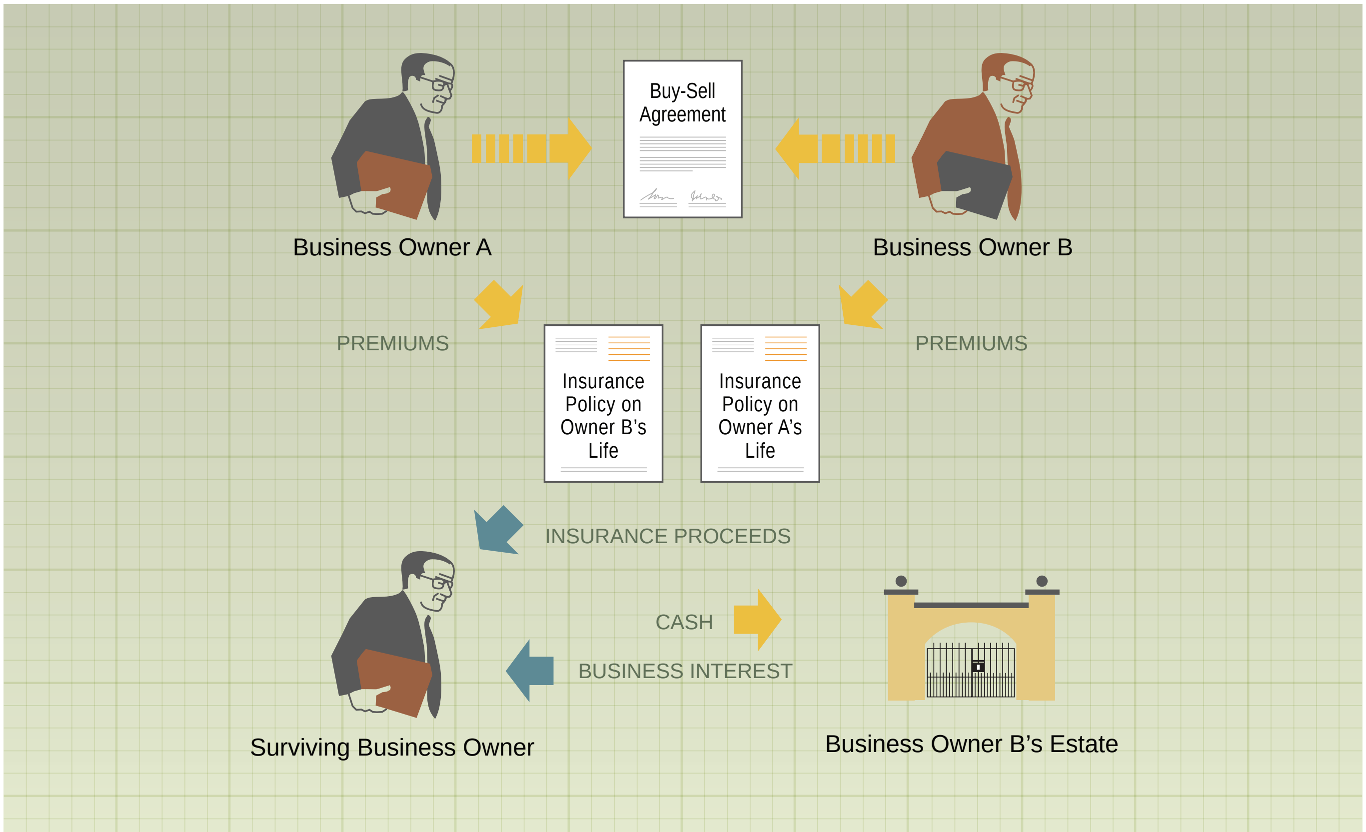
How a Cross-Purchase Buy-Sell Agreement Works

(Funded with Life Insurance)



The individual owners agree to buy and commit their estates to sell the business interest for an agreed-upon price. Each owner buys a policy on the life of every other owner.

The agreement is funded with life insurance, with each owner paying premiums to the insurance company.

When an owner dies, surviving owners receive insurance proceeds.

Insurance proceeds are used to help buy the deceased owner's business interest from the estate under the terms of the agreement.

The business owners own the insurance on each other's lives, not on their own lives, in order to avoid a transfer for value.