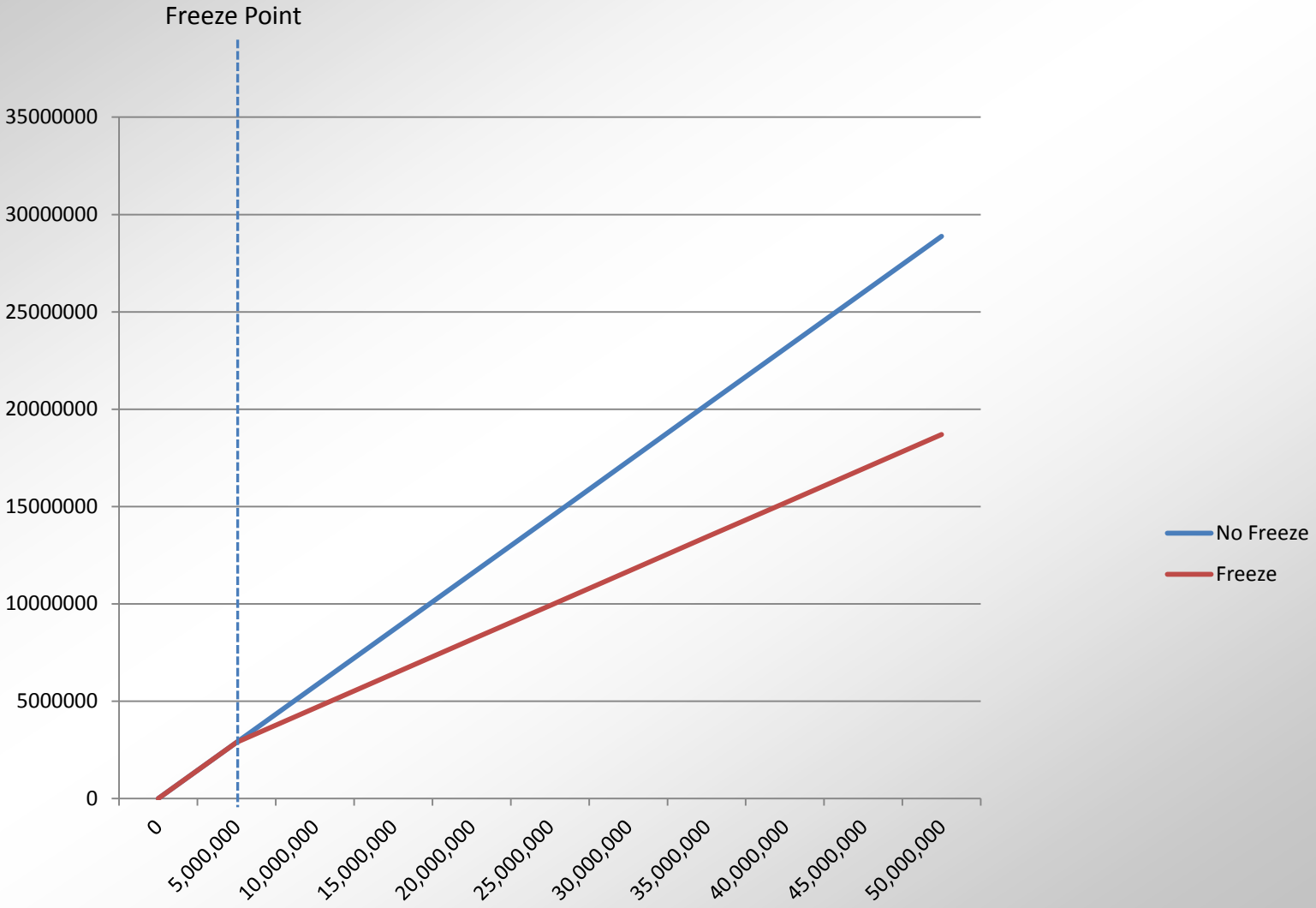
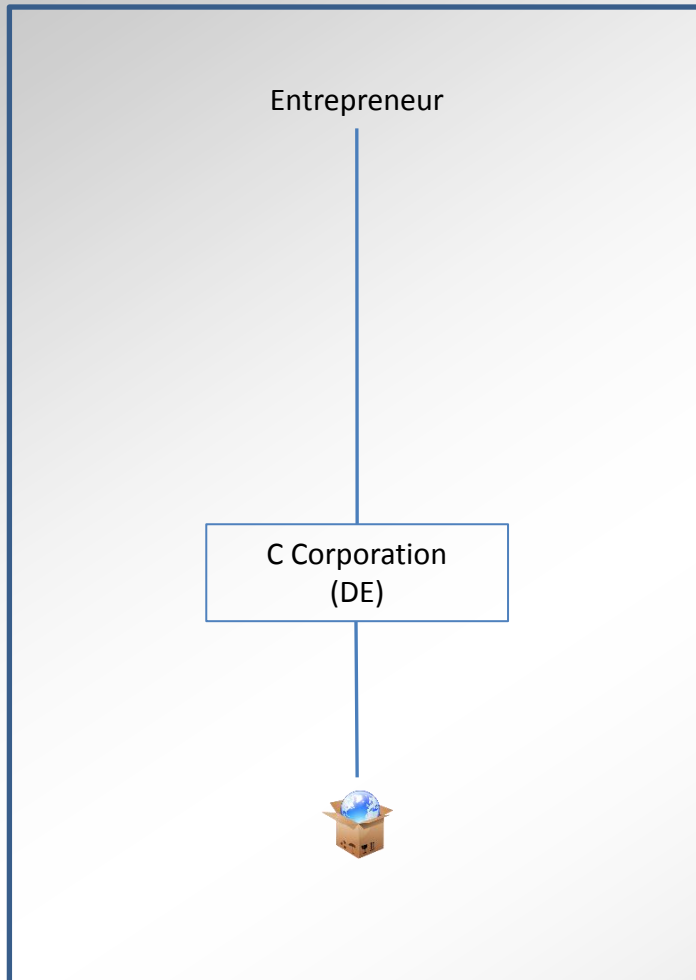


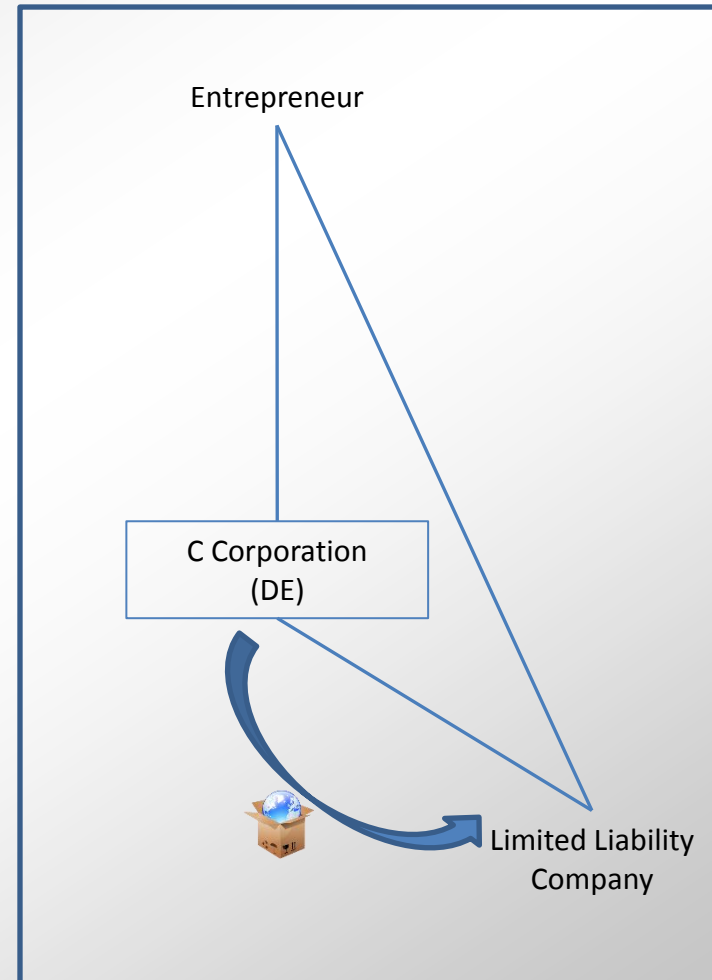
The LLC Freeze Structure



Alternative 1: No LLC Freeze



Alternative 2: LLC Freeze



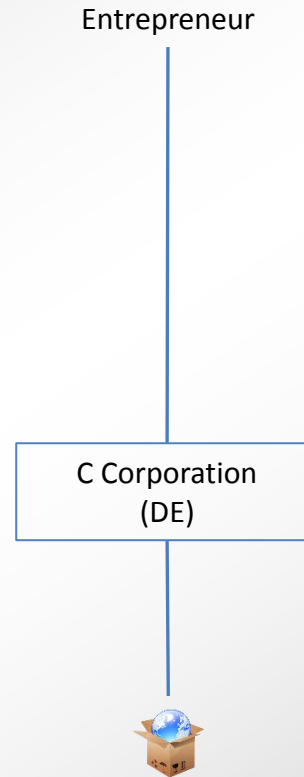
Entrepreneur's wholly owned C corporation develops an asset.

Alternative 1: The asset keeps growing in the C corporation.

Alternative 2: The asset is dropped into an LLC of which the entrepreneur is also a member.

Alternative 1: No LLC Freeze

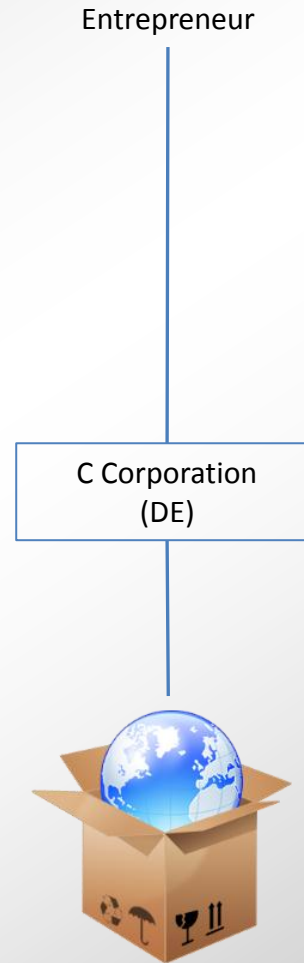
Gross Value	\$5 M
Inherent Gain	\$5 M
Basis	\$0



The asset remains in the C corporation.

Alternative 1: No LLC Freeze

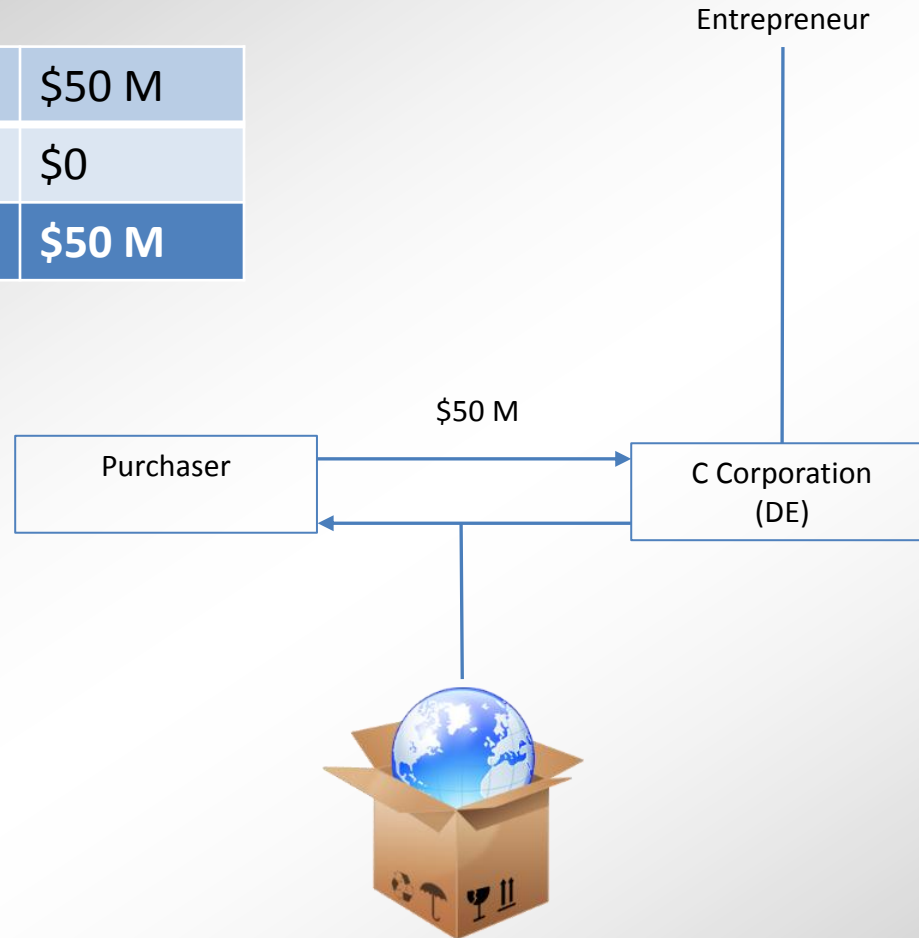
Gross Value	\$50 M
Inherent Gain	\$50 M
Basis	\$0



The asset continues to grow within the C corporation and is now worth \$50 million.

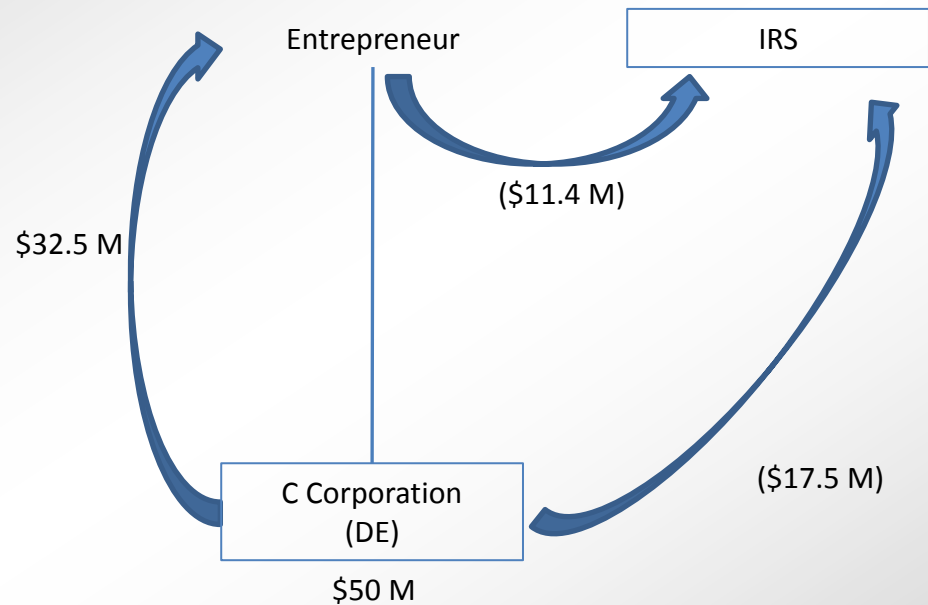
Alternative 1: The Sale

Amount Realized	\$50 M
- Basis	\$0
Taxable Gain	\$50 M



The asset is sold to an unrelated party for cash, resulting in a \$50 million taxable gain.

Alternative 1: The Taxes



Gain	\$50 million
35% Corporate tax	(\$17.5 million)
35% Individual Tax on remainder of C Corp.'s gain	(\$11.4 million)
Amount remaining after all taxes	\$21.1 million

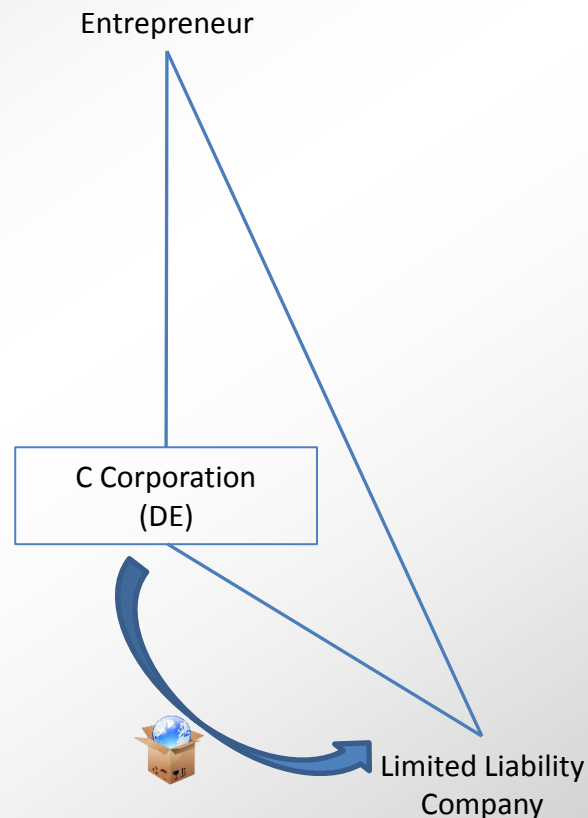
Entrepreneur must pay two levels of tax on the taxable gain because the asset was held through the C corporation.

Alternative 2: The LLC Freeze

Gross Value	\$5 M
Inherent Gain	\$5 M
Basis	\$0

The LLC Agreement:

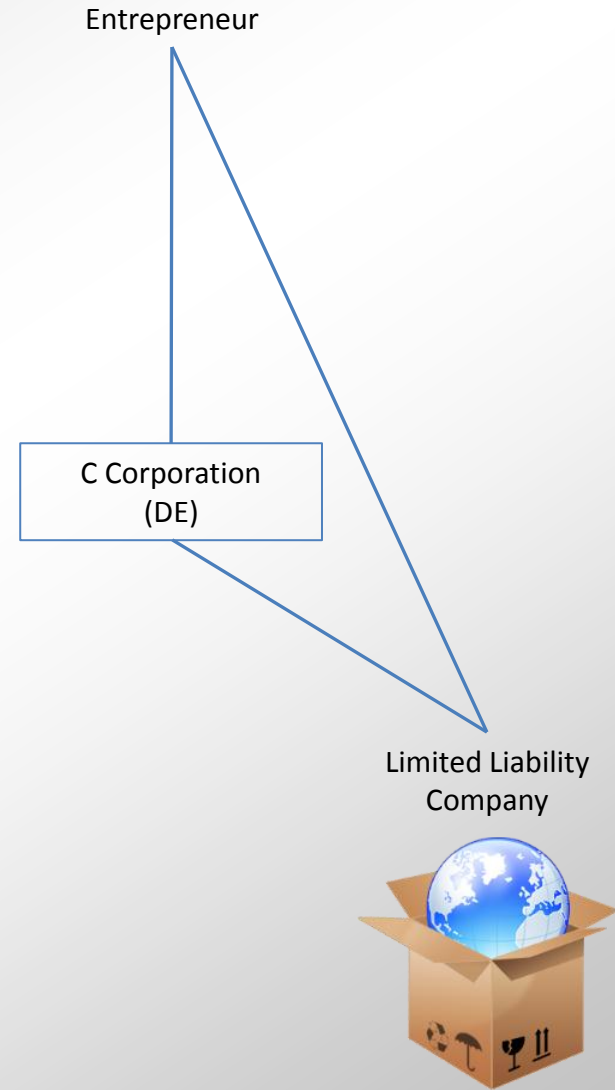
	Status	Capital Account	Profit/Loss Allocation
C Corp.	Investor	\$5 M	1%
Entrepreneur	Service Provider	\$0	99%



While still small, the asset is dropped into an LLC. The C corp. takes a capital account equal to the asset's value at contribution and takes a 1% profit/loss allocation.

Alternative 2: The LLC Freeze

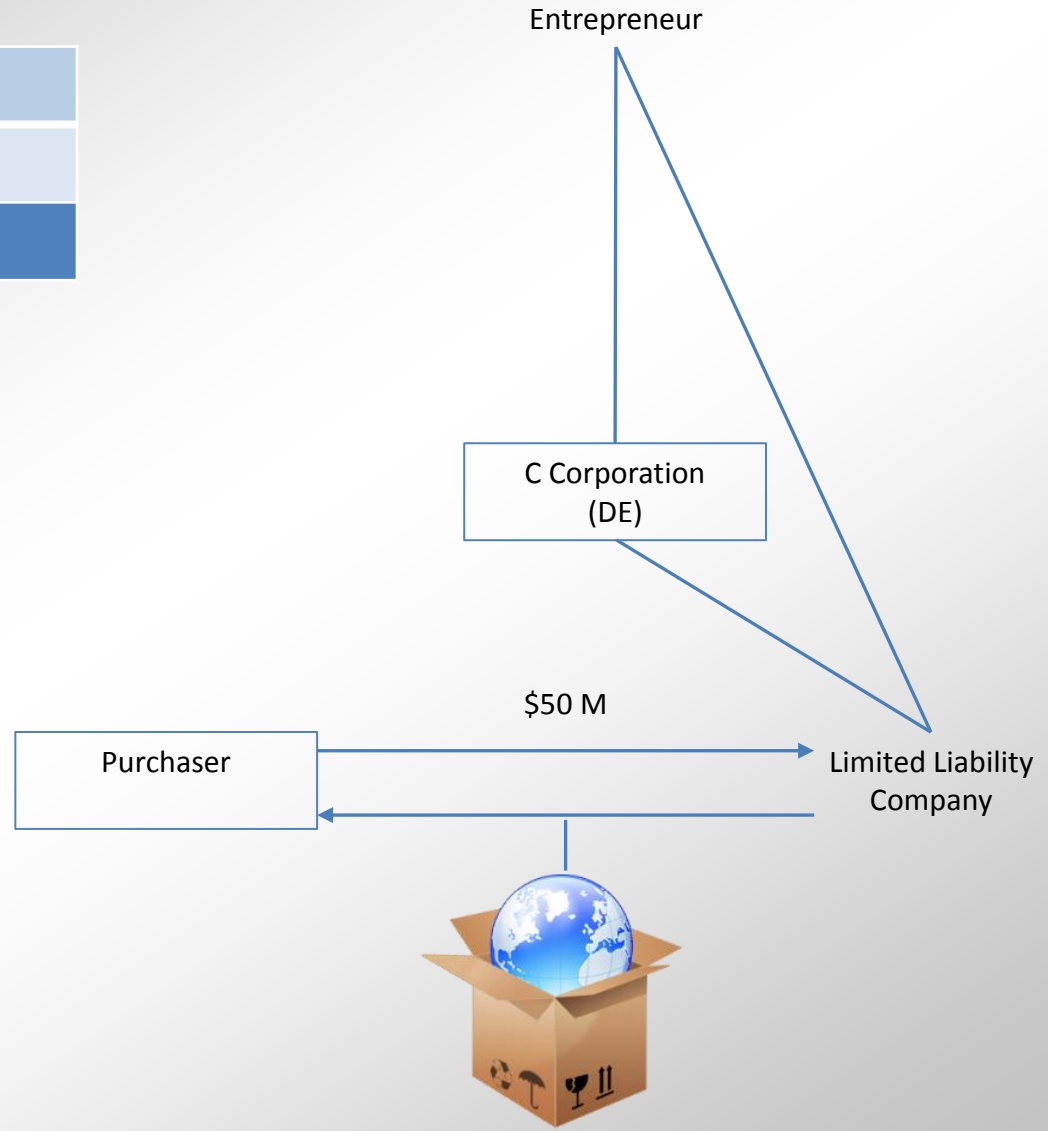
Gross Value	\$50 M
Inherent Gain	\$50 M
Basis	\$0



The asset continues to grow within the LLC and is now worth \$50 million.

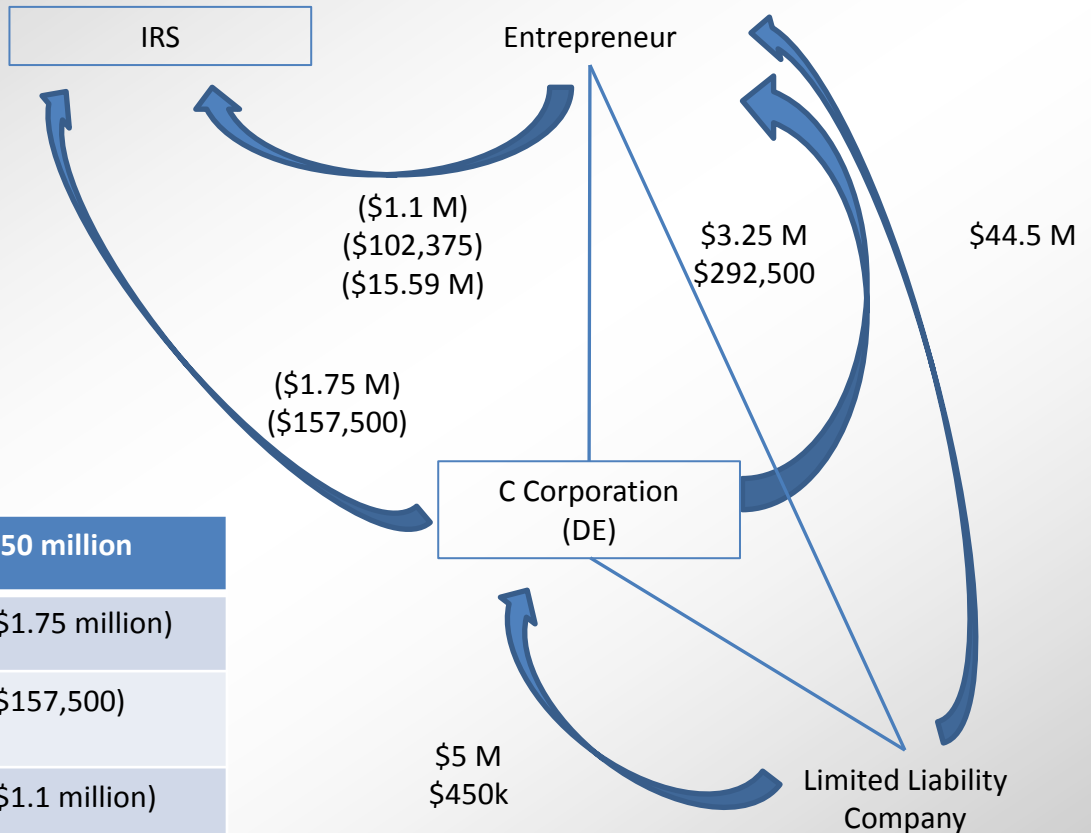
Alternative 2: The Sale

Amount Realized	\$50 M
- Basis	\$0
Taxable Gain	\$50 M



The asset is sold to an unrelated party for cash, resulting in a \$50 million taxable gain.

Alternative 2: The Taxes

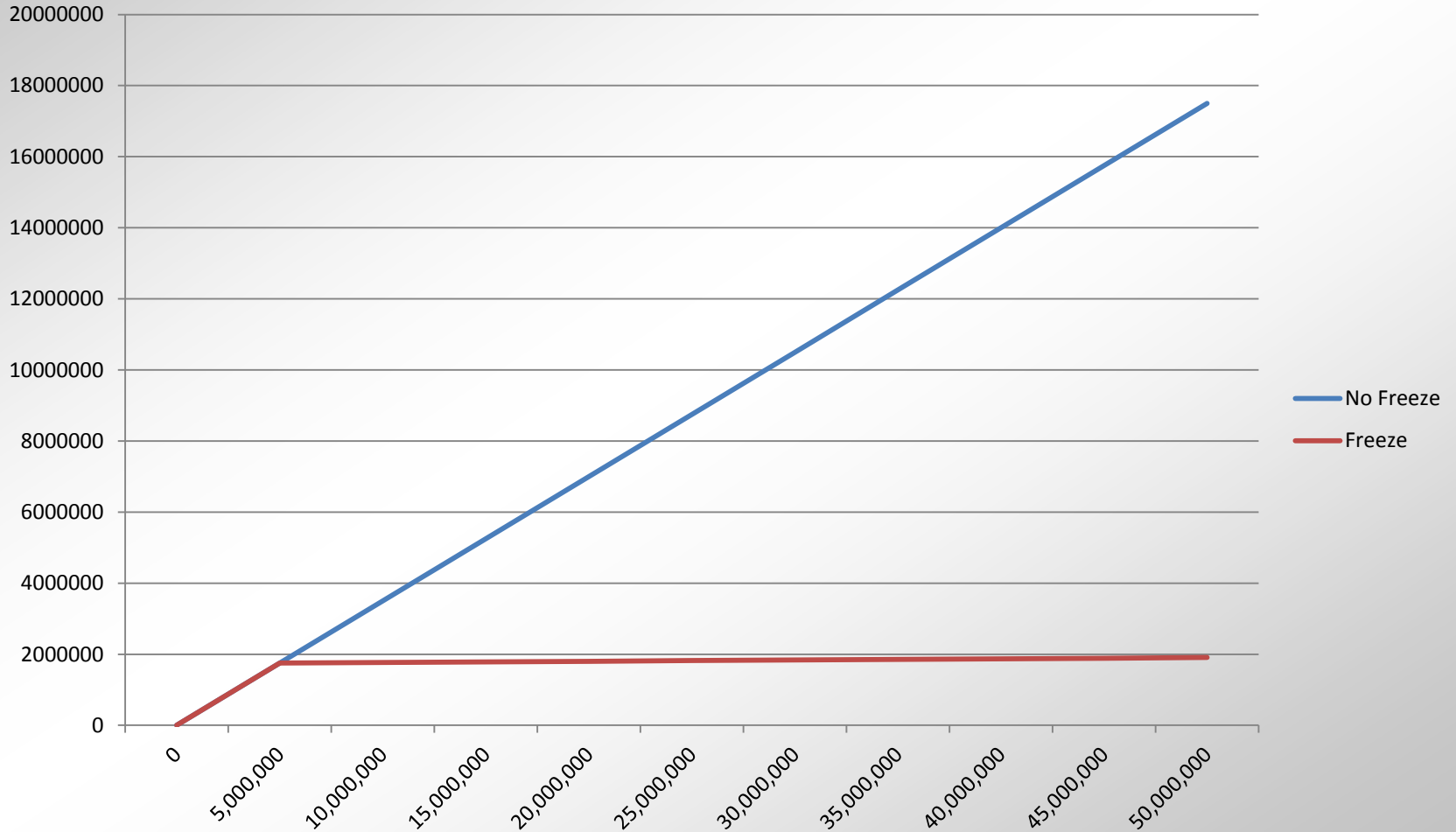


Gain	\$50 million
35% Corporate tax (on pre-contribution value)	(\$1.75 million)
35% Corporate tax (on C Corp.'s 1% of the \$45 million post-contribution asset growth)	(\$157,500)
35% Individual Tax on remainder of C Corp.'s pre-contribution gain (when realized)	(\$1.1 million)
35% individual tax on remainder of C Corp.'s 1% of post-contribution growth (when realized)	(\$102,375)
35% individual tax on entrepreneur's 99% of post-contribution asset growth	(\$15.59 million)
Amount remaining after all taxes	\$31.3 million

Using an LLC Freeze, 99% of post-contribution appreciation is subject to just one level of tax.

Summary

Corporate Level Tax



An LLC Freeze halts nearly all corporate level tax without disturbing asset development.