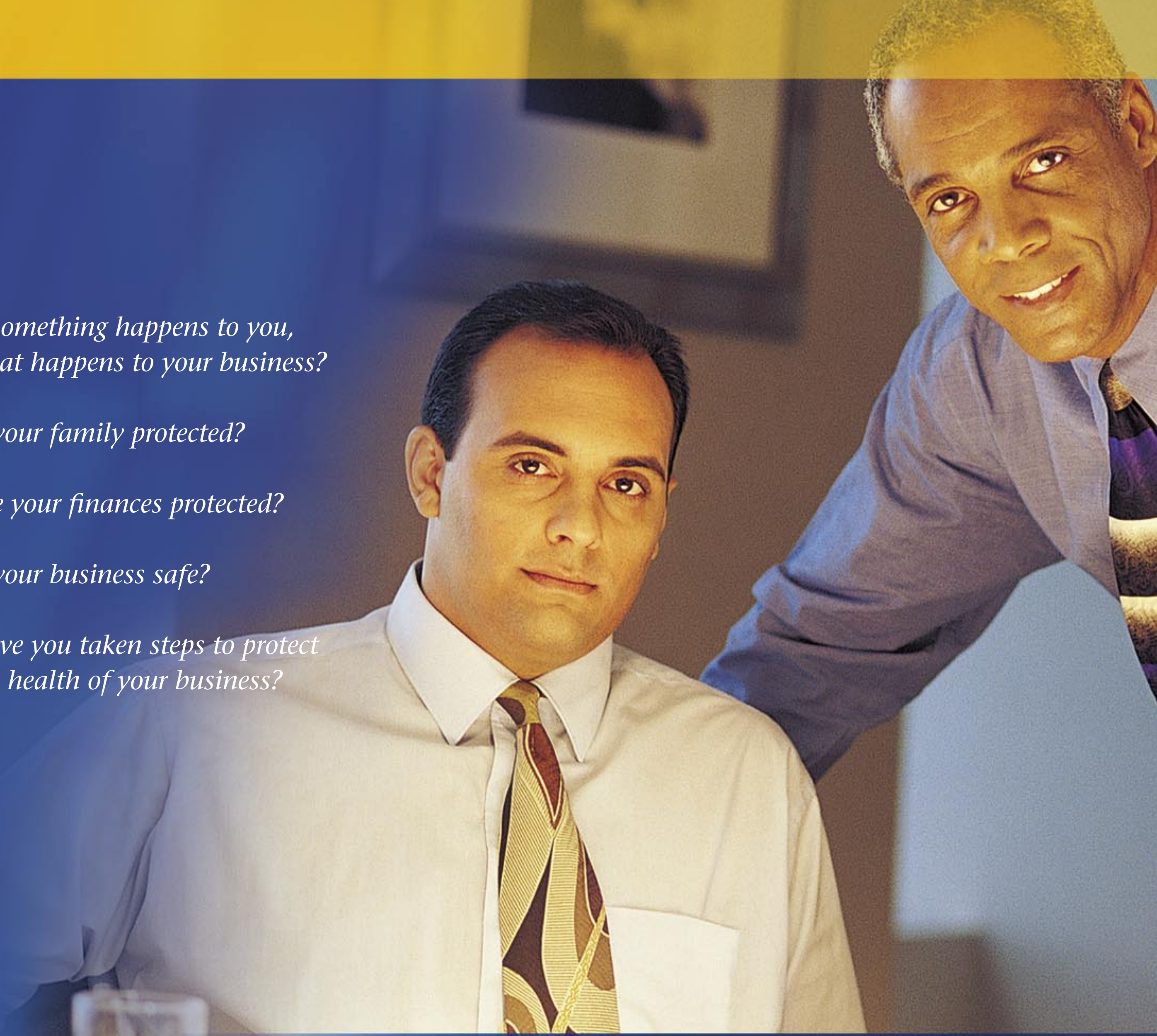

- *If something happens to you, what happens to your business?*
- *Is your family protected?*
- *Are your finances protected?*
- *Is your business safe?*
- *Have you taken steps to protect the health of your business?*

PLANNING FOR THE PARTNERSHIP

Business

solutions that meet your objectives

STANDARD LIFE

The Standard Life Assurance Company

www.standardlife.ca

If you or one of your partners dies, what will happen to your business?

The success of a partnership depends on the continued health and participation of its partners. If a partner dies and there is no business continuation plan in place, the results for the survivors (and the partnership) can be disastrous. What was once a prosperous, profitable business can be completely wiped out.

Three solutions to protect your business and your family

By taking the time to make some important decisions, you can maximize the value of the partnership and ensure the best possible situation for your dependants.

In the case of the death of a partner, there are three main options: planned liquidation, reorganization with the deceased's heirs or orderly sale to the surviving partner(s).

1. Liquidation

The best alternative upon the death of a partner may be liquidation if:

- **There is no acceptable replacement for the deceased**
- **There is insufficient personal estate liquidity**
- **Executor/trustee feels obligated to reinvest in a more secure venture**
- **There is lack of partnership liquidity**
- **Other partners do not wish to continue**

Legal Considerations*

If there is no partnership agreement to the contrary, the partnership must be liquidated immediately.

Life Insurance

- **Can offset the shrinking value of the partnership assets**
- **Can pay all estate administration costs**
- **Can provide the heirs with the cash equivalent of the deceased's partnership interest**

2. Orderly Reorganization and Retention

In many partnerships, surviving partners may be able to continue to run the business with the heirs of the deceased. This is a good solution if:

- **Heirs are willing and able to join surviving partner(s) in running the partnership**
- **Surviving partner(s) are willing to accept the family member**
- **Customers and creditors approve transfer of partnership to heirs**
- **There are sufficient "other" assets to provide income for the surviving spouse and equal inheritances for children not connected with the business**
- **There is sufficient cash to overcome losses during changeover period**

Legal Considerations*

To make the family retention of a partnership interest run smoothly, each partner should:

- **Authorize the executor to complete the transfer of partnership interest to the surviving heirs**
- **Include a provision absolving the executor of liability during the transfer period**

Life Insurance

- **Can ensure partnership maintains financial stability and continues operations**
- **Can provide spouse with readjustment income until heirs are established as active partners**
- **Protects against financial hardship for all parties involved**

**At all times a legal professional should be consulted for the proper documentation*

3. Sale to Surviving Partners

Selling a partner's interest to the surviving partners will be a good option if:

- **The partnership requires knowledge or skill not commonly found in spouses and children not already involved with the partnership**
- **The partnership interest demands full-time attention of all the partners**
- **There is not enough profit to both pay a replacement and give an inactive surviving spouse a share of the profits**
- **Customers and creditors approve transfer of the deceased's interest to surviving partners**
- **Heirs are unwilling or unable to participate in the partnership**
- **Continuation of credit is assured**

Legal Considerations*

Establish a buy sell agreement between the deceased and surviving partners. It should set out the commitment to buy and sell the partnership interest at an agreed value. Proper funding can be obtained through the use of life insurance.

Life Insurance

- **Can fund buy-sell agreement**
- **Partnership can maintain financial stability and continue operations**
- **Surviving partners receive funds that can be used to retain or increase their partnership interest**
- **Heirs are free of business worries and receive full value of the partnership without delay**

Buy Sell Agreement

An insured buy sell agreement, binding on all heirs and successors, provides for a smooth transfer of ownership when a partner dies. The surviving partners receive cash equal to the fair market value of the deceased's interest in order to buy that interest. Without an agreement, the partnership would dissolve.

Partners

Initiate an amount of insurance on each principal's life to match his or her individual contribution. Review amounts periodically to reflect business growth.

Key benefits

- **Ensures the continuity of the partnership**
- **The plan can be arranged to provide a retirement fund for the partners**
- **A partner's interest in the partnership may be purchased upon retirement**
- **Improves image of the partnership**

After Partner's Death

Each surviving partner's interest is proportionately increased.

Key benefits

- **Prevents the introduction of new, perhaps unwanted, partners**
- **Preserves goodwill**
- **Provides immediate cash**
- **Least expensive method of providing purchase funds**
- **Ensures partnership does not have to dissolve**

Deceased's Estate

The heirs receive a fair cash settlement in exchange for the partner's interest in the partnership.

Benefits

- **Heirs receive full predetermined value of the partnership**
- **Heirs are freed from partnership worries**
- **Money is available at a crucial time**

Standard Life

In Canada, The Standard Life Assurance Company has $30 billion in assets under management and offers a wide range of financial products and services to over one million individuals, including group insurance and pension plan members. Its 2,400 employees are committed to providing superior customer service from its principal office in Montréal and its 20 sales offices across the country. Products and services include group savings and retirement, group insurance, individual life insurance, savings and retirement. Through affiliated companies, it also offers mutual funds and portfolio management services. Total premium income and deposits reached $3.6 billion in 2002.

The Standard Life Assurance Company, founded in Edinburgh (Scotland) in 1825, is Europe's largest mutual life insurance company with over 12,000 employees, $208 billion in assets under management and over 5 million customers in the United Kingdom, Canada, Ireland, Germany, Austria, Spain, India, China and the United States. The Company has also established a representative office in South Korea. The Company is described as having excellent financial strength by two major international, independent rating agencies. Its total premium income reached $26.8 billion in 2002.

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