

INKNOW *VISION*'S MONTHLY HNW WEBINAR SERIES

Case Study Webinar



FAMILY WEALTH GOAL ACHIEVER™ - INITIAL

PREPARED FOR:

BEN AND SARA WATSON

August 28, 2012

DRAFT FOR DISCUSSION PURPOSES ONLY

PRESENTED BY

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YOUR GOALS AND OBJECTIVES

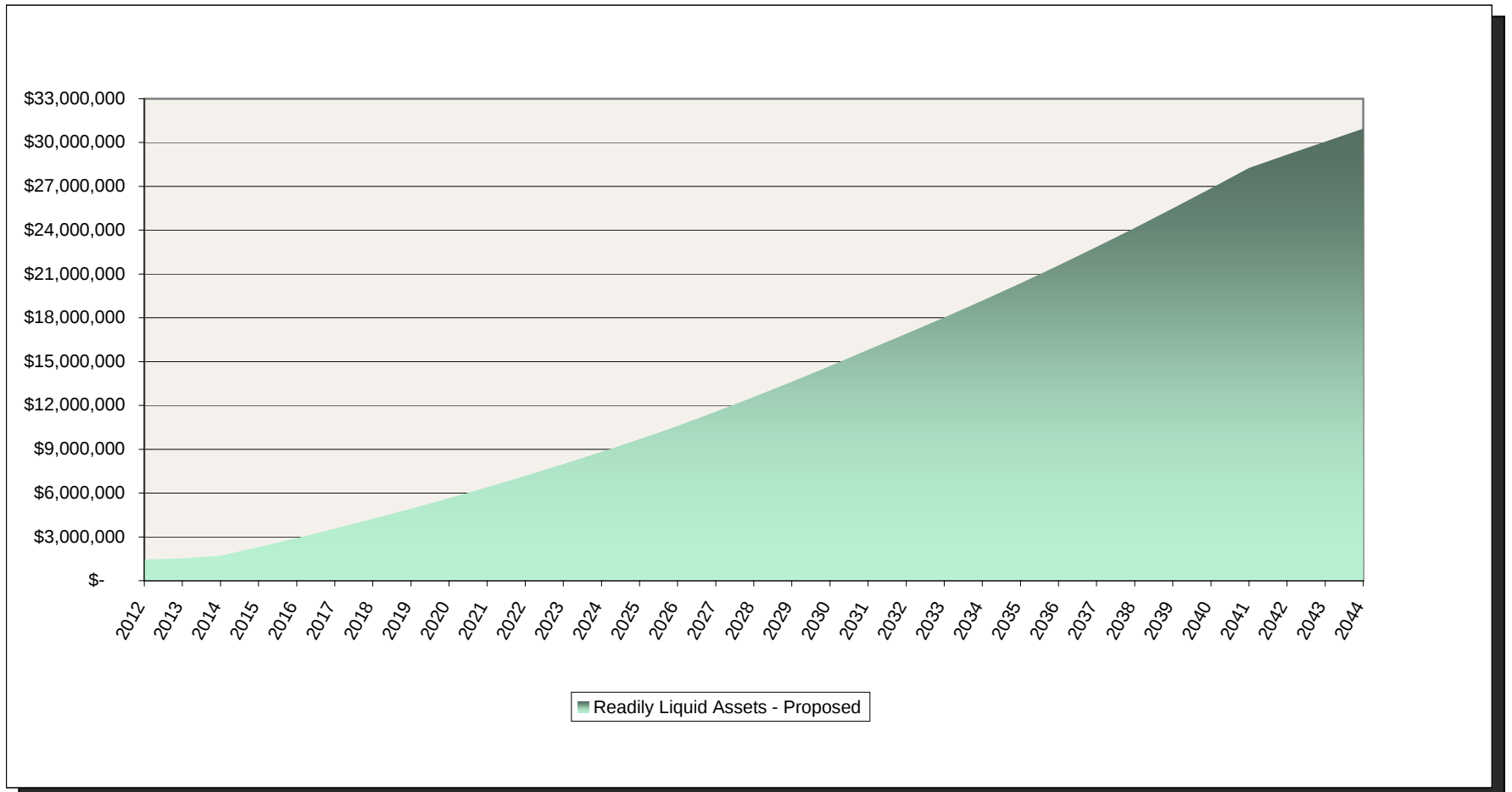
BEN AND SARA WATSON

- ☐ Maintain our customary base lifestyle need of \$250,000 with approx. another \$750,000 for discretionary and other expenses.
- ☐ Provide for the financial security of the surviving spouse.
- ☐ Provide a succession plan that will allow for a smooth transition to bring Katie into Watson Drilling, LLC.
- ☐ Maintain adequate liquidity for emergencies and investment opportunities. We prefer to keep at least \$1,000,000 in cash and readily marketable securities.
- ☐ Assure we have sufficient liquid assets available at our deaths to eliminate the forced liquidation of our business or real estate assets.
- ☐ Maximize the inheritance that we leave for our children and grandchildren.
- ☐ Reduce income taxes is possible.
- ☐ Eliminate or reduce estate taxes.
- ☐ Provide a strategic methodology for current and future charitable giving.

LIQUIDITY - ASSETS
AVAILABLE FOR
DISCRETIONARY
SPENDING

YOUR PERSONAL LIQUID ASSETS AVAILABLE - PROPOSED PLAN

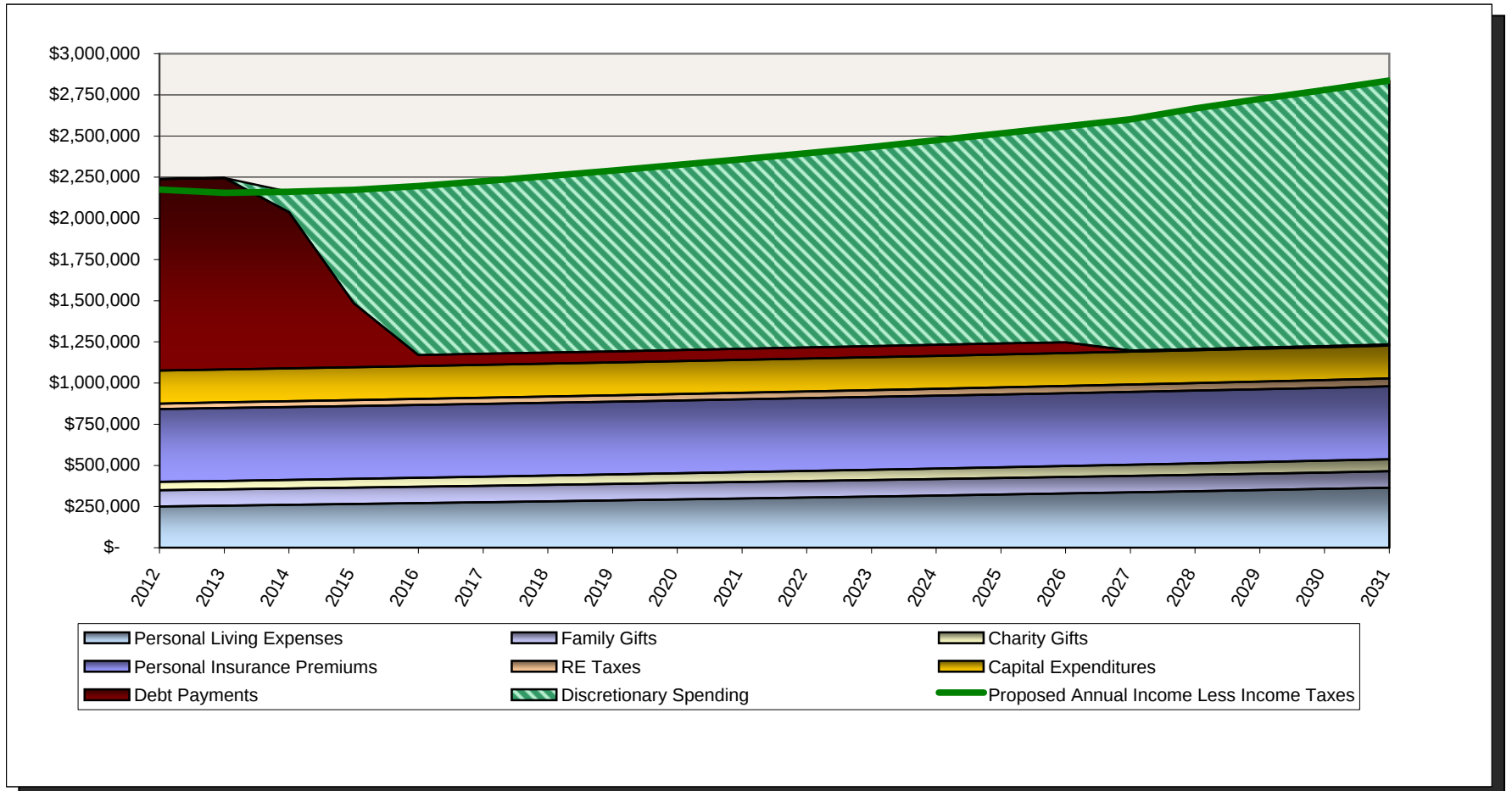
BEN AND SARA WATSON



This illustration reflects the amount of liquid assets available to you during life under the current plan assumptions as against the proposed plan assumptions. Liquid assets include cash, securities, bonds (corporate and municipal), annuities and retirement funds.

PERSONAL LIVING EXPENSES vs. AVAILABLE CASH FLOW - CURRENT PLAN

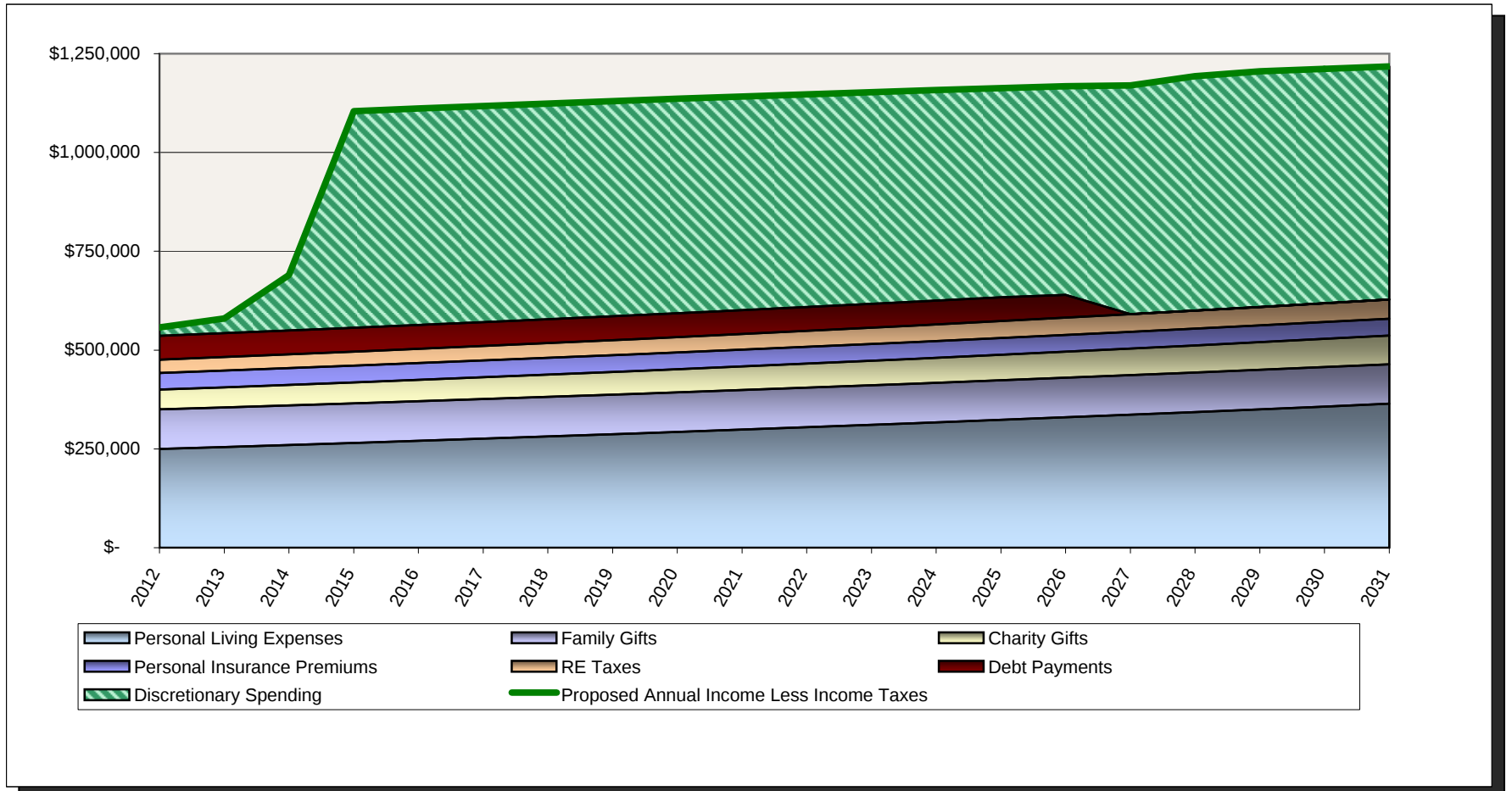
BEN AND SARA WATSON



This illustration compares your annual expenses under the current plan as against your annual cash flow available. Sources of annual cash flow include: cash/securities investment income; Salary from Watson Drilling, LLC.; Principal and Interest note payments; and profits from Watson Drilling, LLC.

PERSONAL LIVING EXPENSES vs. AVAILABLE CASH FLOW - PROPOSED PLAN

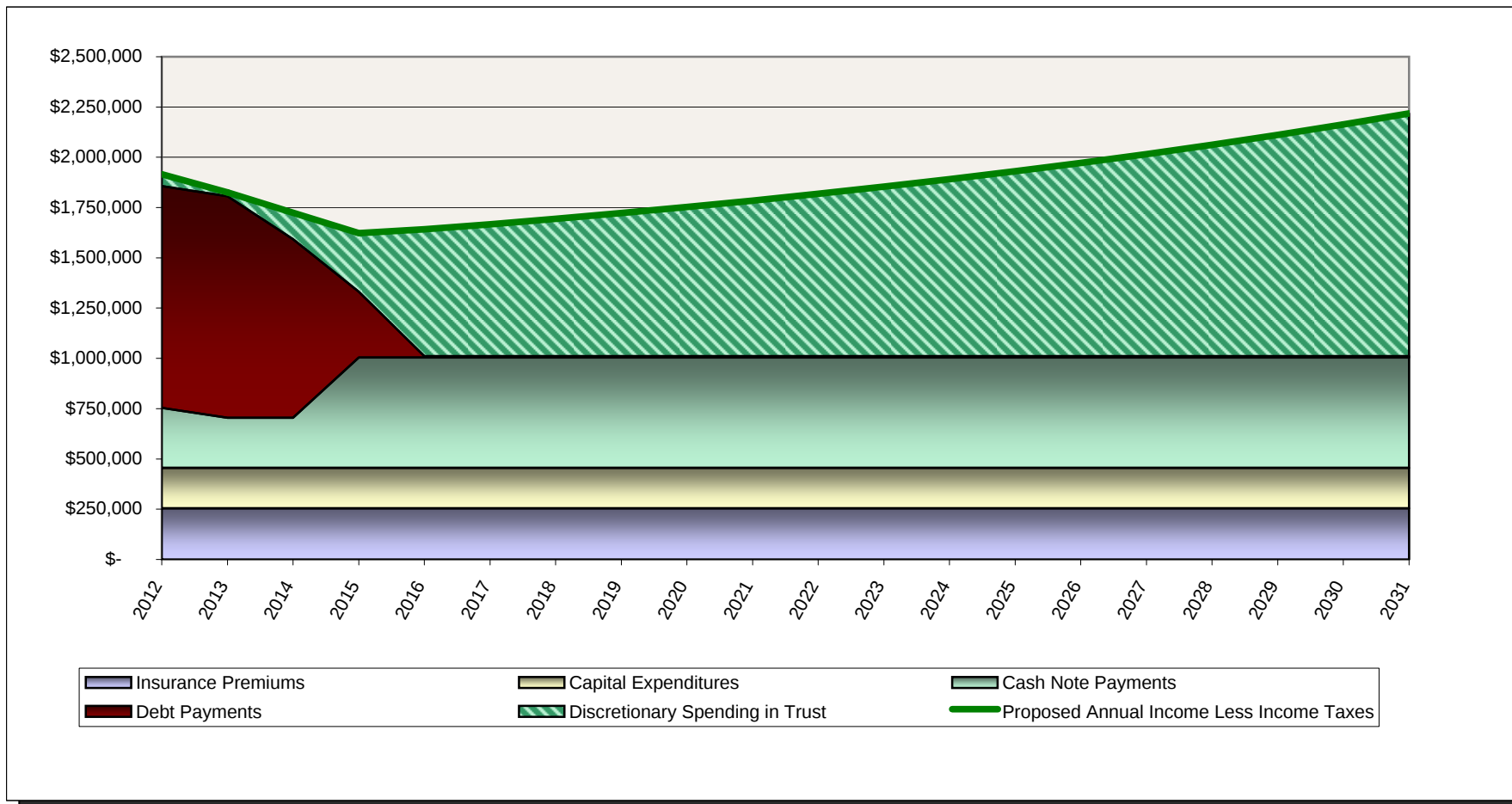
BEN AND SARA WATSON



This illustration compares your annual expenses under the proposed plan as against your annual cash flow available. Sources of annual cash flow include: cash/securities investment income; Salary from Watson Drilling, LLC.; Principal and Interest note payments; and profits from Watson Drilling, LLC.

TRUST OUTFLOWS vs. AVAILABLE TRUST CASH FLOWS - PROPOSED PLAN

BEN AND SARA WATSON



This illustration compares the annual cash outflows of the Trusts to the annual cash flow available inside of the Trusts.

INTRODUCTION TO THE PLAN STRATEGIES ROADMAP

BEN AND SARA WATSON

The following section of the plan contains a step by step roadmap for each of the strategies that we are recommending.

You will notice that the strategies are often interdependent; that is, in order for one strategy to be successful, you must complete another strategy as well. It is the integration of each of these strategies that allows you to most efficiently accomplish your goals.

Also keep in mind that there is often more than one way to get from point A to point B. This is true in wealth transfer planning. If a particular strategy or combination of strategies is not acceptable to you, we may be able to reach the desired result in a less efficient but perhaps more acceptable way.

The following pages are a conceptual road map only, there are numerous details contained in each strategy that are not detailed in the overall plan that follows.

PLANNING PART I

COMPARISON OF PLAN RESULTS - PLAN YEAR 2012

BEN AND SARA WATSON

	Existing Plan	Proposed Plan	Advantage
Estate Value	\$ 41,546,842	\$ 18,319,833	
Heirs Receive Immediately	\$ 38,646,153	\$ 65,667,548	\$ 27,021,395
Total Benefits to Family	\$ 38,646,153	\$ 65,667,548	\$ 27,021,395
Estate and Income Tax	\$ 15,309,133	\$ 6,771,832	\$ 8,537,301

This chart assumes that you both die this year and compares the results of the current plan with the proposed plan.

COMPARISON OF PLAN RESULTS - PLAN YEAR 2044

BEN AND SARA WATSON

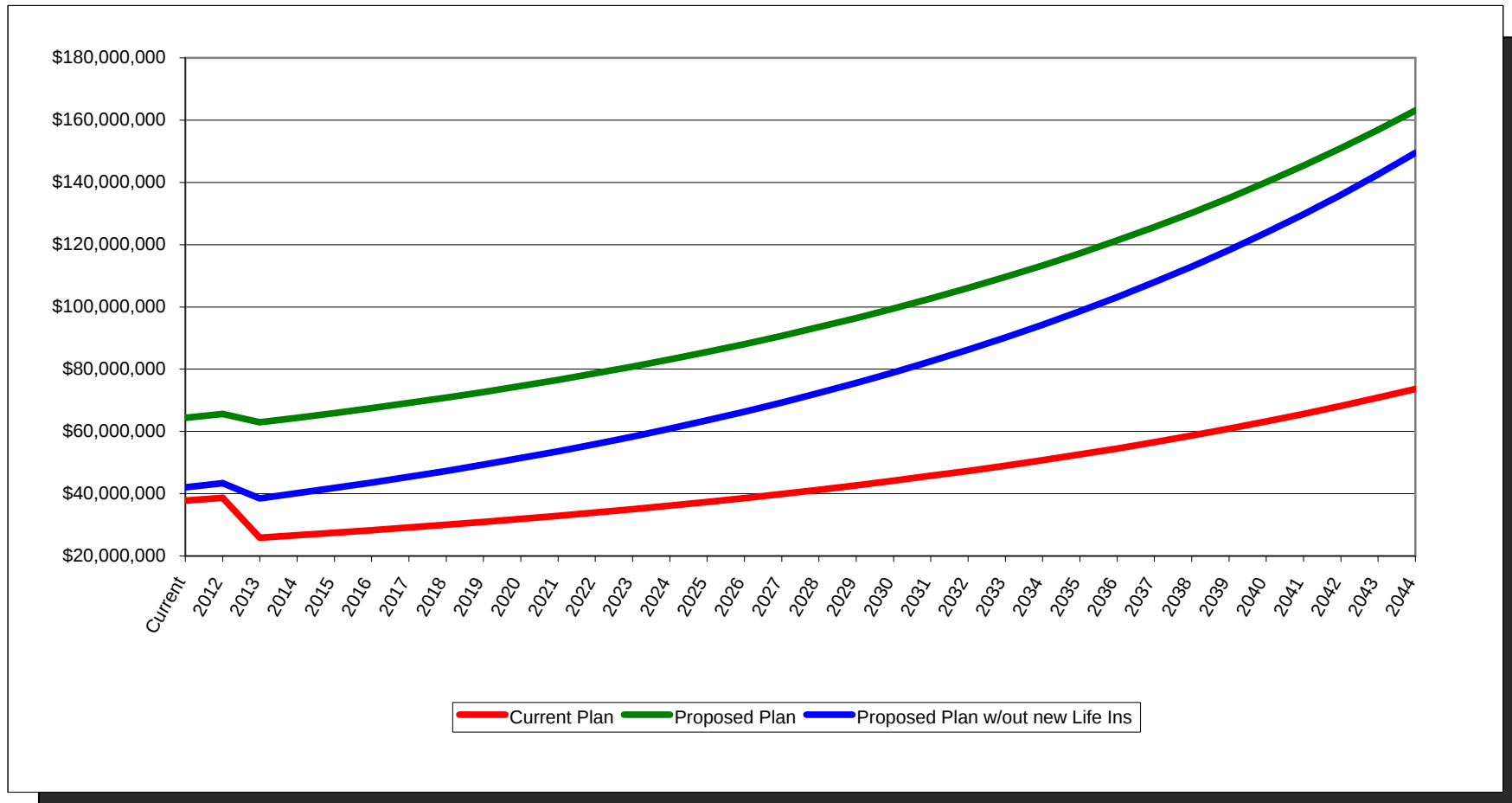
	Existing Plan	Proposed Plan	Advantage
Estate Value	\$ 150,803,813	\$ 43,830,757	
Heirs Receive Immediately	\$ 73,670,645	\$ 163,105,111	\$ 89,434,466
Total Benefits to Family	\$ 73,670,645	\$ 163,105,111	\$ 89,434,466
Estate and Income Tax	\$ 88,131,632	\$ 24,853,717	\$ 63,277,915
Present Value of total to Heirs	\$11,415,811	\$25,274,343	
Discount rate for PV calculation	6.00%		

This chart assumes that you both die at life expectancy and compares the results of the current plan with the proposed plan.

The present value of the total passing to heirs is our attempt to put inheritance into today's dollars to provide perspective.
We are using an inflation rate of 6% to calculate the present value numbers.

ASSETS PASSING TO YOUR FAMILY - CURRENT VS. PROPOSED

BEN AND SARA WATSON

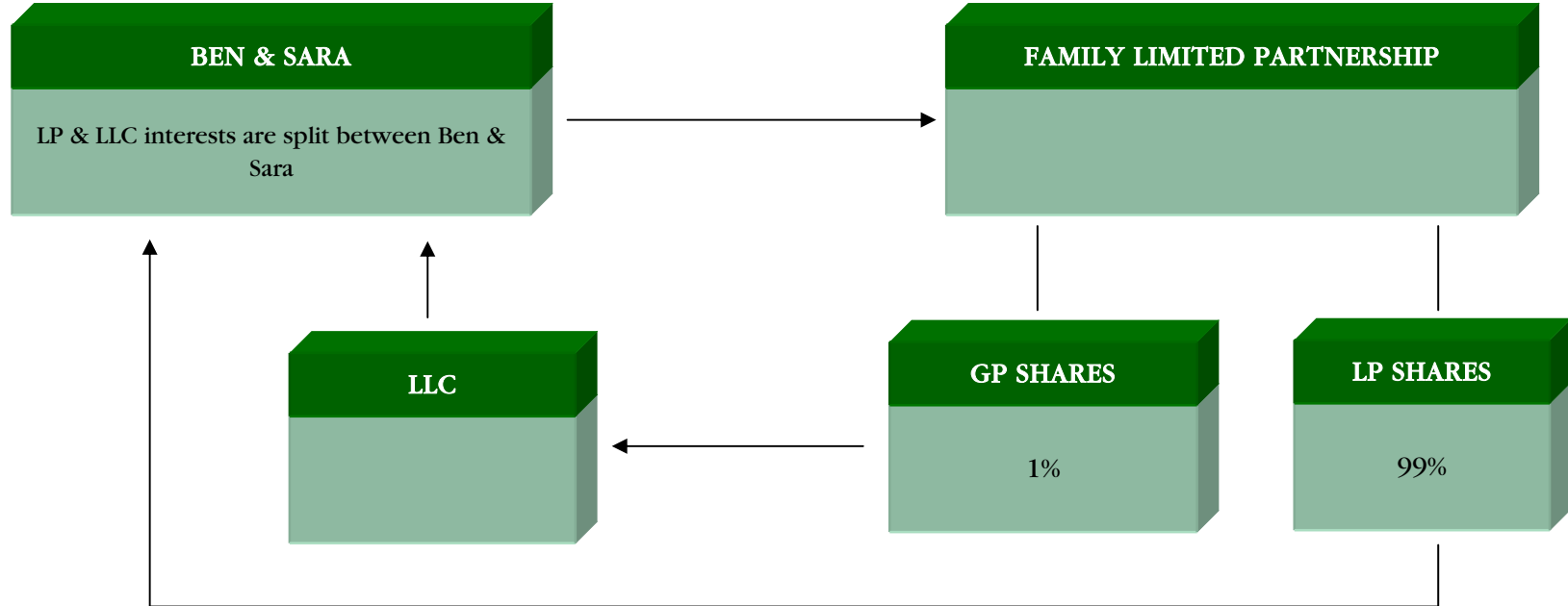


This chart compares the amount of your assets that will pass to heirs after estate taxes and costs of implementation in the current plan as against the proposed plan.

CREATE AND FUND A FAMILY LIMITED PARTNERSHIP

BEN AND SARA WATSON

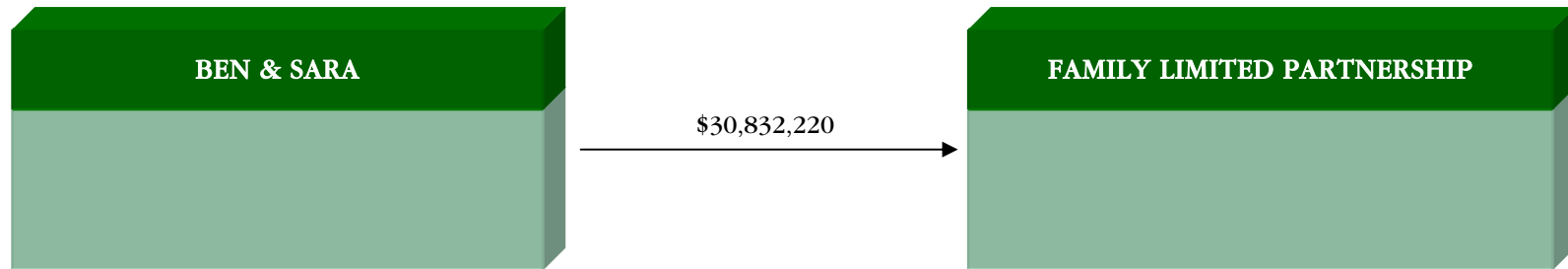
Ben and Sara create a limited partnership and a management LLC. They receive limited partnership shares and LLC receives GP shares. The new entity is organized to develop new investments, protect family members, streamline business succession planning, create a gifting mechanism and provide centralized management of investments.



CREATE AND FUND A FAMILY LIMITED PARTNERSHIP

BEN AND SARA WATSON

Ben and Sara transfer \$30,832,220 of assets to the limited partnership.



Detail of Assets Transferred	
Oil & Gas Rights	30,000,000
Farm	4,232,220
Oil & Gas Loan	(3,000,000)
Farm Loan	(400,000)
Total Assets Contributed	30,832,220

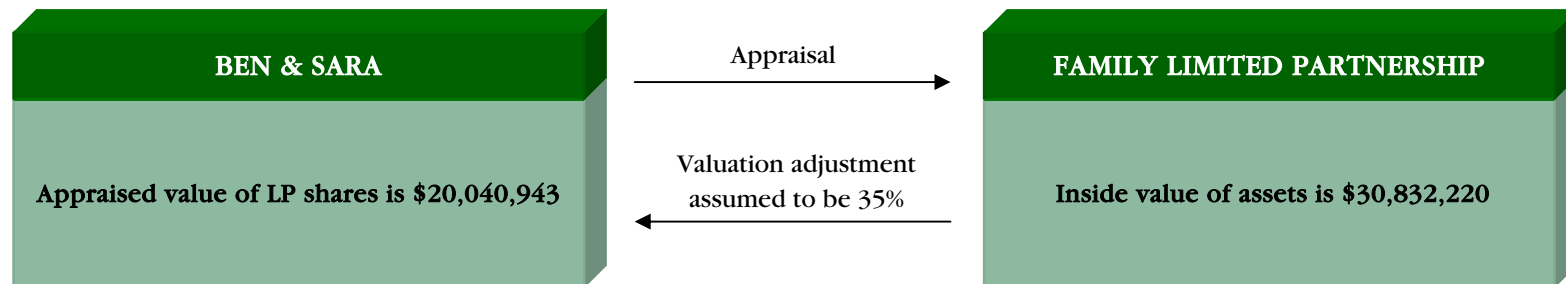
Note: We may need permission from the lender to transfer assets & debt.

HAVE THE LIMITED PARTNERSHIP SHARES APPRAISED

BEN AND SARA WATSON

Ben and Sara hire an appraiser to value the limited partnership shares that they own. The appraiser will value the shares taking all of the following into account:

- Liquidity of the shares
- Transferability of the shares
- Degree of control that accompanies ownership of the shares
- The assets owned by the partnership



The appraisal value of the LP units is assumed for illustration purposes only.

Note: Business appraisal is not an exact science. The IRS does not like valuation adjustments.

A well regarded appraiser should be retained to value the interests being sold.

BUSINESS PURPOSE

BEN AND SARA WATSON

The Family entity must have a legitimate business purpose for being organized and these purposes should be well documented. Legitimate business purposes examples are as follows:

- a. To Make a Profit – The primary reason for creating this Entity is to make a profit.
- b. To Increase Wealth – This Entity will provide an effective legal vehicle to increase the wealth of the Members and their families.
- c. To Provide Centralized Management of Investments – This Entity is designed to hold investment assets and allow for centralized management of those assets.
- d. To Manage and Develop Real Estate – This Entity will provide the legal vehicle to effectively manage and/or develop any real estate owned or acquired by the Company.
- e. To Avoid Two Layers of Taxation on Profits – This Entity provides flexibility in business planning not available to the Members through trusts, corporations, or other business entities.
- f. To Make Gifts Without Fractionalizing Assets – This Entity establishes a method by which annual gifts may be made without fractionalizing family assets.
- g. To Make Gifts Without Causing a Loss of Incentive – This Entity provides a method of ownership which allows gifts to be made to children and other beneficiaries without causing a loss of productivity or the incentive to strive to do well.
- h. To Control Cash Flow to Members – This Entity provides a structure by which the Manager can control the assets and the cash flow to Members to achieve the legitimate purposes of the Company.
- i. To Provide a Buy-Sell Arrangement – This Entity provides an orderly buy-sell arrangement between the members of the families that own membership interests to keep the ownership of Company assets in those families.
- j. To Resolve Disputes Privately – This Entity provides for mediation and binding arbitration in disputes by Members that is intended to prevent expensive and embarrassing public litigation of private family business matters.
- k. To Require the Losers of Disputes to Pay the Dispute Costs – This Entity requires the loser in any dispute to pay for the costs of the dispute.
- l. To Restrict the Right of Non-Members to Acquire Interests – This Entity restricts the right of non-Members to acquire interests in Company assets.
- m. To Prevent Transfers of Membership Interests Because of Failed Marriages – This Entity prevents the transfer of a family member's interest in the Company because of a failed marriage.
- n. To Prevent Commingling of the Assets of Gift Recipients – This Entity creates a method of ownership that will prevent gifts made to family members from being commingled with assets owned by others.
- o. To Make it Difficult to Withdraw – The restrictions in this Operating Agreement make it difficult for any of the parties to withdraw from the Company once they become a Member.
- p. To Protect Members from the Company's Creditor Claims – This Entity limits the liability of Members from the Company's creditors and further limits the liability of Members holding particular Series of the Company from liability associated with other Series of the Company.
- q. To Provide Asset Protection for Members – This Entity protects the family resource base from the claims of future creditors of Members.

The entity may conduct any lawful business and investment activity permitted under the laws of the State and/or country of organization in which it may have a business or investment interest.

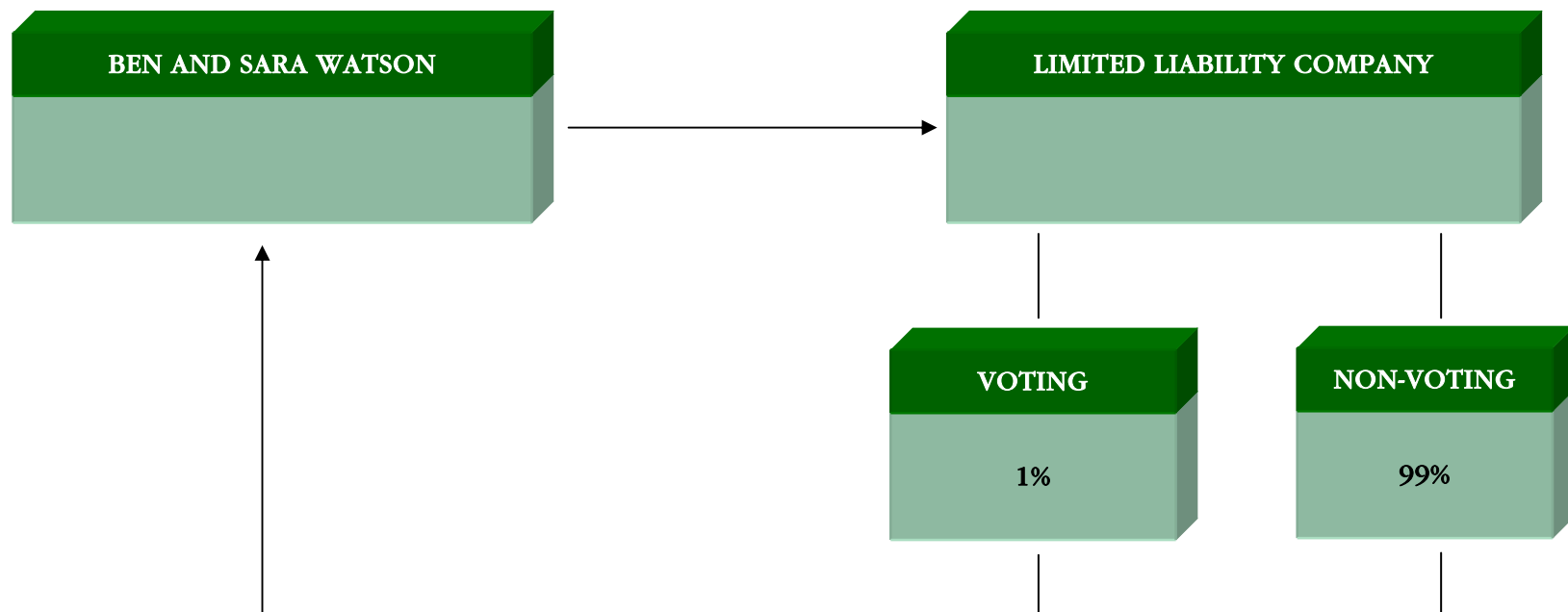
The entity may own, acquire, manage, develop, operate, sell, exchange, finance, refinance, lease and otherwise deal with real estate, personal property and any type of business as the Manager may from time to time deem to be in the best interest of the entity.

The entity may engage in any other activities that are related or incidental to the foregoing purposes.

LLC RE-CAPITALIZATION

BEN AND SARA WATSON

Ben and Sara recapitalize the existing membership interests into voting and non-voting interests.



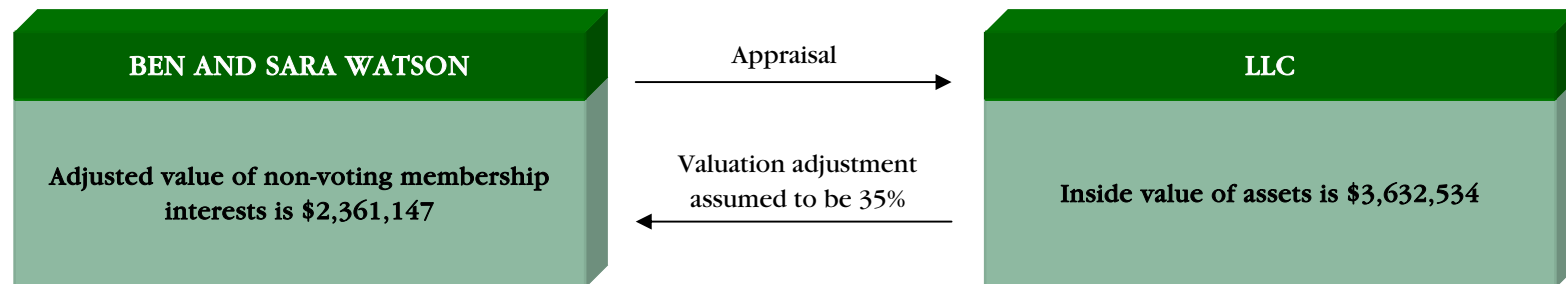
Business To Be Recapitalized	
Watson Drilling, LLC	3,632,534
Total	3,632,534

HAVE THE NON-VOTING MEMBERSHIP INTERESTS APPRAISED

BEN AND SARA WATSON

Ben and Sara hire an appraiser to value the non-voting membership interests. The appraiser will value the membership interests taking all of the following into account:

- Liquidity of the membership interests
- Transferability of the membership interests
- Degree of control that accompanies ownership of the membership interests
- The assets owned by the LLC



The assumed value of the non-voting membership interests is for illustration purposes only.

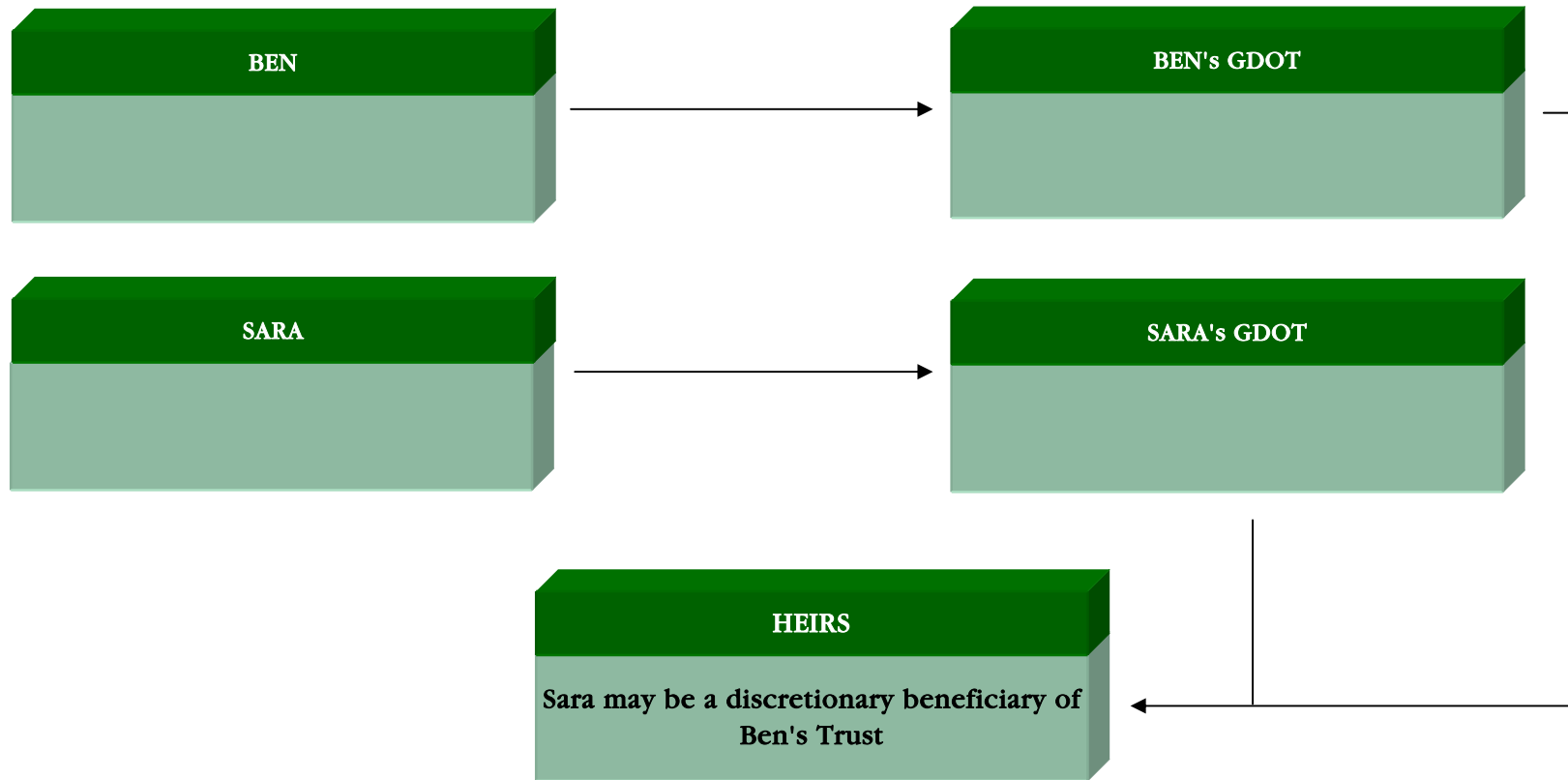
Note: Business appraisal is not an exact science. The IRS does not like valuation adjustments.

A well regarded appraiser should be retained to value the interests being sold.

CREATE GRANTOR DEEMED OWNER TRUSTS

BEN AND SARA WATSON

Ben and Sara create individual grantor deemed owner trusts (GDOT).
The GDOTs can be drafted to provide asset protection and long term estate tax savings through the use of dynasty trust provisions.

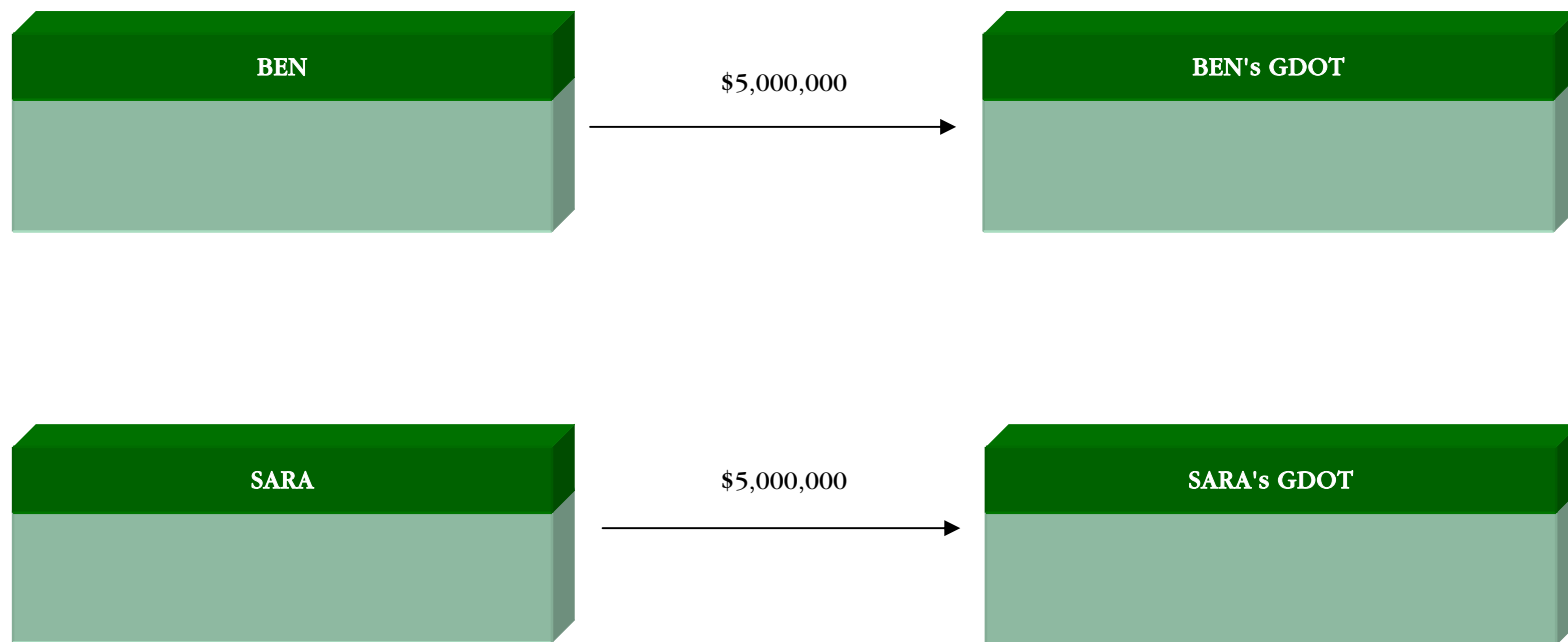


Note: Ben may also be a discretionary beneficiary of Sara's trust. Attention should be paid to avoid reciprocal trust doctrine.

GIFT TO GRANTOR DEEMED OWNER TRUST

BEN AND SARA WATSON

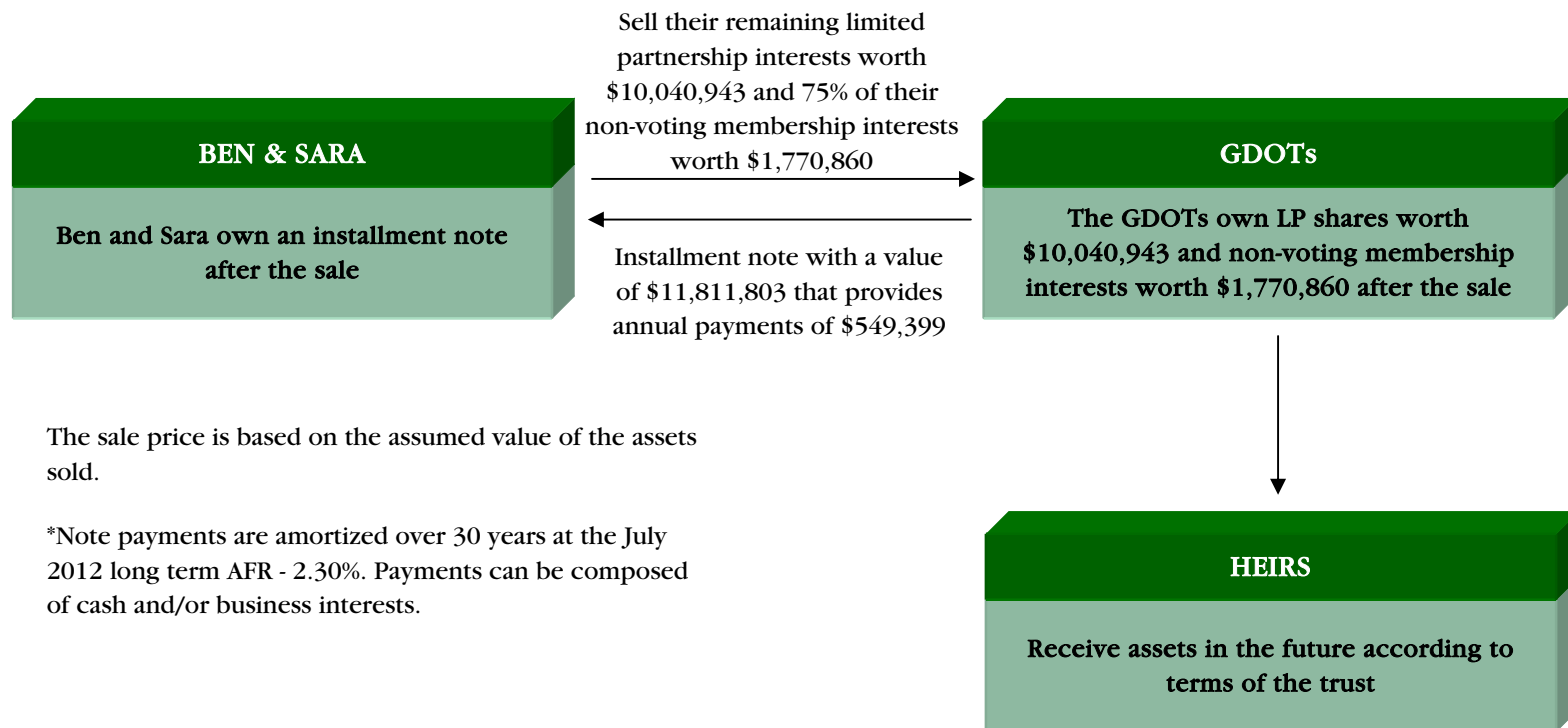
Ben and Sara each make a gift of their limited partnership interests worth \$5,000,000 to their individual GDOTs. This gift is designed to give each trust economic substance and utilize their available lifetime gift exemption.



SELL PARTNERSHIP AND NON-VOTING MEMBERSHIP INTERESTS TO EACH GDOT

BEN AND SARA WATSON

Ben and Sara sell their remaining limited partnership shares and 75% of their non-voting membership interests in Watson Drilling, LLC to their individual GDOTs for an installment note.



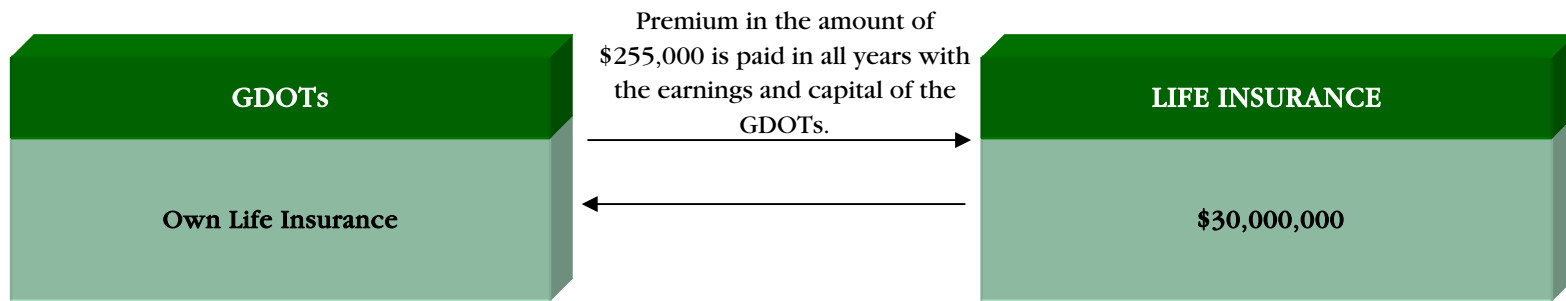
The sale price is based on the assumed value of the assets sold.

*Note payments are amortized over 30 years at the July 2012 long term AFR - 2.30%. Payments can be composed of cash and/or business interests.

DO A REVIEW OF EXISTING INSURANCE POLICIES

BEN AND SARA WATSON

We have illustrated use of a new life insurance policy with \$30M of death benefit as part of your plan.



Policy Benefits:

- Provides more liquidity at death than the existing whole life policies on Ben & Sara's lives at a lower premium cost
- Used as wealth replacement, it can allow increased charitable giving that reduces or eliminates estate taxes but ensures a significant inheritance for your heirs
- Policy has a good tax-free return on investment (see IRR page)
- Increased inheritance in trust for heirs

The premium is based on certain assumptions and is for illustration purposes only. Actual insurance numbers can only be determined by applying for insurance.

INTERNAL RATE OF RETURN ON LIFE INSURANCE

BEN AND SARA WATSON

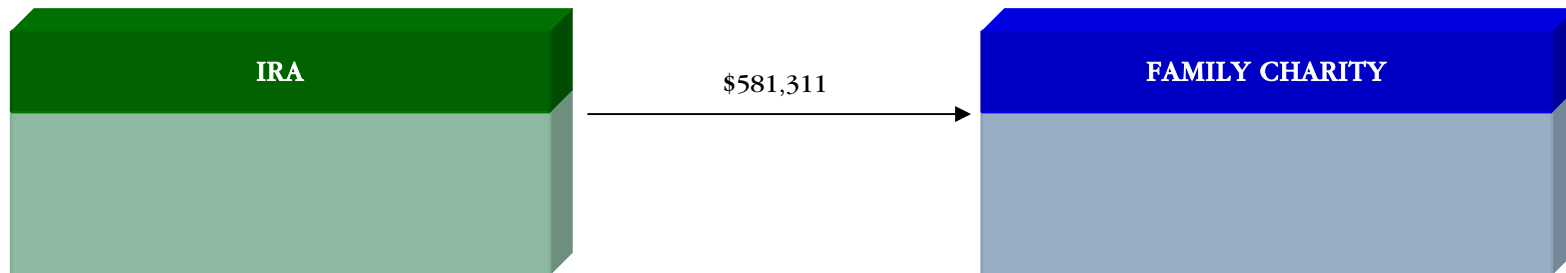
BEN'S AGE	SARA'S AGE	YEAR	PREMIUM	DEATH BENEFIT	IRR
55	54	2012	255,000	30,000,000	11664.71%
56	55	2013	255,000	30,000,000	935.80%
57	56	2014	255,000	30,000,000	352.49%
58	57	2015	255,000	30,000,000	198.33%
59	58	2016	255,000	30,000,000	132.59%
60	59	2017	255,000	30,000,000	97.32%
61	60	2018	255,000	30,000,000	75.70%
62	61	2019	255,000	30,000,000	61.24%
63	62	2020	255,000	30,000,000	50.96%
64	63	2021	255,000	30,000,000	43.32%
65	64	2022	255,000	30,000,000	37.44%
66	65	2023	255,000	30,000,000	32.79%
67	66	2024	255,000	30,000,000	29.03%
68	67	2025	255,000	30,000,000	25.93%
69	68	2026	255,000	30,000,000	23.34%
70	69	2027	255,000	30,000,000	21.15%
71	70	2028	255,000	30,000,000	19.27%
72	71	2029	255,000	30,000,000	17.65%
73	72	2030	255,000	30,000,000	16.23%
74	73	2031	255,000	30,000,000	14.99%
75	74	2032	255,000	30,000,000	13.89%
76	75	2033	255,000	30,000,000	12.91%
77	76	2034	255,000	30,000,000	12.03%
78	77	2035	255,000	30,000,000	11.24%
79	78	2036	255,000	30,000,000	10.52%
80	79	2037	255,000	30,000,000	9.88%
81	80	2038	255,000	30,000,000	9.29%
82	81	2039	255,000	30,000,000	8.75%
83	82	2040	255,000	30,000,000	8.25%
84	83	2041	255,000	30,000,000	7.80%
85	84	2042	255,000	30,000,000	7.38%
86	85	2043	255,000	30,000,000	6.99%
87	86	2044	255,000	30,000,000	6.63%
88	87	2045	255,000	30,000,000	6.29%
89	88	2046	255,000	30,000,000	5.98%
90	89	2047	255,000	30,000,000	5.69%
91	90	2048	255,000	30,000,000	5.42%

PLANNING PART II

LEAVE YOUR IRA TO CHARITY

BEN AND SARA WATSON

At the 2nd death, leave your IRA and qualified plans to charity.



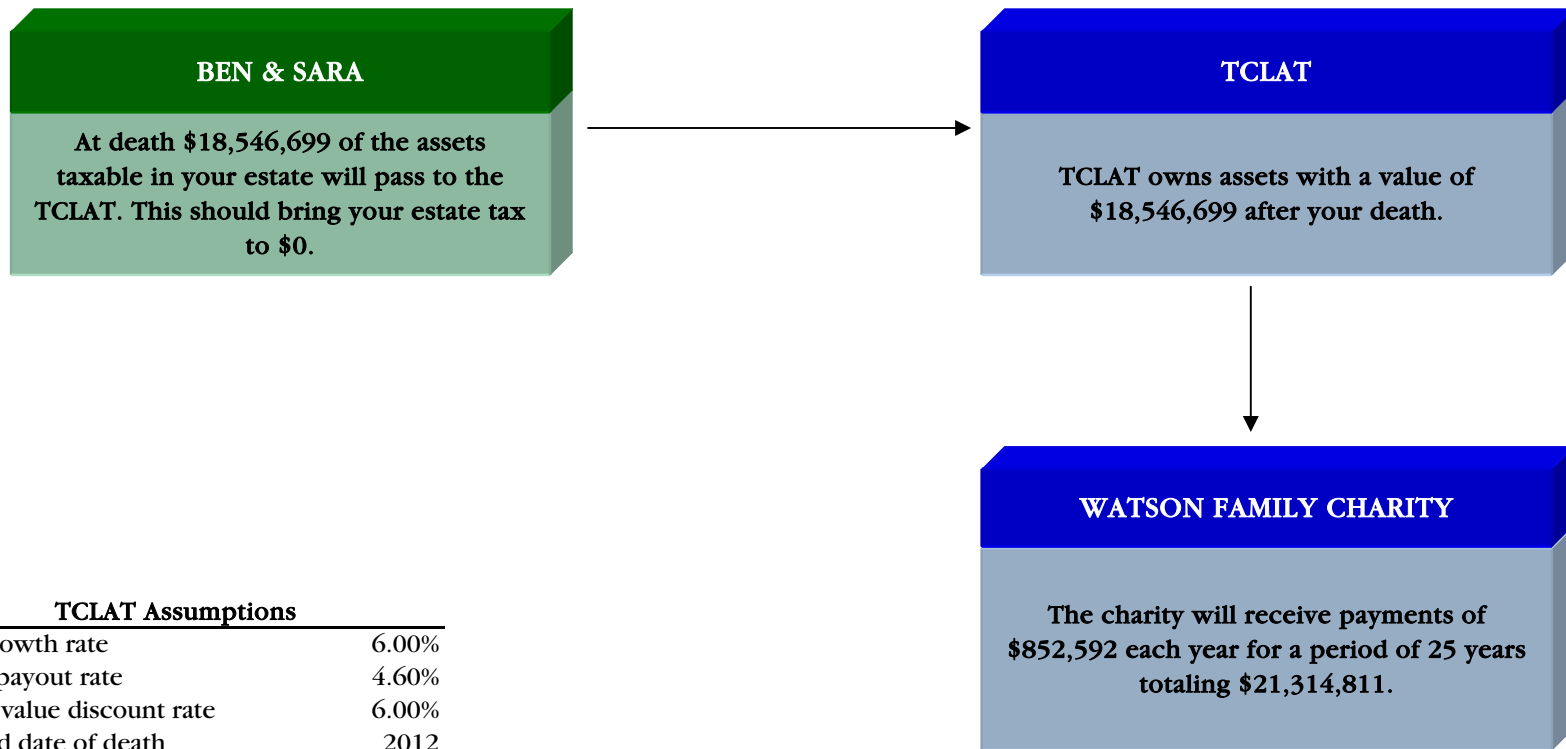
Advantages

- No estate tax
- No income in respect of a decedent tax
- Most efficient asset to satisfy charitable intent

TESTAMENTARY CHARITABLE LEAD ANNUITY TRUST (PART I)

BEN AND SARA WATSON

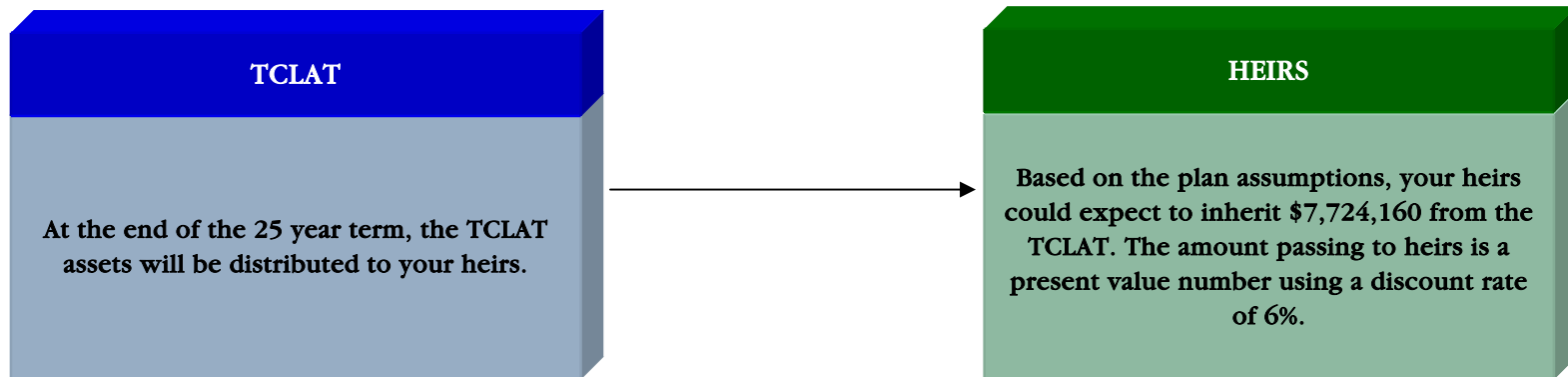
Include language in your trust or Will that creates a testamentary charitable lead trust (TCLAT) at the second death.



TESTAMENTARY CHARITABLE LEAD ANNUITY TRUST (PART II)

BEN AND SARA WATSON

At the end of the TCLAT term, your heirs will receive all of the remaining trust assets.



The amount passing to beneficiaries is entirely dependent on the rate of return of the assets in the trust. A higher rate of return means more passing to heirs and a lower rate of return could mean that nothing passes to heirs.

COMPARISON OF POTENTIAL CHARITABLE PLAN RESULTS - PLAN YEAR 2022

BEN AND SARA WATSON

	Existing Plan	Proposed Plan	Proposed Plan w/ TCLAT
Heirs Receive Immediately	\$ 33,941,133	\$ 78,663,821	\$ 67,742,055
Deferred Inheritance	\$ -	\$ -	\$ 9,813,117
Total Benefits to Family	\$ 33,941,133	\$ 78,663,821	\$ 77,555,172
Family Charity	\$ -	\$ -	\$ 24,750,687
Estate and Income Tax	\$ 39,519,260	\$ 13,828,922	\$ -

This chart assumes that you both die in year 2022 and compares the results of the current plan with the proposed plan.

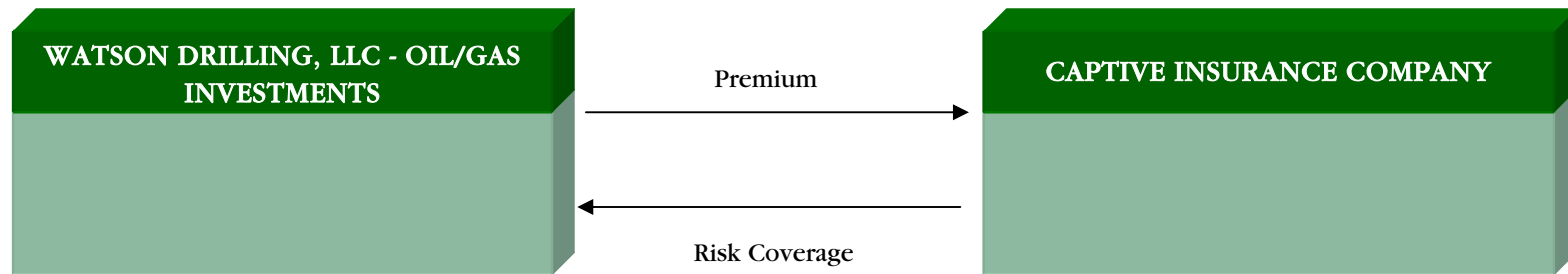
PLANNING PART III

CREATE A CAPTIVE INSURANCE COMPANY

BEN AND SARA WATSON

Ben's GDOT creates and owns a captive insurance company.

The captive is formed to insure currently insured and uninsured risks of Watson Drilling, LLC and oil/gas investments.

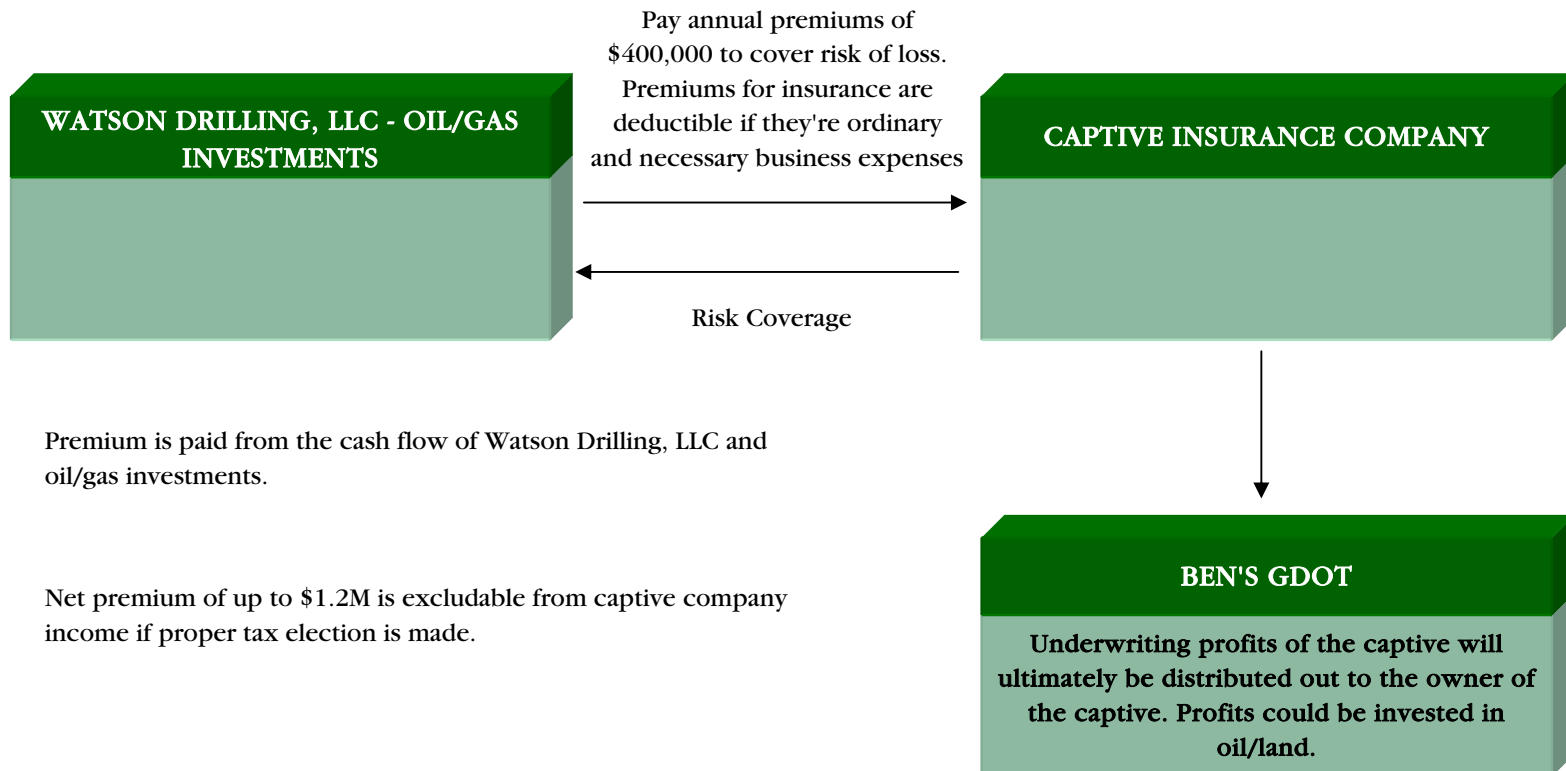


In the plan we have assumed that the Captive is owned by a trust.
This provides inheritance and estate tax benefits as well as income tax benefits.

COMPANY INSURES RISKS

BEN AND SARA WATSON

The Captive Insurance Company insures various risks of loss.



PLANNING PART IV

BEN AND SARA WATSON

Institute a Business Succession Process



Phase I-Discovery/Goal Setting

Focus on understanding the current situation, including detailed information about you, your family members and key staff to:

- Confirm goals,
- Gain a perspective of the organization, and
- Determine needs.

Phase II - Plan Development

With your involvement, and the input of your key advisors, develop, confirm, refine and implement the succession plan, which will include a highly actionable and specific strategy for maintaining company success during the business transfer.

Phase II - Implementation

Monitor and refine the plan based on changing family or business dynamics, feelings and finances. This may include ongoing family councils or mentoring with the next generation of leaders, including:

- Structuring accountability
- Leadership development training
- Communication training
- Job effectiveness training

PERIODIC TABLE OF ESTATE PLANNING ELEMENTS - RECOMMENDED

BEN AND SARA WATSON

The highlighted tools are those we have determined are most suited to achieving your goals and objectives.

Charitable Remainder Uni-Trust	412(e)	Family Limited Partnership	Private Annuity	Grantor Retained Annuity Trust	Charitable Lead Annuity Trust	SCIN
Family LLC	TCLAT	Qualified Personal Residence Trust	Flip CRT	Sale for Installment Note	Series Limited Liability Company	GDOT Owned Life Insurance
Premium Finance	Preferred Limited partnership	Beneficiary Defective Inheritor's Trust (BDIT)	529 Plans	Partnership Interest Gifting	ILIT	LLC Recapitalization
Walton GRAT	Private Foundations	Charitable Life Estate	NIMCRUT	Annuity Withdrawal	Asset Protection	SPIA/Life Arbitrage
SPIA/Life in a CLAT	Principal Protected Notes	Revocable Living Trusts, DPAs and POAs	Crummey Powers	Dynasty Trust	International VUL	GDOT
Supporting Organizations	IRA to Charity	Gift Annuity	Remainder Sales	Life Estates	Captive Insurance Company	LLC/CRTs
Bargain Sales	Succession Planning	Risk Management	Charitable Remainder Annuity Trust	ESOP Planning	Defined Benefit Plans	Qualified Plan Limited Partnership

 Green equals a new planning tool for family

 Blue equals a social capital or charitable tool

 Yellow equals an existing planning tool

DETAILED FINANCIAL ANALYSIS

BEN AND SARA WATSON

INTRODUCTION

The following section of the plan contains all of the financial analysis used to show you where you stand with your current plan and what is possible with the proposed plan.

All of the numbers are based on information provided by you or gleaned from statements and tax returns. If numbers do not look correct, please let us know so that we can make appropriate changes.

Assumed growth and yield numbers are all listed on the Net Worth pages contained in these sections.

DETAILED FINANCIAL ANALYSIS

BEN AND SARA WATSON

CURRENT PLAN FINANCIALS

In the Current Plan Section you will find a Net Worth Statement and a detailed cash flow and asset value projection analysis.

CURRENT NET WORTH STATEMENT

BEN AND SARA WATSON

	BEN	SARA	JOINT	TOTAL	YIELD	GROWTH
CASH AND EQUIVALENTS						
Cash	-	15,683	-	15,683	0.0%	0.0%
Cash	31,991	-	-	31,991	0.0%	0.0%
MM	240,474	-	-	240,474	0.0%	0.0%
MM	-	75,000	-	75,000	0.0%	0.0%
Cash Value of Life Insurance**	397,993	174,705		572,698	0.0%	0.0%
Total of Cash and Equivalents	670,458	265,388	-	935,846	0.0%	0.0%
** Assumes the cash value of the new whole life policies increase \$160,000 in cash value each year.						
MARKETABLE SECURITIES - EQUITIES						
Securities	-	8,265	-	8,265	2.0%	4.0%
Securities	-	10,337	-	10,337	2.0%	4.0%
Securities	99,845	-	-	99,845	2.0%	4.0%
Securities	-	81,458	-	81,458	2.0%	4.0%
Total of Equities	99,845	100,060	-	199,905	2.0%	4.0%
NON-TAXABLE MARKETABLE SECURITIES						
Muni Bonds	-	30,904	-	30,904	4.0%	0.0%
Total of Non-Taxable Marketable Securities	-	30,904	-	30,904	4.0%	0.0%
ANNUITIES/DEFERRED COMPENSATION						
Annuity	65,783	-	-	65,783		4.0%
Total of Annuities	65,783	-	-	65,783		4.0%

CURRENT NET WORTH STATEMENT (PAGE 2)

BEN AND SARA WATSON

	BEN	SARA	JOINT	TOTAL	YIELD	GROWTH
OTHER INVESTMENTS						
Oil & Gas Rights	15,000,000	15,000,000	-	30,000,000	-1.3%	1.0%
Farm	2,116,110	2,116,110	-	4,232,220	-2.3%	1.0%
LLC 1	491,308	491,308	-	982,616	-0.2%	1.0%
LLC 2	217,789	217,789	-	435,578	0.0%	1.0%
LLC 3 (40%)	205,166	-	-	205,166	-3.0%	1.0%
Mineral Interests	150,000	150,000	-	300,000	4.5%	1.0%
LLC 4 (25%)	136,962	-	-	136,962	46.7%	1.0%
LLC 5 (33.33%)	133,308	-	-	133,308	-28.0%	1.0%
LLC 6	63,168	63,168	-	126,336	0.0%	1.0%
LLC 7 (33.33%)	32,800	-	-	32,800	53.1%	1.0%
LLC 8 (50%)	16,467	-	-	16,467	0.0%	1.0%
LLC 9 (2%)	6,614	-	-	6,614	0.4%	1.0%
Total of Other Investments	18,569,692	18,038,375	-	36,608,067	-1.2%	1.0%
CLOSELY HELD BUSINESS						
Watson Drilling, LLC	1,816,267	1,816,267	-	3,632,534	25.8%	3.0%
Total Closely Held Business	1,816,267	1,816,267	-	3,632,534	25.8%	3.0%
RETIREMENT PLANS/IRAs						
IRA	32,074	-		32,074	0.0%	5.0%
IRA	-	26,773		26,773	0.0%	5.0%
401(k)	217,313	-		217,313	0.0%	5.0%
401(k)	-	86,332		86,332	0.0%	5.0%
IRA	153,036	-		153,036	0.0%	5.0%
Total Retirement Plans	402,423	113,105		515,528	0.0%	5.0%

CURRENT NET WORTH STATEMENT (PAGE 3)

BEN AND SARA WATSON

	BEN	SARA	JOINT	TOTAL	YIELD	GROWTH
RESIDENTIAL REAL ESTATE						
Residence	450,000	-	-	450,000	0.0%	2.0%
Lake House	-	1,500,000	-	1,500,000	0.0%	2.0%
Total of Personal Residences	450,000	1,500,000	-	1,950,000	0.0%	2.0%
PERSONAL PROPERTY						
Autos	65,000	75,235	-	140,235	0.0%	0.0%
Boat	62,000	-	-	62,000	0.0%	0.0%
Snowmobiles & Trailers	-	-	62,000	62,000	0.0%	0.0%
Total of Personal Property	127,000	75,235	62,000	264,235	0.0%	0.0%
TOTAL ASSETS	22,201,468	21,939,334	62,000	44,202,802		
LIABILITIES						
Lake House	-	600,000	-	600,000		
Total Liabilities	-	600,000	-	600,000		
COMMERCIAL LIABILITIES						
Oil & Gas Loan	1,500,000	1,500,000	-	3,000,000		
Farm Loan	200,000	200,000	-	400,000		
Total Commercial Liabilities	1,700,000	1,700,000	-	3,400,000		
TOTAL LIABILITIES	1,700,000	2,300,000	-	4,000,000		
NET WORTH	20,501,468	19,639,334	62,000	40,202,802		

SCHEDULE OF LIFE INSURANCE BENEFITS - CURRENT PLAN

BEN AND SARA WATSON

COMPANY	INSURED	POLICY #	BENEFICIARY	PREMIUM	CASH VALUE	DEATH BENEFIT
Policies owned by Ben						
Whole Life	Ben	#	Ben's RLT	99,999	-	2,962,633
Whole Life**	Ben	#	Sara	100,000	169,249	2,405,403
UL	Ben	#	Ben's RLT	6,400	77,332	1,000,000
Whole Life	Jessica Watson	#	Sara's RLT	10,000	47,889	750,000
Whole Life	Lisa Watson	#	Sara's RLT	10,000	48,118	742,456
Whole Life	Katie Watson	#	Sara's RLT	10,000	48,444	665,881
Whole Life	Ben	#	Ben's RLT	-	3,481	5,000
Whole Life	Ben	#	Ben's RLT	-	3,480	5,000
Totals				236,399	397,993	8,536,373
Policies owned by Sara						
Whole Life	Sara	#	Sara's RLT	99,999	-	3,466,342
Whole Life**	Sara	#	Ben	100,000	166,375	3,047,568
UL	Sara	#	Sara's RLT	6,000	8,330	625,000
Totals				205,999	174,705	7,138,910
Notes:						
** Policies have loans outstanding. The cash value and death benefit of both of these policies have been decreased to reflect their respective policy loans.						
** Guarantees with regard to dividends on these policies are impacted by outstanding loans.						

ASSET VALUE PROJECTIONS - EXISTING PLAN

YEAR	Current	2012	2013	2014	2015	2016	2020	2025	2044
Asset Values									
Cash and cash equivalents	935,846	1,095,846	1,255,846	1,415,846	1,575,846	1,735,846	2,375,846	3,175,846	6,215,846
Marketable securities - Equities	199,905	138,227	52,918	178,754	875,744	1,937,264	6,873,209	14,912,486	79,354,358
Municipal bonds	30,904	30,904	30,904	30,904	30,904	30,904	30,904	30,904	30,904
Annuities	65,783	66,673	69,339	72,113	74,998	77,997	91,246	111,015	233,891
Other investments	36,608,067	36,733,027	37,100,357	37,471,361	37,846,075	38,224,535	39,776,605	41,805,611	50,505,733
Closely held business	3,632,534	3,669,492	3,779,577	3,892,965	4,009,753	4,130,046	4,648,403	5,388,773	9,449,247
Retirement plans/IRAs	515,528	524,214	550,425	577,946	606,844	637,186	774,503	988,484	1,049,739
Personal residences	1,950,000	1,963,269	2,002,535	2,042,585	2,083,437	2,125,106	2,300,283	2,539,698	3,699,861
Personal property	264,235	264,235	264,235	264,235	264,235	264,235	264,235	264,235	264,235
Total assets in estate	44,202,802	44,485,888	45,106,137	45,946,709	47,367,836	49,163,119	57,135,234	69,217,053	150,803,813
Less estimated liabilities ¹	(4,000,000)	(2,939,046)	(1,855,903)	(963,944)	(618,541)	(581,609)	(413,308)	(147,378)	(0)
Combined net worth	\$ 40,202,802	\$ 41,546,842	\$ 43,250,234	\$ 44,982,765	\$ 46,749,295	\$ 48,581,510	\$ 56,721,926	\$ 69,069,674	\$150,803,813

¹ See assumed interest rates on debt in following cash flow pages.

In the event that there is a cash flow surplus, the surplus is added to the marketable securities row by default.

If there is a cash flow shortage (because of spending or gifting capital) then the shortage is treated as a reduction in marketable securities.

TAXABLE INCOME PROJECTIONS - EXISTING PLAN

YEAR	Current	2012	2013	2014	2015	2016	2020	2025	2044
Sources of taxable income									
Marketable securities - Equities		3,998	2,765	1,058	3,575	17,515	110,559	262,262	1,480,296
Other investments		(445,916)	(445,916)	(445,916)	(445,916)	(445,916)	(445,916)	(445,916)	(445,916)
Closely held business		938,806	948,358	976,808	1,006,113	1,036,296	1,166,360	1,352,131	2,370,970
Retirement plans/IRAs		-	-	-	-	-	-	-	79,323
Client earned income		85,650	87,363	89,110	90,892	92,710	100,353	110,797	-
Spouse earned income		3,000	3,060	3,121	3,184	3,247	3,515	3,881	-
Other Income		18,041	18,041	18,041	18,041	18,041	18,041	18,041	18,041
Gross income	\$	603,579	\$ 613,670	\$ 642,223	\$ 675,889	\$ 721,894	\$ 952,912	\$ 1,301,197	\$ 3,502,714

INCOME TAX PROJECTIONS - EXISTING PLAN

YEAR	Current	2012	2013	2014	2015	2016	2020	2025	2044
Income tax Estimation									
Adjusted gross income:									
Dividend income (marketable sec.)		3,998	2,765	1,058	3,575	17,515	110,559	262,262	1,480,296
Earned and other income		599,581	610,906	641,165	672,314	704,379	842,353	1,038,935	2,022,419
Adjusted gross income		603,579	613,670	642,223	675,889	721,894	952,912	1,301,197	3,502,714
Deductions									
Real estate tax		33,189	33,853	34,530	35,220	35,925	38,886	42,934	62,546
State income taxes		38,931	39,582	41,423	43,595	46,562	61,463	83,927	225,925
Interest		101,900	79,711	57,023	38,101	30,049	21,592	8,113	0
Charitable gifts	50,000	50,000	51,000	52,020	53,060	54,122	58,583	64,680	94,227
Charitable Deduction available		50,000	51,000	52,020	53,060	54,122	58,583	64,680	94,227
Charitable Deduction allowed		50,000	51,000	52,020	53,060	54,122	58,583	64,680	94,227
Total deductions		224,020	204,145	184,996	169,976	166,657	180,523	199,654	382,698
Reductions		-	(13,406)	(14,263)	(15,273)	(16,653)	(23,583)	(34,032)	(100,077)
Deductions allowed		224,020	190,739	170,733	154,704	150,004	156,940	165,622	282,621
Taxable income		379,559	422,931	471,490	521,185	571,889	795,972	1,135,575	3,220,094
Federal and State income tax	\$	140,372	\$ 170,257	\$ 191,328	\$ 213,178	\$ 236,225	\$ 339,862	\$ 496,809	\$ 1,464,277

CASH FLOW PROJECTIONS - EXISTING PLAN

YEAR	Current	2012	2013	2014	2015	2016	2020	2025	2044							
Sources of income for Lifestyle																
Distribution from Marketable Securities		64,381	90,838	-	-	-	-	-	-							
Depreciation Add Back		308,142	308,142	308,142	308,142	308,142	308,142	308,142	308,142							
Depletion Add Back		651,475	651,475	651,475	651,475	651,475	651,475	651,475	651,475							
Depletion Add Back		750,000	750,000	750,000	750,000	750,000	750,000	750,000	750,000							
Consumable income (taxable)		603,579	613,670	642,223	675,889	721,894	952,912	1,301,197	3,502,714							
Consumable income (tax exempt)		1,236	1,236	1,236	1,236	1,236	1,236	1,236	1,236							
Total income available for lifestyle		2,378,813	2,415,362	2,353,076	2,386,742	2,432,747	2,663,765	3,012,050	5,213,568							
Uses of Cash																
Living expenses		250,000	255,000	260,100	265,302	270,608	292,915	323,402	471,135							
Income tax		140,372	170,257	191,328	213,178	236,225	339,862	496,809	1,464,277							
Real estate tax		33,189	33,853	34,530	35,220	35,925	38,886	42,934	62,546							
Personally held insurance premiums		442,398	442,398	442,398	442,398	442,398	442,398	442,398	442,398							
Capital Expenditures		200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000							
Lake House Debt Payments ¹		60,480	60,480	60,480	60,480	60,480	60,480	60,480	-							
Oil & Gas Debt Payments ²		1,014,406	1,014,406	805,848	297,686	-	-	-	-							
Farm Debt Payments ³		87,968	87,968	82,654	29,576	6,500	6,500	6,500	-							
Cash gifts to family		100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000							
Cash gifts to charity		50,000	51,000	52,020	53,060	54,122	58,583	64,680	94,227							
Total uses of cash		2,378,813	2,415,362	2,229,358	1,696,901	1,406,257	1,539,624	1,737,203	2,834,583							
Surplus																
	\$	-	\$	-	\$	123,719	\$	689,841	\$	1,026,490	\$	1,124,141	\$	1,274,847	\$	2,378,985

¹ Assumes an average interest rate of 5.65% on the debt. Full pay off in 2026.

² Assumes an average interest rate of 2% on the debt. Full pay off in 2015.

³ Assumes an average interest rate of 2.75% on the debt. Full pay off in 2036.

In the event that there is a cash flow surplus, the surplus is added to the marketable securities row on the "Asset Value Projections" 3 pages earlier.

If there is a cash flow shortage (spending or gifting capital) then the shortage is treated as a reduction in marketable securities row on the "Asset Value Projections" 3 pages earlier.

FIRST ESTATE TAX ESTIMATION AND DISTRIBUTION - EXISTING PLAN

YEAR	Current	2012	2013	2014	2015	2016	2020	2025	2044
Tax calculation on Ben's death									
Combined net worth	40,202,802	41,546,842	43,250,234	44,982,765	46,749,295	48,581,510	56,721,926	69,069,674	150,803,813
Ben's estimated estate	20,532,468	21,218,899	22,088,860	22,973,702	23,875,908	24,811,661	28,969,153	35,275,424	77,018,872
Death benefit exceeding CV	6,124,494	6,124,494	6,124,494	6,124,494	6,124,494	6,124,494	6,124,494	6,124,494	6,124,494
Total gross estate	26,656,962	27,343,393	28,213,354	29,098,196	30,000,402	30,936,155	35,093,647	41,399,918	83,143,366
Settlement expenses	(158,285)	(161,717)	(166,067)	(170,491)	(175,002)	(179,681)	(200,468)	(232,000)	(440,717)
Joint, personal and IRA to Sara	(560,423)	(568,240)	(590,014)	(612,833)	(636,752)	(661,850)	(775,318)	(951,873)	(1,062,713)
Insurance passing to Sara	(6,378,036)	(6,378,036)	(6,378,036)	(6,378,036)	(6,378,036)	(6,378,036)	(6,378,036)	(6,378,036)	(6,378,036)
Outright or in trust to Sara	(14,440,218)	(15,115,400)	(20,079,237)	(20,936,836)	(21,810,612)	(22,716,588)	(26,739,825)	(32,838,009)	(74,261,900)
Taxable estate	5,120,000	5,120,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
Tax base	5,120,000	5,120,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
Federal Estate Tax	-	-	-	-	-	-	-	-	-
Distribution of Ben's estate									
Settlement expenses	158,285	161,717	166,067	170,491	175,002	179,681	200,468	232,000	440,717
To family trust	5,120,000	5,120,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
Joint, personal and IRA to Sara	560,423	568,240	590,014	612,833	636,752	661,850	775,318	951,873	1,062,713
Insurance passing to Sara	6,378,036	6,378,036	6,378,036	6,378,036	6,378,036	6,378,036	6,378,036	6,378,036	6,378,036
Outright or in trust to Sara	14,440,218	15,115,400	20,079,237	20,936,836	21,810,612	22,716,588	26,739,825	32,838,009	74,261,900
Total	\$ 26,656,962	\$ 27,343,393	\$ 28,213,354	\$ 29,098,196	\$ 30,000,402	\$ 30,936,155	\$ 35,093,647	\$ 41,399,918	\$ 83,143,366

Assumptions

We assume that Ben dies first, followed immediately by Sara.

Taxes under "Distribution of First Estate" include estate and income taxes.

SECOND ESTATE TAX ESTIMATION AND DISTRIBUTION - EXISTING PLAN

YEAR	Current	2012	2013	2014	2015	2016	2020	2025	2044
Tax Calculation on Sara's death									
Sara's assets	19,670,334	20,327,943	21,161,375	22,009,063	22,873,387	23,769,849	27,752,773	33,794,251	73,784,941
Death benefit exceeding CV	6,964,205	6,964,205	6,964,205	6,964,205	6,964,205	6,964,205	6,964,205	6,964,205	6,964,205
Plus assets from Ben's estate	21,378,677	22,061,676	27,047,287	27,927,705	28,825,400	29,756,474	33,893,179	40,167,918	81,702,649
Sara's estimated estate	48,013,216	49,353,824	55,172,866	56,900,973	58,662,992	60,490,528	68,610,157	80,926,374	162,451,795
Settlement expenses	(505,132)	(518,538)	(576,729)	(594,010)	(611,630)	(629,905)	(711,102)	(834,264)	(1,649,518)
Sara's taxable estate	47,508,084	48,835,286	54,596,138	56,306,963	58,051,362	59,860,623	67,899,055	80,092,110	160,802,277
Tax base	47,508,084	48,835,286	54,596,138	56,306,963	58,051,362	59,860,623	67,899,055	80,092,110	160,802,277
Federal Estate Tax	14,835,829	15,300,350	29,682,076	30,623,030	31,582,449	32,577,543	36,998,680	43,704,861	88,095,453
Tax on IRD	8,552	8,783	6,561	7,060	7,579	8,119	10,504	14,062	36,180
Total Estate Tax Due	14,844,381	15,309,133	29,688,636	30,630,090	31,590,028	32,585,662	37,009,184	43,718,923	88,131,632
Distribution of Sara's estate									
Settlement expenses	505,132	518,538	576,729	594,010	611,630	629,905	711,102	834,264	1,649,518
Taxes	14,844,381	15,309,133	29,688,636	30,630,090	31,590,028	32,585,662	37,009,184	43,718,923	88,131,632
Qualified plan to heirs	515,528	524,214	550,425	577,946	606,844	637,186	774,503	988,484	1,049,739
Insurance passing to heirs	7,138,910	7,138,910	7,138,910	7,138,910	7,138,910	7,138,910	7,138,910	7,138,910	7,138,910
Residual estate to heirs	25,009,265	25,863,028	17,218,166	17,960,017	18,715,580	19,498,865	22,976,458	28,245,793	64,481,996
Total	\$ 48,013,216	\$ 49,353,824	\$ 55,172,866	\$ 56,900,973	\$ 58,662,992	\$ 60,490,528	\$ 68,610,157	\$ 80,926,374	\$162,451,795

Assumptions

We assume that Ben dies first, followed immediately by Sara.

Taxes under "Distribution of Second Estate" include estate and income taxes.

SUMMARY OF BENEFITS TO FAMILY - EXISTING PLAN

YEAR	Current	2012	2013	2014	2015	2016	2020	2025	2044
Benefits to Family									
Family trust	5,120,000	5,120,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
Residual estate	32,148,175	33,001,938	24,357,076	25,098,927	25,854,490	26,637,775	30,115,368	35,384,703	71,620,906
Qualified plan assets	515,528	524,214	550,425	577,946	606,844	637,186	774,503	988,484	1,049,739
Total assets to heirs	\$ 37,783,703	\$ 38,646,153	\$ 25,907,501	\$ 26,676,874	\$ 27,461,334	\$ 28,274,961	\$ 31,889,871	\$ 37,373,187	\$ 73,670,645

Estate Taxes	\$ 14,844,381	\$ 15,309,133	\$ 29,688,636	\$ 30,630,090	\$ 31,590,028	\$ 32,585,662	\$ 37,009,184	\$ 43,718,923	\$ 88,131,632
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DETAILS OF BEN'S QUALIFIED PLAN - EXISTING PLAN

YEAR	Current	2012	2013	2014	2015	2016	2020	2025	2044
Ben's Qualified Plans									
Ben's Age		55	56	57	58	59	63	68	87
Sara's Age		54	55	56	57	58	62	67	86
Minimum distribution factor		41.6	40.7	39.7	38.7	37.8	33.9	29.2	13.4
Plan contributions		-	-	-	-	-	-	-	-
Plan balance	402,423	409,204	429,664	451,147	473,704	497,389	604,580	771,614	805,902
Minimum distribution		-	-	-	-	-	-	-	61,660
Preferred distribution		-	-	-	-	-	-	-	-
Actual distribution		-	-	-	-	-	-	-	61,660

DETAILS OF SARA'S QUALIFIED PLAN - EXISTING PLAN

YEAR	Current	2012	2013	2014	2015	2016	2020	2025	2044
Sara's Qualified Plans									
Sara's Age		54	55	56	57	58	62	67	86
Ben's Age		55	56	57	58	59	63	68	87
Minimum distribution factor		42.6	41.6	40.7	39.7	38.7	34.9	30.2	14.1
Plan contributions		-	-	-	-	-	-	-	-
Plan balance	113,105	115,011	120,761	126,799	133,139	139,796	169,923	216,870	243,837
Minimum distribution		-	-	-	-	-	-	-	17,663
Preferred distribution		-	-	-	-	-	-	-	-
Actual distribution		-	-	-	-	-	-	-	17,663

DETAILED FINANCIAL ANALYSIS

BEN AND SARA WATSON

PROPOSED PLAN FINANCIALS

In the Proposed Plan Section you will find a balance sheet which reflects the repositioning of assets as set out in the step by step roadmap in the proceeding section. You will also find detailed cash flow and asset projection information on each of the proposed planning strategies.

NET WORTH STATEMENT AFTER PLAN IMPLEMENTATION

BEN AND SARA WATSON

	BEN	SARA	JOINT	TOTAL	YIELD	GROWTH
CASH AND EQUIVALENTS						
Cash	-	15,683	-	15,683	0.0%	0.0%
Cash	31,991	-	-	31,991	0.0%	0.0%
MM	240,474	-	-	240,474	0.0%	0.0%
MM	-	75,000	-	75,000	0.0%	0.0%
Cash Value of Life Insurance**	397,993	174,705	-	572,698	0.0%	0.0%
Total of Cash and Equivalents	670,458	265,388	-	935,846	0.0%	0.0%
MARKETABLE SECURITIES - EQUITIES						
Securities	-	8,265	-	8,265	2.0%	4.0%
Securities	-	10,337	-	10,337	2.0%	4.0%
Securities	99,845	-	-	99,845	2.0%	4.0%
Securities	-	81,458	-	81,458	2.0%	4.0%
Total of Equities	99,845	100,060	-	199,905	2.0%	4.0%
NON-TAXABLE MARKETABLE SECURITIES						
Muni Bonds	-	30,904	-	30,904	4.0%	0.0%
Total of Non-Taxable Marketable Securities	-	30,904	-	30,904	4.0%	0.0%
ANNUITIES/DEFERRED COMPENSATION						
Annuity	65,783	-	-	65,783		4.0%
Total of Annuities	65,783	-	-	65,783	0.0%	4.0%

REVISED NET WORTH STATEMENT (PAGE 2)

BEN AND SARA WATSON

	BEN	SARA	JOINT	TOTAL	YIELD	GROWTH
OTHER INVESTMENTS						
LLC 1	491,308	491,308	-	982,616	-0.2%	1.0%
LLC 2	217,789	217,789	-	435,578	0.0%	1.0%
LLC 3 (40%)	205,166	-	-	205,166	-3.0%	1.0%
Mineral Interests	150,000	150,000	-	300,000	4.5%	1.0%
LLC 4 (25%)	136,962	-	-	136,962	46.7%	1.0%
LLC 5 (33.33%)	133,308	-	-	133,308	-28.0%	1.0%
LLC 6	63,168	63,168	-	126,336	0.0%	1.0%
LLC 7 (33.33%)	32,800	-	-	32,800	53.1%	1.0%
LLC 8 (50%)	16,467	-	-	16,467	0.0%	1.0%
LLC 9 (2%)	6,614	-	-	6,614	0.4%	1.0%
Total of Other Investments	1,453,582	922,265	-	2,375,847	2.1%	1.0%
CLOSELY HELD BUSINESS						
Watson Drilling, LLC	454,067	454,067	-	908,134	25.8%	3.0%
Total Closely Held Business	454,067	454,067	-	908,134	25.8%	3.0%
RETIREMENT PLANS/IRAs						
IRA	32,074	-		32,074	0.0%	5.0%
IRA	-	26,773		26,773	0.0%	5.0%
401(k)	217,313	-		217,313	0.0%	5.0%
401(k)	-	86,332		86,332	0.0%	5.0%
IRA	153,036	-		153,036	0.0%	5.0%
Total Retirement Plans	402,423	113,105		515,528	0.0%	5.0%

REVISED NET WORTH STATEMENT (PAGE 3)

BEN AND SARA WATSON

	BEN	SARA	JOINT	TOTAL	YIELD	GROWTH
RESIDENTIAL REAL ESTATE						
Residence	450,000	-	-	450,000	0.0%	2.0%
Lake House	-	1,500,000	-	1,500,000	0.0%	2.0%
Total of Personal Residences	450,000	1,500,000	-	1,950,000	0.0%	2.0%
PERSONAL PROPERTY						
Autos	65,000	75,235	-	140,235	0.0%	0.0%
Boat	62,000	-	-	62,000	0.0%	0.0%
Snowmobiles & Trailers	-	-	62,000	62,000	0.0%	0.0%
Total of Personal Property	127,000	75,235	62,000	264,235	0.0%	0.0%
OTHER STRATEGY ASSETS						
GDOT Note	5,905,902	5,905,902	-	11,811,803	2.30%	
Total of Other Strategy Assets	5,905,902	5,905,902	-	11,811,803	2.30%	
TOTAL ASSETS	9,629,059	9,366,925	62,000	19,057,985		
LIABILITIES						
Lake House	-	600,000	-	600,000		
Total Liabilities	-	600,000	-	600,000		
TOTAL LIABILITIES	-	600,000	-	600,000		
NET WORTH	9,629,059	8,766,925	62,000	18,457,985		

ASSET VALUE PROJECTIONS - PROPOSED PLAN

YEAR	Current	2012	2013	2014	2015	2016	2025	2035	2044
Asset Values									
Cash and cash equivalents	600,222	600,222	600,222	600,222	600,222	600,222	600,222	600,222	600,222
Marketable securities - Equities	199,905	223,715	269,964	420,943	985,869	1,572,922	7,953,436	18,409,245	29,047,220
Municipal bonds	30,904	30,904	30,904	30,904	30,904	30,904	30,904	30,904	30,904
Annuities	65,783	66,673	69,339	72,113	74,998	77,997	111,015	164,329	233,891
Other investments	2,375,847	2,383,957	2,407,796	2,431,874	2,456,193	2,480,755	2,713,165	2,997,022	3,277,799
Closely held business ¹	908,134	1,301,988	1,802,587	2,318,203	2,387,749	2,459,381	3,208,935	4,312,540	5,626,886
Retirement plans/IRAs	515,528	524,214	550,425	577,946	606,844	637,186	988,484	1,163,741	1,049,739
Personal residences	1,950,000	1,963,269	2,002,535	2,042,585	2,083,437	2,125,106	2,539,698	3,095,878	3,699,861
Personal property	264,235	264,235	264,235	264,235	264,235	264,235	264,235	264,235	264,235
Note from children's GDOT ²	11,811,803	11,534,076	11,249,961	10,959,311	10,661,976	10,357,803	7,285,315	3,046,504	-
Total assets in estate	18,722,361	18,893,253	19,247,968	19,718,337	20,152,426	20,606,512	25,695,409	34,084,620	43,830,757
Less estimated liabilities ³	(600,000)	(573,420)	(545,338)	(515,670)	(484,325)	(451,210)	(54,943)	-	-
Combined net worth	\$ 18,122,361	\$ 18,319,833	\$ 18,702,630	\$ 19,202,667	\$ 19,668,101	\$ 20,155,302	\$ 25,640,466	\$ 34,084,620	\$ 43,830,757

¹ Increased by installment note payments composed of LLC interests from the GDOTs.

² Note payments are amortized over 30 years. GDOT notes are paid off in 2041.

³ See assumed interest rates on debt in following cash flow pages.

In the event that there is a cash flow surplus, the surplus is added to the marketable securities row by default.

If there is a cash flow shortage (because of spending or gifting capital) then the shortage is treated as a reduction in marketable securities.

TAXABLE INCOME PROJECTIONS - PROPOSED PLAN

YEAR	Current	2012	2013	2014	2015	2016	2025	2035	2044
Marketable securities - Equities		3,998	4,474	5,399	8,419	19,717	142,777	344,539	562,629
Marketable securities - GDOT		-	1,190	1,607	4,308	10,316	171,201	522,623	1,140,391
Other investments		48,991	48,991	48,991	48,991	48,991	48,991	48,991	48,991
Closely held business		234,702	336,491	465,867	599,125	617,099	805,174	1,082,087	1,411,878
Retirement plans/IRAs		-	-	-	-	-	-	56,705	79,323
Other taxable earnings - GDOT		209,198	116,960	16,034	(87,920)	(75,710)	52,050	240,158	464,186
Client earned income		85,650	87,363	89,110	90,892	92,710	110,797	-	-
Spouse earned income		3,000	3,060	3,121	3,184	3,247	3,881	-	-
Other Income		18,041	18,041	18,041	18,041	18,041	18,041	18,041	18,041
Gross income	\$	603,579	\$ 616,570	\$ 648,171	\$ 685,041	\$ 734,412	\$ 1,352,912	\$ 2,313,143	\$ 3,725,439

INCOME TAX PROJECTIONS - PROPOSED PLAN

YEAR	Current	2012	2013	2014	2015	2016	2025	2035	2044
Income Tax Estimation									
Adjusted gross income:									
Dividend income (Marketable Sec.)		3,998	5,665	7,006	12,727	30,034	313,978	867,162	1,703,020
Earned and other income		599,581	610,906	641,165	672,314	704,379	1,038,935	1,445,981	2,022,419
Adjusted gross income		603,579	616,570	648,171	685,041	734,412	1,352,912	2,313,143	3,725,439
Deductions									
Real Estate Tax		33,189	33,853	34,530	35,220	35,925	42,934	52,336	62,546
State income taxes		38,931	39,769	41,807	44,185	47,370	87,263	149,198	240,291
Interest		101,900	79,711	57,023	38,101	30,049	8,113	941	0
Cash charitable gifts		50,000	51,000	52,020	53,060	54,122	64,680	78,845	94,227
Charitable Deduction available		50,000	51,000	52,020	53,060	54,122	64,680	78,845	94,227
Charitable Deduction allowed		50,000	51,000	52,020	53,060	54,122	64,680	78,845	94,227
Total deductions		224,020	204,332	185,380	170,567	167,465	202,989	281,320	397,064
Reductions		-	(13,493)	(14,441)	(15,547)	(17,028)	(35,583)	(64,390)	(106,759)
Deductions allowed		224,020	190,839	170,939	155,020	150,436	167,406	216,929	290,305
Taxable income		379,559	425,731	477,233	530,021	583,976	1,185,507	2,096,214	3,435,134
Federal and State income tax	\$	140,372	\$ 171,553	\$ 193,986	\$ 217,268	\$ 241,819	\$ 519,918	\$ 942,493	\$ 1,563,798

CASH FLOW PROJECTIONS - PROPOSED PLAN

YEAR	Current	2012	2013	2014	2015	2016	2025	2035	2044
Sources of Income for Lifestyle									
Consumable income (taxable)		394,382	498,420	630,530	768,652	799,806	1,129,662	1,550,362	2,120,862
Consumable income (tax exempt)		1,236	1,236	1,236	1,236	1,236	1,236	1,236	1,236
Depreciation Add Back		2,531	2,531	2,531	2,531	2,531	2,531	2,531	2,531
Depletion Add Back		-	-	-	-	-	-	-	-
Distribution from Marketable Securities		-	-	-	-	-	-	-	209,477
Note Payments from GDOTs ¹		299,399	249,399	249,399	549,399	549,399	549,399	549,399	-
Total income available for lifestyle		697,548	751,586	883,696	1,321,818	1,352,972	1,682,828	2,103,528	2,334,107
Uses of Cash									
Living expenses		250,000	255,000	260,100	265,302	270,608	323,402	394,225	471,135
Income tax		140,372	171,553	193,986	217,268	241,819	519,918	942,493	1,563,798
Real estate tax		33,189	33,853	34,530	35,220	35,925	42,934	52,336	62,546
Personally held insurance premiums		42,400	42,400	42,400	42,400	42,400	42,400	42,400	42,400
Cash gifts to family		100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000
Lake House Debt Payments ²		60,480	60,480	60,480	60,480	60,480	60,480	-	-
Cash gifts to charity		50,000	51,000	52,020	53,060	54,122	64,680	78,845	94,227
Total uses of cash		676,441	714,285	743,515	773,731	805,353	1,153,813	1,610,298	2,334,107
Surplus	\$	21,106	\$ 37,301	\$ 140,181	\$ 548,088	\$ 547,619	\$ 529,014	\$ 493,230	\$ -

¹ Note payments are amortized over 30 years. GDOT notes are paid off in 2041. Installment payments can be composed of cash and/or business interests. In years where LLC interests are used as a portion of the note payments the distribution will increase the value of the LLC interests owned by the Ben & Sara.

² Assumes an average interest rate of 5.65% on the debt. Full pay off in 2026.

In the event that there is a cash flow surplus, the surplus is added to the marketable securities row on the "Asset Value Projections" 3 pages earlier.

If there is a cash flow shortage (spending or gifting capital) then the shortage is treated as a reduction in marketable securities row on the "Asset Value Projections" 3 pages earlier.

FIRST ESTATE TAX ESTIMATION AND DISTRIBUTION - PROPOSED PLAN

YEAR	Current	2012	2013	2014	2015	2016	2025	2035	2044
Tax calculation on Ben's death									
Combined Net Worth	18,122,361	18,319,833	18,702,630	19,202,667	19,668,101	20,155,302	25,640,466	34,084,620	43,830,757
Ben's estimated estate	9,484,409	9,587,757	9,788,095	10,049,792	10,293,378	10,548,357	13,419,039	17,838,321	22,939,000
Death benefit exceeding CV	925,707	925,707	925,707	925,707	925,707	925,707	925,707	925,707	925,707
Total gross estate	10,410,116	10,513,464	10,713,802	10,975,499	11,219,085	11,474,064	14,344,746	18,764,028	23,864,707
Settlement expenses	(77,051)	(77,567)	(78,569)	(79,877)	(81,095)	(82,370)	(96,724)	(118,820)	(144,324)
Joint, personal and IRA to Sara	(559,859)	(566,972)	(588,075)	(610,398)	(633,737)	(658,240)	(941,677)	(1,092,665)	(1,020,043)
Insurance passing to Sara	(1,010,000)	(1,010,000)	(1,010,000)	(1,010,000)	(1,010,000)	(1,010,000)	(1,010,000)	(1,010,000)	(1,010,000)
Outright or in trust to Sara	(8,643,206)	(8,738,925)	(9,037,159)	(9,275,224)	(9,494,253)	(9,723,454)	(12,296,345)	(16,542,542)	(21,690,341)
Taxable estate	120,000	120,000	-	-	-	-	-	-	-
Plus Ben's lifetime taxable gifts	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000
Tax base	5,120,000	5,120,000	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000
Tentative Federal Estate Tax	-	-	-	-	-	-	-	-	-
Distribution of First Estate									
Settlement expenses	77,051	77,567	78,569	79,877	81,095	82,370	96,724	118,820	144,324
To family trust	120,000	120,000	-	-	-	-	-	-	-
Joint, personal and IRA to Sara	559,859	566,972	588,075	610,398	633,737	658,240	941,677	1,092,665	1,020,043
Insurance passing to Sara	1,010,000	1,010,000	1,010,000	1,010,000	1,010,000	1,010,000	1,010,000	1,010,000	1,010,000
Outright or in trust to Sara	8,643,206	8,738,925	9,037,159	9,275,224	9,494,253	9,723,454	12,296,345	16,542,542	21,690,341
Total	\$ 10,410,116	\$ 10,513,464	\$ 10,713,802	\$ 10,975,499	\$ 11,219,085	\$ 11,474,064	\$ 14,344,746	\$ 18,764,028	\$ 23,864,707

Assumptions

We assume that Ben dies first, followed immediately by Sara.

Taxes under "Distribution of First Estate" include estate and income taxes, if any.

SECOND ESTATE TAX ESTIMATION AND DISTRIBUTION - PROPOSED PLAN

YEAR	Current	2012	2013	2014	2015	2016	2025	2035	2044
Tax Calculation on Sara's death									
Sara's assets	8,637,952	8,732,076	8,914,535	9,152,875	9,374,722	9,606,945	12,221,426	16,246,299	20,891,757
Death benefit exceeding CV	616,670	616,670	616,670	616,670	616,670	616,670	616,670	616,670	616,670
Plus assets from Ben's estate	10,213,066	10,315,897	10,635,233	10,895,621	11,137,990	11,391,694	14,248,022	18,645,208	23,720,384
Sara's estimated estate	19,467,687	19,664,643	20,166,438	20,665,167	21,129,382	21,615,309	27,086,119	35,508,177	45,228,811
Settlement expenses	(219,677)	(221,646)	(226,664)	(231,652)	(236,294)	(241,153)	(295,861)	(380,082)	(477,288)
Taxable estate	19,248,010	19,442,996	19,939,774	20,433,515	20,893,088	21,374,156	26,790,258	35,128,095	44,751,522
Plus Sara's lifetime taxable gifts	5,000,000	5,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
Tax base	24,248,010	24,442,996	20,939,774	21,433,515	21,893,088	22,374,156	27,790,258	36,128,095	45,751,522
Tax on IRD	8,552	8,783	6,561	7,060	7,579	8,119	14,062	23,659	36,180
Federal Estate Tax	6,694,804	6,763,049	11,171,075	11,442,633	11,695,399	11,959,986	14,938,842	19,524,652	24,817,537
Distribution of Second Estate									
Settlement expenses	219,677	221,646	226,664	231,652	236,294	241,153	295,861	380,082	477,288
Taxes	6,703,355	6,771,832	11,177,636	11,449,693	11,702,978	11,968,105	14,952,904	19,548,311	24,853,717
Qualified plan to heirs	515,528	524,214	550,425	577,946	606,844	637,186	988,484	1,163,741	1,049,739
Insurance passing to heirs	625,000	625,000	625,000	625,000	625,000	625,000	625,000	625,000	625,000
Residual estate to heirs	11,404,127	11,521,950	7,586,712	7,780,876	7,958,267	8,143,865	10,223,870	13,791,043	18,223,066
Total	\$ 19,467,687	\$ 19,664,643	\$ 20,166,438	\$ 20,665,167	\$ 21,129,382	\$ 21,615,309	\$ 27,086,119	\$ 35,508,177	\$ 45,228,811

Assumptions

We assume that Ben dies first, followed immediately by Sara.

Taxes under "Distribution of Second Estate" include estate and income taxes, if any.

SUMMARY OF BENEFITS TO FAMILY - PROPOSED PLAN

YEAR	Current	2012	2013	2014	2015	2016	2025	2035	2044
Benefits to Family									
Residual estate	12,029,127	12,146,950	8,211,712	8,405,876	8,583,267	8,768,865	10,848,870	14,416,043	18,848,066
Family trust	120,000	120,000	-	-	-	-	-	-	-
Excess FLP value	10,791,277	11,194,206	11,683,699	12,106,924	12,339,483	12,464,683	13,650,004	15,099,307	16,529,777
Excess LLC value	953,540	828,626	691,947	551,167	567,702	584,733	762,944	1,025,332	1,337,826
Qualified plan assets	515,528	524,214	550,425	577,946	606,844	637,186	988,484	1,163,741	1,049,739
Value of GDOT	10,000,000	10,853,551	11,813,735	12,763,967	13,824,333	15,044,077	29,303,458	55,534,620	95,339,703
Life insurance proceeds GDOT	30,000,000	30,000,000	30,000,000	30,000,000	30,000,000	30,000,000	30,000,000	30,000,000	30,000,000
Total assets to heirs	\$ 64,409,472	\$ 65,667,548	\$ 62,951,518	\$ 64,405,880	\$ 65,921,629	\$ 67,499,544	\$ 85,553,759	\$117,239,043	\$163,105,111

FAMILY LIMITED PARTNERSHIP DETAILS - PROPOSED PLAN

YEAR	Current	2012	2013	2014	2015	2016	2025	2035	2044
Balance Sheet									
LP Assets									
Other Investments	34,232,220	34,349,070	34,692,561	35,039,487	35,389,881	35,743,780	39,092,446	43,182,381	47,227,934
Oil & Farm Debt	(3,400,000)	(2,365,626)	(1,310,565)	(448,274)	(134,216)	(130,400)	(92,435)	(41,504)	(0)
Total	30,832,220	31,983,444	33,381,997	34,591,213	35,255,666	35,613,380	39,000,011	43,140,877	47,227,934
Assets in FLP	\$ 30,832,220	\$ 31,983,444	\$ 33,381,997	\$ 34,591,213	\$ 35,255,666	\$ 35,613,380	\$ 39,000,011	\$ 43,140,877	\$ 47,227,934
Discounted value of FLP interests	20,040,943	20,789,239	21,698,298	22,484,288	22,916,183	23,148,697	25,350,007	28,041,570	30,698,157
Difference between FLP asset value and discounted LP value	10,791,277	11,194,206	11,683,699	12,106,924	12,339,483	12,464,683	13,650,004	15,099,307	16,529,777

FAMILY LIMITED PARTNERSHIP DETAILS - PROPOSED PLAN

(Continued)

Partnership Cash Flow	Current	2012	2013	2014	2015	2016	2025	2035	2044
Income									
Depreciation Add Back		305,611	305,611	305,611	305,611	305,611	305,611	305,611	305,611
Depletion Add Back		651,475	651,475	651,475	651,475	651,475	651,475	651,475	651,475
Depletion Add Back		750,000	750,000	750,000	750,000	750,000	750,000	750,000	750,000
Other Investments		(494,907)	(494,907)	(494,907)	(494,907)	(494,907)	(494,907)	(494,907)	(494,907)
Total Income		1,212,179	1,212,179	1,212,179	1,212,179	1,212,179	1,212,179	1,212,179	1,212,179
Expenses									
Capital Expenditures		200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000
Oil & Gas Debt Payments		1,014,406	1,014,406	805,848	297,686	-	-	-	-
Farm Debt Payments		87,968	87,968	82,654	29,576	6,500	6,500	6,500	-
Net Income to Distribute		(90,195)	(90,195)	123,677	684,917	1,005,679	1,005,679	1,005,679	1,012,179
Taxable Income	Current	2012	2013	2014	2015	2016	2025	2035	2044
Other Investments		(494,907)	(494,907)	(494,907)	(494,907)	(494,907)	(494,907)	(494,907)	(494,907)
Taxable Income		(494,907)	(494,907)	(494,907)	(494,907)	(494,907)	(494,907)	(494,907)	(494,907)

LLC RECAPITALIZATION - PROPOSED PLAN

YEAR	Current	2012	2013	2014	2015	2016	2025	2035	2044
Balance sheet									
Re-capitalized closely held business ¹	2,724,401	2,367,504	1,976,991	1,574,762	1,622,005	1,670,665	2,179,839	2,929,521	3,822,360
Total Value	\$ 2,724,401	\$ 2,367,504	\$ 1,976,991	\$ 1,574,762	\$ 1,622,005	\$ 1,670,665	\$ 2,179,839	\$ 2,929,521	\$ 3,822,360
Adjusted value of shares	1,770,860	1,538,878	1,285,044	1,023,595	1,054,303	1,085,932	1,416,895	1,904,189	2,484,534
Difference	953,540	828,626	691,947	551,167	567,702	584,733	762,944	1,025,332	1,337,826
Taxable Income									
Re-capitalized closely held business		704,105	611,867	510,941	406,987	419,197	546,957	735,065	959,093
Taxable income		704,105	611,867	510,941	406,987	419,197	546,957	735,065	959,093
Total distribution to shareholders	\$	704,105	\$ 611,867	\$ 510,941	\$ 406,987	\$ 419,197	\$ 546,957	\$ 735,065	\$ 959,093

¹ Reduced by installment note payments composed of LLC interests.

GRANTOR DEEMED OWNER TRUST DETAILS - PROPOSED PLAN

YEAR	Current	2012	2013	2014	2015	2016	2025	2035	2044
GDOT Balance Sheet									
LP Units	20,040,943	20,789,239	21,698,298	22,484,288	22,916,183	23,148,697	25,350,007	28,041,570	30,698,157
Reinvested excess cash flow	-	59,511	80,354	215,395	515,823	1,167,250	9,821,870	28,635,365	62,157,011
Re-capitalized closely held business ¹	1,770,860	1,538,878	1,285,044	1,023,595	1,054,303	1,085,932	1,416,895	1,904,189	2,484,534
Note payable to Ben and Sara	(11,811,803)	(11,534,076)	(11,249,961)	(10,959,311)	(10,661,976)	(10,357,803)	(7,285,315)	(3,046,504)	-
Net equity	\$ 10,000,000	\$ 10,853,551	\$ 11,813,735	\$ 12,763,967	\$ 13,824,333	\$ 15,044,077	\$ 29,303,458	\$ 55,534,620	\$ 95,339,703
GDOT Income Tax Estimation									
Other Investments		(494,907)	(494,907)	(494,907)	(494,907)	(494,907)	(494,907)	(494,907)	(494,907)
Re-capitalized closely held business		704,105	611,867	510,941	406,987	419,197	546,957	735,065	959,093
Earnings from reinvestment acct./Seed Gift		-	1,190	1,607	4,308	10,316	171,201	522,623	1,140,391
Total earnings		209,198	118,150	17,641	(83,612)	(65,393)	223,251	762,781	1,604,577
GDOT Cash Flow									
Cash flow from LP units		(90,195)	(90,195)	123,677	684,917	1,005,679	1,005,679	1,005,679	1,012,179
Re-capitalized closely held business		704,105	611,867	510,941	406,987	419,197	546,957	735,065	959,093
Cash flow from reinvestment acct./Seed Gift		-	1,190	1,607	4,308	10,316	171,201	522,623	1,140,391
Cash Installment Note payments to Ben and Sara ¹		(299,399)	(249,399)	(249,399)	(549,399)	(549,399)	(549,399)	(549,399)	-
Installment Notes - LLC Interest Payments ¹		(250,000)	(300,000)	(300,000)	-	-	-	-	-
Insurance Premium		(255,000)	(255,000)	(255,000)	(255,000)	(255,000)	(255,000)	(255,000)	(255,000)
Cash flow to reinvest		59,511	18,463	131,826	291,813	630,794	919,438	1,458,968	2,856,663
GDOT Insurance									
Net death benefit	30,000,000	30,000,000	30,000,000	30,000,000	30,000,000	30,000,000	30,000,000	30,000,000	30,000,000
Premium		255,000	255,000	255,000	255,000	255,000	255,000	255,000	255,000
Amortization - Installment Note ¹									
Balance Due	11,811,803	11,534,076	11,249,961	10,959,311	10,661,976	10,357,803	7,285,315	3,046,504	-
Principal		277,727	284,115	290,650	297,335	304,173	373,252	468,553	-
Interest		271,671	265,284	258,749	252,064	245,225	176,147	80,846	-
Total payment		549,399	549,399	549,399	549,399	549,399	549,399	549,399	-

¹ Note payments are amortized over 30 years. GDOT notes are paid off in 2041. Installment payments can be composed of cash and/or business interests. In years where LLC interests are used as a portion of the note payments the distribution will reduce the value of the LLC interests owned by the Trusts.

DETAILS OF BEN'S QUALIFIED PLAN - PROPOSED PLAN

YEAR	Current	2012	2013	2014	2015	2016	2025	2035	2044
Ben's Qualified Plans									
Ben's age		55	56	57	58	59	68	78	87
Sara's age		54	55	56	57	58	67	77	86
Minimum distribution factor		41.6	40.7	39.7	38.7	37.8	29.2	20.3	13.4
Securities in plans	402,423	409,204	429,664	451,147	473,704	497,389	771,614	898,715	805,902
Plan balance during life	402,423	409,204	429,664	451,147	473,704	497,389	771,614	898,715	805,902
Plan balance at death of survivor	402,423	409,204	429,664	451,147	473,704	497,389	771,614	898,715	805,902
Minimum distribution		-	-	-	-	-	-	44,239	61,660
Actual distribution		-	-	-	-	-	-	44,239	61,660

DETAILS OF SARA'S QUALIFIED PLAN - PROPOSED PLAN

YEAR	Current	2012	2013	2014	2015	2016	2025	2035	2044
Sara's Qualified Plans									
Sara's age		54	55	56	57	58	67	77	86
Ben's age		55	56	57	58	59	68	78	87
Minimum distribution factor		42.6	41.6	40.7	39.7	38.7	30.2	21.2	14.1
Securities in plans	113,105	115,011	120,761	126,799	133,139	139,796	216,870	265,026	243,837
Plan contributions		-	-	-	-	-	-	-	-
Plan balance during life	113,105	115,011	120,761	126,799	133,139	139,796	216,870	265,026	243,837
Plan balance at death of survivor	113,105	115,011	120,761	126,799	133,139	139,796	216,870	265,026	243,837
Minimum distribution		-	-	-	-	-	-	12,466	17,663
Preferred distribution		-	-	-	-	-	-	-	-
Actual distribution		-	-	-	-	-	-	12,466	17,663

FAMILY INFORMATION

BEN AND SARA WATSON

CLIENTS

Ben Watson	Date of Birth	July 6, 1957
Sara Watson	Date of Birth	February 15, 1959
123 Main St.		

CHILDREN

CHILD'S NAME	DATE OF BIRTH
Jessica Watson	August 1, 1980
Lisa Watson	February 1, 1984
Katie Watson	July 3, 1987

GRANDCHILDREN

NAME	DATE OF BIRTH
Ryan Watson	March 9, 2010
Tom Watson	May 2, 2006
Nathan Watson	April 6, 2008
Ken Watson	August 2, 2011

PLAN ASSUMPTIONS

BEN AND SARA WATSON

The plan is based on numerous assumptions. Important among these are the yield and growth assumptions contained on the balance sheet in the Financial Analysis section. Other important assumptions are contained on this Plan Assumptions page.

Tax Rate Assumptions

State Income Tax Rate

6%

State Inheritance - Estate Tax

No state estate tax

Tax on IRD

Unless a qualified plan is given to charity, we assume the beneficiary designations are changed to provide for a stretch out distribution.

7520 Rates

Highest rate

1.6% May, 2012

Current rate

1.1% July, 2012

Lowest rate

1.1% July, 2012

Long Term AFR Rate

2.3% July, 2012

Annual increase in Ben's earned income

2%

Number of years Ben's income is expected to continue

20

Annual increase in Sara's earned income

0%

Number of years Sara's income is expected to continue

15

Lifestyle Need Assumptions

Net annual outlay for Ben and Sara's lifestyle needs, not including gifts or income taxes

\$250,000

Annual cost of living increase used in the plan

2%

Settlement and Administrative Expenses

Fixed estate settlement costs

\$25,000

Variable estate settlement costs, 1st death

0.50% (of assets)

Variable estate settlement costs, 2nd death

1.00% (of assets)

DISCLAIMER AND DISCLOSURE

BEN AND SARA WATSON

InKnowVision, LLC does not give accounting or investment advice to its clients. The effectiveness of any of the strategies described will depend on your individual situation and on a number of complex factors.

You should consult with your other advisors on the accounting and investment implications of the proposed strategies before any strategy is implemented.

Any discussion in this presentation relating to tax, accounting, investments, regulatory, or legal matters is based on our understanding as of the date of this presentation. Rules in these areas are constantly changing and are open to varying interpretations.

Assumption Issues The plan involves numerous assumptions. While we believe that these assumptions are reasonable, it is important to understand that it is a virtual certainty that the actual results will differ from those illustrated. Returns on investment and performance of financial products can cause the results to vary. Changes in tax, trust or property laws can cause plan results to vary. Plan implementation that differs from that described in the plan will cause the results to vary. Provision of state law may cause the plan results to vary.

Tax Opinions The IRS has recently issued new rules for tax practitioners regarding covered opinions, reliance opinions and marketed opinions. While this is an arcane area, suffice it to say that these opinions are often obtained by taxpayers for purposes of avoiding penalties. These opinions are obtained at substantial cost and after substantial legal analysis. If you believe that such an opinion would be helpful to you prior to entering into any of the transactions outlined in this plan, you should feel free to do so.

Be advised that nothing in this analysis should be construed by you, your advisors or any one else as a covered opinion, reliance opinion, marketed opinion or any other type of opinion regarding any of the transactions or outcomes outlined in this plan.