

LIFE INSURANCE POLICIES FOR EMPLOYEES: FEDERAL RULES OF NOTICE AND CONSENT

Employer owned life insurance contracts are typically used to fund business succession plans like buy-sell agreements, cross purchase agreements among shareholders in corporations and members of limited liability companies. Proceeds from life insurance are generally income tax free.

In 2006, Congress adopted the Pension Protection Act which created a new exception to the income tax-free receipt of life insurance proceeds. Some employer owned life insurance contracts issued after August, 2006 are affected. Congress created the exception to limit excesses in the system; employers were purchasing life insurance policies for all level employees without the knowledge and/or consent of the insured-employee while the death benefit was payable only to the employer.

The rules promulgated permit exceptions so long as certain "notice and consent"

requirements are met. The exceptions include the following:

- The insured is an employee within 12 months of his or her death;
- The policy proceeds are paid to the insured's family member, a trust established for the family members of the insured, or to the insured's estate;
- The policy proceeds are used by the employer in certain prescribed measures and the insured was a highly compensated employee at the time the policy was issued;
- With regard to the "notice and consent" rules, the shareholder agreement should reflect and acknowledge the rules and specifically reference the employer owned life insurance policy;

We recommend that you review your business succession plan and/or the life insurance contracts the Company purchased for the following matters:

1. What is the date of purchased life insurance contracts for your key employees; who is the owner of the life insurance contracts; who are the insureds?
2. Review your buy-sell or shareholder agreements: does the agreement meet the federal requirements?
3. Should you be purchasing life insurance now or writing or revising your business succession plan?

Coordinate activities with your attorney, CPA, and insurance agent. We can assist you with this review and help to make the necessary changes to the corporate documents.

DURABLE POWER OF ATTORNEY FOR THE YOUNG ADULT IN YOUR FAMILY

Do you have a child who is over 18, ready for college, in college, or living independently? Once your child becomes an adult, you are not entitled to information about them from school administration, employers, or to assume guardianship or care for them in the event of an emergency regardless of whether your son or daughter continues to be your dependent and/or you continue to pay the bills for

them. Many people do not think about the hardship of interceding on behalf of a loved one until a crisis hits. And, there are many times, short of a crisis, when you need to be able to act on behalf of your child.

The single most effective document available is the Durable Power of Attorney. Consider helping the young adult in your family to designate an advocate to act on their

behalf in the event of a medical emergency and to identify an agent to act on their behalf in the event they need assistance for financial and/or school related matters. Levine and Levine drafts Durable Power of Attorneys specifically to enable the agent to access school records, transcripts, and to assist their child with guardianship and health related matters.

RANDALL LEVINE NAMED BY HIS PEERS AS SUPERLAWYER



Randall S. Levine was chosen to 2007 Super Lawyers. Randall represents clients in a broad spectrum of criminal defense matters in federal and state courts and administrative agencies. He has extensive experience with search and seizure law and defense of white collar crime. Randall has also obtained large jury verdicts involving civil rights violation of incarcerated persons. He is a member of the Standing Committee on Character and Fitness for the State Bar of Michigan and has served as an adjunct instructor at Kalamazoo College. Randall is AV rate by Martindale Hubbell and is recognized by his peers as one of The Best Lawyers in America.

SHARAN LEVINE COMPLETES MEDIATION CERTIFICATION



Sharan Lee Levine received her Certificate of Training as a General Civil Case Mediator in 2007. Sharan obtained her Certification through the Michigan Institute of Continuing Legal Education. She has practiced for more than 27 years and is frequently asked to mediate and resolve issues of a wide ranging nature. Sharan says that "under the right circumstances, mediation is the best means for resolving disputes; mediation offers an opportunity to reduce time, money and emotional investment otherwise spent in lengthy litigation". Voluntarily resolving disputes enables the parties to achieve better results for less expense.

SHARAN LEVINE COMPLETES PROBATE AND ESTATE PLANNING CERTIFICATION

In Spring, 2007, Sharan completed the Probate and Estate Planning Certification offered through the Michigan Institute of Continuing Legal Education Probate and Estate Planning Section of the State Bar of Michigan. Levine helps families manage their estate plans, in a wide range of situations- including blended families, unmarried couples, second marriages, and follows plans through estate administration and under the appropriate circumstances, serves as a Trustee.

ANNUAL CORPORATE MEETING; SUSTAINING AND PRESERVING GOOD CORPORATE RECORDS

Is it time for your Shareholder and Board annual meeting? Do not put off your annual meeting; now is the time to review the general health and welfare of your organization.

- Should you review your employee manual?
- Have you had a change in status of your employees- hourly wage or salaried employees?
- Have you made significant capital improvements to your building or property?
- Has your business acquired real property?
- Do you need to update the lease agreement between the owner entity and the tenant entity?
- Do you need to consider business succession matters?
- Are some employees standing out for recognition as key employees or potential shareholders/members? Are you contemplating retirement?
- Have there been significant financial changes in the business structure, compensation or other capital expenses affecting your business?
- Is your estate plan consistent with your business plan?

These issues and others should be considered and documented in your annual meeting minutes.