Commercial Property Analysis:

Company has 15 LLC's holding over $45,000,000 in retail and commercial properties.

The Properties are protected with insurance, but the program has abundant standard exclusions that subject the company to unnecessary risk exposure.

The Partners also desire a method to reduce tax on the growing profits of the organization.

By establishing their own insurance company (captive insurance company), the company can write insurance to cover their uninsured risk and claim a tax deduction for the premiums paid into the captive.

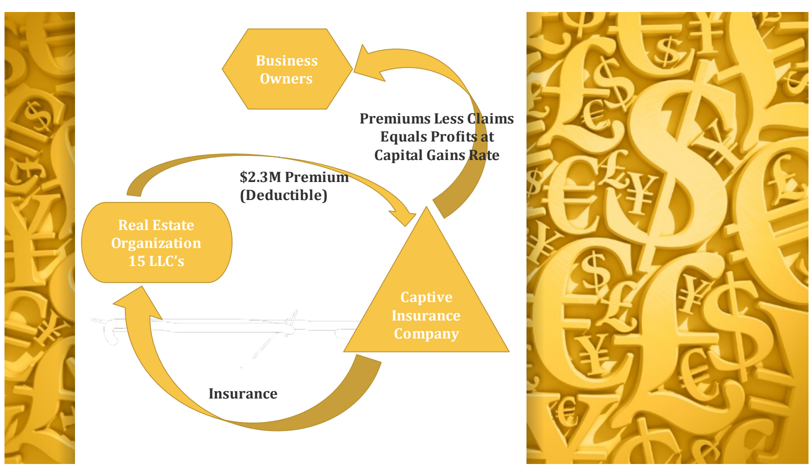
The end result if all legalities and regulations are complied with is as follows:

Between the 15 LLCs, business owners were able to fund $2,300,000 of premium into their captive insurance company.

By making the 831(b) election, the captive does not have to pay tax on the income it receives.

Under the current tax law which is subject to change at any time one can assume that when the business owners dissolve the captive insurance company the money from the captive will be assessed at the capital gains rate instead of the regular income tax rate.

It is important to understand that captives are not tax shelters or a means to evade paying taxes. Captives are a legitimate tool that will enable a business owner to save on the cost of insurance or to be able to insure for coverages that are not available on the commercial market. Any deductions that a captive may qualify for should never be the premise for formation of a captive insurance company. The premise should always be as a risk management tool and to possibly create a profit center for a business.



(Caveat: This is an illustration and should not be utilized as the basis for a tax deduction or particular suggestions. It does not constitute the practice of law nor the giving of taxation advice. For proper tax and legal advice, please financially retain the services of a licensed captive attorney or captive tax certified public accountant.)