

ERSOP[®]

Advanced Topics:

- Partners
- IRS Audits
- Franchising
- In-Service Distributions
- Additional Funding Sources

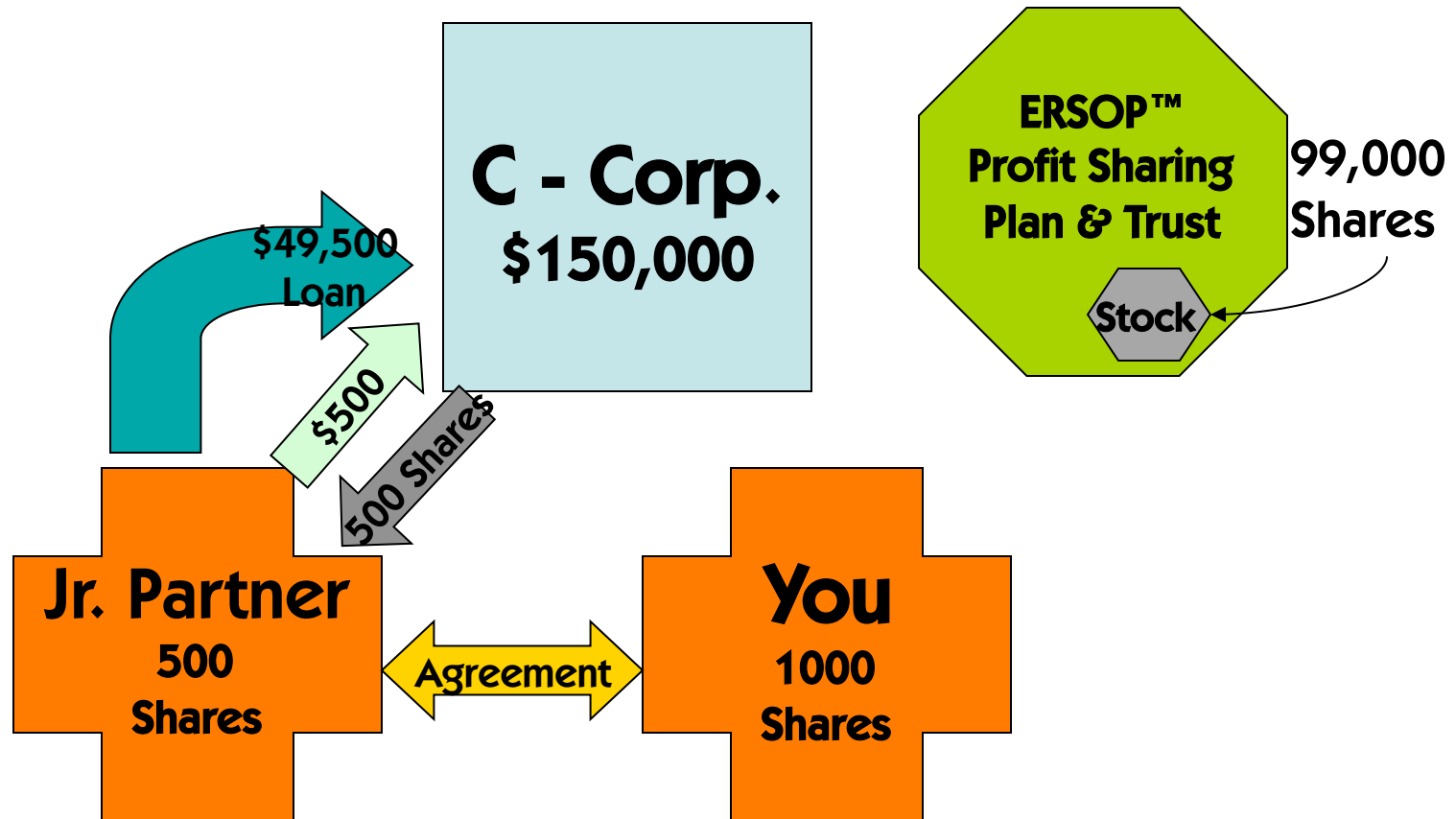
Partners

- **Pistols for two and brandy for one!**
- **Partnerships destroy families and friendships — making great fodder for Hollywood.**
- **Inject retirement funds, especially in disproportionate amounts, and . . .**

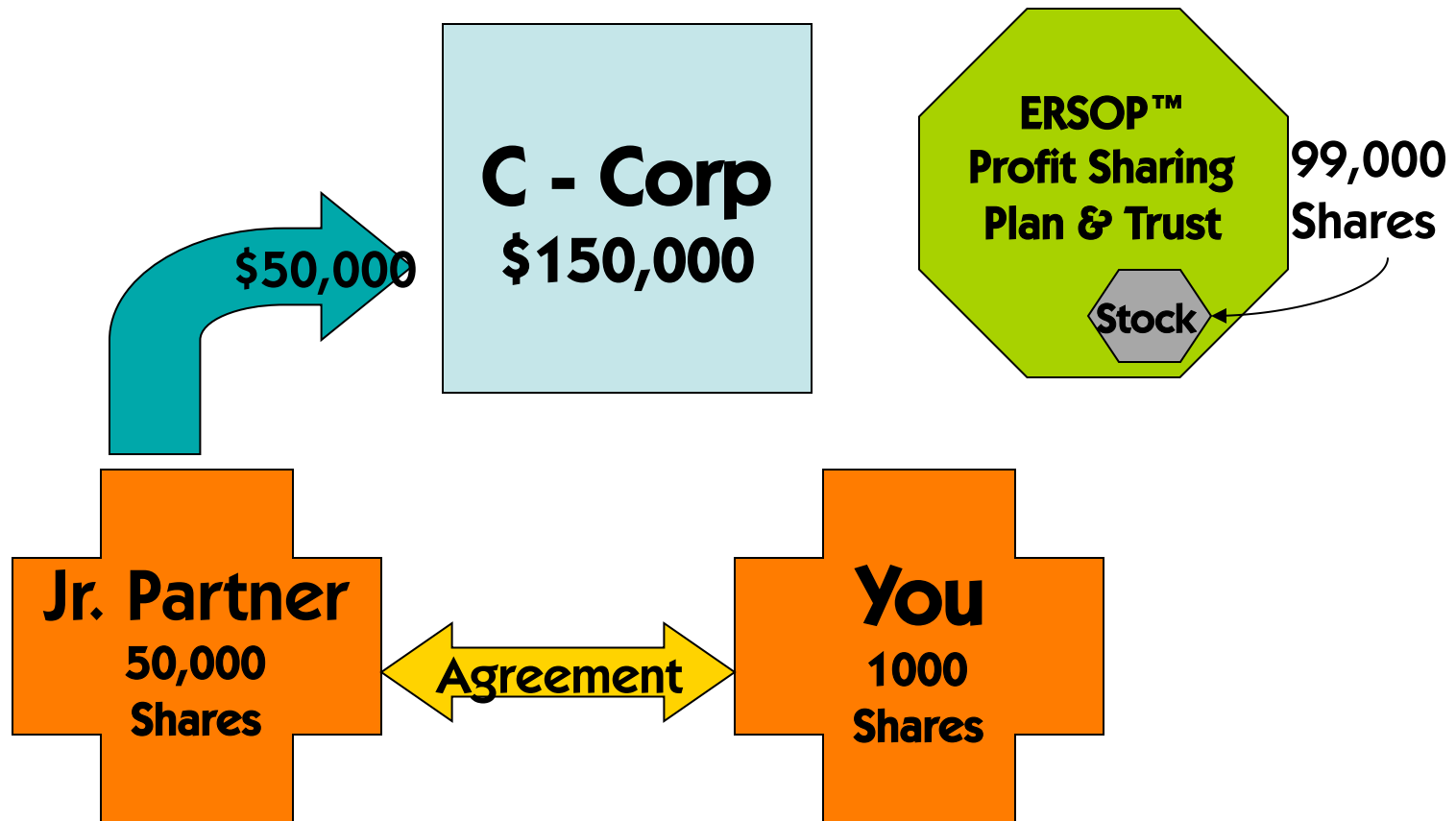
Asymmetric Ownership

- The following illustrate two solutions:
 - “Sr. partner” with \$99,000 in retirement funds and \$1,000 in personal funds
 - “Jr. partner” with \$50,000 in all personal funds.
 - 1st example: they agree to retire Junior’s loan when the stock in the ERSOP® plan is retired to treasury stock thereby maintaining proportionate shareholding.
 - 2nd example: they agree to retire proportionate stock when the “exit strategy” is exercised.

Adding a Jr. Partner w/o 401(k) Stock and Loan



Adding a Jr. Partner w/o 401(k) All Stock



A Word About IRS Audits

- For 3 decades the IRS has threatened to audit every qualified plan ever three years. In the last three years they have audited ~1%. Therefore; any plan has a 1/300 chance of being audited each year. With that in mind:
 - The corporation is very, very important.
 - Valuations are important.
 - Keep all required annual administration and filings up to date.
 - Do not talk to the IRS; that is what we are for.
 - Do not panic.
- The Holy Grail is a “no change” audit closing letter.
 - 10 ERSOP® Plan clients, in addition to the one on the following page, have received “no change” audit closing letters SINCE the issuance of the October 1, 2008 IRS’ ROBS Memorandum.
- SDCooper Company clients have fared very, very well.

No Change IRS Audit Letter

Internal Revenue Service
1500 Ormsby Station Ct.
Louisville, KY 40223

Department of the Treasury

Date: AUG 15 2006

Person to Contact/ID Number:

, Inc.
Lane
, KY

Contact Phone Number:

270-

Form Number:

Form 5500-EZ

Name of the Plan:

, Inc., Profit Sharing Plan & Trust

Plan Number:

001

Plan Year(s) Ended:

March 31, 2005

Taxpayer Identification Number:

Dear Sir or Madam:

We have completed our examination of your return(s) for the above year(s), and have accepted the return(s) as filed. However, during the examination, we noted certain items indicated on the enclosure, which require your attention.

If you have any questions, please contact the person whose name and telephone number are shown above.

Thank you for your cooperation.

Sincerely yours,



Michael D. Julianelle
Director, EP Examinations

Enclosure:
List of items requiring attention

Letter 1744 (Rev. 6-2004)

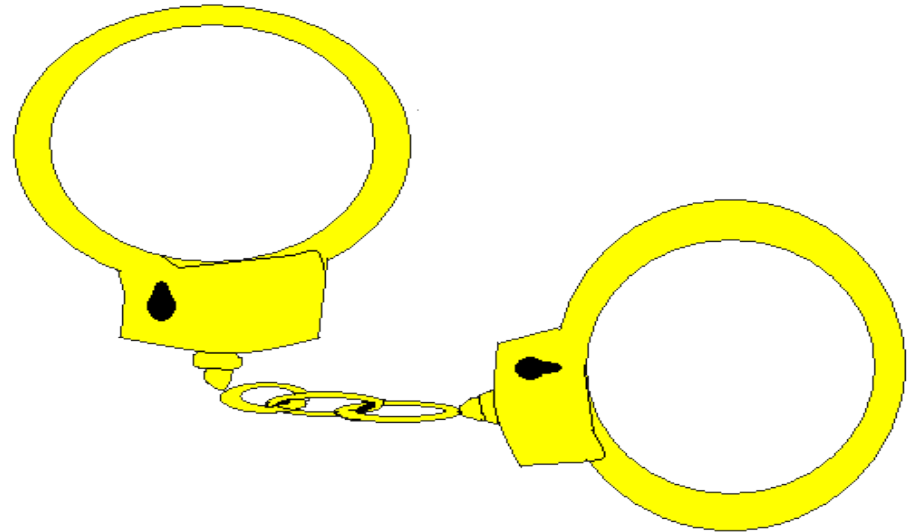
Observations about Franchising

- Our clients that are really making money are “area developers” and “multi-unit” operators.
 - You want to own at least three units.
 - Great Clips® has 110 Franchisees with 10+ units each.
- You do not want to be the last franchisee in a given area — you will want room to expand.
 - FireHouse Subs®, Egg & I®, EarthWise Pet Supply™, Zoup®, SportClips®.
- Look for a Franchise that is successful elsewhere and moving your direction.
- “Keep some of your Powder Dry.” Scott Perry, SportClips®
 - Invest more than you think you will need; no one ever went broke being over capitalized.
 - It is harder to re-finance in the first 2 years than to finance at start-up; do not be fully invested, successful, and without the cash for the down payment of the second unit.
- Exit Strategy —
 - You want a Franchiser with a good re-sale program.
 - Minuteman Press®, UPS Stores®, Express Employment Professionals®, Subway® . . .

Who Can Use It -

Those -

- **Who have or will have terminated employment with 401(k) employer, because the employer does not want to release the funds (i.e. golden handcuffs), or**
- **Whose employers offer “In Service Distributions”**



**Partial list of companies that allow some form of
 "in-service, non-hardship, non-suspension withdrawals"
 (aka "in service distributions") from 401(k) Plans**

Abbott Labs	BP	First Union	RJR
Allstate	Caterpillar	Ford	Sara Lee
American Airlines	CBS/Westinghouse	GM	Scana
Ameritech	Delphi Auto	John Deere	Sears
Anheuser Busch	Deluxe Fin' I Services	Lowe's	Sherwin Williams
AP Amoco	Dominion Resources	Lucent Techs	Southern Company
AT&T	Duke Power	Marsh & McLennan	Southwest Bell
BB&T	Dupont	Monsanto	Tiffany's
Belks	Eli Lilly	Nationwide	Toyota
Bell Atlantic	Equitable	Philips 66	US Steel
Bell South	PPG	Philip Morris	Verizon
Black & Decker	Erickson	PPG	Whirlpool
Boeing	Exxon	Quest Comm	Winn Dixie

(Note: since plans can amend, this may not be complete, and some companies listed may have amended to not allow such distributions. Please ALWAYS check the plan document or call the plan administrator for verification.)

Additional Funding Sources

- **Loans**
 - SBA
 - Non SBA
 - Non-collateral lenders
- **Angels — nice venture capitalists**
- **Venture Capitalists — strictly business Angeles**
- **Partners — discussed earlier**
- **Family — see most of the above.**