

Estate Planning Council of Delaware

The Care and Feeding of GRATs for Optimum Results

John A. Ciccarone
Brandywine Trust Company
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I. GRATs (and GRUTs) are creatures of Statute and Regulation.

A. General Statutory and Regulatory Framework

Section 2702 and the Treasury Regulations promulgated thereunder provide special rules for determining the value of the gift of a transfer of an interest in trust to or for the benefit of a family member of the transferor. Specifically, §2702(a)(2) states that the value of any interest retained by the transferor or any applicable family member of the transferor is treated as *zero* unless the retained interest is a qualified interest (or an exception or other special rule applies). A GRAT (and a GRUT), if properly structured, is governed by special provisions under §2702 and not subject to the zero valuation rule.

If the beneficiaries of the trust are not “family members,” §2702 does not apply (i.e., a GRIT is still permitted if the beneficiaries are not family members).

The value of any *qualified* retained interest (i.e., a qualified GRAT annuity interest) is its present value determined under §7520.

Under §7520, the value of a qualified retained annuity interest usually depends on:

- the value of the property transferred to the GRAT;
- §7520 rate for the month in which the property is transferred to the GRAT;
- the amount of each annuity payment to be made;
- the period of time for which the annuity is to be paid; and
- in some cases, the grantor's age at the time the GRAT is created.

B. What is a “Qualified Interest”?

There are three types of Qualified Interests:

- Annuity Interest (GRAT): Right to receive fixed amounts payable not less frequently than annually
- Unitrust Interest (GRUT): Right to receive amounts payable not less frequently than annually that are fixed percentages of the fair market value of the property in the trust determined annually
- Remainder Interest: Any non-contingent remainder interest where all other interests in the Trust are either qualified annuity or qualified unitrust interests.

II. Requirements Necessary for a Qualified Interest

A. Qualified Interest in All Respects

An interest must be a qualified interest in every respect, which means, with respect to a GRAT, an irrevocable right to receive a fixed amount at least annually.

- *Lesser* of a fixed amount of the initial trust assets (i.e., an annuity interest) or a fixed percentage of the annual value of the trust assets (i.e., a unitrust interest), is not a qualified interest.
- *Greater* of annuity interest or unitrust interest (valued at whichever has the higher actuarial value) is a qualified interest.

B. No Distributions Other than to Annuitant

The governing instrument must prohibit distributions from the GRAT to (or for the benefit of) any person other than the holder of the qualified annuity interest during the term of the qualified interest.

C. Fixed Term for Annuity Interest

The governing instrument must fix the term of the annuity interest. The term must be for:

- The life of the term holder,
- For a specified term of years (e.g., 10 years), or
- For the shorter (but not the longer) of those two periods.

Successive term interests for the benefit of the same individual are treated as the same term interest.

It is not clear that payments will be regarded as qualified if they are made for one year only or a shorter period. General consensus is that the GRAT term should be at least two years. Legislation has been proposed which would require GRATs to have at least a ten year term.

D. Payment of Fixed Amount

A qualified annuity interest is an irrevocable right to receive a *fixed amount*.

A *fixed amount* can be:

- A stated dollar amount payable periodically, but not less frequently than annually;
or
- A fixed fraction or percentage of the initial fair market value of the property transferred to the trust as finally determined for federal tax purposes, payable periodically but not less frequently than annually.

In either case, the stated dollar amount or the fixed fraction or percentage can increase as much as 20 percent each year. Annuity payments may also decrease from year to year without the 20% restriction.

Distributions to the grantor above the fixed amount, such as discretionary distributions, reimbursements for taxes, distributions of accounting income, etc., are permissible, but they are not taken into consideration in computing the retained interests.

In Rev. Rul. 2004-64, the IRS has officially taken the position that a provision mandating reimbursement to the grantor for income tax will cause a trust to be included in its entirety in the grantor's estate. This is probably not a problem during the GRAT term, but could be a big problem thereafter.

E. Additional Contributions Prohibited

The governing instrument must prohibit additional contributions to the trust.

What happens if an additional contribution is made or is deemed to have been made? A new GRAT can be created under the same document to hold an additional (later) transfer to the trustee. Consider authorizing the trustee to accept new transfers to be held in new and separate GRATs with the same provisions and the same initial term as the original GRAT.

F. Incorrect Valuations of Trust Property

In the author's experience, most GRATs define the annuity payments as a fixed fraction or percentage of the initial fair market value of the property transferred to the trust as finally determined for federal tax purposes, rather than as a specific dollar amount. An annuity defined as a fixed fraction or percentage is self-adjusting if the fair market value of assets used to fund the GRAT is uncertain or there is a valuation dispute with the IRS.

If the annuity is stated in terms of a fraction or percentage of the initial fair market value of the trust property, the governing instrument must contain provisions which relate to adjustments for any incorrect determination of the fair market value of the property in a charitable remainder annuity trust. This requirement is satisfied if the governing instrument requires the trust to pay to the recipient (in the case of an undervaluation) or be repaid by the recipient (in the case of an overvaluation) an amount equal to the difference between the amount that the trust should have paid the recipient if the correct value were used and the amount that the trust actually paid the recipient. The corrective payments or repayments are to be made within a reasonable period after the final determination of value. Any payment due to a recipient by reason of such incorrect valuation is considered to be a payment required to be distributed at the time of such final determination.

G. Annuity Amount Payable Annually to Term Holder

The qualified annuity payment must be made at least annually based either on the taxable year of the trust or the date of the creation of the trust.

If a GRAT is based upon a taxable year, the annuity amount must be paid no later than the date on which the trustees are required to file the federal income tax return (without regard to extensions). If payment of the annuity amount is based on the trust's taxable year, the payments must be prorated for each short year (usually the first and/or last year of the GRAT).

If a GRAT is based upon the anniversary date of the creation of the trust, the payments due for any anniversary period must be made within 105 days after such anniversary date.

This "105 day rule" adds both value and flexibility.

The annuity amount must be actually be paid to (or for the benefit of) the holder of the annuity interest for each taxable year of the term.

As more fully discussed below, if a GRAT provides that the annuity amount will be payable to the grantor for a term of years and then after the grantor's death the annuity amount will be paid to the grantor's estate for the balance of the term, the Service now concedes, contrary to its prior position, that the amount payable to the grantor's estate will, along with payments during the grantor's life, be considered in determining the value of the grantor's qualified annuity interest.

H. Commutation (Prepayment of the respective interests) Prohibited

The governing instrument must prohibit commutation. Presumably, this is to prevent a GRAT from being terminated early if it appears that the grantor will not survive the retained term.

III. Estate Inclusion where the Grantor Fails to Survive the GRAT Term.

The IRS previously had favored relying upon §2039 to support full inclusion of the GRAT if the grantor failed to survive the retained term.

The IRS's current approach, as confirmed in recently finalized Regulations, is to apply §2036 where the grantor fails to survive the retained term.

With a GRAT, the amount generally included under §2036 is that portion of the trust corpus necessary to yield sufficient "income" (using the §7520 rate at the date of death as the proxy for investment return) to support the annuity payments without reducing or invading principal. The assets includible, however, cannot exceed the fair market value of the trust at the date of death.

In the current low interest rate environment, the assumed “income” will be very low and a larger portion of the GRAT corpus, if not all, will be deemed necessary to support the annuity and included in the grantor’s estate.

For example, consider a GRAT that has assets of \$1 million and one \$50,000 annuity payment remaining. If the grantor dies when the §7520 rate is 1.2%, the corpus needed to yield income sufficient to pay the annuity would be \$4,166,667 and the entire GRAT would be included in the grantor’s estate. If, in the same example, the grantor died when the §7520 rate is 6%, the corpus needed to yield income sufficient to pay the annuity would be \$833,333 and less than the entire GRAT would be included in the grantor’s estate.

With increasing annuity payments, additional corpus will be deemed necessary to generate the income to cover the excess portion of the annuity payments over a straight annuity.

IV. Zeroed-out GRATs and the *Walton* Case

A zeroed-out GRAT is one in which the present value of the annuity payments (using the applicable §7520 rate) is approximately equal to the fair market value of the assets initially contributed to the GRAT. In other words, the remainder interest is worth zero or virtually zero at the time the GRAT is created. A zeroed-out GRAT typically provides for an annuity payable for a fixed term in an amount that actuarially results in a negligible remainder. If the grantor fails to survive the GRAT term, the remaining annuity payments are payable to the grantor’s estate. It is a fixed term in all events.

The primary appeal of a zeroed-out GRAT is that there is no (or very little) gift tax payable arising from the creation of the trust. If the assets grow in excess of the “deemed return”, which is the §7520 rate, and the grantor survives the GRAT term, there will be assets remaining for distribution to the remainder beneficiaries. In a zeroed-out GRAT, the remainder beneficiaries effectively receive a tax free gift. If the assets do not grow at the §7520 hurdle rate, the GRAT will fail in that all the assets will be used to satisfy the annuity payments and no assets will be left for the distribution to the remainder beneficiaries.

Prior to *Walton v. Comr.*, 115 T.C. 589 (2000), it was not clear that a zeroed-out GRAT was permissible. Based upon Treas. Reg. §25.2702-3(e), Ex. 5, the IRS took the position that only the interest of the grantor and not that of the grantor's estate was a qualified interest and the value of the annuity would be reduced by the probability of the grantor’s death during the retained term. Under the IRS’s approach, the present value of an annuity could never be equal to 100% of the assets originally transferred to the trust. The older the grantor is at the time the GRAT is created, the larger the deemed remainder interest and the larger the gift.

In *Walton*, the Tax Court ruled that a grantor’s right to receive a fixed amount for a term of years was a qualified interest and valued under §7520 without any reduction for the

probability that the grantor might die before the fixed term and struck down Treas. Reg. §25.2702-3(e), Ex. 5 to the extent it was inconsistent with the Court's decision. The IRS acquiesced to the *Walton* decision in Notice 2003-72, 2003-44 I.R.B. 964, and, effective July 26, 2004, amended Example 5 in the Regulations accordingly.

Now, if the annuity is payable to the grantor's estate for the remainder of the term if the grantor dies before the term ends, it is clear that the value of the annuity may be determined without regard to the life expectancy of the grantor, thereby allowing the value of the retained interest to approach, if not exactly equal, the fair market value of the assets initially placed in the trust.

On several occasions over the past few years, legislation has been proposed which would require GRATs to have a "remainder interest greater than zero", but no guidance was provided as to *what* minimum value would be required for a GRAT remainder.

Zeroed-out GRATs, especially in the current low-interest-rate environment, represent a powerful tool for the estate planning professional. The remaining pages illustrate some basic zeroed-out GRATs and how the transfer tax results can be optimized with some diligent care and feeding over the retained term.



| | | | |
|-----------------------------|--|---------|---------------|
| Term: | 2 years | | |
| Funded With: | Value | Asset | Annual Return |
| | \$100,000 | Stock A | -5% |
| | \$100,000 | Stock B | 0% |
| | \$100,000 | Stock C | 5% |
| | \$100,000 | Stock D | 10% |
| | \$100,000 | Stock E | 15% |
| Value at Funding: | \$500,000 | | |
| Initial Annuity Rate: | 46.29843% | | |
| Annual Increase in Annuity: | 20% | | |
| Annuity Payment: | In-kind pro rata based on most recent year-end value of security | | |
| 7520 Rate: | 1.20% | | |

| Year | Annuity Rate | Scheduled Annuity | Actual Annuity | Remaining Value |
|--------------|--------------|-------------------|------------------|-----------------|
| | | Payment | Payment | |
| 1 | 46.29843% | \$231,492 | \$231,492 | \$293,508 |
| 2 | 55.55812% | \$277,791 | \$277,791 | \$31,790 |
| Total | | \$509,283 | \$509,283 | \$31,790 |

| Year | Asset | Beginning FMV | Growth | Resulting FMV | Annuity Payment | Remaining Value |
|------------------|--------------|------------------|-----------------|------------------|------------------|------------------|
| 1 | Stock A | \$100,000 | (\$5,000) | \$95,000 | \$41,889 | \$53,111 |
| | Stock B | \$100,000 | \$0 | \$100,000 | \$44,094 | \$55,906 |
| | Stock C | \$100,000 | \$5,000 | \$105,000 | \$46,298 | \$58,702 |
| | Stock D | \$100,000 | \$10,000 | \$110,000 | \$48,503 | \$61,497 |
| | Stock E | \$100,000 | \$15,000 | \$115,000 | \$50,708 | \$64,292 |
| 1 | <i>Total</i> | <i>\$500,000</i> | <i>\$25,000</i> | <i>\$525,000</i> | <i>\$231,492</i> | <i>\$293,508</i> |
| 2 | Stock A | \$53,111 | (\$2,656) | \$50,455 | \$45,274 | \$5,181 |
| | Stock B | \$55,906 | \$0 | \$55,906 | \$50,165 | \$5,741 |
| | Stock C | \$58,702 | \$2,935 | \$61,637 | \$55,307 | \$6,329 |
| | Stock D | \$61,497 | \$6,150 | \$67,647 | \$60,700 | \$6,947 |
| | Stock E | \$64,292 | \$9,644 | \$73,936 | \$66,344 | \$7,592 |
| 2 | <i>Total</i> | <i>\$293,508</i> | <i>\$16,073</i> | <i>\$309,581</i> | <i>\$277,791</i> | <i>\$31,790</i> |
| All Years | Total | | \$41,073 | | \$509,283 | \$31,790 |

| | |
|---|-----------------|
| Remainder: | \$31,790 |
| Remainder as % of Beginning FMV: | 6.4% |



| | | | |
|-----------------------------|-----------|---------|---------------|
| Term: | 2 years | | |
| Funded With: | Value | Asset | Annual Return |
| | \$100,000 | Stock A | -5% |
| | \$0 | Stock B | 0% |
| | \$0 | Stock C | 5% |
| | \$0 | Stock D | 10% |
| | \$0 | Stock E | 15% |
| Value at Funding: | \$100,000 | | |
| Initial Annuity Rate: | 46.29843% | | |
| Annual Increase in Annuity: | 20% | | |
| Annuity Payment: | In-kind | | |
| 7520 Rate: | 1.20% | | |

| Year | Annuity Rate | Scheduled Annuity Payment | Actual Annuity Payment | Remaining Value |
|--------------|--------------|---------------------------|------------------------|-----------------|
| 1 | 46.29843% | \$46,298 | \$46,298 | \$48,702 |
| 2 | 55.55812% | \$55,558 | \$46,266 | \$0 |
| Total | | \$101,857 | \$92,565 | \$0 |

| Year | Asset | Beginning FMV | Growth | Resulting FMV | Annuity Payment | Remaining Value |
|------------------|--------------|------------------|------------------|-----------------|-----------------|-----------------|
| 1 | Stock A | \$100,000 | (\$5,000) | \$95,000 | \$46,298 | \$48,702 |
| | Stock B | \$0 | \$0 | \$0 | \$0 | \$0 |
| | Stock C | \$0 | \$0 | \$0 | \$0 | \$0 |
| | Stock D | \$0 | \$0 | \$0 | \$0 | \$0 |
| | Stock E | \$0 | \$0 | \$0 | \$0 | \$0 |
| 1 | <i>Total</i> | <i>\$100,000</i> | <i>(\$5,000)</i> | <i>\$95,000</i> | <i>\$46,298</i> | <i>\$48,702</i> |
| 2 | Stock A | \$48,702 | (\$2,435) | \$46,266 | \$46,266 | \$0 |
| | Stock B | \$0 | \$0 | \$0 | \$0 | \$0 |
| | Stock C | \$0 | \$0 | \$0 | \$0 | \$0 |
| | Stock D | \$0 | \$0 | \$0 | \$0 | \$0 |
| | Stock E | \$0 | \$0 | \$0 | \$0 | \$0 |
| 2 | <i>Total</i> | <i>\$48,702</i> | <i>(\$2,435)</i> | <i>\$46,266</i> | <i>\$46,266</i> | <i>\$0</i> |
| All Years | Total | | (\$7,435) | | \$92,565 | \$0 |

| | |
|----------------------------------|------|
| Remainder: | \$0 |
| Remainder as % of Beginning FMV: | 0.0% |



| | | | |
|-----------------------------|-----------|---------|---------------|
| Term: | 2 years | | |
| Funded With: | Value | Asset | Annual Return |
| | \$0 | Stock A | -5% |
| | \$100,000 | Stock B | 0% |
| | \$0 | Stock C | 5% |
| | \$0 | Stock D | 10% |
| | \$0 | Stock E | 15% |
| Value at Funding: | \$100,000 | | |
| Initial Annuity Rate: | 46.29843% | | |
| Annual Increase in Annuity: | 20% | | |
| Annuity Payment: | In-kind | | |
| 7520 Rate: | 1.20% | | |

| Year | Annuity Rate | Scheduled Annuity Payment | Actual Annuity Payment | Remaining Value |
|--------------|--------------|---------------------------|------------------------|-----------------|
| 1 | 46.29843% | \$46,298 | \$46,298 | \$53,702 |
| 2 | 55.55812% | \$55,558 | \$53,702 | \$0 |
| Total | | \$101,857 | \$100,000 | \$0 |

| Year | Asset | Beginning FMV | Growth | Resulting FMV | Annuity Payment | Remaining Value |
|------------------|--------------|------------------|------------|------------------|------------------|-----------------|
| 1 | Stock A | \$0 | \$0 | \$0 | \$0 | \$0 |
| | Stock B | \$100,000 | \$0 | \$100,000 | \$46,298 | \$53,702 |
| | Stock C | \$0 | \$0 | \$0 | \$0 | \$0 |
| | Stock D | \$0 | \$0 | \$0 | \$0 | \$0 |
| | Stock E | \$0 | \$0 | \$0 | \$0 | \$0 |
| 1 | <i>Total</i> | <i>\$100,000</i> | <i>\$0</i> | <i>\$100,000</i> | <i>\$46,298</i> | <i>\$53,702</i> |
| 2 | Stock A | \$0 | \$0 | \$0 | \$0 | \$0 |
| | Stock B | \$53,702 | \$0 | \$53,702 | \$53,702 | \$0 |
| | Stock C | \$0 | \$0 | \$0 | \$0 | \$0 |
| | Stock D | \$0 | \$0 | \$0 | \$0 | \$0 |
| | Stock E | \$0 | \$0 | \$0 | \$0 | \$0 |
| 2 | <i>Total</i> | <i>\$53,702</i> | <i>\$0</i> | <i>\$53,702</i> | <i>\$53,702</i> | <i>\$0</i> |
| All Years | Total | | \$0 | | \$100,000 | \$0 |

| | |
|----------------------------------|-------------|
| Remainder: | \$0 |
| Remainder as % of Beginning FMV: | 0.0% |



| | | | |
|-----------------------------|-----------|---------|---------------|
| Term: | 2 years | | |
| Funded With: | Value | Asset | Annual Return |
| | \$0 | Stock A | -5% |
| | \$0 | Stock B | 0% |
| | \$100,000 | Stock C | 5% |
| | \$0 | Stock D | 10% |
| | \$0 | Stock E | 15% |
| Value at Funding: | \$100,000 | | |
| Initial Annuity Rate: | 46.29843% | | |
| Annual Increase in Annuity: | 20% | | |
| Annuity Payment: | In-kind | | |
| 7520 Rate: | 1.20% | | |

| Year | Annuity Rate | Scheduled Annuity Payment | Actual Annuity Payment | Remaining Value |
|--------------|--------------|---------------------------|------------------------|-----------------|
| 1 | 46.29843% | \$46,298 | \$46,298 | \$58,702 |
| 2 | 55.55812% | \$55,558 | \$55,558 | \$6,079 |
| Total | | \$101,857 | \$101,857 | \$6,079 |

| Year | Asset | Beginning FMV | Growth | Resulting FMV | Annuity Payment | Remaining Value |
|------------------|--------------|------------------|----------------|------------------|------------------|-----------------|
| 1 | Stock A | \$0 | \$0 | \$0 | \$0 | \$0 |
| | Stock B | \$0 | \$0 | \$0 | \$0 | \$0 |
| | Stock C | \$100,000 | \$5,000 | \$105,000 | \$46,298 | \$58,702 |
| | Stock D | \$0 | \$0 | \$0 | \$0 | \$0 |
| | Stock E | \$0 | \$0 | \$0 | \$0 | \$0 |
| 1 | <i>Total</i> | <i>\$100,000</i> | <i>\$5,000</i> | <i>\$105,000</i> | <i>\$46,298</i> | <i>\$58,702</i> |
| 2 | Stock A | \$0 | \$0 | \$0 | \$0 | \$0 |
| | Stock B | \$0 | \$0 | \$0 | \$0 | \$0 |
| | Stock C | \$58,702 | \$2,935 | \$61,637 | \$55,558 | \$6,079 |
| | Stock D | \$0 | \$0 | \$0 | \$0 | \$0 |
| | Stock E | \$0 | \$0 | \$0 | \$0 | \$0 |
| 2 | <i>Total</i> | <i>\$58,702</i> | <i>\$2,935</i> | <i>\$61,637</i> | <i>\$55,558</i> | <i>\$6,079</i> |
| All Years | Total | | \$7,935 | | \$101,857 | \$6,079 |

| | |
|---|----------------|
| Remainder: | \$6,079 |
| Remainder as % of Beginning FMV: | 6.1% |

GRAT 5 - Single Stock D



| | | | |
|-----------------------------|-----------|---------|---------------|
| Term: | 2 years | | |
| Funded With: | Value | Asset | Annual Return |
| | \$0 | Stock A | -5% |
| | \$0 | Stock B | 0% |
| | \$0 | Stock C | 5% |
| | \$100,000 | Stock D | 10% |
| | \$0 | Stock E | 15% |
| Value at Funding: | \$100,000 | | |
| Initial Annuity Rate: | 46.29843% | | |
| Annual Increase in Annuity: | 20% | | |
| Annuity Payment: | In-kind | | |
| 7520 Rate: | 1.20% | | |

| Year | Annuity Rate | Scheduled Annuity | Actual Annuity | Remaining Value |
|--------------|--------------|-------------------|------------------|-----------------|
| | | Payment | Payment | |
| 1 | 46.29843% | \$46,298 | \$46,298 | \$63,702 |
| 2 | 55.55812% | \$55,558 | \$55,558 | \$14,514 |
| Total | | \$101,857 | \$101,857 | \$14,514 |

| Year | Asset | Beginning FMV | Growth | Resulting FMV | Annuity Payment | Remaining Value |
|------------------|--------------|---------------|-----------------|---------------|------------------|-----------------|
| 1 | Stock A | \$0 | \$0 | \$0 | \$0 | \$0 |
| | Stock B | \$0 | \$0 | \$0 | \$0 | \$0 |
| | Stock C | \$0 | \$0 | \$0 | \$0 | \$0 |
| | Stock D | \$100,000 | \$10,000 | \$110,000 | \$46,298 | \$63,702 |
| | Stock E | \$0 | \$0 | \$0 | \$0 | \$0 |
| 1 | <i>Total</i> | \$100,000 | \$10,000 | \$110,000 | \$46,298 | \$63,702 |
| 2 | Stock A | \$0 | \$0 | \$0 | \$0 | \$0 |
| | Stock B | \$0 | \$0 | \$0 | \$0 | \$0 |
| | Stock C | \$0 | \$0 | \$0 | \$0 | \$0 |
| | Stock D | \$63,702 | \$6,370 | \$70,072 | \$55,558 | \$14,514 |
| | Stock E | \$0 | \$0 | \$0 | \$0 | \$0 |
| 2 | <i>Total</i> | \$63,702 | \$6,370 | \$70,072 | \$55,558 | \$14,514 |
| All Years | Total | | \$16,370 | | \$101,857 | \$14,514 |

| | |
|---|-----------------|
| Remainder: | \$14,514 |
| Remainder as % of Beginning FMV: | 14.5% |



| | | | |
|-----------------------------|-----------|---------|---------------|
| Term: | 2 years | | |
| Funded With: | Value | Asset | Annual Return |
| | \$0 | Stock A | -5% |
| | \$0 | Stock B | 0% |
| | \$0 | Stock C | 5% |
| | \$0 | Stock D | 10% |
| | \$100,000 | Stock E | 15% |
| Value at Funding: | \$100,000 | | |
| Initial Annuity Rate: | 46.29843% | | |
| Annual Increase in Annuity: | 20% | | |
| Annuity Payment: | In-kind | | |
| 7520 Rate: | 1.20% | | |

| Year | Annuity Rate | Scheduled Annuity Payment | Actual Annuity Payment | Remaining Value |
|--------------|--------------|---------------------------|------------------------|-----------------|
| 1 | 46.29843% | \$46,298 | \$46,298 | \$68,702 |
| 2 | 55.55812% | \$55,558 | \$55,558 | \$23,449 |
| Total | | \$101,857 | \$101,857 | \$23,449 |

| Year | Asset | Beginning FMV | Growth | Resulting FMV | Annuity Payment | Remaining Value |
|------------------|--------------|------------------|-----------------|------------------|------------------|-----------------|
| 1 | Stock A | \$0 | \$0 | \$0 | \$0 | \$0 |
| | Stock B | \$0 | \$0 | \$0 | \$0 | \$0 |
| | Stock C | \$0 | \$0 | \$0 | \$0 | \$0 |
| | Stock D | \$0 | \$0 | \$0 | \$0 | \$0 |
| | Stock E | \$100,000 | \$15,000 | \$115,000 | \$46,298 | \$68,702 |
| 1 | <i>Total</i> | <i>\$100,000</i> | <i>\$15,000</i> | <i>\$115,000</i> | <i>\$46,298</i> | <i>\$68,702</i> |
| 2 | Stock A | \$0 | \$0 | \$0 | \$0 | \$0 |
| | Stock B | \$0 | \$0 | \$0 | \$0 | \$0 |
| | Stock C | \$0 | \$0 | \$0 | \$0 | \$0 |
| | Stock D | \$0 | \$0 | \$0 | \$0 | \$0 |
| | Stock E | \$68,702 | \$10,305 | \$79,007 | \$55,558 | \$23,449 |
| 2 | <i>Total</i> | <i>\$68,702</i> | <i>\$10,305</i> | <i>\$79,007</i> | <i>\$55,558</i> | <i>\$23,449</i> |
| All Years | Total | | \$25,305 | | \$101,857 | \$23,449 |

Remainder: \$23,449
Remainder as % of Beginning FMV: 23.4%

GRATs 2-6 Summary & Comparison with GRAT 1



| | | |
|-------------------|---|-----------------|
| GRAT 2 | Remainder: | \$0 |
| | Remainder as % of Beginning FMV: | 0.00% |
| GRAT 3 | Remainder: | \$0 |
| | Remainder as % of Beginning FMV: | 0.00% |
| GRAT 4 | Remainder: | \$6,079 |
| | Remainder as % of Beginning FMV: | 6.08% |
| GRAT 5 | Remainder: | \$14,514 |
| | Remainder as % of Beginning FMV: | 14.51% |
| GRAT 6 | Remainder: | \$23,449 |
| | Remainder as % of Beginning FMV: | 23.45% |
| <hr/> | | |
| Sum of GRATs 2-6 | Remainder: | \$44,041 |
| | Remainder as % of Beginning FMV: | 8.81% |
| <hr/> | | |
| GRAT 1 | Remainder: | \$31,790 |
| | Remainder as % of Beginning FMV: | 6.36% |
| <hr/> | | |
| Difference | Remainder: | \$12,251 |
| | Remainder as % of Beginning FMV: | 2.45% |
| <hr/> <hr/> | | |



| | | | | | |
|-----------------------------|------------------------------------|--------------------|-------------|----------|---------------|
| Term: | 10 years | | | | |
| Funded With: | Discounted FMV | Pre-discounted FMV | Asset | Discount | Annual Return |
| | \$1,500,000 | \$1,500,000 | Cash | 0% | 0% |
| | \$6,000,000 | \$10,000,000 | LP interest | 40% | 10% |
| Value at Funding: | \$7,500,000 | \$11,500,000 | | | |
| Initial Annuity Rate: | 4.18196% | | | | |
| Annual Increase in Annuity: | 20% | | | | |
| Annuity Payment: | Cash until exhausted, then in-kind | | | | |
| 7520 Rate: | 1.20% | | | | |

| Year | Annuity Rate | Scheduled Annuity Payment | Actual Annuity Payment | Remaining Value |
|--------------|--------------|---------------------------|------------------------|---------------------|
| 1 | 4.18196% | \$313,647 | \$313,647 | \$12,186,353 |
| 2 | 5.01835% | \$376,376 | \$376,376 | \$12,909,977 |
| 3 | 6.02202% | \$451,652 | \$451,652 | \$13,668,325 |
| 4 | 7.22643% | \$541,982 | \$541,982 | \$14,457,343 |
| 5 | 8.67171% | \$650,378 | \$650,378 | \$15,252,699 |
| 6 | 10.40605% | \$780,454 | \$780,454 | \$15,997,515 |
| 7 | 12.48727% | \$936,545 | \$936,545 | \$16,660,721 |
| 8 | 14.98472% | \$1,123,854 | \$1,123,854 | \$17,202,939 |
| 9 | 17.98166% | \$1,348,625 | \$1,348,625 | \$17,574,609 |
| 10 | 21.57800% | \$1,618,350 | \$1,618,350 | \$17,713,720 |
| Total | | \$8,141,863 | \$8,141,863 | \$17,713,720 |

| Year | Asset | Beginning Pre-Discounted FMV | Growth | Resulting Pre-Discounted FMV | Annuity Payment | Remaining Value |
|------------------|--------------|------------------------------|---------------------|------------------------------|--------------------|---------------------|
| 1 | Cash | \$1,500,000 | \$0 | \$1,500,000 | \$313,647 | \$1,186,353 |
| | LP interest | \$10,000,000 | \$1,000,000 | \$11,000,000 | \$0 | \$11,000,000 |
| 1 | Total | \$11,500,000 | \$1,000,000 | \$12,500,000 | \$313,647 | \$12,186,353 |
| 2 | Cash | \$1,186,353 | \$0 | \$1,186,353 | \$376,376 | \$809,977 |
| | LP interest | \$11,000,000 | \$1,100,000 | \$12,100,000 | \$0 | \$12,100,000 |
| 2 | Total | \$12,186,353 | \$1,100,000 | \$13,286,353 | \$376,376 | \$12,909,977 |
| 3 | Cash | \$809,977 | \$0 | \$809,977 | \$451,652 | \$358,325 |
| | LP interest | \$12,100,000 | \$1,210,000 | \$13,310,000 | \$0 | \$13,310,000 |
| 3 | Total | \$12,909,977 | \$1,210,000 | \$14,119,977 | \$451,652 | \$13,668,325 |
| 4 | Cash | \$358,325 | \$0 | \$358,325 | \$358,325 | \$0 |
| | LP interest | \$13,310,000 | \$1,331,000 | \$14,641,000 | \$183,657 | \$14,457,343 |
| 4 | Total | \$13,668,325 | \$1,331,000 | \$14,999,325 | \$541,982 | \$14,457,343 |
| 5 | Cash | \$0 | \$0 | \$0 | \$0 | \$0 |
| | LP interest | \$14,457,343 | \$1,445,734 | \$15,903,077 | \$650,378 | \$15,252,699 |
| 5 | Total | \$14,457,343 | \$1,445,734 | \$15,903,077 | \$650,378 | \$15,252,699 |
| 6 | Cash | \$0 | \$0 | \$0 | \$0 | \$0 |
| | LP interest | \$15,252,699 | \$1,525,270 | \$16,777,969 | \$780,454 | \$15,997,515 |
| 6 | Total | \$15,252,699 | \$1,525,270 | \$16,777,969 | \$780,454 | \$15,997,515 |
| 7 | Cash | \$0 | \$0 | \$0 | \$0 | \$0 |
| | LP interest | \$15,997,515 | \$1,599,751 | \$17,597,266 | \$936,545 | \$16,660,721 |
| 7 | Total | \$15,997,515 | \$1,599,751 | \$17,597,266 | \$936,545 | \$16,660,721 |
| 8 | Cash | \$0 | \$0 | \$0 | \$0 | \$0 |
| | LP interest | \$16,660,721 | \$1,666,072 | \$18,326,793 | \$1,123,854 | \$17,202,939 |
| 8 | Total | \$16,660,721 | \$1,666,072 | \$18,326,793 | \$1,123,854 | \$17,202,939 |
| 9 | Cash | \$0 | \$0 | \$0 | \$0 | \$0 |
| | LP interest | \$17,202,939 | \$1,720,294 | \$18,923,233 | \$1,348,625 | \$17,574,609 |
| 9 | Total | \$17,202,939 | \$1,720,294 | \$18,923,233 | \$1,348,625 | \$17,574,609 |
| 10 | Cash | \$0 | \$0 | \$0 | \$0 | \$0 |
| | LP interest | \$17,574,609 | \$1,757,461 | \$19,332,069 | \$1,618,350 | \$17,713,720 |
| 10 | Total | \$17,574,609 | \$1,757,461 | \$19,332,069 | \$1,618,350 | \$17,713,720 |
| All Years | Total | | \$14,355,583 | | \$8,141,863 | \$17,713,720 |

| | |
|---------------------------------------|--------------|
| Remainder: | \$17,713,720 |
| Remainder as % of Discounted FMV: | 236.18% |
| Remainder as % of Pre-Discounted FMV: | 154.03% |

GRAT 8 - Cash and Closely Held Stock



| | | | | | |
|-----------------------------|------------------------------------|--------------------|--------------------|----------|-------------------|
| Term: | 6 years | | | | |
| Funded With: | Discounted FMV | Pre-discounted FMV | Asset | Discount | Annual Return |
| | \$250,000 | \$250,000 | Cash | 0% | 0% |
| | \$500,000 | \$1,000,000 | Closely Held Stock | 50% | 1-3Y 0%, 4-6Y 20% |
| Value at Funding: | \$750,000 | \$1,250,000 | | | |
| Initial Annuity Rate: | 10.56334% | | | | |
| Annual Increase in Annuity: | 20% | | | | |
| Annuity Payment: | Cash until exhausted, then in-kind | | | | |
| 7520 Rate: | 1.20% | | | | |

| Year | Annuity Rate | Scheduled Annuity Payment | Actual Annuity Payment | Remaining Value |
|--------------|--------------|---------------------------|------------------------|--------------------|
| 1 | 10.56334% | \$79,225 | \$79,225 | \$1,170,775 |
| 2 | 12.67601% | \$95,070 | \$95,070 | \$1,075,705 |
| 3 | 15.21121% | \$114,084 | \$114,084 | \$961,621 |
| 4 | 18.25345% | \$136,901 | \$136,901 | \$1,017,044 |
| 5 | 21.90414% | \$164,281 | \$164,281 | \$1,056,172 |
| 6 | 26.28497% | \$197,137 | \$197,137 | \$1,070,269 |
| Total | | \$786,698 | \$786,698 | \$1,070,269 |

| Year | Asset | Beginning Pre-Discounted FMV | Growth | Resulting Pre-Discounted FMV | Annuity Payment | Remaining Value |
|------------------|--------------------|------------------------------|------------------|------------------------------|------------------|--------------------|
| 1 | Cash | \$250,000 | \$0 | \$250,000 | \$79,225 | \$170,775 |
| | Closely Held Stock | \$1,000,000 | \$0 | \$1,000,000 | \$0 | \$1,000,000 |
| 1 | Total | \$1,250,000 | \$0 | \$1,250,000 | \$79,225 | \$1,170,775 |
| 2 | Cash | \$170,775 | \$0 | \$170,775 | \$95,070 | \$75,705 |
| | Closely Held Stock | \$1,000,000 | \$0 | \$1,000,000 | \$0 | \$1,000,000 |
| 2 | Total | \$1,170,775 | \$0 | \$1,170,775 | \$95,070 | \$1,075,705 |
| 3 | Cash | \$75,705 | \$0 | \$75,705 | \$75,705 | \$0 |
| | Closely Held Stock | \$1,000,000 | \$0 | \$1,000,000 | \$38,379 | \$961,621 |
| 3 | Total | \$1,075,705 | \$0 | \$1,075,705 | \$114,084 | \$961,621 |
| 4 | Cash | \$0 | \$0 | \$0 | \$0 | \$0 |
| | Closely Held Stock | \$961,621 | \$192,324 | \$1,153,945 | \$136,901 | \$1,017,044 |
| 4 | Total | \$961,621 | \$192,324 | \$1,153,945 | \$136,901 | \$1,017,044 |
| 5 | Cash | \$0 | \$0 | \$0 | \$0 | \$0 |
| | Closely Held Stock | \$1,017,044 | \$203,409 | \$1,220,453 | \$164,281 | \$1,056,172 |
| 5 | Total | \$1,017,044 | \$203,409 | \$1,220,453 | \$164,281 | \$1,056,172 |
| 6 | Cash | \$0 | \$0 | \$0 | \$0 | \$0 |
| | Closely Held Stock | \$1,056,172 | \$211,234 | \$1,267,406 | \$197,137 | \$1,070,269 |
| 6 | Total | \$1,056,172 | \$211,234 | \$1,267,406 | \$197,137 | \$1,070,269 |
| All Years | Total | | \$606,967 | | \$786,698 | \$1,070,269 |

| | |
|---------------------------------------|--------------------|
| Remainder: | \$1,070,269 |
| Remainder as % of Discounted FMV: | 142.70% |
| Remainder as % of Pre-Discounted FMV: | 85.62% |

GRAT 8a - Cash and Closely Held Stock - Upward Spike



| | | | | | |
|-----------------------------|------------------------------------|--------------------|--------------------|----------|--|
| Term: | 6 years | | | | |
| Funded With: | Discounted FMV | Pre-discounted FMV | Asset | Discount | Annual Return |
| | \$250,000 | \$250,000 | Cash | 0% | 0% |
| | \$500,000 | \$1,000,000 | Closely Held Stock | 50% | 1-3Y 0%, 4Y 200%, 5Y drops to initial value, 6Y 0% |
| Value at Funding: | \$750,000 | \$1,250,000 | | | |
| Initial Annuity Rate: | 10.56334% | | | | |
| Annual Increase in Annuity: | 20% | | | | |
| Annuity Payment: | Cash until exhausted, then in-kind | | | | |
| 7520 Rate: | 1.20% | | | | |

| Year | Annuity Rate | Scheduled Annuity Payment | Actual Annuity Payment | Remaining Value |
|--------------|--------------|---------------------------|------------------------|------------------|
| 1 | 10.56334% | \$79,225 | \$79,225 | \$1,170,775 |
| 2 | 12.67601% | \$95,070 | \$95,070 | \$1,075,705 |
| 3 | 15.21121% | \$114,084 | \$114,084 | \$961,621 |
| 4 | 18.25345% | \$136,901 | \$136,901 | \$2,747,962 |
| 5 | 21.90414% | \$164,281 | \$164,281 | \$835,719 |
| 6 | 26.28497% | \$197,137 | \$197,137 | \$638,582 |
| Total | | \$786,698 | \$786,698 | \$638,582 |

| Year | Asset | Beginning Pre-Discounted FMV | Growth | Resulting Pre-Discounted FMV | Annuity Payment | Remaining Value |
|------------------|--------------------|------------------------------|----------------------|------------------------------|------------------|--------------------|
| 1 | Cash | \$250,000 | \$0 | \$250,000 | \$79,225 | \$170,775 |
| | Closely Held Stock | \$1,000,000 | \$0 | \$1,000,000 | \$0 | \$1,000,000 |
| 1 | Total | \$1,250,000 | \$0 | \$1,250,000 | \$79,225 | \$1,170,775 |
| 2 | Cash | \$170,775 | \$0 | \$170,775 | \$95,070 | \$75,705 |
| | Closely Held Stock | \$1,000,000 | \$0 | \$1,000,000 | \$0 | \$1,000,000 |
| 2 | Total | \$1,170,775 | \$0 | \$1,170,775 | \$95,070 | \$1,075,705 |
| 3 | Cash | \$75,705 | \$0 | \$75,705 | \$75,705 | \$0 |
| | Closely Held Stock | \$1,000,000 | \$0 | \$1,000,000 | \$38,379 | \$961,621 |
| 3 | Total | \$1,075,705 | \$0 | \$1,075,705 | \$114,084 | \$961,621 |
| 4 | Cash | \$0 | \$0 | \$0 | \$0 | \$0 |
| | Closely Held Stock | \$961,621 | \$1,923,242 | \$2,884,862 | \$136,901 | \$2,747,962 |
| 4 | Total | \$961,621 | \$1,923,242 | \$2,884,862 | \$136,901 | \$2,747,962 |
| 5 | Cash | \$0 | \$0 | \$0 | \$0 | \$0 |
| | Closely Held Stock | \$2,747,962 | (\$1,747,962) | \$1,000,000 | \$164,281 | \$835,719 |
| 5 | Total | \$2,747,962 | (\$1,747,962) | \$1,000,000 | \$164,281 | \$835,719 |
| 6 | Cash | \$0 | \$0 | \$0 | \$0 | \$0 |
| | Closely Held Stock | \$835,719 | \$0 | \$835,719 | \$197,137 | \$638,582 |
| 6 | Total | \$835,719 | \$0 | \$835,719 | \$197,137 | \$638,582 |
| All Years | Total | | \$175,280 | | \$786,698 | \$638,582 |

| | |
|--|------------------|
| Remainder: | \$638,582 |
| Remainder as % of Discounted FMV: | 85.14% |
| Remainder as % of Pre-Discounted FMV: | 51.09% |

GRAT 8b - Cash and Closely Held Stock - Upward Spike with Substitution



| | | | | | |
|-----------------------------|------------------------------------|--------------------|--------------------|----------|------------------|
| Term: | 6 years | | | | |
| Funded With: | Discounted FMV | Pre-discounted FMV | Asset | Discount | Annual Return |
| | \$250,000 | \$250,000 | Cash | 0% | 0% |
| | \$500,000 | \$1,000,000 | Closely Held Stock | 50% | 1-3Y 0%, 4Y 200% |
| Value at Funding: | \$750,000 | \$1,250,000 | | | |
| Initial Annuity Rate: | 10.56334% | | | | |
| Annual Increase in Annuity: | 20% | | | | |
| Annuity Payment: | Cash until exhausted, then in-kind | | | | |
| 7520 Rate: | 1.20% | | | | |

| Year | Annuity Rate | Scheduled Annuity Payment | Actual Annuity Payment | Remaining Value |
|--------------|--------------|---------------------------|------------------------|--------------------|
| 1 | 10.56334% | \$79,225 | \$79,225 | \$1,170,775 |
| 2 | 12.67601% | \$95,070 | \$95,070 | \$1,075,705 |
| 3 | 15.21121% | \$114,084 | \$114,084 | \$961,621 |
| 4 | 18.25345% | \$136,901 | \$136,901 | \$2,747,962 |
| 5 | 21.90414% | \$164,281 | \$164,281 | \$2,583,681 |
| 6 | 26.28497% | \$197,137 | \$197,137 | \$2,386,543 |
| Total | | \$786,698 | \$786,698 | \$2,386,543 |

| Year | Asset | Beginning Pre-Discounted FMV | Growth | Resulting Pre-Discounted FMV | Annuity Payment | Remaining Value |
|------------------|--------------------|------------------------------|--------------------|------------------------------|------------------|--------------------|
| 1 | Cash | \$250,000 | \$0 | \$250,000 | \$79,225 | \$170,775 |
| | Closely Held Stock | \$1,000,000 | \$0 | \$1,000,000 | \$0 | \$1,000,000 |
| 1 | Total | \$1,250,000 | \$0 | \$1,250,000 | \$79,225 | \$1,170,775 |
| 2 | Cash | \$170,775 | \$0 | \$170,775 | \$95,070 | \$75,705 |
| | Closely Held Stock | \$1,000,000 | \$0 | \$1,000,000 | \$0 | \$1,000,000 |
| 2 | Total | \$1,170,775 | \$0 | \$1,170,775 | \$95,070 | \$1,075,705 |
| 3 | Cash | \$75,705 | \$0 | \$75,705 | \$75,705 | \$0 |
| | Closely Held Stock | \$1,000,000 | \$0 | \$1,000,000 | \$38,379 | \$961,621 |
| 3 | Total | \$1,075,705 | \$0 | \$1,075,705 | \$114,084 | \$961,621 |
| 4 | Cash | \$0 | \$0 | \$0 | \$0 | \$0 |
| | Closely Held Stock | \$961,621 | \$1,923,242 | \$2,884,862 | \$136,901 | \$2,747,962 |
| 4 | Total | \$961,621 | \$1,923,242 | \$2,884,862 | \$136,901 | \$2,747,962 |
| 5 | Cash | \$2,747,962 | \$0 | \$2,747,962 | \$164,281 | \$2,583,681 |
| | Closely Held Stock | \$0 | \$0 | \$0 | \$0 | \$0 |
| 5 | Total | \$2,747,962 | \$0 | \$2,747,962 | \$164,281 | \$2,583,681 |
| 6 | Cash | \$2,583,681 | \$0 | \$2,583,681 | \$197,137 | \$2,386,543 |
| | Closely Held Stock | \$0 | \$0 | \$0 | \$0 | \$0 |
| 6 | Total | \$2,583,681 | \$0 | \$2,583,681 | \$197,137 | \$2,386,543 |
| All Years | Total | | \$1,923,242 | | \$786,698 | \$2,386,543 |

| | | | | | |
|-----------------------------|----------------|--------------------|--------------------|----------|----------------------------------|
| Term: | 2 years | | | | |
| Funded With: | Discounted FMV | Pre-discounted FMV | Asset | Discount | Annual Return |
| | \$0 | \$0 | Cash | 0% | 0% |
| | \$2,747,962 | \$2,747,962 | Closely Held Stock | 0% | 1Y drops to initial value, 2Y 0% |
| Value at Funding: | \$2,747,962 | \$2,747,962 | | | |
| Initial Annuity Rate: | 46.29843% | | | | |
| Annual Increase in Annuity: | 20% | | | | |
| Annuity Payment: | In-kind | | | | |
| 7520 Rate: | 1.20% | | | | |

| Year | Annuity Rate | Scheduled Annuity Payment | Actual Annuity Payment | Remaining Value |
|--------------|--------------|---------------------------|------------------------|-----------------|
| 1 | 46.29843% | \$1,272,263 | \$1,000,000 | \$0 |
| 2 | 55.55812% | \$1,526,716 | \$0 | \$0 |
| Total | | \$2,798,979 | \$1,000,000 | \$0 |

GRAT 8c - Cash and Closely Held Stock - Downward Spike



| | | | | | |
|-----------------------------|------------------------------------|--------------------|--------------------|----------|--|
| Term: | 6 years | | | | |
| Funded With: | Discounted FMV | Pre-discounted FMV | Asset | Discount | Annual Return |
| | \$250,000 | \$250,000 | Cash | 0% | 0% |
| | | | | | 1-3Y 0%, 4Y drops to \$200k, 5Y rises to \$500k, 6Y 0% |
| | \$500,000 | \$1,000,000 | Closely Held Stock | 50% | |
| Value at Funding: | \$750,000 | \$1,250,000 | | | |
| Initial Annuity Rate: | 10.56334% | | | | |
| Annual Increase in Annuity: | 20% | | | | |
| Annuity Payment: | Cash until exhausted, then in-kind | | | | |
| 7520 Rate: | 1.20% | | | | |

| Year | Annuity Rate | Scheduled Annuity Payment | Actual Annuity Payment | Remaining Value |
|--------------|--------------|---------------------------|------------------------|------------------|
| 1 | 10.56334% | \$79,225 | \$79,225 | \$1,170,775 |
| 2 | 12.67601% | \$95,070 | \$95,070 | \$1,075,705 |
| 3 | 15.21121% | \$114,084 | \$114,084 | \$961,621 |
| 4 | 18.25345% | \$136,901 | \$136,901 | \$63,099 |
| 5 | 21.90414% | \$164,281 | \$164,281 | \$335,719 |
| 6 | 26.28497% | \$197,137 | \$197,137 | \$138,582 |
| Total | | \$786,698 | \$786,698 | \$138,582 |

| Year | Asset | Beginning Pre-Discounted FMV | Growth | Resulting Pre-Discounted FMV | Annuity Payment | Remaining Value |
|------------------|--------------------|------------------------------|--------------------|------------------------------|------------------|--------------------|
| 1 | Cash | \$250,000 | \$0 | \$250,000 | \$79,225 | \$170,775 |
| | Closely Held Stock | \$1,000,000 | \$0 | \$1,000,000 | \$0 | \$1,000,000 |
| 1 | Total | \$1,250,000 | \$0 | \$1,250,000 | \$79,225 | \$1,170,775 |
| 2 | Cash | \$170,775 | \$0 | \$170,775 | \$95,070 | \$75,705 |
| | Closely Held Stock | \$1,000,000 | \$0 | \$1,000,000 | \$0 | \$1,000,000 |
| 2 | Total | \$1,170,775 | \$0 | \$1,170,775 | \$95,070 | \$1,075,705 |
| 3 | Cash | \$75,705 | \$0 | \$75,705 | \$75,705 | \$0 |
| | Closely Held Stock | \$1,000,000 | \$0 | \$1,000,000 | \$38,379 | \$961,621 |
| 3 | Total | \$1,075,705 | \$0 | \$1,075,705 | \$114,084 | \$961,621 |
| 4 | Cash | \$0 | \$0 | \$0 | \$0 | \$0 |
| | Closely Held Stock | \$961,621 | (\$761,621) | \$200,000 | \$136,901 | \$63,099 |
| 4 | Total | \$961,621 | (\$761,621) | \$200,000 | \$136,901 | \$63,099 |
| 5 | Cash | \$0 | \$0 | \$0 | \$0 | \$0 |
| | Closely Held Stock | \$63,099 | \$436,901 | \$500,000 | \$164,281 | \$335,719 |
| 5 | Total | \$63,099 | \$436,901 | \$500,000 | \$164,281 | \$335,719 |
| 6 | Cash | \$0 | \$0 | \$0 | \$0 | \$0 |
| | Closely Held Stock | \$335,719 | \$0 | \$335,719 | \$197,137 | \$138,582 |
| 6 | Total | \$335,719 | \$0 | \$335,719 | \$197,137 | \$138,582 |
| All Years | Total | | (\$324,720) | | \$786,698 | \$138,582 |

| | |
|---------------------------------------|-----------|
| Remainder: | \$138,582 |
| Remainder as % of Discounted FMV: | 18.48% |
| Remainder as % of Pre-Discounted FMV: | 11.09% |

GRAT 8d - Cash and Closely Held Stock - Downward Spike with Substitution



| | | | | | |
|-----------------------------|------------------------------------|--------------------|--------------------|----------|-----------------------------|
| Term: | 6 years | | | | |
| Funded With: | Discounted FMV | Pre-discounted FMV | Asset | Discount | Annual Return |
| | \$250,000 | \$250,000 | Cash | 0% | 0% |
| | \$500,000 | \$1,000,000 | Closely Held Stock | 50% | 1-3Y 0%, 4Y drops to \$200k |
| Value at Funding: | \$750,000 | \$1,250,000 | | | |
| Initial Annuity Rate: | 10.56334% | | | | |
| Annual Increase in Annuity: | 20% | | | | |
| Annuity Payment: | Cash until exhausted, then in-kind | | | | |
| 7520 Rate: | 1.20% | | | | |

| Year | Annuity Rate | Scheduled Annuity Payment | Actual Annuity Payment | Remaining Value |
|--------------|--------------|---------------------------|------------------------|-----------------|
| 1 | 10.56334% | \$79,225 | \$79,225 | \$1,170,775 |
| 2 | 12.67601% | \$95,070 | \$95,070 | \$1,075,705 |
| 3 | 15.21121% | \$114,084 | \$114,084 | \$961,621 |
| 4 | 18.25345% | \$136,901 | \$136,901 | \$63,099 |
| 5 | 21.90414% | \$164,281 | \$63,099 | \$0 |
| 6 | 26.28497% | \$197,137 | \$0 | \$0 |
| Total | | \$786,698 | \$488,379 | \$0 |

| Year | Asset | Beginning Pre-Discounted FMV | Growth | Resulting Pre-Discounted FMV | Annuity Payment | Remaining Value |
|------------------|--------------------|------------------------------|--------------------|------------------------------|------------------|--------------------|
| 1 | Cash | \$250,000 | \$0 | \$250,000 | \$79,225 | \$170,775 |
| | Closely Held Stock | \$1,000,000 | \$0 | \$1,000,000 | \$0 | \$1,000,000 |
| 1 | Total | \$1,250,000 | \$0 | \$1,250,000 | \$79,225 | \$1,170,775 |
| 2 | Cash | \$170,775 | \$0 | \$170,775 | \$95,070 | \$75,705 |
| | Closely Held Stock | \$1,000,000 | \$0 | \$1,000,000 | \$0 | \$1,000,000 |
| 2 | Total | \$1,170,775 | \$0 | \$1,170,775 | \$95,070 | \$1,075,705 |
| 3 | Cash | \$75,705 | \$0 | \$75,705 | \$75,705 | \$0 |
| | Closely Held Stock | \$1,000,000 | \$0 | \$1,000,000 | \$38,379 | \$961,621 |
| 3 | Total | \$1,075,705 | \$0 | \$1,075,705 | \$114,084 | \$961,621 |
| 4 | Cash | \$0 | \$0 | \$0 | \$0 | \$0 |
| | Closely Held Stock | \$961,621 | (\$761,621) | \$200,000 | \$136,901 | \$63,099 |
| 4 | Total | \$961,621 | (\$761,621) | \$200,000 | \$136,901 | \$63,099 |
| 5 | Cash | \$63,099 | \$0 | \$63,099 | \$63,099 | \$0 |
| | Closely Held Stock | \$0 | \$0 | \$0 | \$0 | \$0 |
| 5 | Total | \$63,099 | \$0 | \$63,099 | \$63,099 | \$0 |
| 6 | Cash | \$0 | \$0 | \$0 | \$0 | \$0 |
| | Closely Held Stock | \$0 | \$0 | \$0 | \$0 | \$0 |
| 6 | Total | \$0 | \$0 | \$0 | \$0 | \$0 |
| All Years | Total | | (\$761,621) | | \$488,379 | \$0 |

| | | | | | |
|-----------------------------|----------------|--------------------|--------------------|----------|---------------------------|
| Term: | 2 years | | | | |
| Funded With: | Discounted FMV | Pre-discounted FMV | Asset | Discount | Annual Return |
| | \$0 | \$0 | Cash | 0% | 0% |
| | \$63,099 | \$63,099 | Closely Held Stock | 0% | 1Y rises to \$500k, 2Y 0% |
| Value at Funding: | \$63,099 | \$63,099 | | | |
| Initial Annuity Rate: | 46.29843% | | | | |
| Annual Increase in Annuity: | 20% | | | | |
| Annuity Payment: | In-kind | | | | |
| 7520 Rate: | 1.20% | | | | |

| Year | Annuity Rate | Scheduled Annuity Payment | Actual Annuity Payment | Remaining Value |
|--------------|--------------|---------------------------|------------------------|------------------|
| 1 | 46.29843% | \$29,214 | \$29,214 | \$470,786 |
| 2 | 55.55812% | \$35,057 | \$35,057 | \$435,729 |
| Total | | \$64,271 | \$64,271 | \$435,729 |

| Year | Asset | Beginning Pre-Discounted FMV | Growth | Resulting Pre-Discounted FMV | Annuity Payment | Remaining Value |
|------------------|--------------------|------------------------------|------------------|------------------------------|-----------------|------------------|
| 1 | Cash | \$0 | \$0 | \$0 | \$0 | \$0 |
| | Closely Held Stock | \$63,099 | \$436,901 | \$500,000 | \$29,214 | \$470,786 |
| 1 | Total | \$63,099 | \$436,901 | \$500,000 | \$29,214 | \$470,786 |
| 2 | Cash | \$0 | \$0 | \$0 | \$0 | \$0 |
| | Closely Held Stock | \$470,786 | \$0 | \$470,786 | \$35,057 | \$435,729 |
| 2 | Total | \$470,786 | \$0 | \$470,786 | \$35,057 | \$435,729 |
| All Years | Total | | \$436,901 | | \$64,271 | \$435,729 |