

Negative Factor Matrix for Finding an "Implied Agreement" Under IRC 2036(a)(1)

	Schauerhamer	Reichart	Harper	Thompson	Kimbell	Strangi-III (3rd cir.) (e)	Stone	Abraham (5th cir.) (e)	Hilgren (1st cir.) (e)	Kimbell (5th cir.) (e)	Bongard (WCB)	Bongard (BFLP)	Bigelow	Korby (8th cir.) (e)	Schutt	Disbrow	Rosen	Erickson
1. Commingling of entity income and personal income.	X	X	X				X	X										
2. Continuation of pre-entity benefit. Disregard of entity formalities. Nothing changed except legal title. Practical control. Post death payment of expenses/debts of taxpayer and/or his estate.	X	X	X	X	X	X		X	X	(d)	(f)	X	X	X	(f)	X	X	X
3. Disproportionate distributions.	X	X	X	X			(a)	(b)	X			X	X		X	X	X	X
4. Accounting/financial records for the entity prepared after taxpayer's death.	X	X	X					X								X		
5. Taxpayer retained minimal assets after transfers to entity.		X	X	X		X	X	X				X	X			X	X	X
6. No significant non-tax or business reason to create entity. Recycling property through partnership form. No pooling of significant assets among partners.	X	X	X	X	X	X		(b)	X	(d)	(f)	X		X	(f)	X	X	X
7. General partners (family members) did not actively manage the assets.	X	X	X	X		X						X			X	X	X	X
8. Poor health of taxpayer at time of entity formation.	X	X	X	X	X	X	X	X	X	X		X	X	X	X	X	X	X

EXHIBIT 1

- (a) Upon the death of Mr. Stone, a non-pro rata distribution was made from each of four FLPs to enable the estate to pay estate taxes; the Tax Court found that the requirements for the exception to §2036(a) were satisfied.
- (b) The partnership agreement and guardianship order provided for explicit retention of FLP income for Mrs. Abraham's needs; the taxpayer did not provide credible evidence that payment for partnership interests constituted adequate and full consideration.
- (c) Despite the application of §2036(a)(1), the Tax Court allowed a substantial discount for a business loan agreement that restricted the real property.
- (d) Entity formalities were observed and transfers of assets and entity interests were completed. Substantial business reasons motivated the establishment of the entity. Contribution of assets by other partners is not subject to a "de minimis" test and no need to engage in "arm's length" negotiation.
- (e) The 3rd, 5th, 1st and 8th Circuits affirmed the Tax Court holdings in Thompson, Abraham, Strangi II, and Korby, respectively.
- (f) A legitimate and significant non-tax reason motivated the creation of the entity and proportionate interests were received in exchange for assets contributed.

EXHIBIT 2

CLIENT READINESS FOR ENTITY PLANNING CHECKLIST

1. Client Motivation/Objectives
 - a. Tax benefits.
 - b. Non-tax benefits must be important.
 - c. Extent of benefit and control for client.
 - d. Benefit and participation for family.
2. Client Mindset
 - a. Willingness to treat the entity like an ongoing business (indefinite duration).
 - i. Utilize professionals and follow advice.
 - ii. Distribution, control and accountability in accordance with governing instrument.
 - b. Expectations regarding changes in benefit, control (outright versus entity ownership of assets) and management approach.
3. Client/Family Sophistication and Relationships
 - a. Business/investment background and basic business judgment of client and family members.
 - b. Relationships with qualified CPA and other advisors.
 - c. Good working relationship between client and (at least some) other family members.
 - d. Willingness to address issues relating to asset transfers.
 - i. Documentation and follow through.
 - ii. Complexities and extra steps associated with asset (real estate) transfers.
 - (1) Survey/legal description.

- (2) Boundary line adjustment (to increase or decrease size of parcel transferred to entity).
 - (3) State/county special use qualification and zoning restrictions.
 - (4) Revaluation for state property tax.
 - (5) Steps if real estate to be transferred to entity is personally used by a partner.
 - (6) Real estate currently owned by a corporation (owned by client).
- e. Understanding the process/time frame for design and implementation of entity and expense of the project.
 - i. Written explanation of steps and applicable time frame.
 - ii. Professional fees.
 - (1) Attorney.
 - (2) CPA.
 - (3) Appraisal of underlying assets.
 - (4) Appraisal of discount.
 - iii. Annual expense to maintain the entity.
- f. Understanding the risks if the Service conducts a gift/estate tax audit.
 - i. Reduction of discount.
 - ii. Elimination of discount.
 - iii. Inclusion of entity assets in donor's estate.
 - iv. Loss of annual gift tax exclusion.
 - v. Undervaluation penalty.
 - vi. Substantial legal/accounting/appraisal fees.
 - vii. Recognition of capital gain on the establishment of the entity or on the dissolution of the entity (income tax audit).

- viii. Level of risk (aggressiveness) associated with the client circumstances (e.g., advanced age and poor health) and the entity design used to achieve client objectives and tax benefits.
 - ix. Steps that may be taken to minimize the risk.
- 4. Understanding of Reasonable Alternatives to Entity Planning in Order to Accomplish Objectives
 - a. Holding an undivided interest in assets outright or in trust - tenants in common.
 - b. §2702 (GRAT and/or QPRT).
 - c. Sale to IDGT.
 - d. Charitable split interest planning (CLT and CRT).
 - e. Segregating ownership between QTIP trust and surviving spouse.
 - f. Wait for federal applicable exclusion amount to increase.
 - h. ILIT to purchase life insurance.

EXHIBIT 3

LAW FIRM M E M O R A N D U M

TO: The John & Mary Doe Family

FROM: Attorney

SUBJECT: Establishing a Family Limited Partnership

DATE: January 2007

I. Introduction

A family limited partnership (FLP) is a business entity which blends some features of a corporation and a partnership. It provides its limited partners with the same sort of limited liability protection enjoyed by the shareholders in a corporation. Further, it allows the income and deductions to flow through to the partners of the FLP for income tax purposes.

II. Benefits, Requirements and Risks Associated With the Family Limited Partnership

A. Benefits.

1. Efficient, long-term management of assets at a reduced cost.
2. Greater ability to hedge market risks in a larger portfolio.
3. The ownership of equity is separate from control.
 - a. Control of the assets is held by the majority general partner resulting from the ownership of general partner units (subject to his/her fiduciary obligation to the other partners). Discretionary distribution authority will be held by an independent trustee.
 - b. Nearly all of the equity of the FLP will be allocated to limited partner units (e.g., 98% to limited partner units and 2% to general partner units).
 - c. A person may continue to hold general partner units even though he/she has given away all (or any portion of) his/her limited units.

- d. Generally, the parents/general partners may not retain discretionary distribution authority or the right to participate in a decision to liquidate the entity.
 - e. If the parents and children pool their assets and services for a primary nontax reason and engage in significant changes from the pre-entity management approach, there may be fewer restrictions on parents in their general partner role.
- 4. The value of FLP limited units for gift tax purposes is the price that a willing buyer will pay a willing seller (considering the lack of control and reduced marketability of the FLP limited units).
 - 5. Limited partners receive protection from personal liability. If liability protection is needed for the general partners, a corporation or limited liability company can serve as general partner.
 - 6. Income tax rules provide for income and deductions to flow directly to partners in proportion to their ownership interest.

B. Requirements.

- 1. Significant (general and specific) nontax objectives that motivate the creation of the entity.
 - a. Reduction of economic risk/implementation of investment philosophy.
 - b. Liability protection.
 - c. Management efficiency.
 - d. Preparation of next generation to manage assets and transfer to next generation.
- 2. Design that reflects the objectives and circumstances of the client.
 - a. Achievement of tax and nontax objectives.
 - b. Provision for the appropriate level of participation (benefit and control) for client and family members.
 - c. Transfer assets to the entity that achieve the non tax objectives and retain all other assets.
- 3. Effective establishment and implementation of the FLP.

- a. Legal formalities must be respected regarding execution of documents, transfer of assets, partnership accounting and making gifts.
 - b. The lawyer, CPA and general partner must efficiently collaborate in this process.
4. Businesslike operation of the FLP.
- a. All local, state and federal requirements for a limited partnership must be satisfied (including tax returns).
 - b. FLP agreement provisions must be followed (especially regarding distributions, control and investments). Also, the general partner must consider the interests of all partners and act reasonably in good faith.
 - c. The CPA, general partner and lawyer must efficiently collaborate in this process.

C. Risks.

1. The IRS is actively looking for ways to assert that the value of the FLP units is the "pro rata" value of the FLP assets (not the value that a willing buyer would pay a willing seller).
 - a. If the IRS is successful, discounts will be reduced or disallowed and any gifts will be revalued and substantial gift tax, estate tax and interest (and perhaps penalties) will be owed. The extent of the risk is based upon many factors, including the circumstances and objectives of the client, the design, implementation and business-like operation of the FLP and the aggressiveness and priorities of the IRS.
 - b. If an audit is conducted, significant legal, accounting and other professional fees (e.g., appraiser) will be incurred.
 - c. Recent cases involving technical arguments to ignore the FLP have been favorable to the taxpayer. Many taxpayers have received discounts from thirty percent (30%) to fifty percent (50%) or more from settlements or cases with the IRS. However, the IRS has successfully limited the discounts when the FLP is not structured or implemented in a manner that respects legal formalities. In such cases, the discount may be minimal (15% or less) or not allowed at all.
2. The IRS has realized its greatest success (transferred assets included in donor's estate for estate tax purposes at death) if a donor makes transfers

to an entity but retains the income, use or enjoyment of the FLP assets directly or by implied agreement. Alternatively, the IRS may also be successful if the donor retains discretion regarding distributions or liquidation. Also, the donor, in his/her role as general partner, must be subject to actual accountability.

3. The IRS has been successful in disallowing the annual gift tax exclusion if the donee lacks sufficient rights to present benefit.
 4. In certain circumstances, the IRS may also assert that income tax on capital gain is owed upon the transfer of assets to the FLP or out of the FLP.
 5. Other tax benefits may be lost depending on the circumstances.
 - a. Personal residence capital gain exclusion.
 - b. “Step up” in income tax basis upon a death (gifts of FLP units made during lifetime).
 - a. Current use (state) property tax classification.
 6. Any general partner will have personal risks based upon contract or negligence.
- D. Cost to establish, implement and maintain the FLP.
1. Professional fees to establish and implement.
 - a. Legal.
 - b. Accounting.
 - c. Appraisal.
 - (1) Underlying assets.
 - (2) Determination of appropriate discount.

- d. Survey (and land use issues).
- 2. State and local fees and taxes.
- 3. Professional fees to maintain.
 - a. Accounting and tax return.
 - b. Legal (annual meeting and as needed).

III. Alternatives to FLP Planning

- A. Holding an undivided interest in assets outright or in an irrevocable trust - tenants in common.
- B. Special retained interest trust (gift to trust with a retained interest for a period of years).
- C. Sale to a special irrevocable trust for family.
- D. Charitable "split interest" trust (retained benefit for donor and ultimate distribution to charity).
- E. Segregate ownership of assets after death of one spouse between marital trust and surviving spouse.
- F. Wait for estate tax exemption to increase.
- G. Purchase of life insurance by an irrevocable trust.

IV. Formation of Family Limited Partnership

To form a family limited partnership, two or more persons must execute what is called a "Certificate of Limited Partnership." The Certificate of Limited Partnership is comparable to Articles of Incorporation for a corporation in that the family limited partnership is not officially created until the Office of the Secretary of State takes action by accepting the Certificate of Limited Partnership.

The Certificate of Limited Partnership must set forth the following information:

- A. The name and address of the FLP to be formed.
- B. The name and address of the persons executing the Certificate of Limited Partnership.
- C. The name of the registered agent, the address of the FLP's registered office and the address of the FLP's principal place of business.

V. The Family Limited Partnership Agreement

The State statutes require that agreements between members of a limited partnership be in writing. If the parties have not agreed to a certain item in writing, the statutory provisions will control. Therefore, if persons forming a FLP wish to modify what is otherwise provided in the statute, it is important that the parties enter into an agreement.

In the absence of agreement otherwise, the FLP will remain in existence for an unlimited term after its formation. Further, if the family limited partnership agreement (FLPA) and Certificate of Limited Partnership are silent as to voting rights, the voting will be commensurate with the total capital contributions made by the different members. For instance, if Partner A contributes \$60 to the FLP and Partner B contributes \$40, A's vote will be weighted sixty percent (60%) and B's vote will be weighted forty percent (40%). The major provisions of a FLPA are as follows:

A. Initial Capital Contributions.

This section of the FLPA sets forth the contributions by the partners for their ownership interest in the FLP and how much of the FLP each member owns. Each partner will receive FLP units in exchange for his or her contribution. Typically, 2% of the FLP units are general partner units (control and economic rights) and 98% of the FLP units are limited partner units (information and economic rights). Often, each partner receives a pro rata portion of general partner units and limited partner units.

B. Additional Capital Contributions.

This section of the FLPA sets forth whether general partners can require limited partners to make additional contributions to the FLP and, if so, under what circumstances. Typically, no additional contributions can be required. Also set forth in this section are the potential consequences for partners who do not make required payments.

C. Allocations of Profit and Cash Distributions.

This section of the FLPA sets forth the rules on these issues. The FLP profits and losses will flow through to partners in the same proportion as ownership. There are two stages to any such distribution. First, profits or losses are "allocated" to the individual partners in the FLP. It is this allocation of profit or loss which dictates the tax consequences to the members. The actual distribution of property and/or money from a FLP to its partners is generally a non-taxable event unless the partner receives more from the FLP than he or she has contributed in capital. However, there are important exceptions to this general rule. Specific tax advice must be received prior to any distribution of assets other than income. Distributions will be made to the partners on a pro rata basis (based upon ownership) if the cash held by the partnership exceeds the expenses and reasonable needs of the business.

D. Accounting and Records.

This section sets forth the records required to be maintained by the FLP.

E. Rights of Partners.

This section sets forth the issues upon which partners are entitled to vote along with procedures for meetings along with the vote required for specific actions. This section also sets forth the partners' rights to transact business with the FLP.

F. General Partners.

This section sets forth the authority of the general partners and procedures for the general partners to carry out their duties. The section also sets forth the situations in which general partners can be removed and procedures for appointing new or replacement general partners.

G. Transfer Restrictions.

This section sets forth limitations on transfers of ownership interests in a FLP (often referred to as "units") by giving existing owners the right to buy ownership interests prior to a new owner being allowed to come into the FLP. The following outline is typical of how such restrictions operate:

1. *Permitted Transfers* - Often partners are permitted to make transfers among themselves and/or certain family members without triggering any rights to purchase.
2. *Voluntary Transfer* - Offering partner must make written offer to sell (sales price is lower of offer and appraised value):
 - a. Members of the FLP have the first option.
 - b. The FLP has the second option.
 - c. If all units are not purchased, sale can proceed to third party.
3. *Purchase Price of Units* - The value of the units sold pursuant to the buy-sell provisions will be the fair market value of such interest with discounts for the fact that particular units represent a minority interest in the FLP.
4. *Payment of Purchase Price* - The buyer of the units shall pay twenty percent (20%) down at closing and the remainder in installments over five years.
5. *Purchaser or Transferee* - Any purchaser or transferee is not a partner unless the other partners specifically authorize as such. Otherwise, the

purchaser or transferee is merely an "assignee" and has no control, information or rights. An assignee only has economic rights.

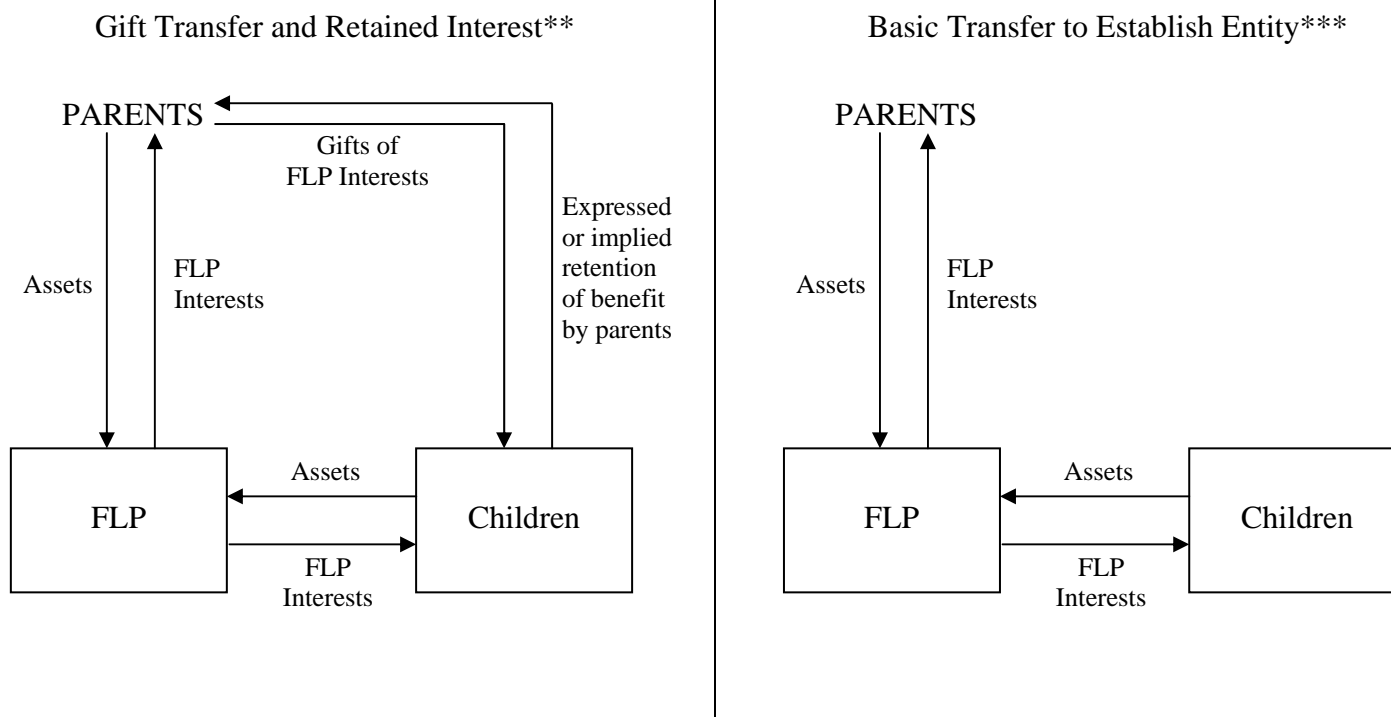
H. Withdrawal.

This section states that a limited partner may not withdraw during the existence of the partnership. State law provides that a limited partner may not withdraw prior to the dissolution of the partnership.

VI. Practical Steps to be Taken Upon Setting Up the Family Limited Partnership

- A. Transfer appropriate assets into the name of the FLP.
- B. Obtain taxpayer identification number for FLP and any corporate general partner.
- C. Open bank accounts for FLP and any corporate general partner.
- D. File appropriate state and local registrations for FLP and any corporate general partner.
- E. Engage certified public accountant.
- F. Establish a reasonable distribution policy.

"TRANSFER" FOR PURPOSES OF SECTION 2036(a)(1)*



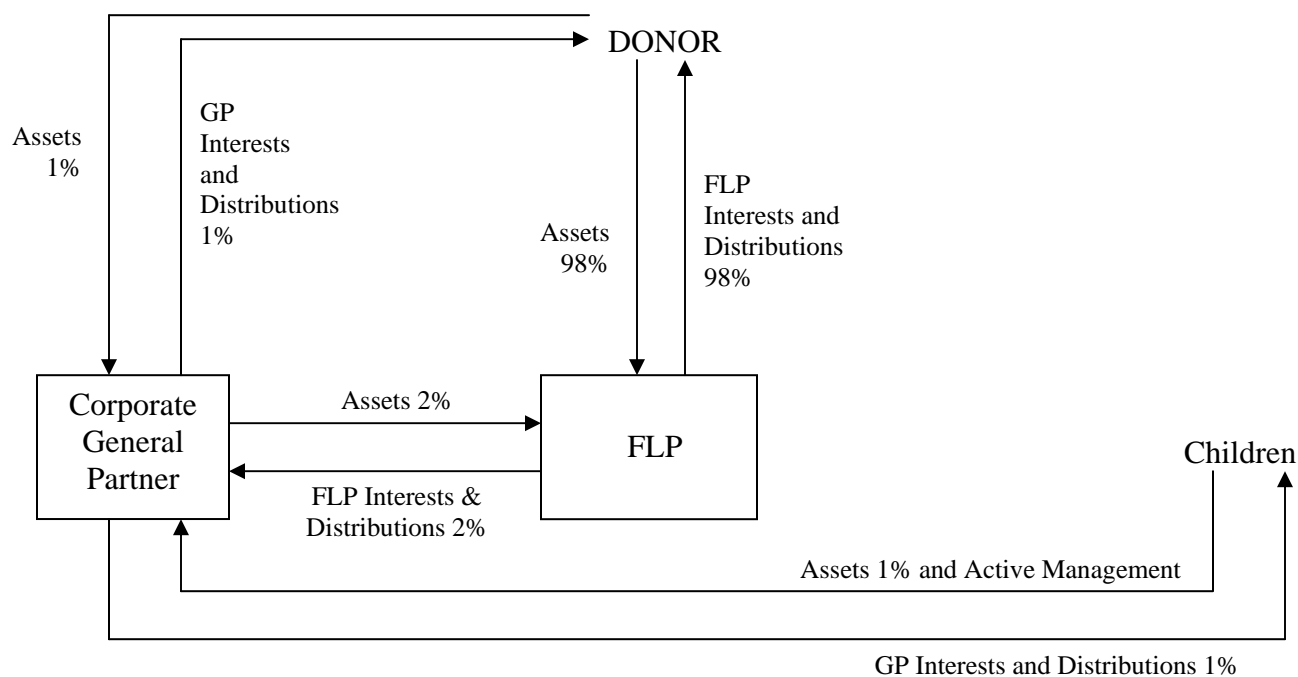
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EXHIBIT 4

* Transfer with a retained life interest causes estate tax inclusion of underlying assets to the extent benefit is retained.
 ** Traditional interpretation that triggers Section 2036(a)(1) requires that a gift be made.
 *** New IRS/Tax Court interpretation that transfers to fund an entity are "transfers" for purposes of Section 2036(a)(1).

JOINT ENTERPRISE FOR PROFIT AND GENUINE POOLING OF PROPERTY AND SERVICES

Bona Fide Sale Exception to Section 2036(a) in *Stone**



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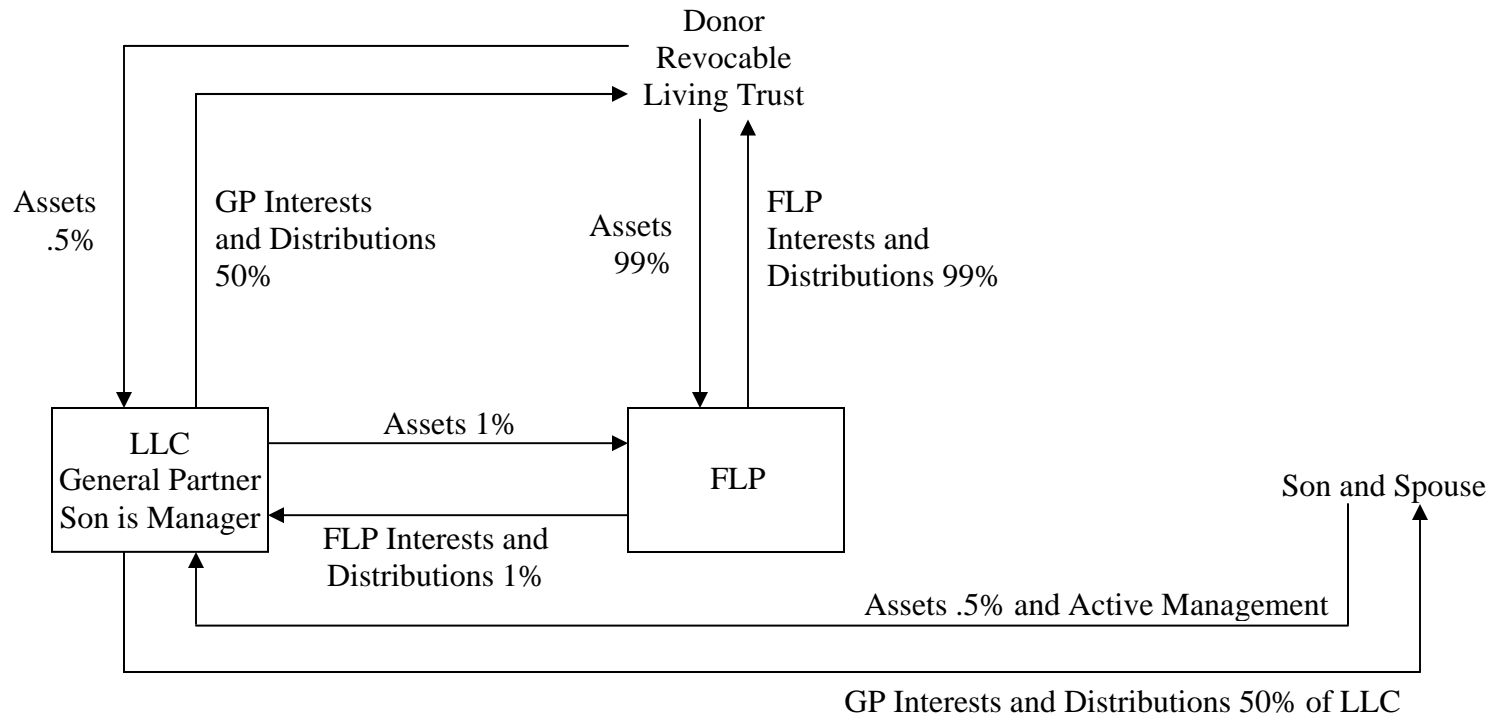
EXHIBIT S-A

* Rationale in the *Stone* case is based upon facts and circumstances, not a "safe harbor."

1. Primary nontax motive for entity planning.
2. Extensive negotiation and involvement of children and parents in design, implementation and operation.
3. Proper implementation and operation.
4. Parents reserved sufficient assets for their support outside of an entity.
5. Economic substance achieved through each child's modest contribution of assets and major contribution of personal services.

BONA FIDE SALE FOR ADEQUATE AND FULL CONSIDERATION

Exception to Section 2036(a) is Granted in *Kimbell* (5th cir.)*



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EXHIBIT 5-B

- * Rationale in the *Kimbell* case is based upon an objective approach with "heightened scrutiny" of the intrafamily transaction. It is a favorable extension of *Stone*, but not a "safe harbor."
1. Substantial business and nontax motives; a portion of assets required active management.
 2. Proper implementation and operation of entity.
 3. Mrs. Kimbell retained sufficient assets for her own support.
 4. Pro rata entity interests were issued in exchange for assets, such interests were credited to partners' capital accounts and distribution upon liquidation determined by capital account. Discounted value of entity interests constituted "adequate and full consideration" in exchange for contribution of assets.
 5. The contribution of assets by minority partner may be any amount - "no de minimis" test.

BONA FIDE SALE FOR ADEQUATE AND FULL CONSIDERATION

Exception to Section 2036(a) is not Granted in *Thompson* (3rd cir.)*

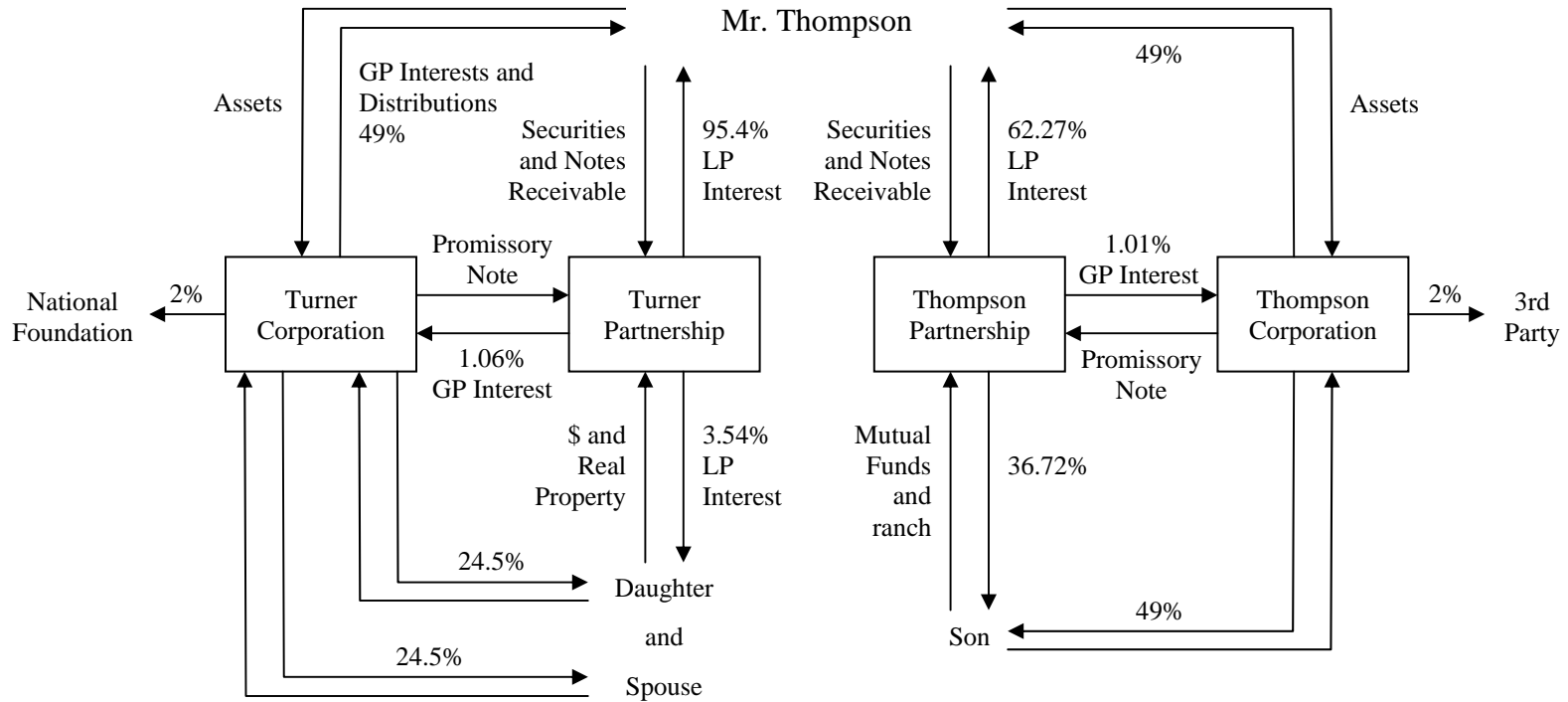
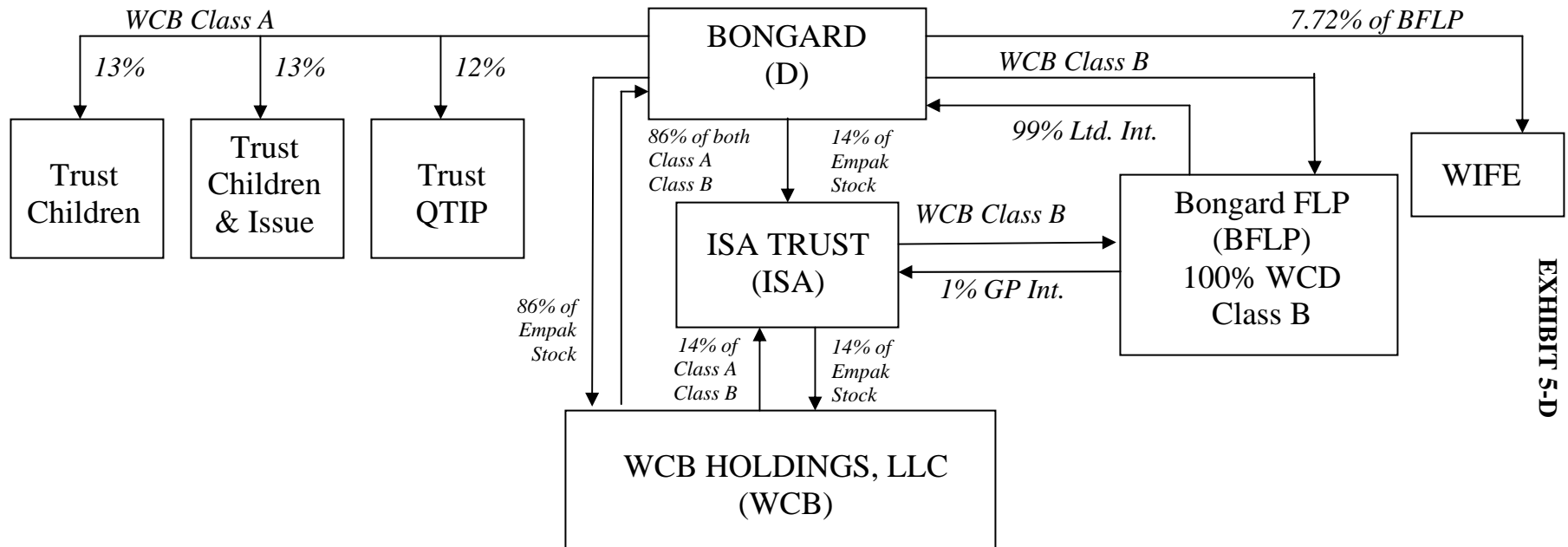


EXHIBIT S-C

- * Rationale in *Thompson* (3rd cir.) emphasizes the substance of the overall plan with focus on non-tax purpose and legitimate business operations.
1. Some economic activity, but assets not “pooled” in a joint enterprise and assets and entity not managed in businesslike manner for profit (separate allocations, excessive compensation, and lack of active operations).
 2. No discernable non-tax purpose—looked like testamentary plan implementation and operation lacked substance.
 3. Disproportionate distributions to Mr. Thompson.
 4. Mr. Thompson did not retain substantial assets.
 5. The lack of substance in the implementation and operation undermined the credibility of the plan and 3rd circuit used a tougher interpretation (of the exception to 2036(a)) than the 5th circuit in *Kimbell*.

LEGITIMATE AND SIGNIFICANT NON-TAX REASON IS THE KEY TO BONA FIDE SALE FOR ADEQUATE AND FULL CONSIDERATION

Exception to §2036(a) is granted and denied in Bongard (Tax Court)



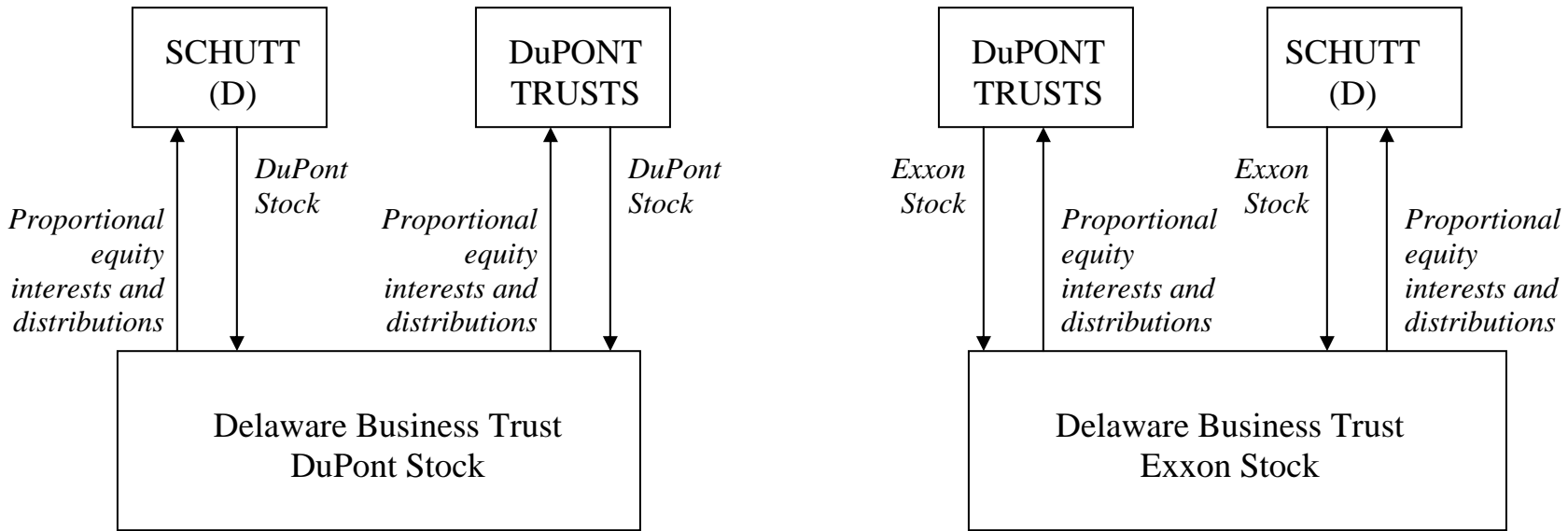
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EXHIBIT 5-D

1. WCB was formed to help Empak raise capital, be competitive and manage a stock offering.
2. BFLP was passive – no activities, investments or distributions and D did not utilize the entity for his stated estate planning purpose (no gifts made to children).
3. §§2035 and 2036(a) did not apply to D’s transfer to WCB, but did apply to his transfer to BFLP and his gift of 7.72% of BFLP to his wife.
4. Broad definition of transfer.
5. Legitimate and significant non-tax reason is satisfied if objective evidence shows that the non-tax reason was a significant factor that motivated the creation of the entity.
6. “Practical control” is a basis for finding retained enjoyment under §2036(a)(1).

BONA FIDE SALE FOR ADEQUATE AND FULL CONSIDERATION UNDER §§2036(a) AND 2038(a)(1)

Exception is granted in *Schutt* (Tax Court)



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EXHIBIT 5-E

1. All formalities were observed in designing, establishing and operating business trusts and all actions were consistent with D's "buy and hold" investment philosophy.
2. D retained substantial assets outside of the business trusts.
3. D served as trustee of both Delaware business trusts.
4. Institutional trustee of DuPont trusts was an active participant and a "reality check" in the design/establishment process.
5. Active perpetuation of D's "buy and hold" investment philosophy is a legitimate and significant non-tax reason.
6. Tax Court held that the Bona Fide Sale Exception to §§2036(a) and 2038(a)(1) was satisfied.

EXHIBIT 5-F

KIMBELL ASSESSMENT OF BONA FIDE SALE FOR ADEQUATE AND FULL CONSIDERATION EXCEPTION*

1. Adequate and Full Consideration
 - a. Pro rata entity interests issued for contributions.
 - b. Assets credited to partner's capital account.
 - c. Distribution upon termination in accordance with capital account.

2. Bona Fide Sale**
 - a. Donor retained sufficient assets for own support.
 - b. No commingling.
 - c. Entity formalities satisfied in implementation and operation.
 - d. Proper funding of assets to entity.
 - e. Substantial business or other non-tax reasons and significant portion of assets (approximately 11%) required active management.***
 - f. Non-tax reasons that cannot be accomplished in a revocable living trust.

* *Thompson* (3rd cir.) emphasized the non-tax purpose of the entity and legitimate business operations in satisfying both requirements set forth below.

** Not require arm's length negotiation.

*** *Strangi-III* (5th cir.) stated that “the proper inquiry . . . (in determining whether a bona fide sale occurred) is whether the transfer . . . was objectively likely to serve a substantial non-tax purpose.”

EXHIBIT 5-G-i

BONGARD (TAX COURT): ASSESSMENT OF BONA FIDE SALE FOR ADEQUATE AND FULL CONSIDERATION

1. Adequate and Full Consideration
 - a. Transferors each received an interest in the entity that was proportionate to the assets transferred
 - b. Assets contributed were properly credited to respective capital accounts
 - c. Distributions from entity resulted in negative adjustment to capital account
 - d. Legitimate and significant non-tax business reason satisfied heightened scrutiny regarding “dissipated value”

2. Bona Fide Sale
 - a. Arms-length transaction - how unrelated parties would structure the transaction
 - b. Legitimate and significant non-tax reasons for forming the entity”
 - c. The pooling of assets
 - i. Capital accounts were properly credited and maintained
 - ii. No commingling
 - iii. Pro rata distributions

EXHIBIT 5-G-ii

BONGARD: LEGITIMATE AND SIGNIFICANT NON-TAX REASON
(The actual motivation to create the entity that is
shown by the conduct of the parties)

Non-tax Reasons	Theoretical (Conduct/Circumstances)				Actual
	1	2	3	4	
A. Strategic Business/Investment					
B. Asset Management					
C. Creditor Protection					
D. Facilitate Gifts					

E. Greater Flexibility than Trusts

F. Sibling/Spouse Hostility

EXHIBIT 5-G-iii

**BONGARD: NEGATIVE FACTORS TEST
(No legitimate and significant non-tax reasons)**

	Weak				Strong	
	1	2	3	4	5	
1. Decedent “standing on both sides of the transaction” (no negotiation/sham)						
2. Decedent’s financial dependence on distributions from the FLP						
3. Commingling of FLP and personal assets						
4. Failure to transfer property to the entity						

EXHIBIT 6-A

**PRACTITIONER AND PRIOR IRS (INFORMAL)* INTERPRETATION OF *BYRUM*
SHIELD FROM SECTION 2036(a)(2) "RIGHT TO DESIGNATE"**

Donor's rights as general partner to administer the
entity, manage property and make distributions.



General Partner's fiduciary duty to
other entity interest holders

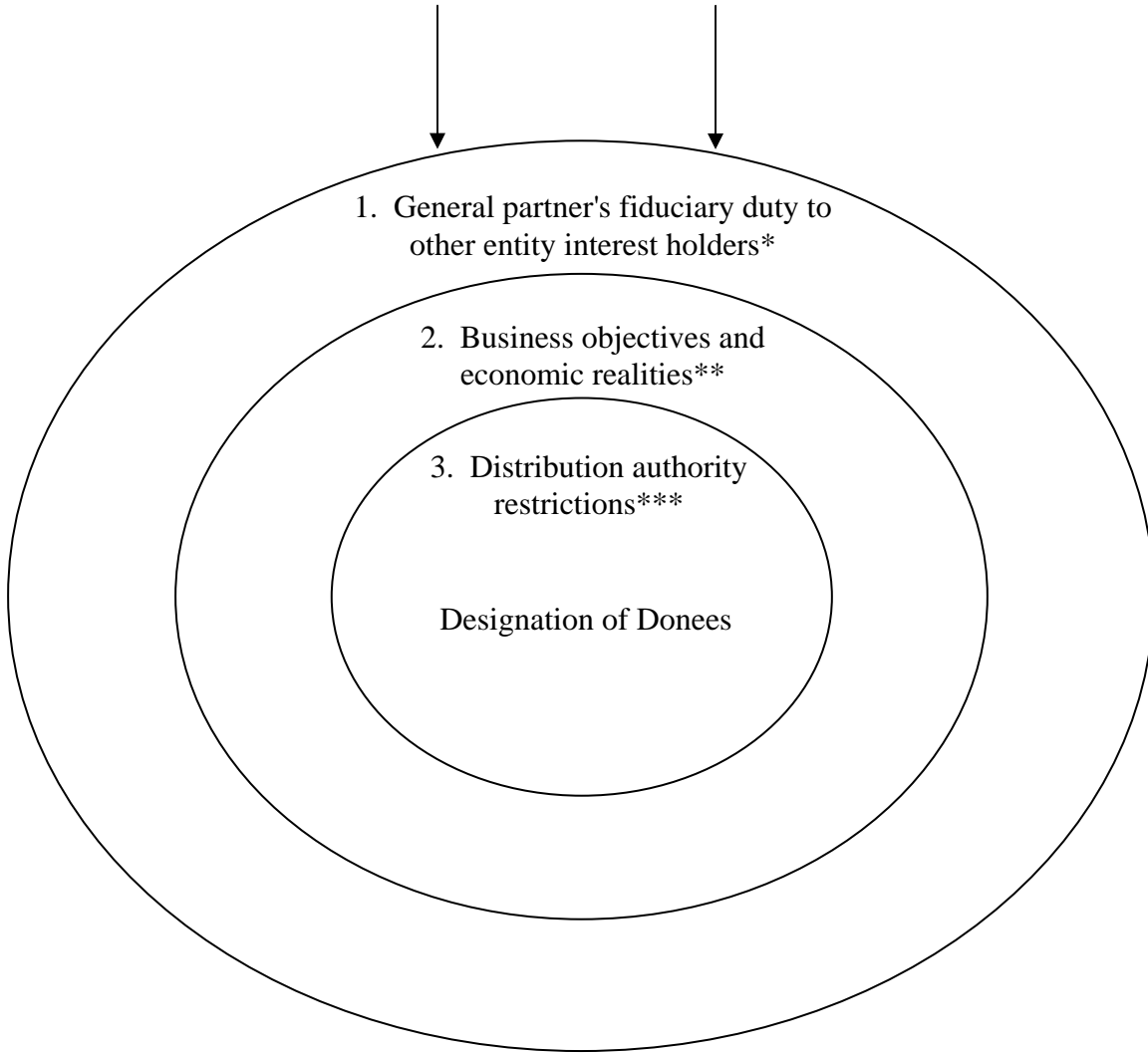
Designation of donees

* TAM 9131006; PLR 9415007;
PLR 9332006; PLR 9310039;
PLR 9026021

EXHIBIT 6-B

**TAX COURT (*STRANGI-II*) INTERPRETATION OF *BYRUM* SHIELD
FROM SECTION 2036(a)(2) "RIGHT TO DESIGNATE"**

Donor's rights as general partner to administer the entity, manage property and make distributions.



* Duty will realistically be enforced.

** Going business or active investment with nontax objectives.

*** Independent trustee or ascertainable standard

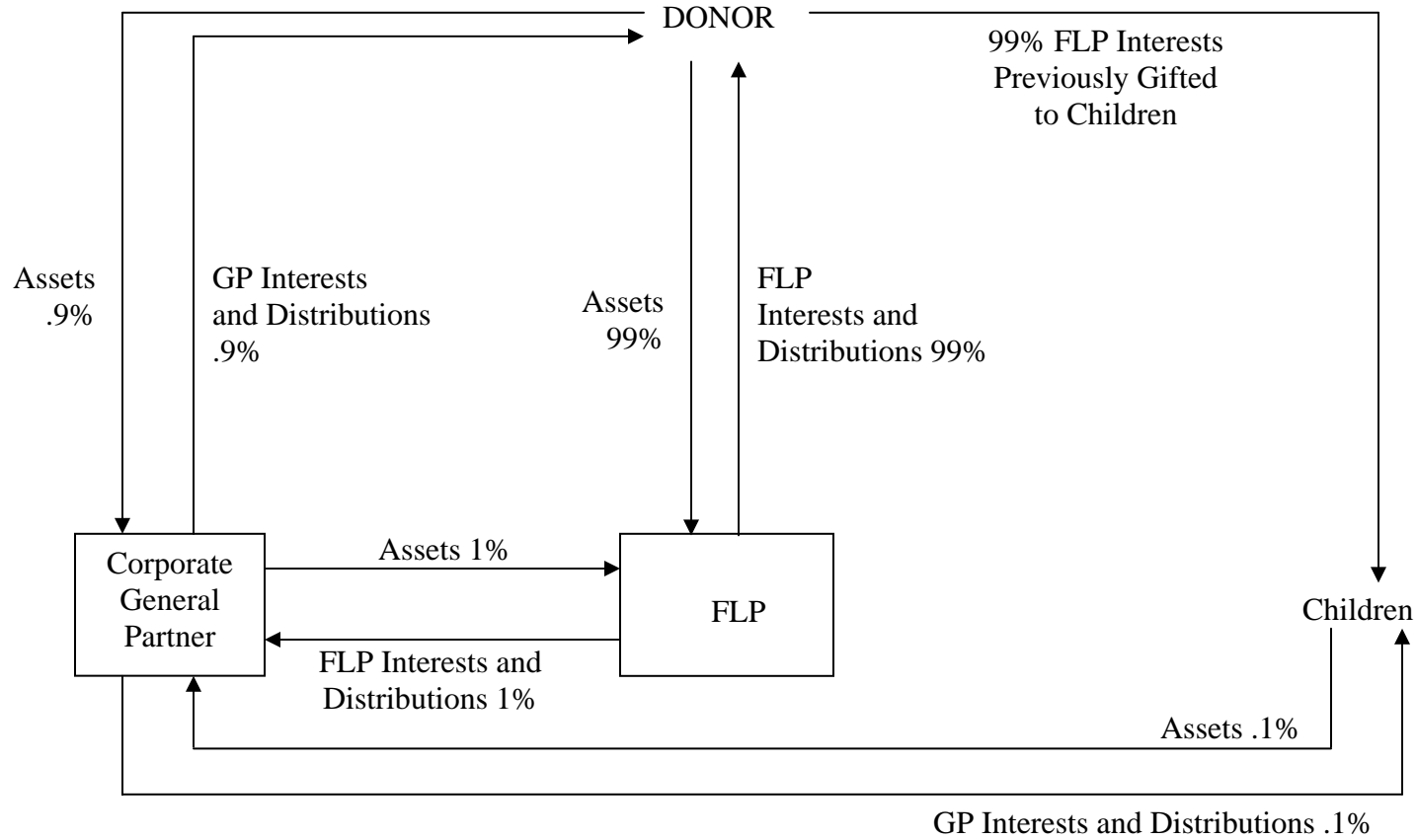
EXHIBIT 7

FAMILY ENTITY SECTION 2036(a)(2) ASSESSMENT BASED UPON STRANGI II

1. General Fiduciary Duty
 - a. Meaningful interest owned by independent party.
 - b. Meaningful interest subject to independent oversight.
 - c. Other circumstances or governing instrument provisions that elevate the probability that fiduciary duty will be enforced.
2. Economic and Business Realities
 - a. Nontax and economic objectives.
 - b. Going business/active investment/change from pre-entity approach.
 - c. Periodic monitoring and businesslike operation of entity.
3. Distributions and Liquidation
 - a. Donor is restricted from making discretionary distributions.
 - b. Donor may not participate in decision to liquidate.
 - c. Donor has no vote to reinstate his or her right to liquidate by amending entity's governing instrument.

EXISTING FAMILY ENTITY WITH PRIOR GIFTS TO CHILDREN

Section 2036(a)(2) Arguably Applies Based on *Strangi-II**



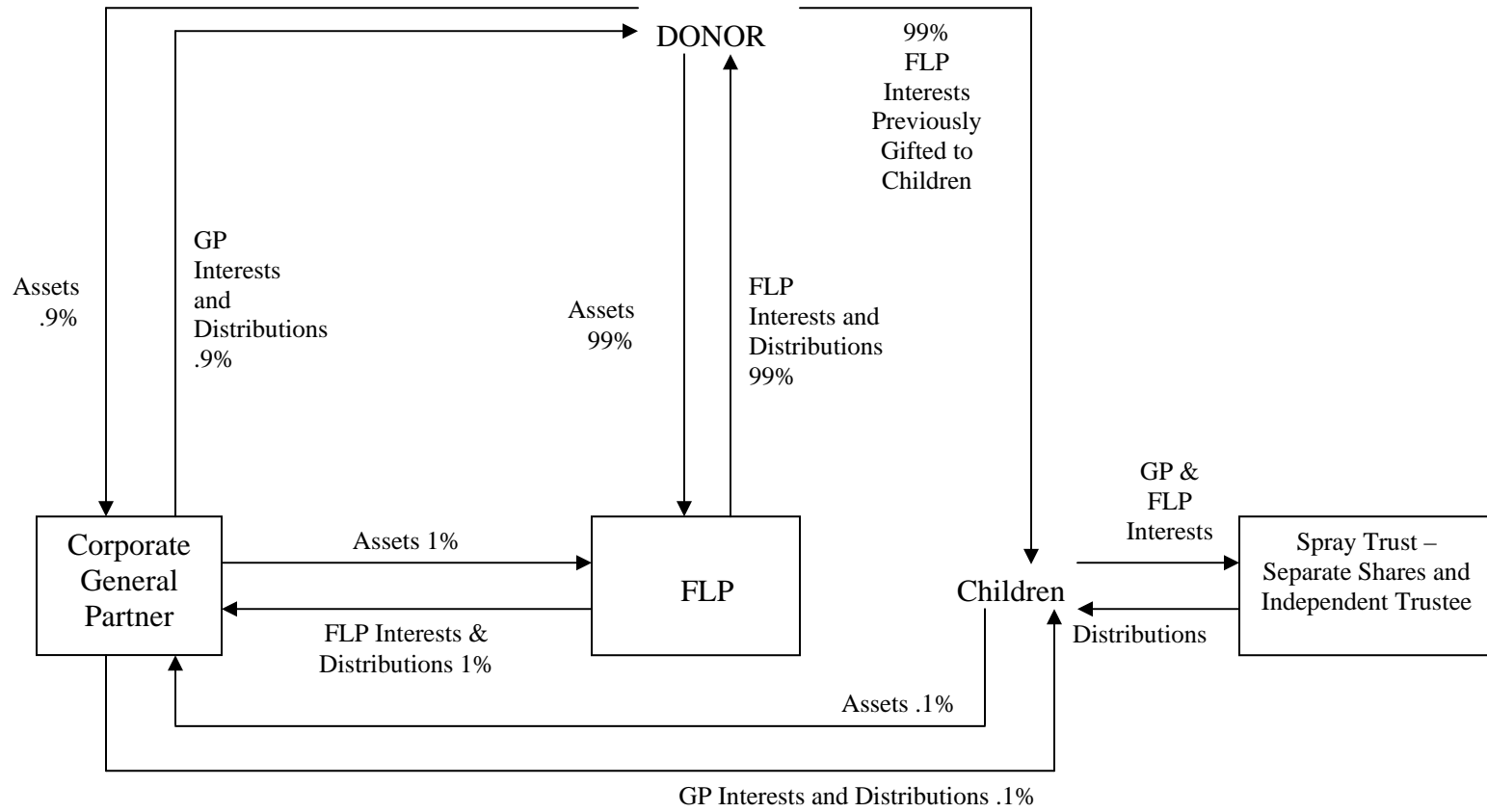
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EXHIBIT 8-A

* General fiduciary duty alone does not provide an adequate safeguard (to protect against the possible misuse of personal judgment) in the exercise of distribution/liquidation rights.

EXISTING FAMILY ENTITY WITH TRANSFERS BY CHILDREN TO TRUST

Section 2036(a)(2) Arguably Does Not Apply*



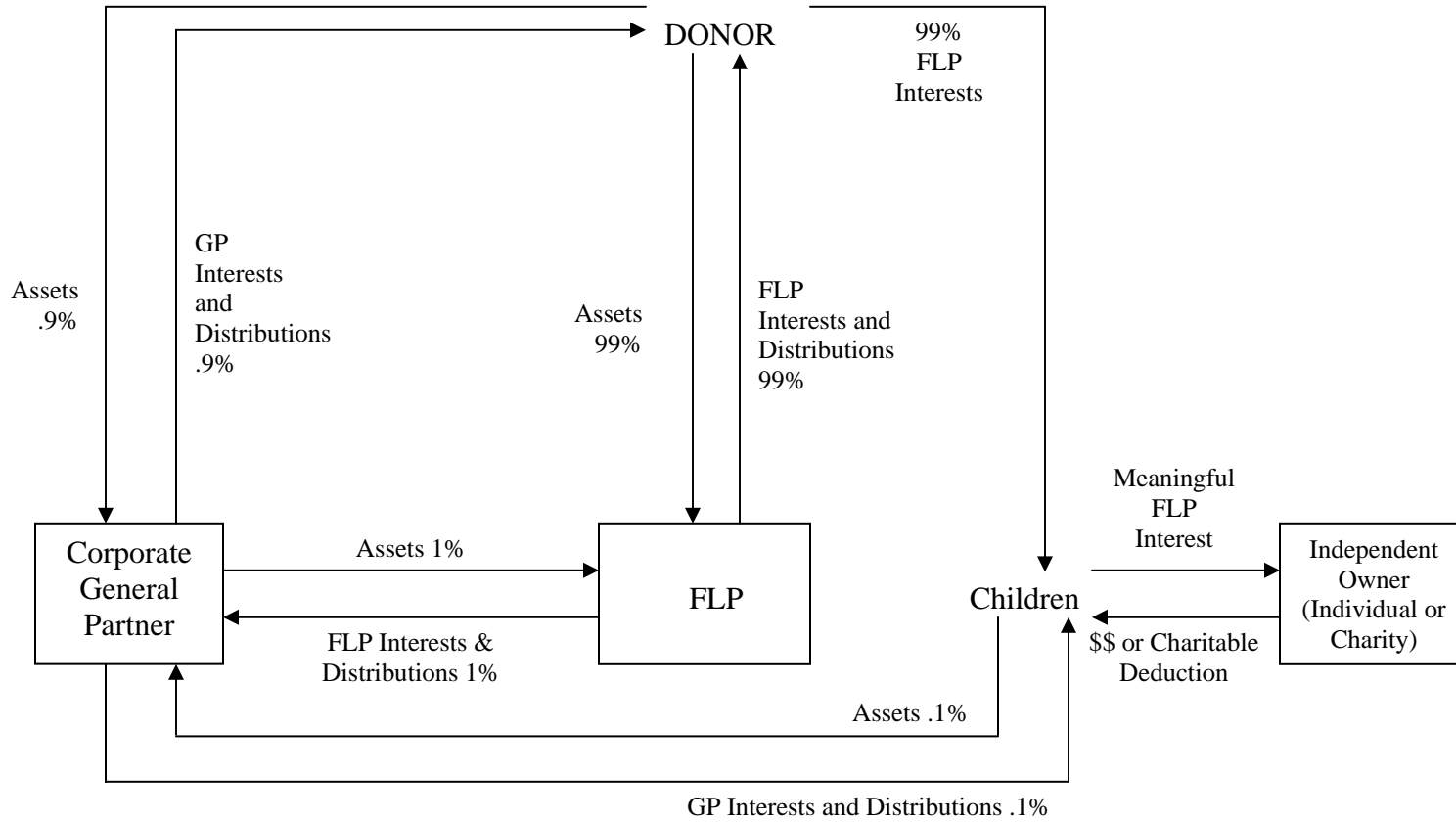
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EXHIBIT 8-B

* Independent distribution and oversight adds accountability to Donor's fiduciary duty.

EXISTING FAMILY ENTITY WITH TRANSFERS BY CHILDREN TO INDEPENDENT PARTY

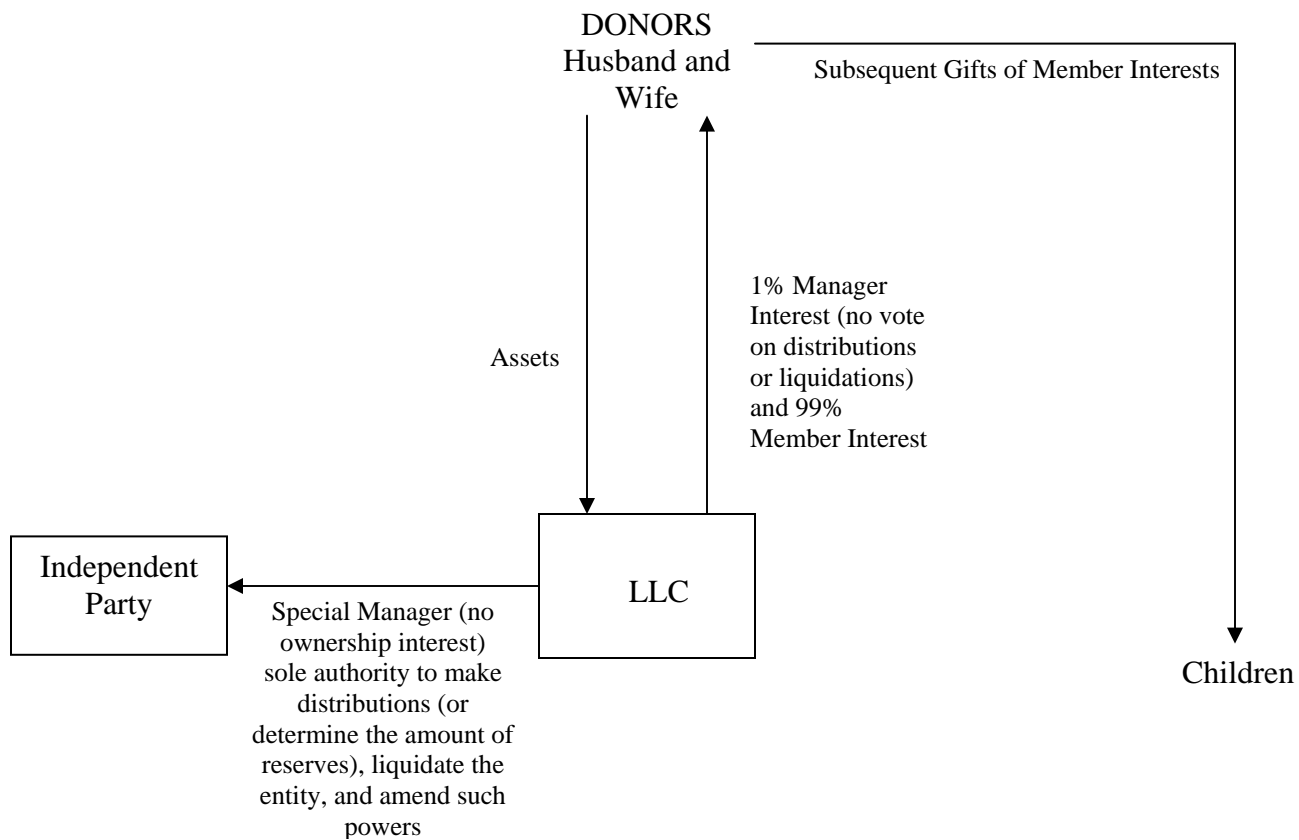
Section 2036(a)(2) Arguably Does Not Apply*



* Independent ownership and oversight adds accountability to Donor's fiduciary duty.

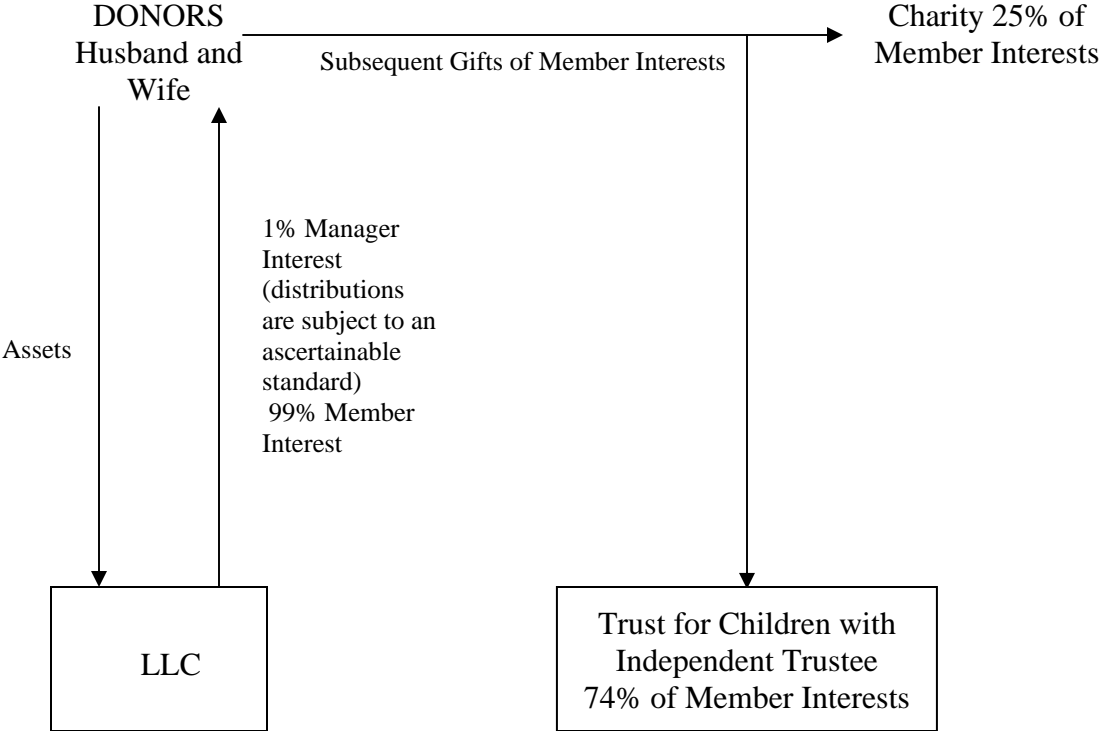
NEW FAMILY ENTITY WITH SPECIAL MANAGER

Section 2036(a)(2) Does Not Apply



NEW FAMILY ENTITY WITH TRANSFERS TO CHARITIES AND TRUST FOR CHILDREN

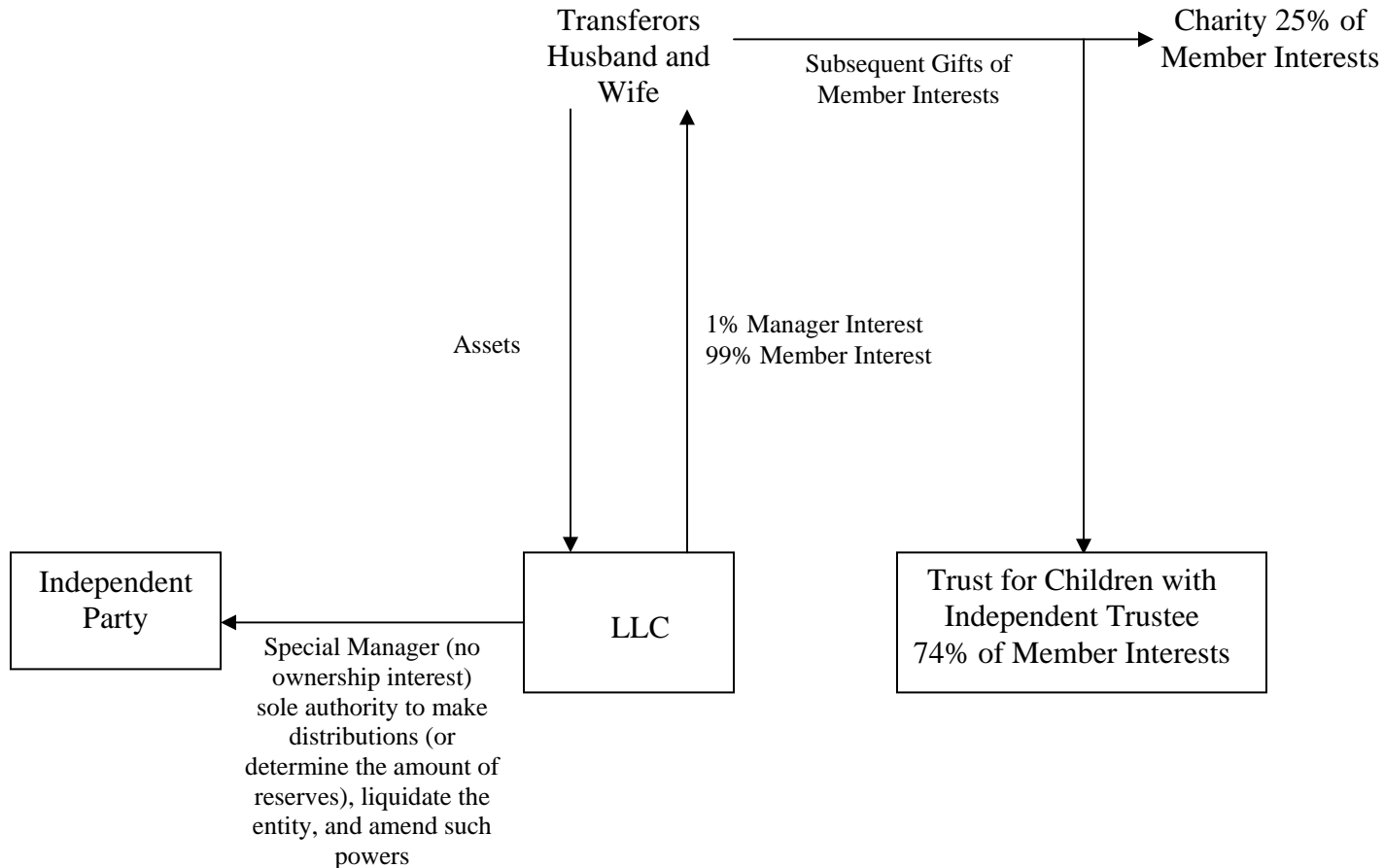
Section 2036(a)(2) Arguably Does Not Apply*



* Independent ownership and oversight adds accountability to Donor's fiduciary duty.

**NEW FAMILY ENTITY WITH SPECIAL MANAGER AND
TRANSFERS TO CHARITIES AND TRUST FOR CHILDREN**

Section 2036(a)(2) Does Not Apply*



* Ownership of minority interests and oversight by non-family members; Independent Trustee has discretionary authority to make distributions to Children.

EXHIBIT 10-A
SELECTED “SPECIAL MANAGER” PROVISIONS

I. Identification of Special Manager Along With Qualifications and Duties.

A. Special Manager. At all times, the LLC shall have a Special Manager. A person is qualified to act as a Special Manager of the LLC only if such person is a Person that is qualified to be a trustee of a trust under state law and is independent from the LLC’s initial members. For the purposes of the foregoing, independent shall mean a person or entity that is not controlled by or related to the initial members. The initial Special Manager shall be JOHN SMITH. The Special Manager shall have sole authority to perform or decide the following:

1. Determining LLC Cash Flow and whether to retain or distribute LLC Cash Flow.
2. Maintaining the LLC’s registration with the Secretary of State.
3. Performing the duties of the LLC’s registered agent.
4. Whether to voluntarily dissolve the LLC.

B. Other Managers. Except for the authority granted to the Special Manager pursuant to this Agreement, the Managers shall decide all other issues within their authority pursuant to this Agreement. The initial Managers shall be as follows:

1. FOUNDER ONE
2. FOUNDER TWO

II. Removal of Special Manager.

A. Removal of Manager. Any Manager or Special Manager may be removed by the affirmative vote of all Members holding Class A Units; provided that, if a Special Manager is removed a new Special Manager must be appointed in accordance with the qualifications set forth in this Agreement.

B. Vacancies.

1. Following the resignation, removal or death of the Special Manager there shall be a replacement Special Manager appointed by a Majority Interest of Members holding Class A Units which meets the qualifications set forth in this Agreement.
2. Any further vacancy occurring for any reason in the number of Managers shall be filled as soon as practicable by a Majority Interest of Members holding Class A Units.

III. Discretion of Special Manager Regarding Cash Flow and Distributions.

- A. The Special Manager has the authority to distribute or retain LLC Cash Flow taking into consideration reasonable reserves for the anticipated cash needs of the business of the LLC and the overall economic return to the Members, including current and reasonably projected expenses, current and reasonably projected investment opportunities, and reasonably anticipated contingencies. It is the intent of the parties that the Special Manager distributes sufficient Cash Flow so that the distribution (at minimum) approximately equals the federal, state and local tax obligation of the Members due to the allocations of Profits and Losses under this Agreement. Provided that any such distributions shall, for certainty, be made in accordance with and proportionate to the Members' respective Unit Interests as required by this Agreement.

IV. No Modification of Operating Agreement to Abrogate Special Manager Provisions.

- A. This Agreement may be amended or modified from time to time only after the consent of a Supermajority Interest of Members holding Class A Units. No Member has any vested rights in the Agreement which may not be modified through an amendment to this Agreement. Provided that, the initial Members of the LLC, FOUNDER ONE and FOUNDER TWO, may not participate in any amendment to the Special Manager provisions of this Agreement. Therefore, for certainty, no amendment to the provisions of this Agreement shall be effective unless Members other than such initial Members hold a Supermajority Interest of Class A Units and consent to such an amendment.

EXHIBIT 10-B

SELECTED “BUFFER TRUST” PROVISIONS (Children Transfer Entity Interests to Irrevocable Trust for Own Benefit)

I. Trust Intent.

- A. Trustors’ Intent Regarding Benefit and Administration. The Trustors intend that a separate irrevocable trust be established for the benefit of each Trustor. Each trust will be named for its Trustor/Beneficiary. The assets of the separate trusts created under this instrument will be under common management according to the terms and conditions set forth herein. These trusts will be administered by the Trustee, who need not divide or segregate any assets held collectively by the trust, although the Trustee will maintain such records as will enable it to render a separate accounting and prepare separate income tax returns for each trust. Furthermore, each trust will provide discretionary distributions for the best interests of the Trustor/Beneficiary.
- B. Trustors’ Intent Regarding Income, Gift and Estate Taxation. The Trustors intend that the income of a trust be taxed to the Trustor/Beneficiary thereof and that each trust shall be a “grantor trust” for federal income tax purposes (with respect to each Trustor/Beneficiary). In addition, the Trustors intend that the transfers of assets (FLP interests) to each trust be “incomplete” for gift tax purposes and that the assets of a particular trust be included in the estate of the Trustor/Beneficiary for estate tax purposes.

II. Original and Successor Trustees.

- A. Original and Successor Trustees. The original Trustee under this Trust Agreement shall be _____.
- B. Power to Remove Trustee and Appoint Successor Trustee. If, in the sole discretion of the Trustors, they determine that it is in the best interest of the beneficiaries that the Trustee be removed, the Trustors, acting unanimously, shall have the power to remove the Trustee. If the Trustee is removed or if the office of trustee becomes vacant for any reason, the Trustors, acting unanimously, shall appoint one or more successor Trustees to serve who qualify as an Independent Trustee(s). The Trustors, acting unanimously, may at any time appoint a Co-Trustee who qualifies as an Independent Trustee. Such power may be exercised to promote the best interest of the beneficiaries in the sole discretion of the Trustors upon written notice and explanation to the Trustee(s) and adult beneficiaries. If there is more than one (1) Trustee serving, this power of removal and appointment may be exercised with respect to any Trustee. The Trustors may waive their right to exercise this power and appoint another person to exercise such power.

III. Distributions of Income and Principal. The Trustee shall hold the trust assets for each Trustor/Beneficiary in a separate trust. Each trust shall be administered and distributed as set forth below.

A. Distributions to Beneficiaries.

1. Any amounts received by a beneficiary's trust shall be accumulated and held in the trust unless the Trustee exercises its discretionary distribution authority in subparagraph III.A.2.
2. The Trustee shall have sole discretion to distribute all or any portion of the income and/or principal (other than an ownership interest in a closely held entity) of a beneficiary's trust to or for the benefit of such beneficiary, for his or her best interests. Such authority may be exercised at any time. Provided, the Trustors intend that a sufficient distribution be made from the trust so that any income tax liability payable by a Trustor/Beneficiary attributable to trust income can be paid.
3. Upon the death of a beneficiary, the beneficiary's trust assets shall be segregated into an equal trust share for each of the deceased beneficiary's issue by right of representation and shall be managed and distributed subject to the provisions of this trust. Further provided, if the deceased beneficiary leaves no issue then surviving, the assets of the deceased beneficiary's trust shall be distributed to the trust established pursuant to this instrument for the other Trustor or to her respective issue by right of representation.

B. General Power of Appointment. Notwithstanding the other provisions of this instrument, each beneficiary shall have the right to make a testamentary appointment of all or any portion of the assets of such beneficiary's trust among the issue of _____ and _____. In addition, each beneficiary shall have the right to appoint all or any portion of said beneficiary's interest in the trust to the personal representative of her estate in an amount sufficient to pay all or any portion of the estate taxes and any other taxes owed by her estate and the creditors of her estate. All appointed beneficial interests shall remain subject to the provisions of this trust. The Trustors intend that the above-referenced power of appointment be a general testamentary power of appointment for each beneficiary. Exercise of such power of appointment shall be effected only if a specific reference is made to the power conferred herein in a deed of gift or the beneficiary's Will. If any beneficiary possessing a power of appointment under this paragraph is under any legal disability, such power of appointment may be exercised by her legal guardian or if none, her natural guardian (in each case someone other than a Trustor or the insured of any policy owned by the trust) or by any relative on behalf of the beneficiary. Provided, however, in no event shall a Trustor exercise such power of appointment on behalf of a beneficiary under a legal disability.

C. Special Provisions Regarding Distributions.

1. Any distributee's share (resulting when a primary beneficiary dies prior to full distribution of her trust) of trust assets shall continue to be held by the Trustee of this trust to be held, administered and distributed for the benefit of the distributee according to the relevant provisions of this instrument.
2. Any distribution that is to be made to or for the benefit of a beneficiary who has not reached the age of twenty-one (21) years or is incapacitated shall be distributed subject to the provisions of paragraph ___ below.

IV. Trustee's Powers and Duties. The administration of the trust or trusts established under this Agreement shall be governed by the following provisions:

- A. Partnership Interests Subject to Agreement. All units of any limited partnership held by each trust established herein are subject to the relevant partnership agreement.
- B. Retention of Assets. The Trustee is expressly authorized to hold and retain any limited partnership interests and S corporation stock, real estate, securities, insurance policies, or other investments that are transferred to the trust without the duty to diversify such investments. The Trustee may hold, manage and operate any property, business or enterprise that is transferred to the trust and the resulting profits or losses therefrom shall be chargeable against the trust estate and not the Trustee.
- C. Investment of Trust Funds. The Trustee shall manage and invest the trust estate in accordance with the provisions of the applicable statute, except as the duty to diversify is waived in paragraph IV.B above. The Trustors intend that the highest investment priority be to maximize long-term growth of principal and achieve the greatest overall economic return.
- D. Early Termination of Trust. The Trustee may, in its sole discretion, terminate the trust by distributing all of the trust assets to the beneficiary(ies) as determined in paragraphs III.A and III.B.

EXHIBIT 11

OUTLINE OF ISSUES TO BE DISCUSSED WITH CLIENT, CPA AND OTHER KEY THIRD PARTIES (E.G., INDEPENDENT TRUSTEE OR CLU) IN FAMILY ENTITY IMPLEMENTATION MEETING

1. Confirm completion of entity formation and tax ID numbers.
2. Confirm completion of asset transfers to the entity and reflect transfers in capital accounts.
3. Use of entity bank accounts.
4. Method of accounting for Partnership income and set up internal accounting for Partnership affairs.
5. Establish fair compensation to be paid to general partner and withholding taxes on any guaranteed payments.
6. Frequency and amounts of distributions based upon Partnership income, expenses and tax requirements of partners.
7. Evaluate any state tax issues with respect to Partnership income or Partnership assets.
8. Ensure that Partnership pays all appropriate expenses and acquires contracts in its own name.
 - a. Property taxes.
 - b. Insurance.
 - c. Utilities.
 - d. Miscellaneous expenses.
9. Fair consideration to be paid for use of Partnership assets.
10. Deduction or amortization of "business" legal, accounting, appraisal, etc. expenses versus "personal" expenses and source of payment for professional fees.
11. Evaluate any taxes or contractual provisions triggered by "change in control."
12. Preliminary plan for gifting of entity interests (no decisions made at this time).
13. Confirm whether CPA or attorney will prepare gift tax returns.

EXHIBIT 12

ISSUES RELATING TO GIFTING OF ENTITY INTERESTS

1. Ensure all assets have been transferred to entity and are entered in the appropriate capital account with appropriate documentation. No decision regarding gifts should be made until an appropriate amount of time passes after the entity funding and capital account entities are completed.
2. Ensure all recipients of gifts are parties to appropriate governing instruments and businesslike buy-sell agreements. Any certificates should reference restrictions in documents.
3. Ensure spouses of owners sign appropriate consents.
 - a. Acknowledging separate property when appropriate.
 - b. Acknowledging entity interests are fully subject to the agreement.
 - c. Acknowledging right and opportunity for independent counsel.
4. Confirm gift tax (including qualification for present interest/annual exclusion), estate tax, generation skipping transfer tax, and income tax (including cash flow) impact of proposed gifts.
5. Discuss risks associated with gifts (future tax law changes and possibility of depreciation in value).
6. Ensure clients making the gifts adequately part with "dominion and control."
7. Physical delivery of entity interests to donee or her agent.
 - a. Hold for donee based upon specific instructions of donee.
8. Have clients making the gift:
 - a. Endorse certificates.
 - b. Sign new certificates reflecting gifts.
 - c. Sign declaration of gift confirming no consideration is paid.
9. Explain how gifts may affect votes on certain entity issues (e.g. gifts of all limited interests to children could give them veto powers on certain issues).
10. Potential value of gifts based upon:
 - a. Appraisals of underlying entity assets.
 - b. Discount appraisals or drafts of appraisals.
 - c. Include book value or estimated fair market value of miscellaneous personal property that might not be appraised.
11. Discuss timing and responsibility for gift tax return and payment of gift tax (if any).

EXHIBIT 13

CLIENT INFORMATION MEMORANDUM

DUTIES AND RESPONSIBILITIES OF GENERAL PARTNERS AND OTHER OPERATIONAL ISSUES

- I. **Introduction:** The Doe Family Limited Partnership (referred to as Partnership or Limited Partnership) is treated for many purposes as a separate legal entity (e.g., the Partnership may own property in its own name), governed by statutes and by the Limited Partnership Agreement (Agreement) between the partners. For this reason, and because of certain provisions within your Agreement, the persons acting in the capacity as general partners of the Limited Partnership have certain duties and obligations. The following list will provide you with a general idea of what will be expected of the general partners during the life of the Limited Partnership. The duties are categorized for your convenience. Where appropriate, additional guidance is provided (e.g., which federal or state form is appropriate for a given responsibility).
- II. **General Partner Duties Surrounding the Establishment of the Limited Partnership:**
- A. Certificate of Limited Partnership - Two signed originals of the executed Certificate of Limited Partnership must be submitted to the Secretary of State. The fee which must accompany the Certificate is \$____. Because the Limited Partnership is not considered formed until the Certificate is actually filed with the Secretary of State's office, it is important to file the Certificate as soon as possible. As soon as you receive a filed copy of the Certificate from the Secretary of State, you must provide a copy to each of the limited partners.
 - B. Tax Identification Number (TIN) - This number is used to identify the Partnership for federal tax purposes. You must complete and submit a signed Form SS-4 to the IRS, requesting the number and providing certain information about the Partnership.
 - C. Bank Account and Distributions - With the TIN, you can now open the Partnership bank account. Be aware that the bank may request to see either your filed Certificate of Limited Partnership or (though less likely) the actual Partnership Agreement itself. All Partnership monies must be deposited in a Partnership account. Distributions may be made to the partners from the account in accordance with the Partnership distribution policy.
 - D. Accountant - It is important to engage the services of an accountant as soon as possible, to ensure that persons involved with the Partnership are retaining and treating information in an appropriate fashion for federal tax purposes. The accountant will provide ongoing tax return preparation and advising services to the Partnership.

- E. Bookkeeper - A bookkeeper should be retained as well when the Partnership acquires assets other than marketable securities. Following the rules within the Partnership agreement regarding capital accounts and income and loss allocations is as important as it is complicated. A bookkeeper, working with the Partnership accountant, will help the General Partner avoid tax problems in the future.

III. **Ongoing Duties and Responsibilities of a General Partner:**

- A. Records - What follows is a list of documents or information which the general partner must keep on file (and up to date) pursuant to state law:
1. A current list of the full name and last known address of each partner, specifying whether the person is a general partner and/or a limited partner.
 2. A copy of the Certificate of Limited Partnership and all certificate of amendments thereto, together with executed copies of any powers of attorney pursuant to which any certificate has been executed.
 3. Copies of the Limited Partnership's federal, state, and local tax returns and reports, if any, for the three most recent years.
 4. Copies of any then effective Limited Partnership Agreements and of any financial statements of the Limited Partnership for the three most recent years.
 5. Unless contained in the Partnership Agreement:
 - a. The amount of cash and a description and statement of the agreed value of the other property or services contributed by each partner and which each partner has agreed to contribute.
 - b. The times at which or events on the happening of which any additional contributions agreed to be made by each partner are to be made.
 - c. Any right of a partner to receive, or of a general partner to make, distributions to a partner which include a return of all or any part of the partner's contribution.
 - d. Any events upon the happening of which the Limited Partnership is to be dissolved and its affairs wound up.
- B. Federal Tax Reporting Requirements -
1. Information Returns - Each year, the general partner must file the Partnership information return for federal tax purposes, and any other

forms required by state or local taxing authorities. Federal information is set forth on Form 1065.

2. **Withholding Taxes** - If the Partnership provides a salary to an individual partner (and/or any other employee) for his or her services, it becomes the Partnership's obligation to withhold and report the employment taxes on this salary. The partner receiving salary must report it as ordinary income. This does not apply to a corporate general partner.

C. **Distributions to Partners** -

1. In accordance with the Partnership Agreement, the general partner has a fiduciary duty to make distributions of Partnership cash flow that exceed expenses and the reasonable needs of the business.
2. The general partner should prepare a schedule for distributions to limited partners.
3. The general partner must provide partners with information regarding their distributive share of pass-through income, deductions and credits in a timely manner.

D. **Monitoring Partnership Income** - The income of the Partnership should be carefully monitored. It is important that the general partner contact legal counsel if more than 10% of the Partnership income is from sources other than rent, interest, dividends, and gains from the sale of real property.

E. **Manage the Day-to-Day Affairs of the Partnership** - Limited Partnership business should be accomplished in the name of the entity and not in a personal capacity. The Partnership name should be used on letterhead, bank accounts, etc. When signing documents on behalf of the Partnership, you should always make clear that you are acting as general partner in order to bind the Partnership.

F. **Segregate Partnership Matters and Personal Matters** - It is very essential that Partnership and personal income and other assets be kept separate. For example, Partnership income must always be deposited into a Partnership bank account, not a personal bank account.

G. **Businesslike Management of Assets** - It is very important that all Partnership transactions (including sales, leases and loans) be documented in writing and that fair market consideration be paid and received by the parties. For example, if a family member uses Partnership real property, the family member must pay fair rental value for such use.

H. Compensation - The general partner should be paid fair market compensation for the services rendered to the Partnership. This should be evaluated and reported by the accountant on an annual basis.

I. Annual Minutes - It is very important that Partnership decisions, including investments, distributions and transactions be documented. Annual minutes are significant in showing that the Partnership is being administered in a businesslike manner.

IV. **Limited Partner Issues:**

One of the benefits of operating in a Limited Partnership form is that partners who are limited partners and not general partners will be afforded protection from personal liability in the same manner as shareholders in a corporation, while at the same time allowing the flexibility with respect to allocations and distributions of profits and losses as is the case with partners in a general Partnership.

In order for limited partners to enjoy the benefits of limited liability, it is important that the limited partners do not: (1) exercise the powers and authority of general partners; or (2) hold themselves out to the public as having the power or authority of a general partner. Except for certain specified events where limited partners are entitled to vote without jeopardizing their limited liability protection (e.g., dissolution of the Limited Partnership), limited partners should not expressly or impliedly play any role in the management of the Limited Partnership.

V. **Federal Taxation as a Partnership:**

Limited Partnerships will be taxed as a general Partnership for federal tax purposes unless a contrary election is filed with the Internal Revenue Service (IRS).

VI. **Miscellaneous:**

A. Registered Agent and Office - Each Limited Partnership must have a Registered Agent located in the state:

1. A registered office may be, but need not be, the same as its place of business. A registered office may not be identified by a post office box number or other nongeographic address.

2. A registered agent may be either an individual resident in this state whose business office is identical with the registered office, or a domestic corporation, Limited Partnership, limited liability company, or a foreign corporation, Limited Partnership or limited liability company authorized to transact business in this state, having a business office identical with such registered office. A registered agent shall not be appointed without having given prior written consent to the appointment. A Limited

Partnership may change its registered office or change its registered agent upon filing a notice of change with the Office of the Secretary of State.

- B. Suggested Areas for Outside Legal Advice - There are a number of areas where legal advice is necessary. Please consult our office whenever you are considering:
1. Selling the majority of the Limited Partnership's assets outside of the ordinary course of business.
 2. Selling or gifting any issued and outstanding units in the Limited Partnership.
 3. Issuing new Limited Partnership units or debt instruments.
 4. Doing business in other states or countries.
 5. Amending the Certificate of Limited Partnership.
 6. Dissolving, merging or consolidating the Limited Partnership.

Finally, if you are unsure about anything, please ask. Our objective is to provide you (upon your request) with a clear understanding of the requirements, as well as an assessment of potential risks and benefits, associated with taking a particular action. This should allow you to proceed in a manner which will maximize potential tax benefits and minimize the personal liability of limited partners.

EXHIBIT 14

Compliance – Procedure Issues

A. ESTABLISHMENT AND INITIAL OPERATION	Target Date	Progress	Completion
1. Execution and Filing (if needed) of Formation and Governing Instruments			
2. Funding of Entity			
3. Special Funding Issues <ul style="list-style-type: none"> • Real Estate • Consent of any Existing Creditors • Marketable Securities/Investment Company Rules • Debt in excess of Basis 			
4. Communication with Other Professionals and Delegation of Responsibilities			
5. Establish Entity Bank Accounts and Financial Procedures			
6. Initial Entity Capital Accounts and Financial Records			
7. Gifting of Entity Interests <ul style="list-style-type: none"> • Documents • Delivery 			
8. Appraisals (Prior to Date of Gift) <ul style="list-style-type: none"> • Assets • Discount 			
9. File Initial Tax Returns (Income, Gift)			
10. Documentation of Party/Entity Transactions			
11. Follow-up meeting prior to end of initial tax year to deal with adjustments, rescission and other Section 761 issues			

EXHIBIT 15

Compliance – Procedure Issues

PERIODIC MONITORING

1. Use of Entity Bank Accounts
2. Distributions Made in Accordance With Governing Instrument
3. Business Plan Progress and Update
4. Documentation/Recording of Additional Capital Contributions and Issuance of Additional Entity Interests
5. Documentation/Appraisal/Reporting of Gifts
6. Documentation/Valuation of Entity/Party Transactions or Loans
7. Minutes of Entity Actions
8. Filing of Returns (Income, Gift)
9. Filing of State Annual Licensing Reports

EXHIBIT 16

MEMORANDUM

TO: John and Mary Doe
FROM: Attorney
SUBJECT: Operating Issues Once Doe Family Limited Partnership Has Been Established
DATE: January 2007

Issue	Comments
Annual information tax return/IRS Form 1065 and associated K-1s needed for partners' individual tax returns. Gift tax returns.	Certified Public Accountant (CPA) should be consulted by General Partner.
Issuing new ownership interests or any additional capital contributions to Partnership or corporation.	Partnership/income tax issues, so advice of CPA and attorney recommended.
Gift of partnership interest.	Gift/estate tax issues, income tax issues and partnership transfer restrictions, so advice of attorney and CPA recommended.
Purchase or sale of any ownership interests in partnership or corporation.	Partnership/corporate tax issues, so advice of CPA and attorney recommended.
Amending Partnership Agreement.	Advice of attorney recommended.
Change in general partners.	Advice of attorney recommended.
Amending the organizational documents of the Partnership.	Advice of attorney recommended.
Substantial sale or exchange of Partnership assets.	Partnership tax issues, so advice of CPA and attorney recommended.
Additional contributions of real estate or other assets to the partnership.	Gift tax issues and excise tax or special use continuation, so advice of CPA and attorney recommended.
10. Investment and reinvestment of partnership assets.	Investment policy issues are involved, so advice of financial advisor recommended.

	Issue	Comments
11.	Partnership incurring any substantial amount of recourse or nonrecourse debt.	Partnership tax issues, so advice of CPA and attorney recommended.
12.	Dissolving, merging or consolidating the Partnership.	Partnership tax issues, so advice of CPA and attorney recommended.
13.	All major business agreements.	Proper approval and documentation essential, so advice of attorney recommended.
14.	Annual meeting minutes of general partner and limited partners; not legally required but is recommended.	Advice of attorney recommended.
15.	Maintenance of separate bank accounts and investment accounts.	Typically handled by general partner. Important to keep Partnership as a distinct entity; bank accounts should be clear on signing requirements.
16.	Filing of annual reports with state.	Typically handled by general partner. Important to keep Partnership and Corporation as distinct entities.
17.	Bankruptcy of Partnership or any partner.	Advice of attorney recommended.
18.	Any lawsuit threatened against Partnership.	Advice of attorney recommended.
19.	Any use of Partnership assets by a partner (for example, a partner living on real estate owned by partnership) and any sale of assets or loan to any partner.	Should reflect a fair market value price and be properly documented and approved pursuant to Partnership Agreement. Advice of attorney recommended.
20.	Insurance coverage for Partnership assets.	Should be in the name of partnership as to liability and fire/hazard for all assets. Any life insurance purchased for buyouts should be periodically evaluated by general partner.
21.	Compensation to partners.	General partner should receive advice regarding amount and tax results through attorney or CPA. See Section ____ of Partnership Agreement.

Issue	Comments
22. Employment issues	General partner should ensure proper withholdings and compliance with employment law requirements and consult with CPA and attorney.
23. Reports to other partners.	General partner should comply with specific requirements set forth in Partnership Agreement.
24. Distributions to partners.	The general partner should exercise discretion regarding the cash flow that is retained for "the reasonable needs of the business" and the cash flow that is distributed to partners. The general partner has the responsibility to make timely pro-rata distributions of an appropriate amount. See Section _____ of the Partnership Agreement.
25. Loans to partners.	Advice of attorney recommended—any loan to a partner must be documented and administered in a businesslike manner.
26. Day-to-day operating decisions.	The general partner has this responsibility. Limited partners should limit their roles to avoid becoming treated as a general partner with associated liability.
27. Registered Agent for corporation and Partnership.	Presently attorney is in this role. Could be changed to general partner as desired.
28. Death of partner.	Estate tax and income tax issues are involved, so advice of CPA and attorney recommended.