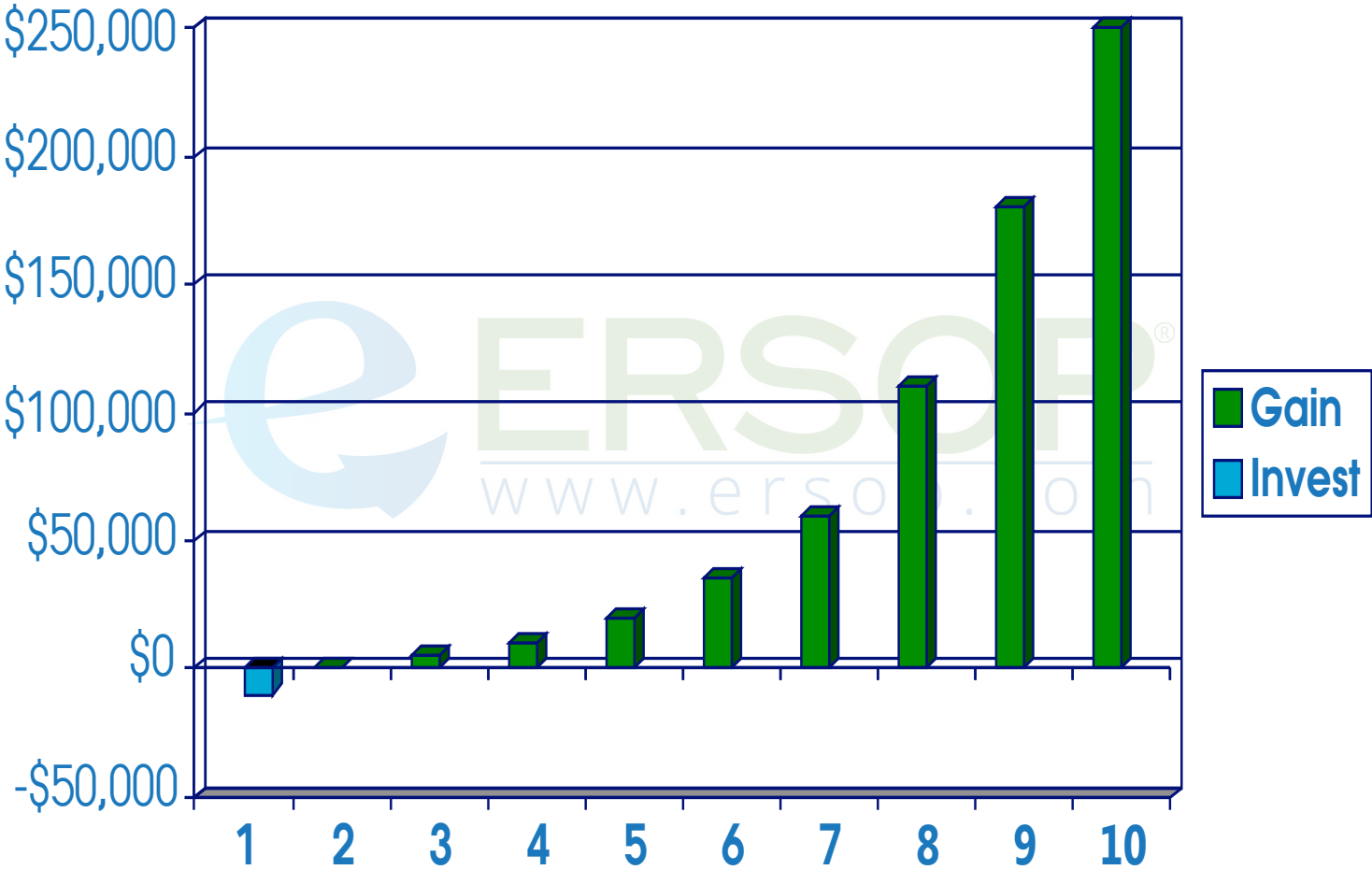




Exit Strategies!

This started it all in 1999.

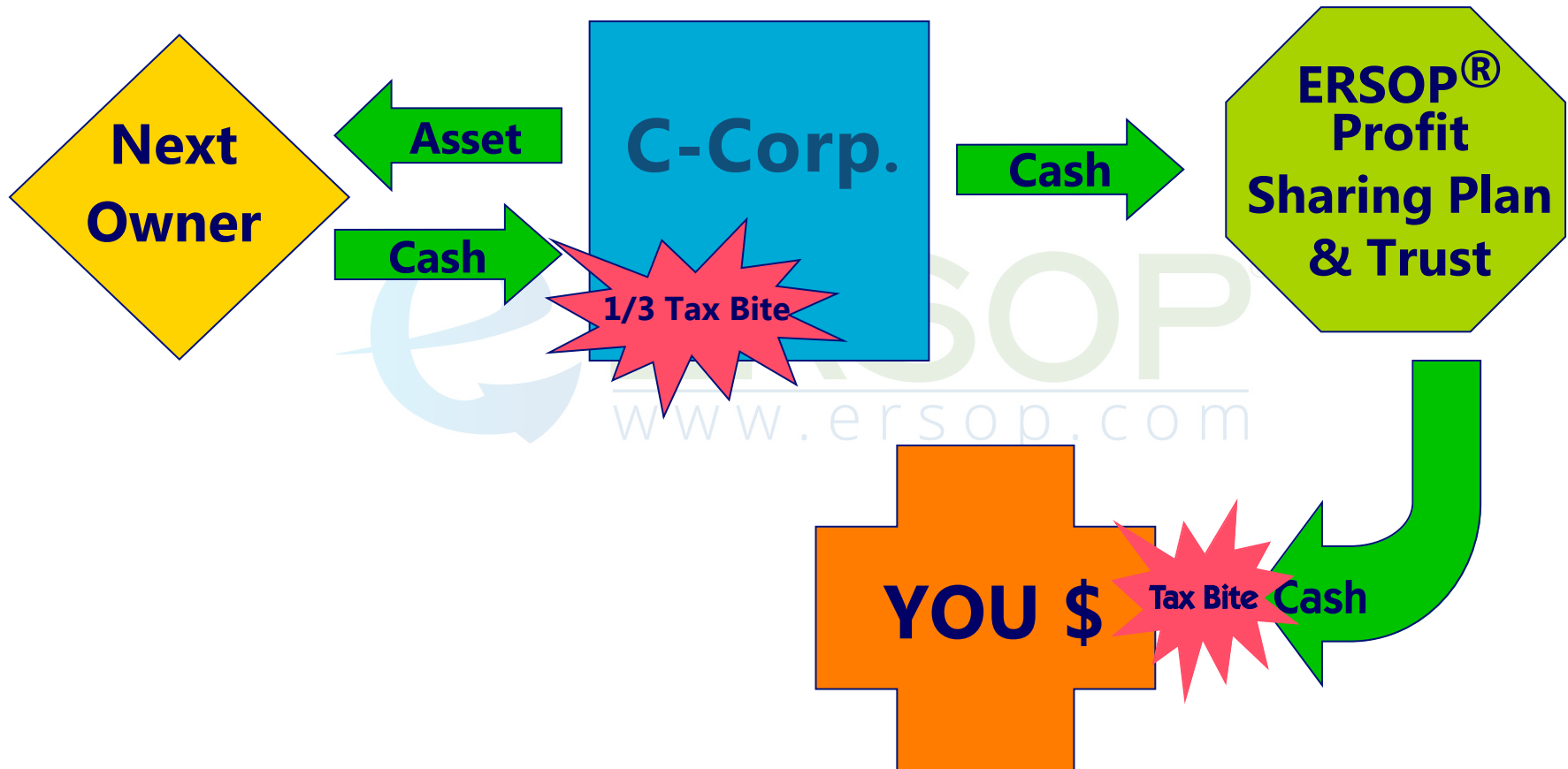
Example of Company Growth



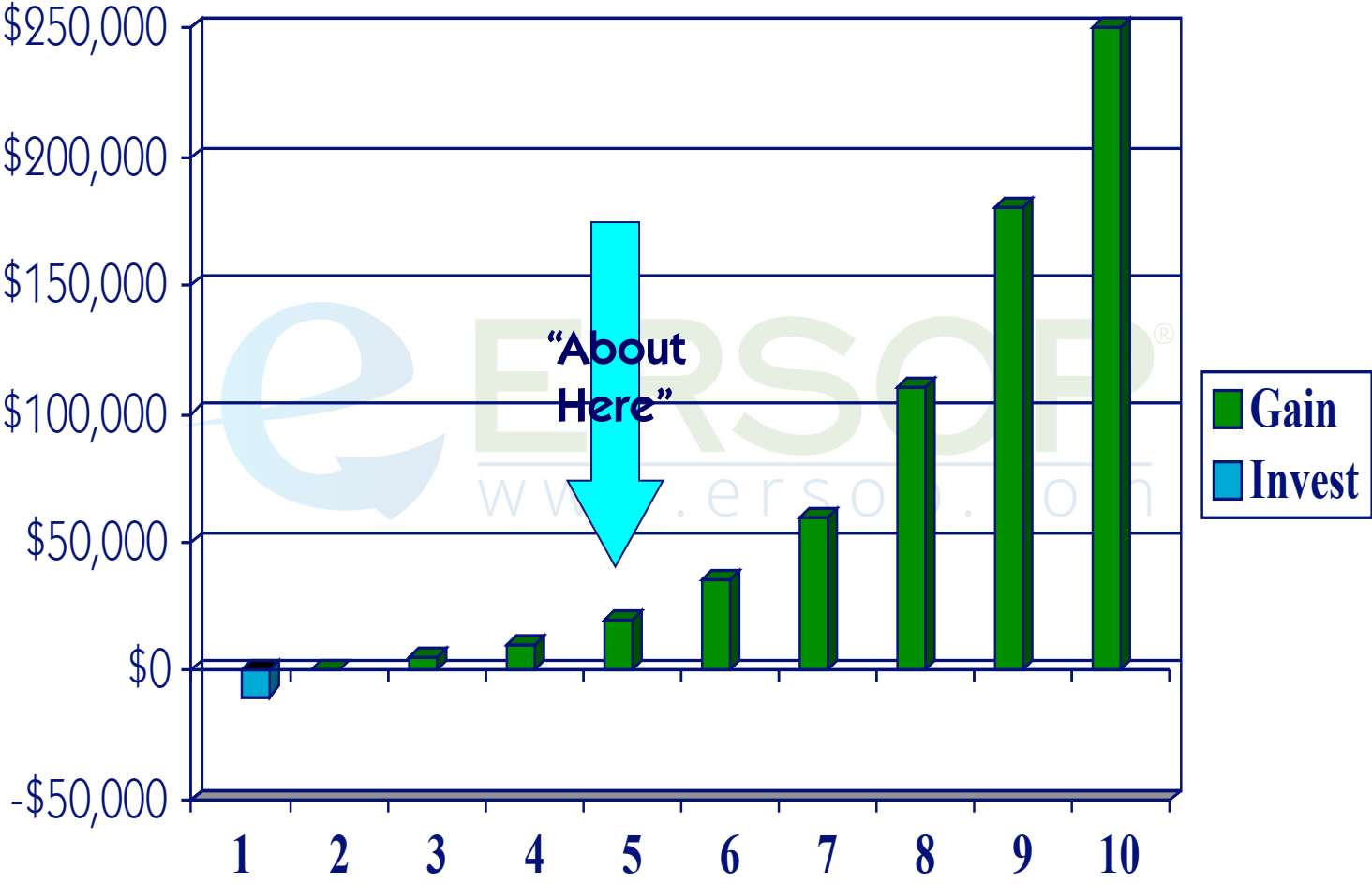
Stock Sale By Plan

- **No one is willing to buy stock without a BIG discount,**
- **because with the stock goes:**
 - **Assets fully depreciated for tax purposes, and**
 - **Any unforeseen liabilities.**

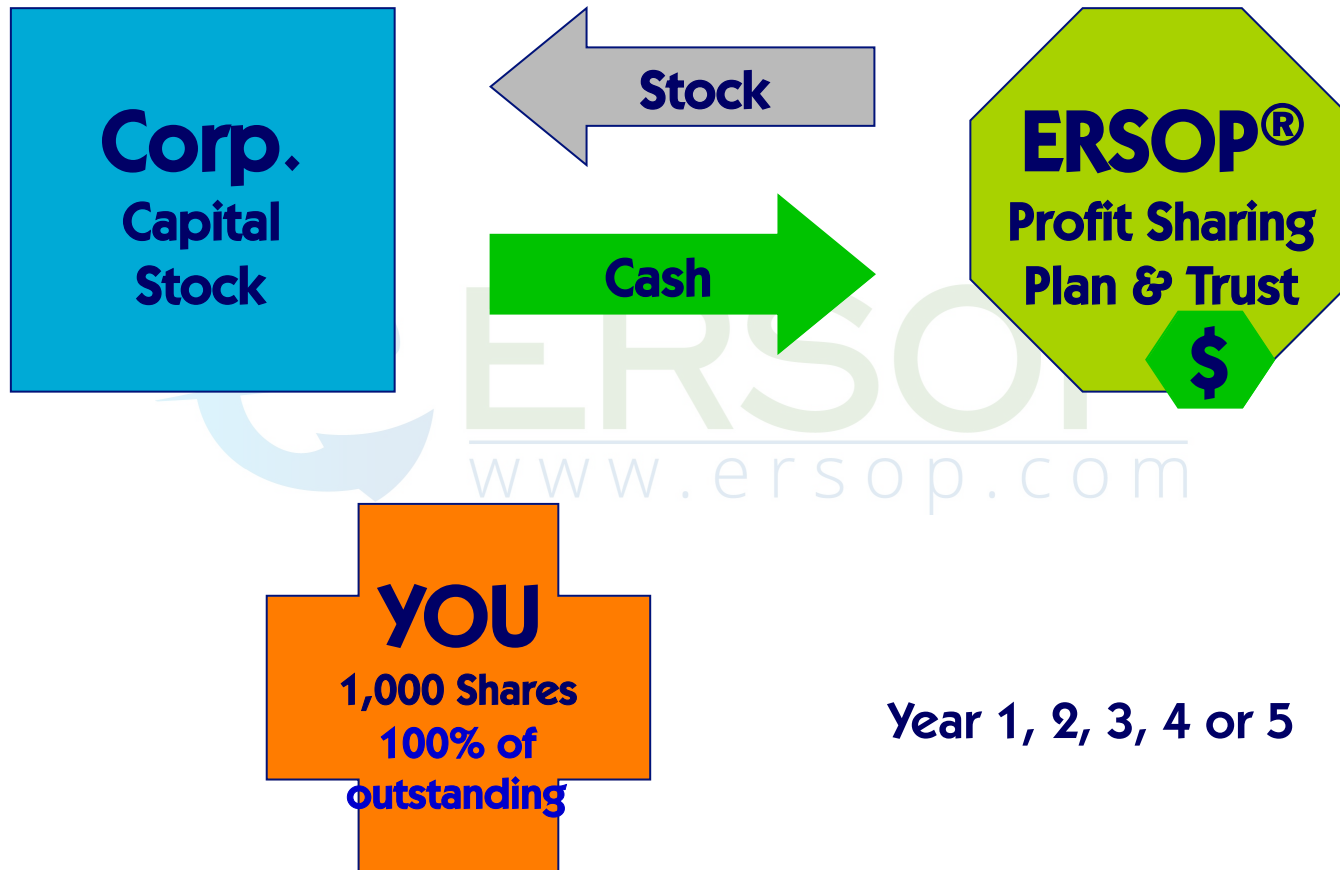
Double Taxation



Company Growth Curve



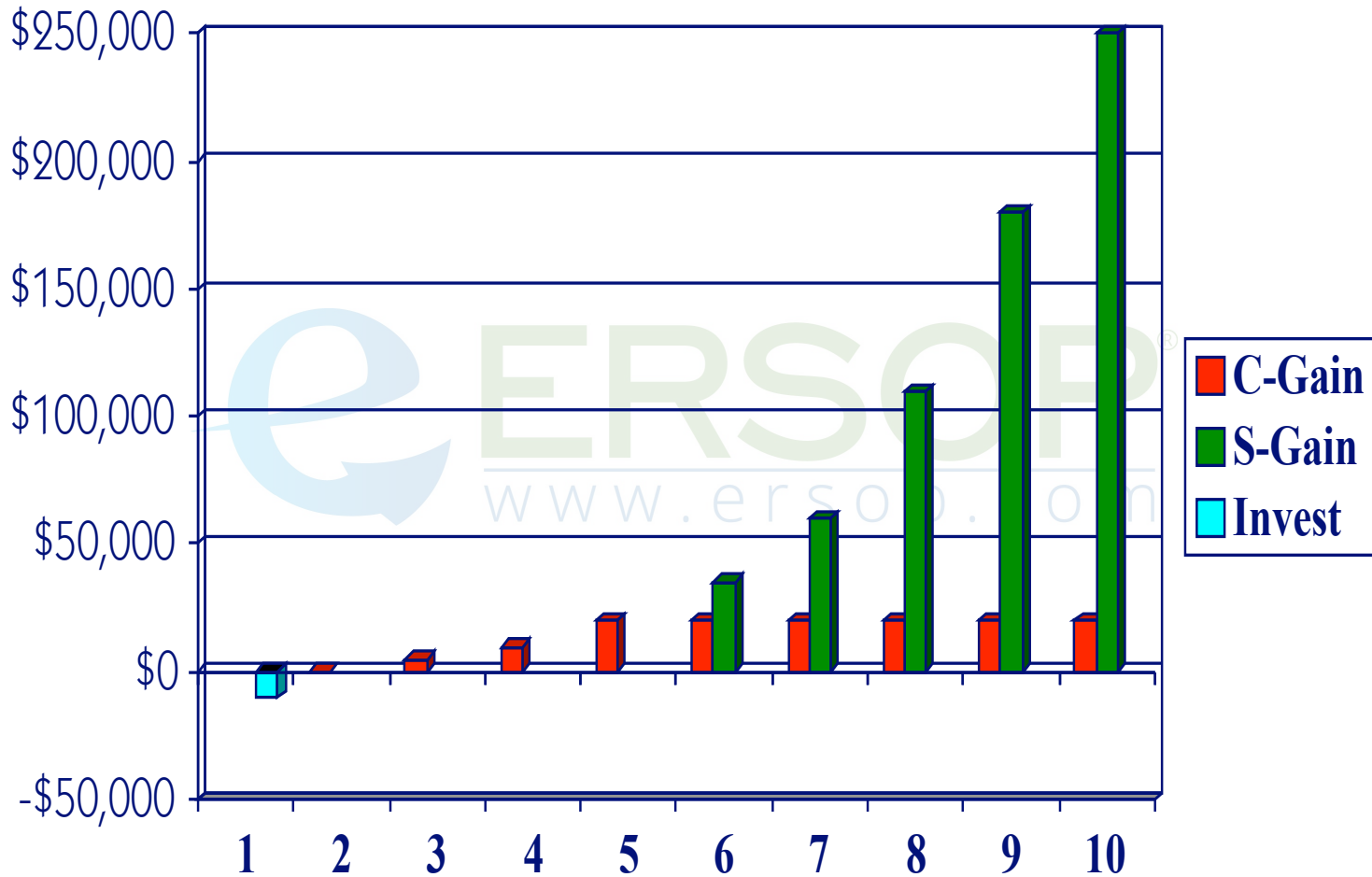
Stock Retirement – Illustrated



Then - Elect S-Corp Status a good thing!

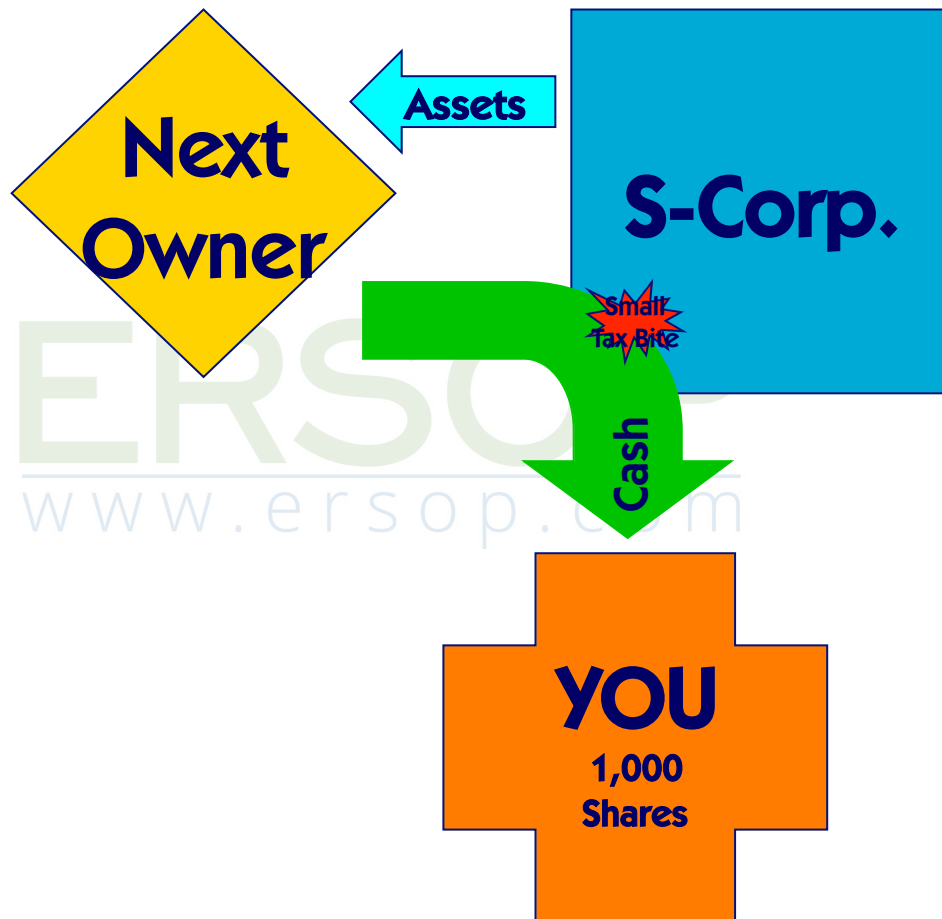
- You will need a Third-Party Business Valuation
 - To freeze the C-corp. gains, if any, and
 - To show the IRS “adequate consideration” was paid for the stock.

C-Corp vs. S-Corp Gain

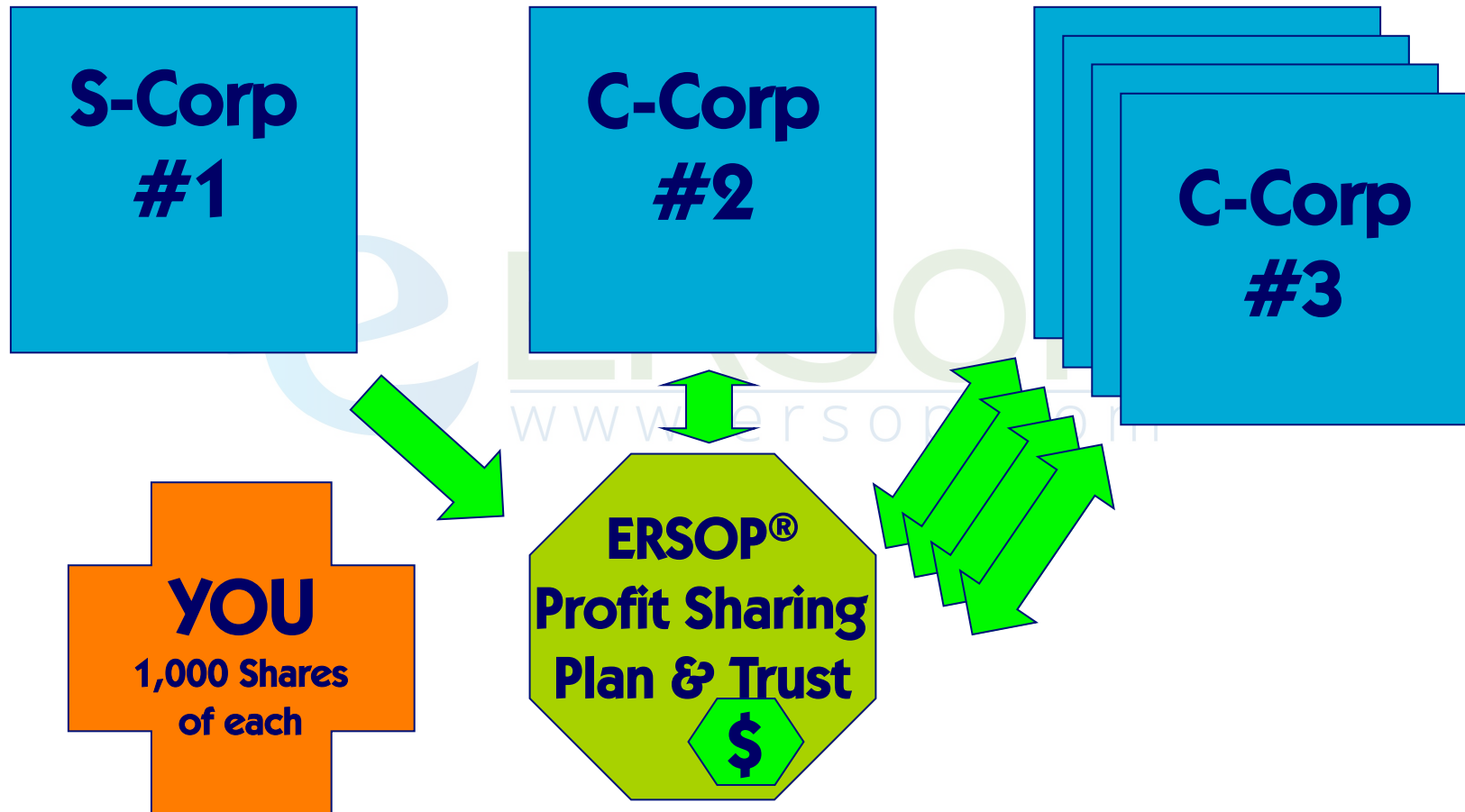


Asset Sale By S-Corp. - Illustrated

- The S-Corp. sells appreciated assets to the next buyer.
- The majority of the gain passes through the S-Corp. to our client who pays tax once and receives long term gains treatment on the long term gains - currently 15%.
- The S-Corp. pays a small, and yet deductible, §1374 c-tax on the gains that occurred while the corporation was a C-Corp. If the sale is beyond ten years after S-Corp. election, then the c-tax expires.



Back at Year You Retire Plan Stock: Ready to Invest in Unit #2,3,4



Other Exits . . .

- **Yes, you can remain a C-Corp—**
 - **especially if you are not making money hand over fist.**
- **Stock Distribution — [Freebird/Aamco]**
 - **If the value gets away from you —**
 - **Immediate ordinary income tax on “basis,”**
 - **Deferred capital gain tax on unrealized appreciation until**
 - **“realization” — then pay Capital Gains Tax.**

Other Exits [cont.]

- **IRC Sec. 338(h)(10)** — [Cinderella's pumpkin]
 - **You sell stock that becomes "assets" at midnight.**
- **Tax deferral through third-party annuity.**
- **Retirement, Death or Disability . . .**
- **Divorce [QDRO] . . .**
- **Use the ERSOP . . .**