payout rate				6.67%	
Term				18	
Discount rate				2.0%	
Total return on partnership assets in TCLAT				7.00%	
Estate tax deduction					100.0%
Charitable income interest					0.0%
STRATEGY 5					
TESTAMENTARY GIFTS					
Gift of Qualified Plans to Donor Advised Fund		JD's IRA	Mary's IRA		
		100%	100%		