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The Most Compelling Planning Opportunities Now Making Two Years Last a Lifetime

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The Wealth Transfer Opportunity Today

- The “Tax Relief...Act of 2010”
- Identifying which clients should consider planning
- Leveraging the new exemptions
- Planning opportunities
 - New (possibly temporary) exemptions
 - Low interest rates
 - Improving economy

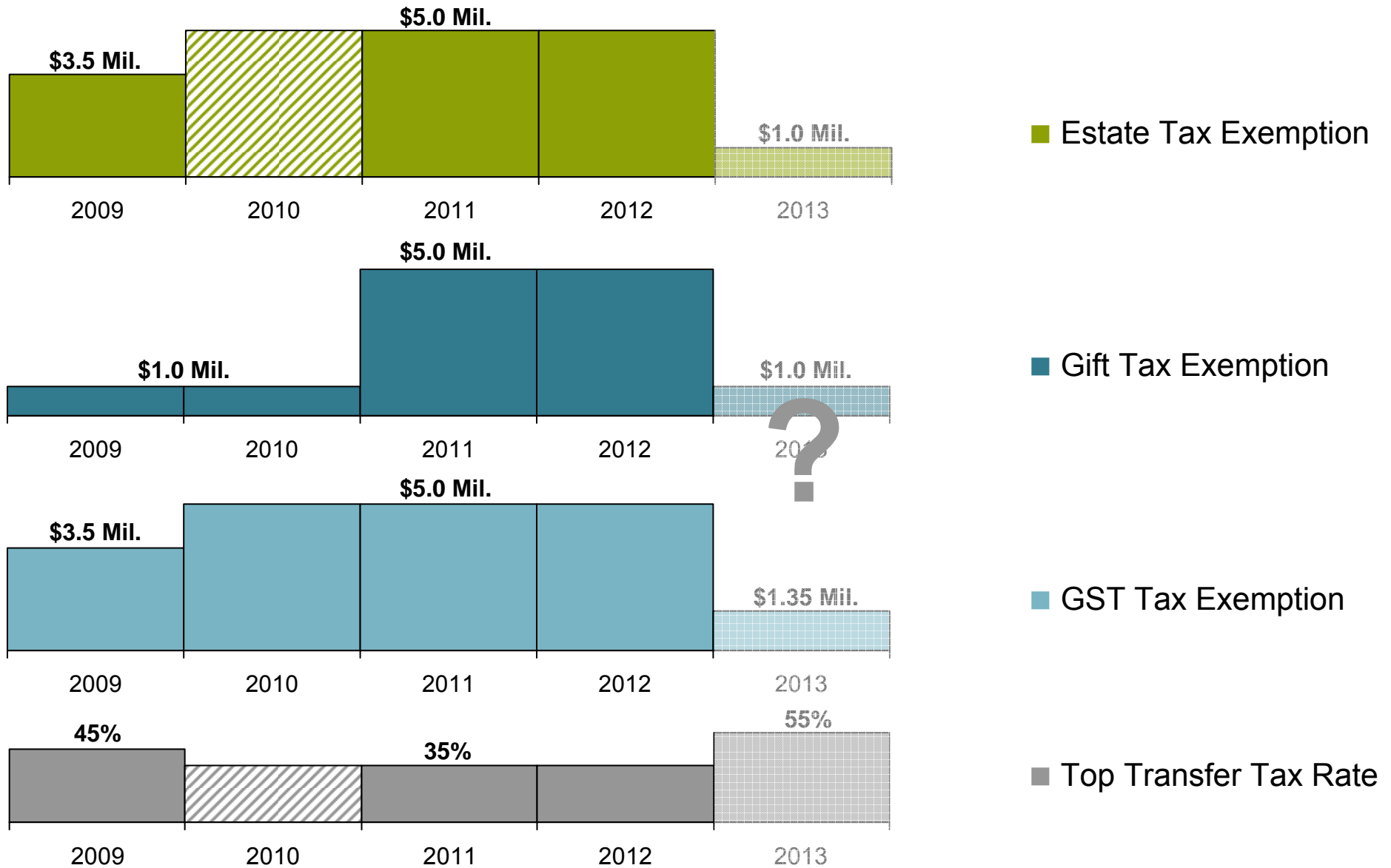
The Temporary “Tax Relief ... Act of 2010”

“Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010*”

- Unification of Gift, Estate and GST Tax
- \$5.0 million Applicable Exclusion Amount (indexed beginning 2012)
- 35% maximum rate
- Portability of “deceased spousal unused exclusion amount”
- Sunset in 2013

*P.L. 111-312, enacted December 17, 2010 (“TRA 2010”)

The New Landscape & Paradigm ... Do You Feel Lucky, Punk?



The New Enigmatic Paradigm

- Will the transfer taxes be repealed?



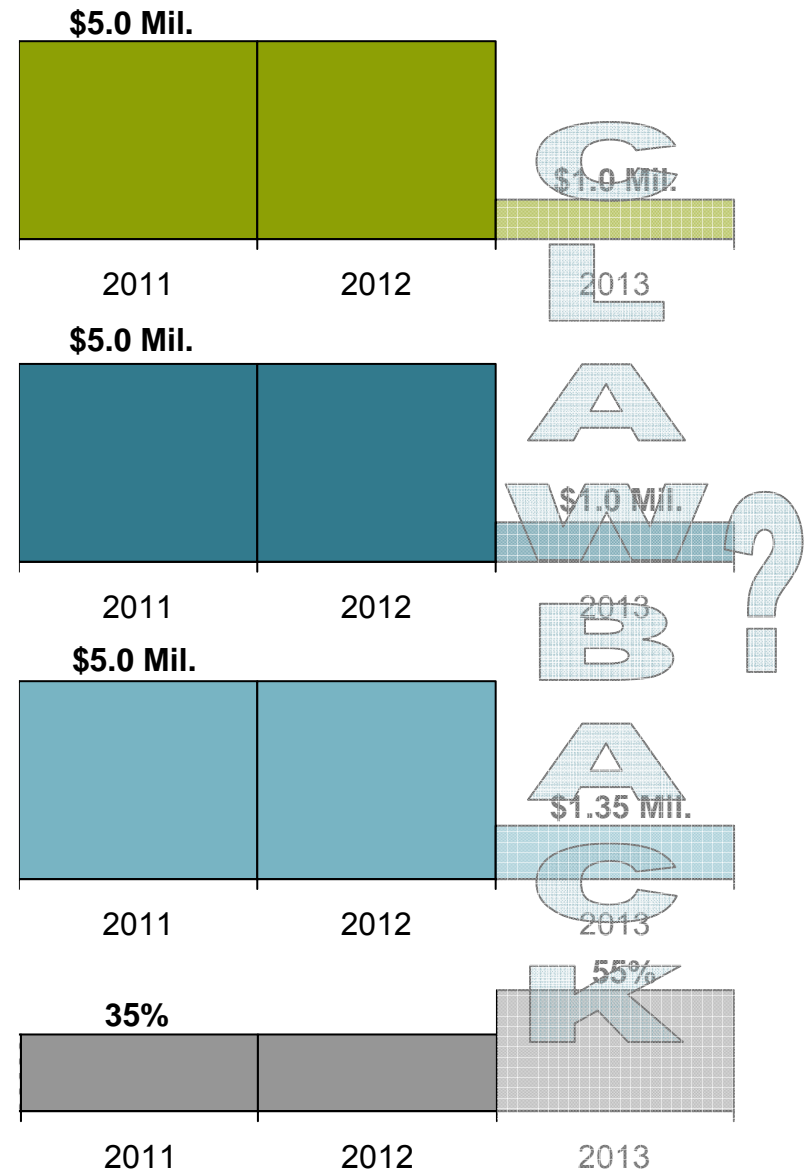
- Will all of the provisions “sunset” and will we return to the 2001 tax act?

- Will the current provisions become “2-year extenders” and up for debate every 2 years?

- Will a permanent, unified transfer tax system finally be enacted?



- What will the exemptions be? Indexed or not?
- What will the transfer tax rate be?
- Will there be “clawback” of previously “unpaid” transfer taxes?



If You Believe the New Law Remains after 2012 ...

Probability of >\$1 Million Estate Tax Bill Year 30* (inflation adjusted)

■ Case Study

- Retired 65 year-old couple
- Spends 3.5% of 60/40 portfolio

Liquid Assets	Federal Tax Only	Federal and State Tax
\$5 Million	6%	17%
\$10 Million	25%	45%
\$15 Million	41%	60%
\$20 Million	52%	68%

■ ...and don't forget illiquid assets

*Assets assumed to be invested in 60% globally diversified equities and 40% municipal income. Spending has been modeled as 3.5% of the initial portfolio, grown with inflation. Assumes both parties die at the end of year 30. Federal estate tax assumed to be 35% with a combined exemption of \$10 million, grown with inflation. State estate taxation based on New York estate tax brackets as of 2011.

Data do not represent past performance and are not a promise of actual future results. Based on Bernstein's estimates of the range of returns for the applicable capital markets. Data do not represent past performance and are not a promise of actual results or a range of future results. See Appendix, Notes on Wealth Forecasting System, for details

Can You Rely on Portability?

Credit Shelter Trust

- Growth of \$5 mil. out of estate
- Leverages GST exemption
- No remarriage issues
- Not susceptible to legislative change

BUT

- No step up in basis at survivor's death

Portable Exclusion

- Step up in basis at survivor's death

BUT

- Doesn't grow with inflation
- GST exemption isn't portable
- Remarriage issues
- Uncertainty regarding its use
- Susceptible to legislative change

Should Client Make A \$5 Million Gift?

Why No?

- Client can't afford it
- Gifted asset might lose value
- Lose step up at death
- Risk of recapture?

Why Yes?

- GST exemption can be applied
- Growth out of the estate
- Grantor trust
- Avoid state death/inheritance tax

Core Capital: Age and Spending

Example
60-Year-Old Couple
Spending Needs: \$200K
 \div **Spending Rate: 2.8%**
= Core Capital: \$7.2 Mil.

Sustainable After-Tax Spending Rate in Hostile Markets*

Age	55	60	65	70	75	80	85
Spending Rate	2.6%	2.8%	3.1%	3.4%	4.0%	4.5%	5.6%

Annual Spending

Core Capital Amounts (\$ Millions)

\$100,000	\$3.9	\$3.6	\$3.2	\$2.9	\$2.5	\$2.2	\$1.8
\$200,000	7.8	7.2	6.4	5.8	5.0	4.4	3.6
\$300,000	11.7	10.8	9.6	8.7	7.5	6.6	5.4
\$400,000	15.6	14.4	12.8	11.6	10.0	8.8	7.2
\$500,000	19.5	18.0	16.0	14.5	12.5	11.0	9.0
\$750,000	29.3	27.0	24.0	21.8	18.8	16.5	13.5
\$1.0 Mil.	39.0	36.0	32.0	29.0	25.0	22.0	18.0

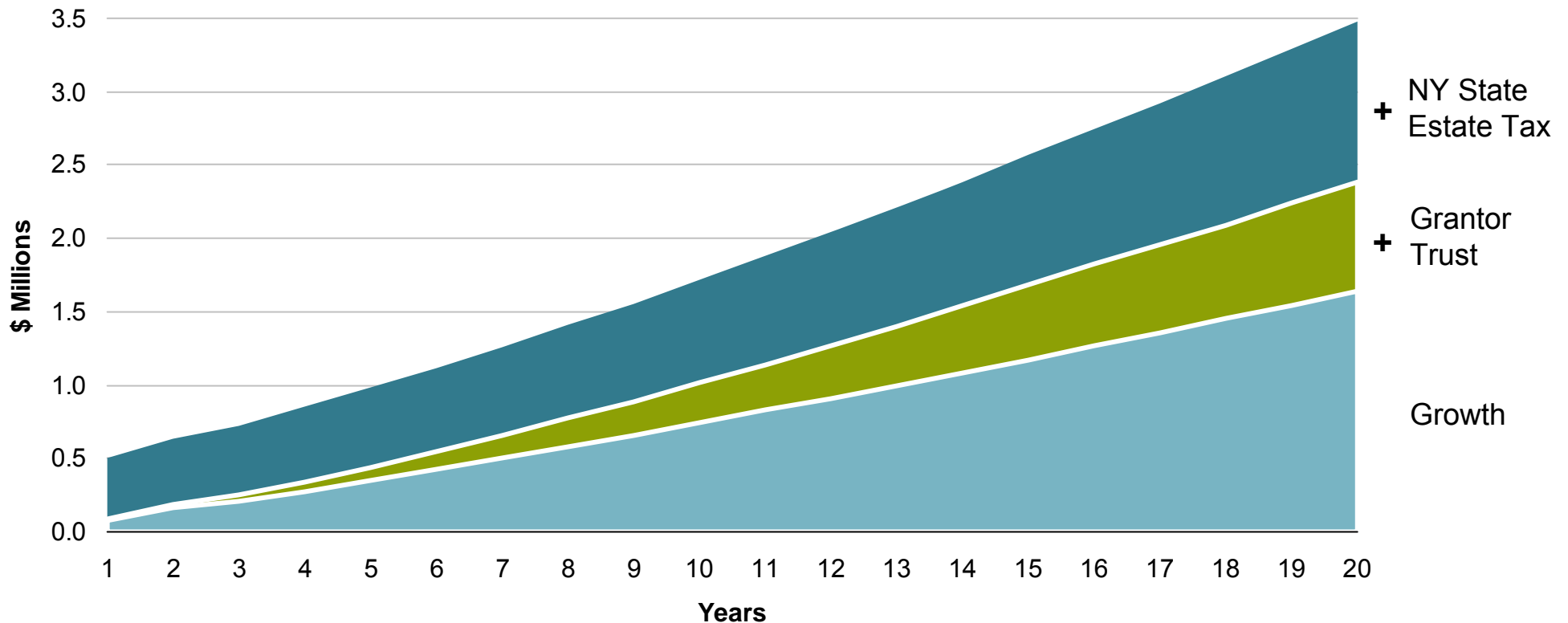
*Data do not represent past performance and are not a promise of actual future results. These spending rates are for couples and assume an allocation of 60% globally diversified stocks (35% US value, 35% US growth, 25% developed foreign markets and 5% emerging markets) and 40% diversified intermediate-term municipal bonds. Spending is percentage of initial value of portfolio grown with inflation; sustainable spending rates assume maintaining spending with a 95% level of confidence. Based on Bernstein estimates of the range of returns for the applicable capital markets over the periods analyzed as of March 31, 2011. See Notes on Wealth Forecasting at the end of this presentation for further details.

All information on longevity and mortality-adjusted investment analyses in this study are based on mortality tables compiled in 2000. To reflect that high net worth individuals live longer than average, we subtract three years from each individual's age (e.g. a 55 year-old would be modeled as a 52 year-old). In our mortality adjusted analyses, the lifespan of an individual varies in each of our 10,000 trials in accordance with mortality tables.

Source: Society of Actuaries RP-2000 mortality tables and AllianceBernstein

Estate Tax Savings Even Greater When State Death Tax Exists

Benefit per \$5 Mil. Gift
(Median, Inflation Adjusted)



*All assets are assumed to be invested in 60% globally diversified equities and 40% municipal fixed income. We model a total portfolio of \$8 million with \$5 million invested in the strategy and \$3 million remaining in the grantor's portfolio (to pay grantor trust taxes). Assumes a federal estate tax rate of 35% with an exemption of \$5 million, grown with inflation. State estate taxation based on New York brackets as of 2011.

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For Those Who Believe They Will Always Have an Estate Tax Problem...

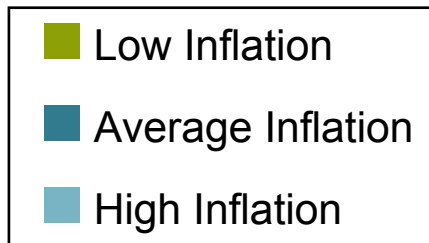
- Transferring just enough but no more

- Leveraging the \$5 Mil. Exemption (\$10 Mil. per couple)
 - Not relying on portability
 - GST tax planning
 - Taking advantage of cost-of-living increases

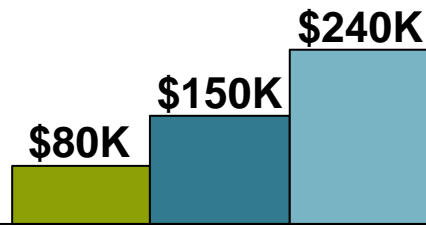
- Flexibility:
 - Have access to assets if needed by the grantor
 - Allow surviving spouse to get step up in basis if more beneficial

Cost-of-Living Adjustment Is Greater than You Think...

Cumulative Increases* of \$5 Mil. Applicable Exclusion Amount

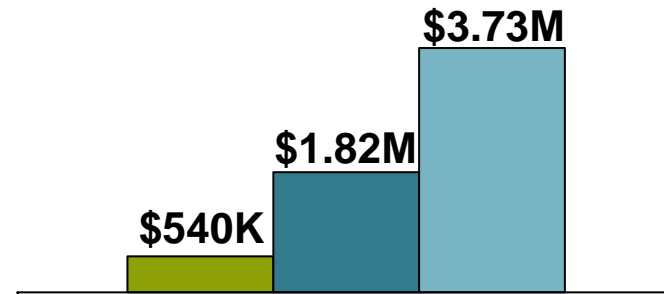


1 Year From Now...



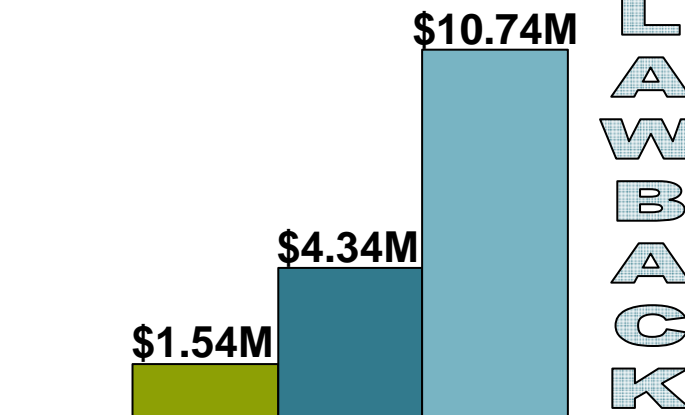
2012

Over 10 Years...



2021

Over 20 Years...



2031

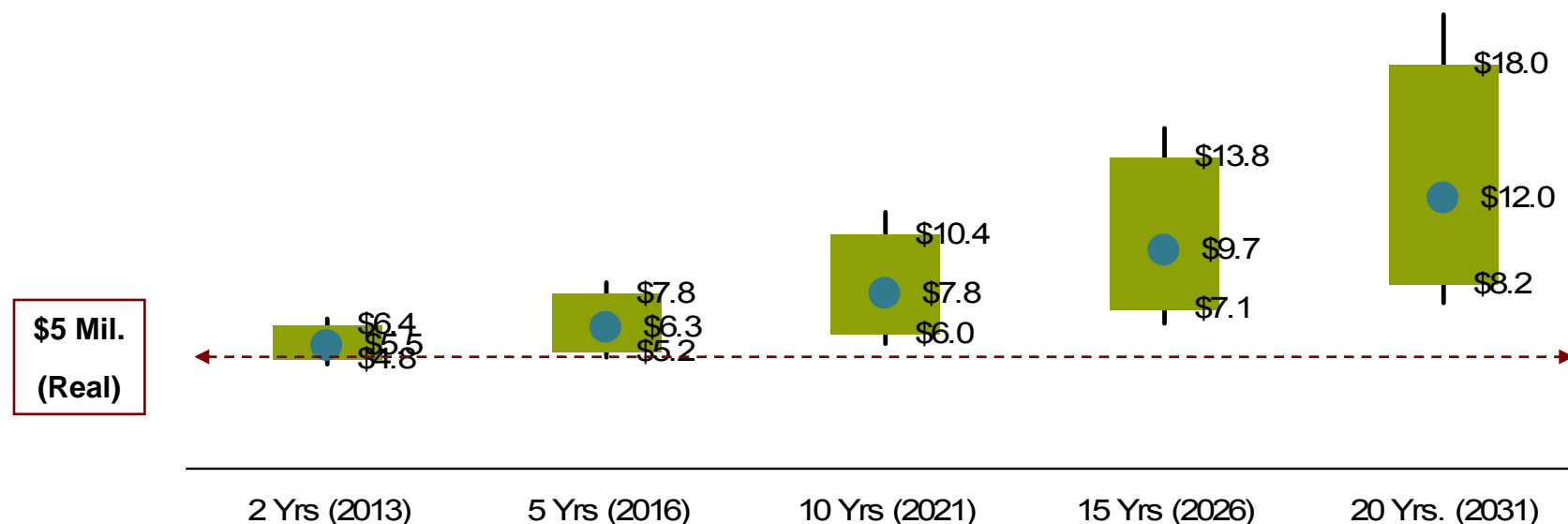
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*Based on increases in inflation, rounded to the nearest \$10,000. Low, average and high inflation is defined as the 90th, 50th and 10th percentile of inflation over the relevant time period. Data do not represent past performance and are not a promise of actual future results.

Based on Bernstein's estimates of the range of returns for the applicable capital markets. Data do not represent past performance and are not a promise of actual results or a range of future results. See Appendix, Notes on Wealth Forecasting System, for details.

Benefit of the Inter-Vivos Credit Shelter Trust (with Increases)

Applicable Exclusion Amount Gifts to Non-Grantor Trust 60/40 Portfolio Inflation-Adjusted Values (\$ Mil.)

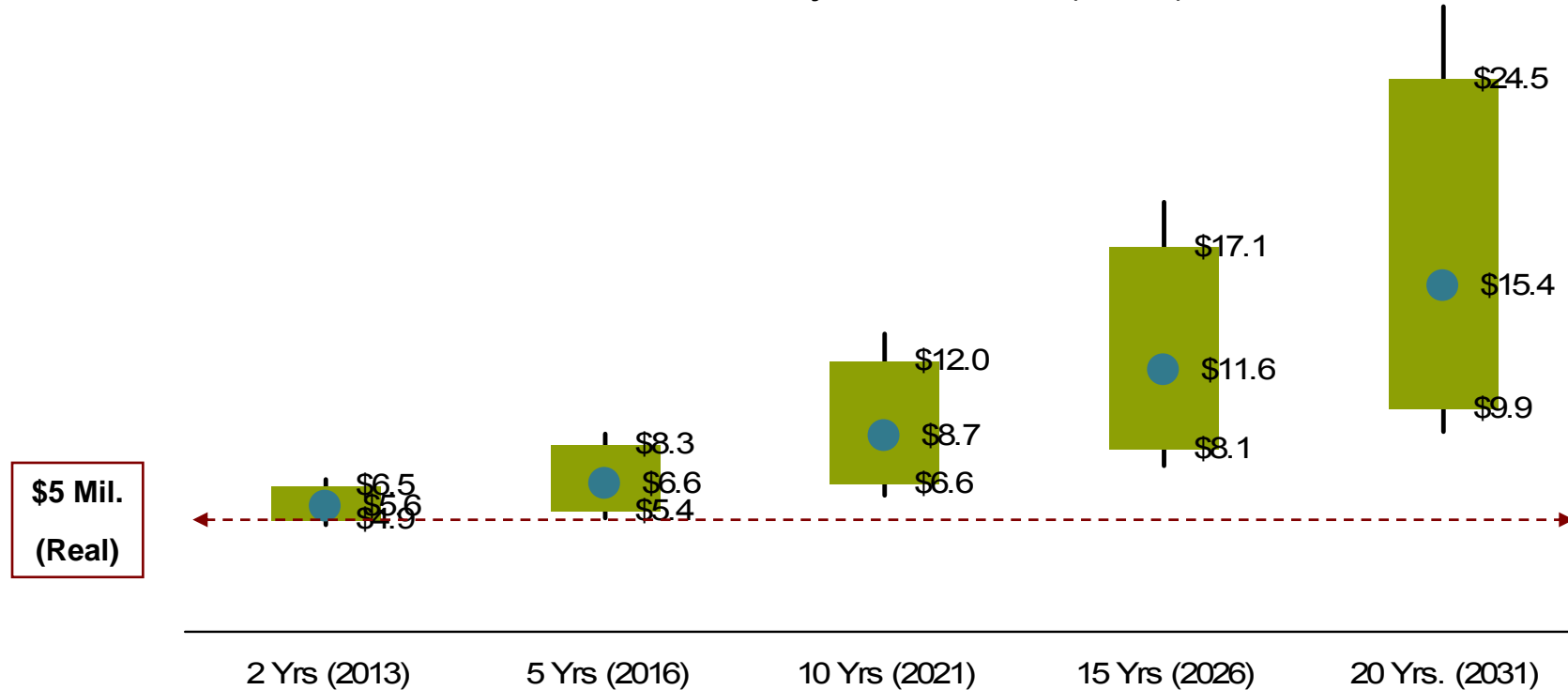


Probability > \$5 Mil (Real)	2 Yrs (2013)	5 Yrs (2016)	10 Yrs (2021)	15 Yrs (2026)	20 Yrs. (2031)
	83%	94%	>98%	>98%	>98%

*Assets assumed to be invested in 60% globally diversified equities and 40% municipal fixed income. Assumes grantor will make annual gifts to the trust to account for inflation adjustments to the \$5 million exclusion amount.
Data do not represent past performance and are not a promise of actual future results.
Based on Bernstein's estimates of the range of returns for the applicable capital markets. Data do not represent past performance and are not a promise of actual results or a range of future results. See Appendix, Notes on Wealth Forecasting System, for details.

Leveraging Grantor Trust Status

Applicable Exclusion Amount Gifts to Grantor Trust 60/40 Portfolio Inflation-Adjusted Values (\$ Mil.)



**\$5 Mil.
(Real)**

Probability > \$5 Mil (Real)	2 Yrs (2013)	5 Yrs (2016)	10 Yrs (2021)	15 Yrs (2026)	20 Yrs. (2031)
	84%	96%	>98%	>98%	>98%

*Assets assumed to be invested in 60% globally diversified equities and 40% municipal fixed income. Assumes grantor will make annual gifts to the trust to account for inflation adjustments to the \$5 million exclusion amount.

Data do not represent past performance and are not a promise of actual future results.

Based on Bernstein's estimates of the range of returns for the applicable capital markets. Data do not represent past performance and are not a promise of actual results or a range of future results. See Appendix, Notes on Wealth Forecasting System, for details.

Drafting and Planning for Flexibility

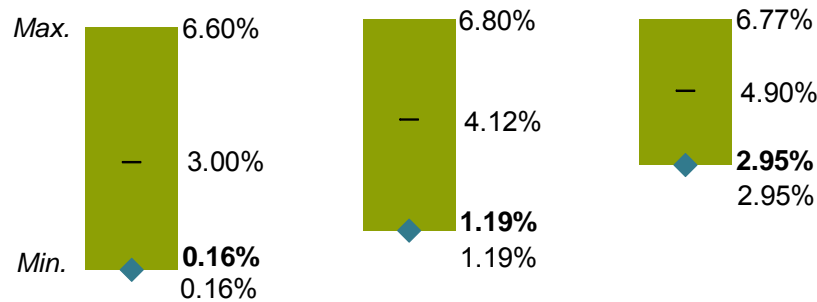
- Lifetime credit shelter trusts with spouse as permissible beneficiary
 - Reciprocal trust doctrine?
 - Estate of Levy, 25 T.C.M. 910 (1983) and PLR 200426008

- Self-Settled Trusts
 - AK, CO, DE, MO, NH, OK, RI, SD, TN, UT, **NV** and WY
 - PLR 200944002 (AK law)

- Formula general power of appointments with spouse
 - Testamentary power
 - Similar to GPA for non-skip persons in GST tax planning
 - Based upon income and estate tax rates at death
 - Specific to certain assets
 - Conditional on inclusion ratio for GST tax purposes

Lowest AFR and Section 7520 Rates Ever

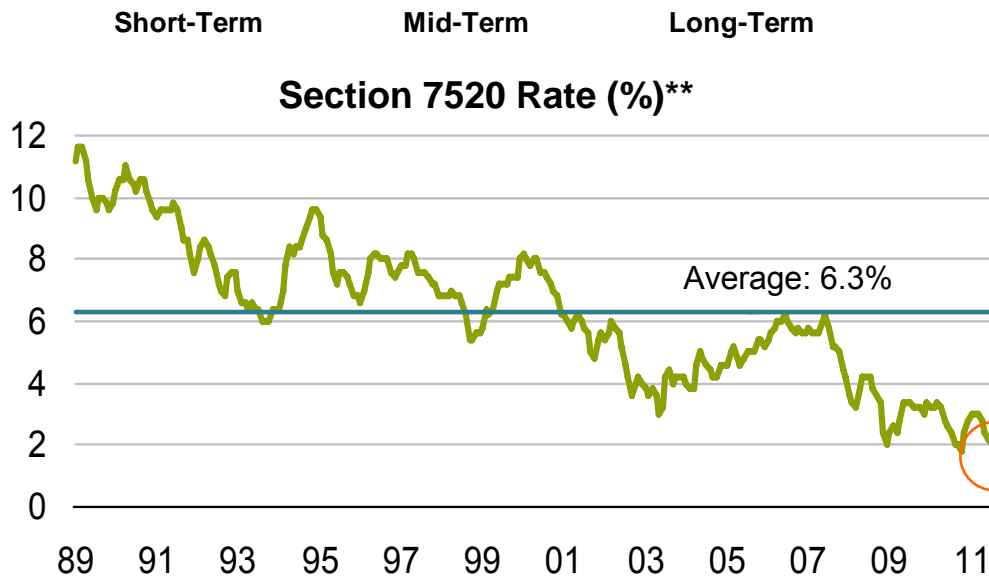
Applicable Federal Rates*
Jan. 1998–Oct. 2011



◆ Oct. 2011 (Annual)

Installment Sales to IDGTs & Intra-Family Loans

November 2011		
Short-Term	Mid-Term	Long-Term
0.19%	1.20%	2.67%
7520 Rate: 1.4%		



GRATs & CLATs

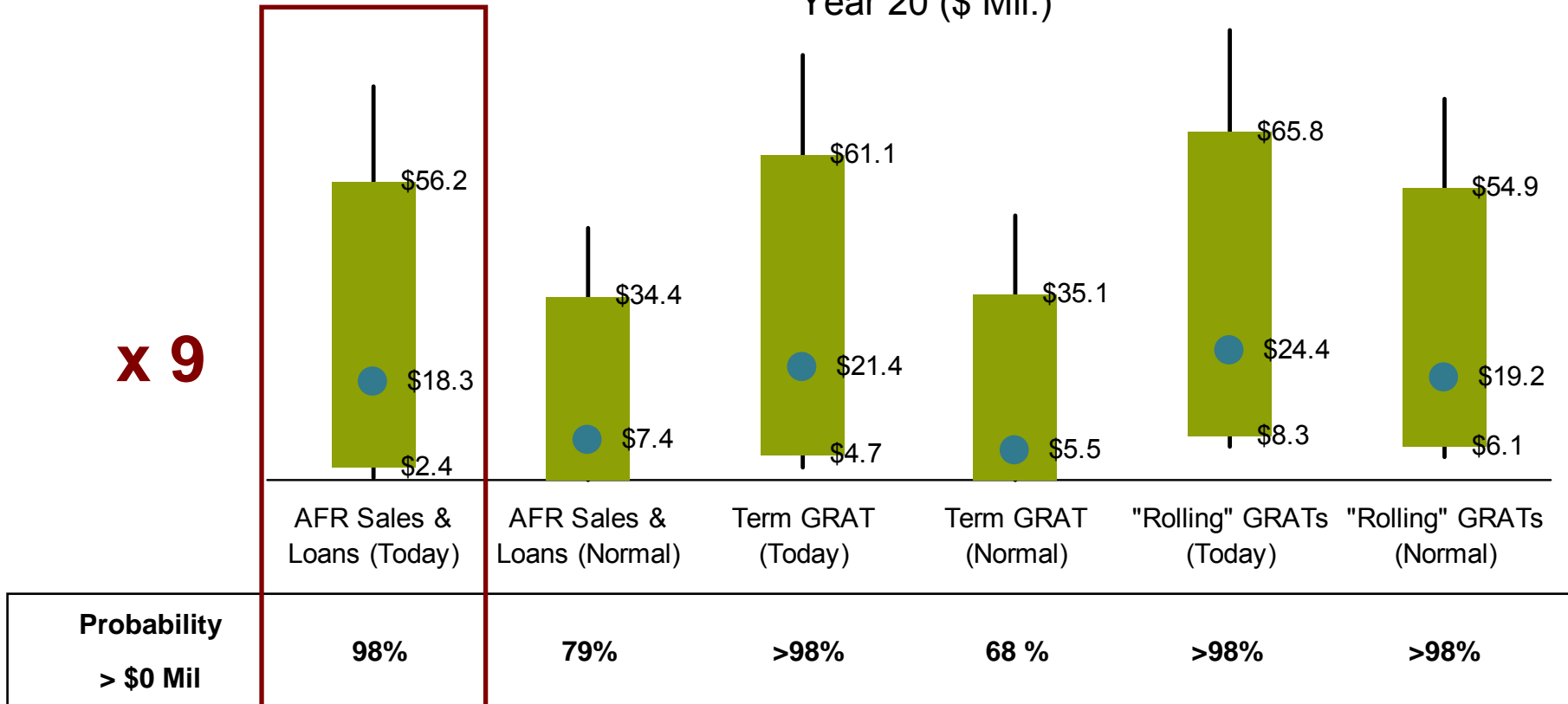
*Section 1274(d) of the Internal Revenue Code of 1986, as amended (Code)

**Code Section 7520. As of October 2011.

Source: Internal Revenue Service (IRS) and AllianceBernstein

Low Interest Rates & Improving Economy vs. "Normal" Market Conditions

Inflation-Adjusted Remainder Values \$10 Mil. Initial Sale/Contribution Year 20 (\$ Mil.)



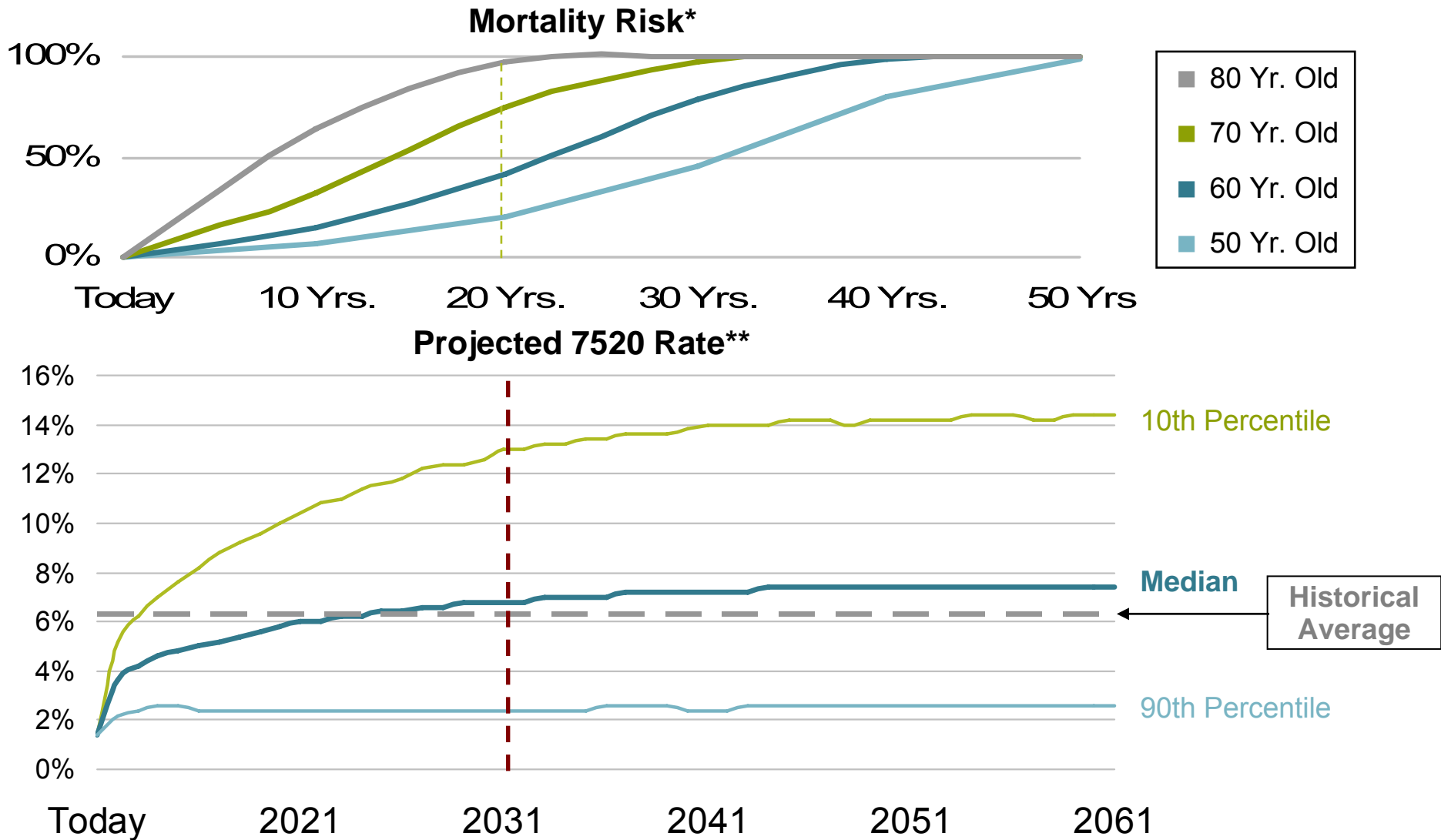
*Data do not represent past performance and are not a promise of actual future results.

For the sale to IDGT, assumes \$10 million intra-family loan to intentionally defective grantor trust with a promissory note paying interest only at the appropriate applicable federal rate for October 2011 with a balloon payment at the end of the term. For comparison purposes, the strategy does not include a seed gift.

For the GRATs, assumes \$10 Mil. funded at the October 2011 Section 7520 rate. Assumes "zeroed-out" GRATs with 20% increasing annuities.

All assets assumed to be invested in 100% global equity. Global equity has been modeled as 35% US value and 35% US growth, 25% developed international, and 5% emerging markets. Based on Bernstein estimates of the range of returns for the applicable capital markets over the periods analyzed. See Notes on Wealth Forecasting at the end of this presentation for further details.

What about a 100 Year GRAT? ... 360 Year GRAT?

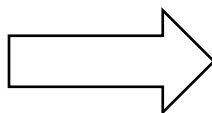


*Based on 2000-RP mortality tables, single life, male.

**"Today" is October 2011. Based on Bernstein estimates of the range of returns for the applicable capital markets over the periods analyzed. Source: AllianceBernstein

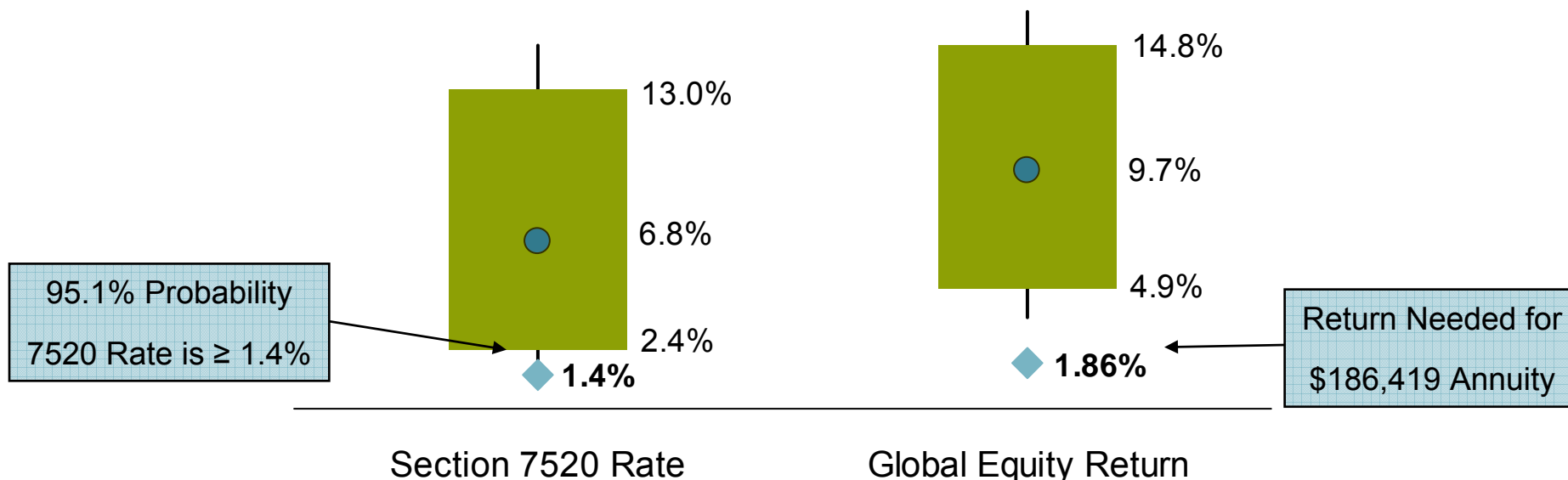
What about a 100 Year GRAT? ... 360 Year GRAT?

\$10 Mil. Contribution
“Zeroed-Out” GRAT



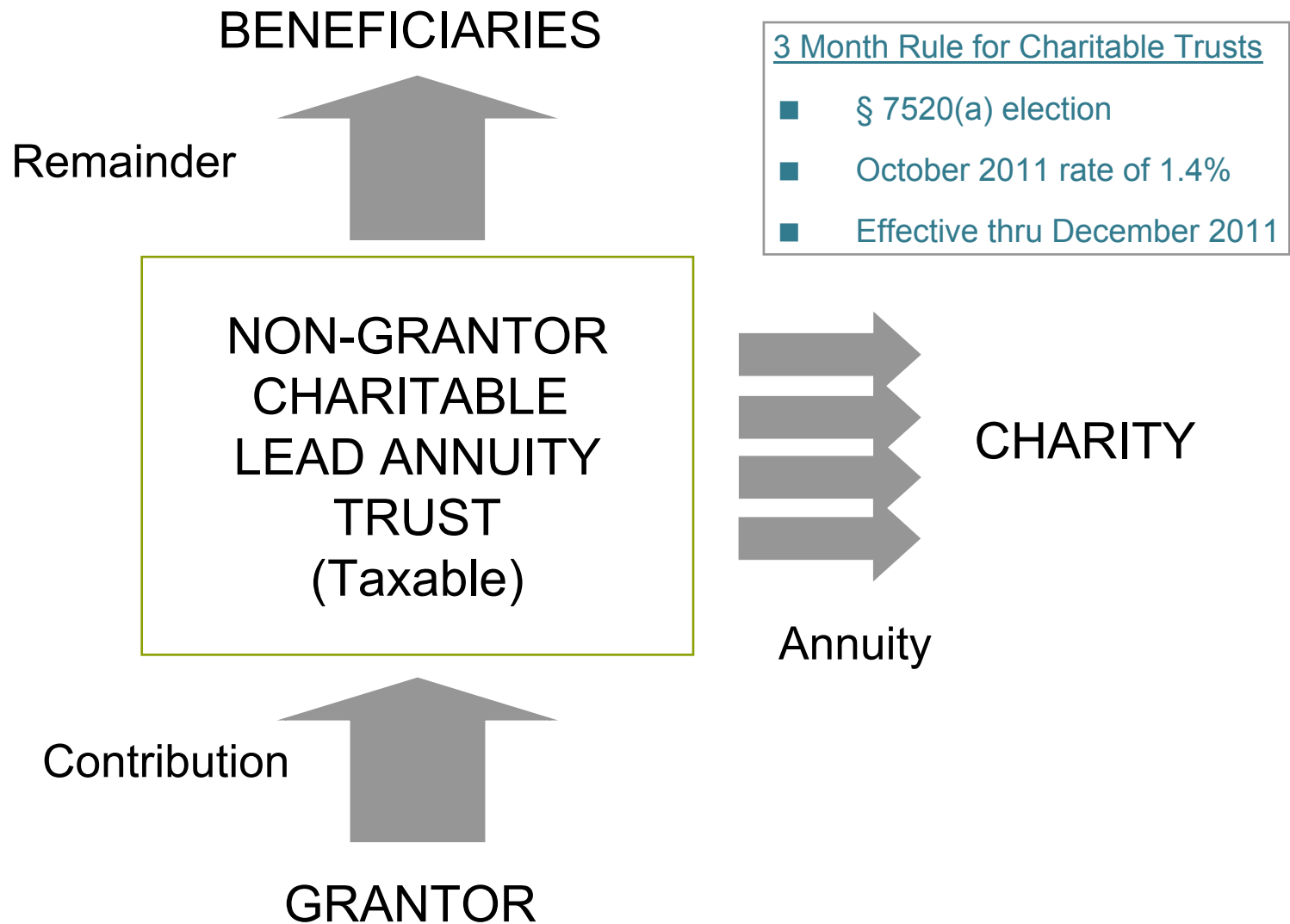
§ 20.2036-1(c)(2): Maximum Amount Includible*		
7520 Rate	100 Year GRAT (\$186,419 Annuity)	360 Year GRAT (\$140,945 Annuity)
1.4%	\$ 13,315,632	\$ 10,067,493
2.0%	\$ 9,320,942	\$ 7,047,245
3.0%	\$ 6,213,961	\$ 4,698,163
4.0%	\$ 4,660,471	\$ 3,523,622
5.0%	\$ 3,728,377	\$ 2,818,898
6.0%	\$ 3,106,981	\$ 2,349,082
7.0%	\$ 2,663,126	\$ 2,013,499

Year 20: Projected 7520 Rate & Annualized Returns



*See § 20.2036-1(c)(2)(iii), examples 1 and 2. **Based on Bernstein's estimates of the range of returns for the applicable capital markets over the periods analyzed. Global equity is 35% US value and 35% US growth, 25% developed international and 5% emerging markets. Source: AllianceBernstein

Charitable Lead Annuity Trusts



Charitable Lead Trusts, as defined under Sections 170, 170A, 2055 and 2522 of the Internal Revenue Code of 1986, as amended from time to time (the "Code"), and the Treasury Regulations thereunder.

Rev. Proc. 2007-45, 2007-29 IRB 89

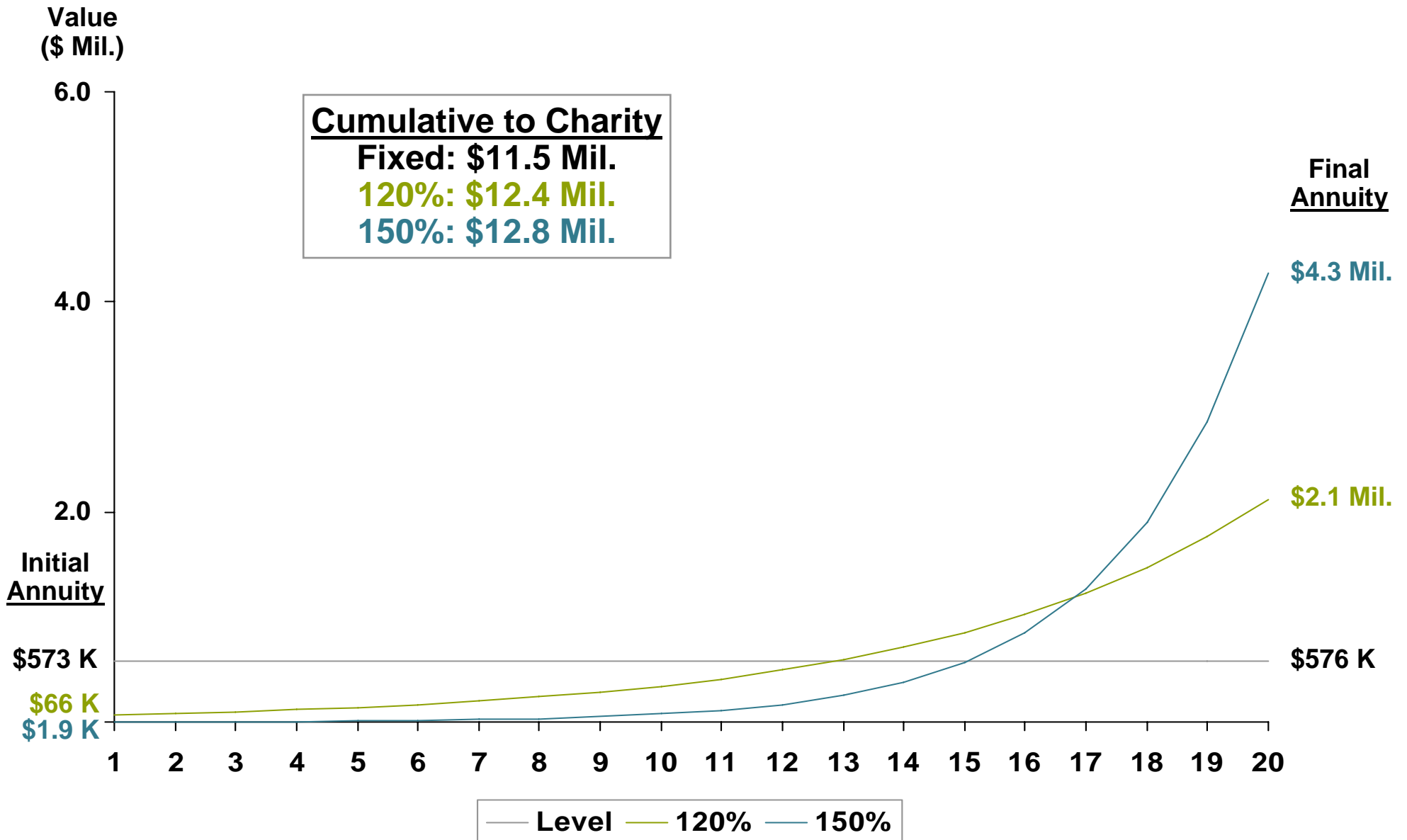
■ Guaranteed Annuity

- Determinable amount
- Paid periodically
- Not less than annually

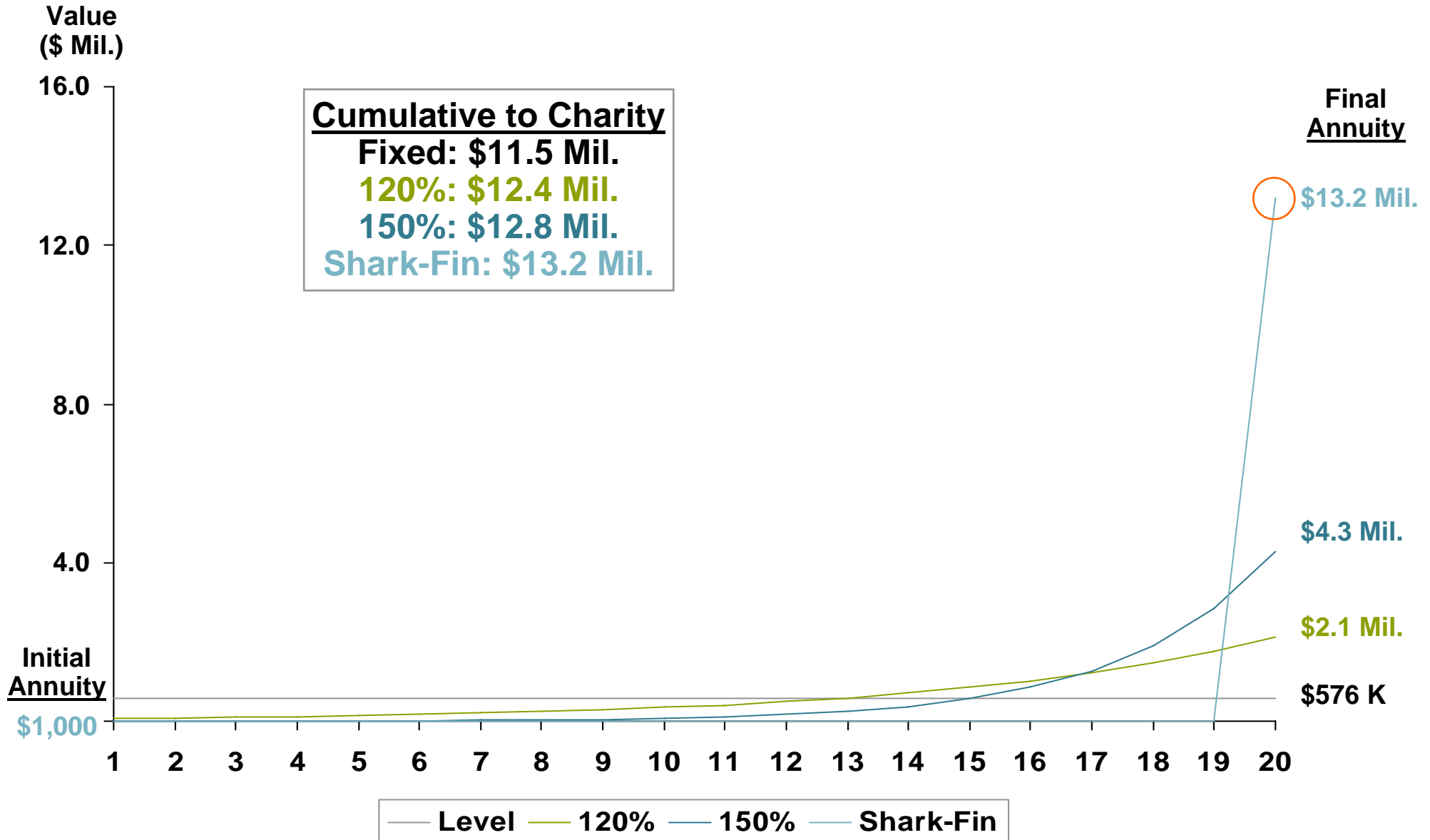
■ Payment Requirements

- Not subject to any minimum or maximum payout
- May provide for an annuity amount that is:
 - Fixed dollar
 - But increases during the annuity period
 - Provided that the value of the annuity is ascertainable at the time the trust is funded

Possible Guaranteed Annuities (\$10 Mil. CLAT for 20 Years)

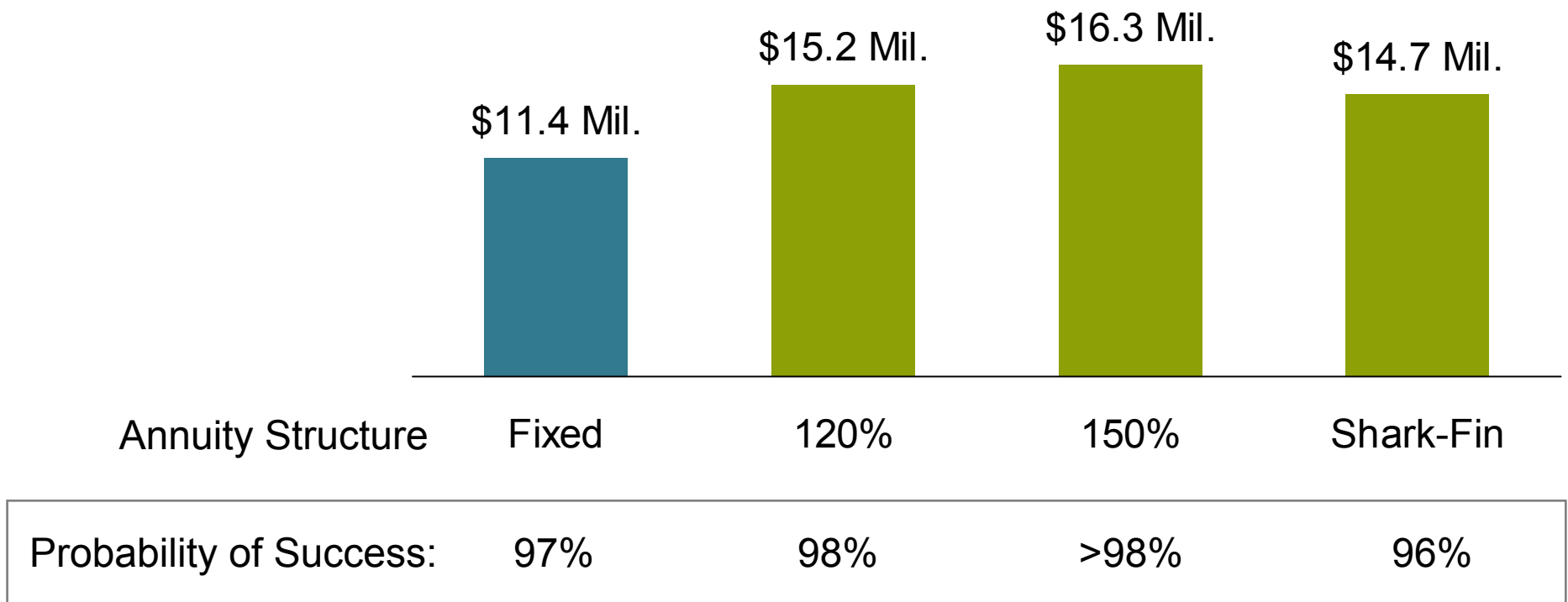


Possible Guaranteed Annuities?



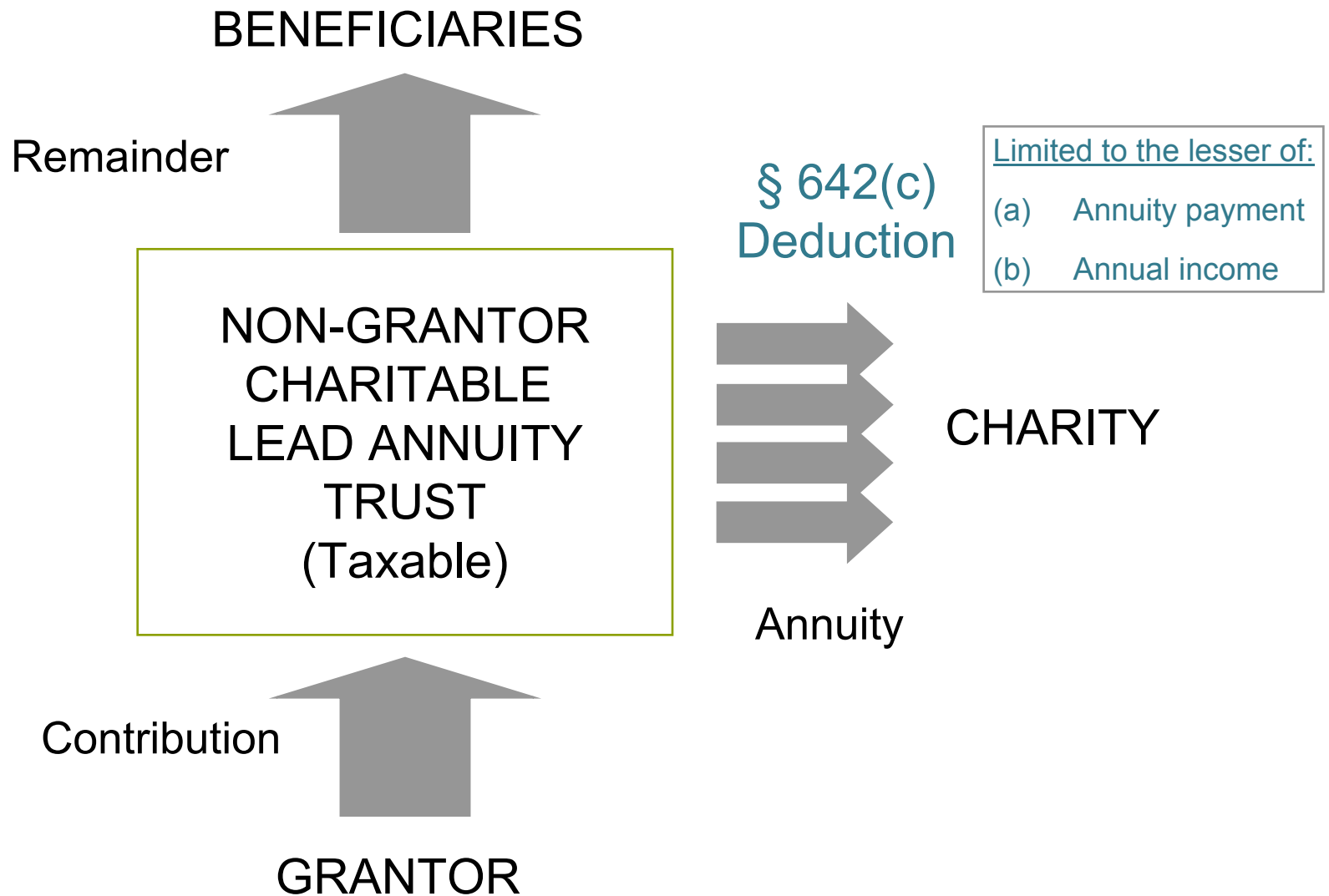
Back-Loading Increases Wealth Transfer...Only to a Point

Median Wealth Transferred*
 \$10 Million, 20-Year Term CLAT
 (Real, \$ Millions)



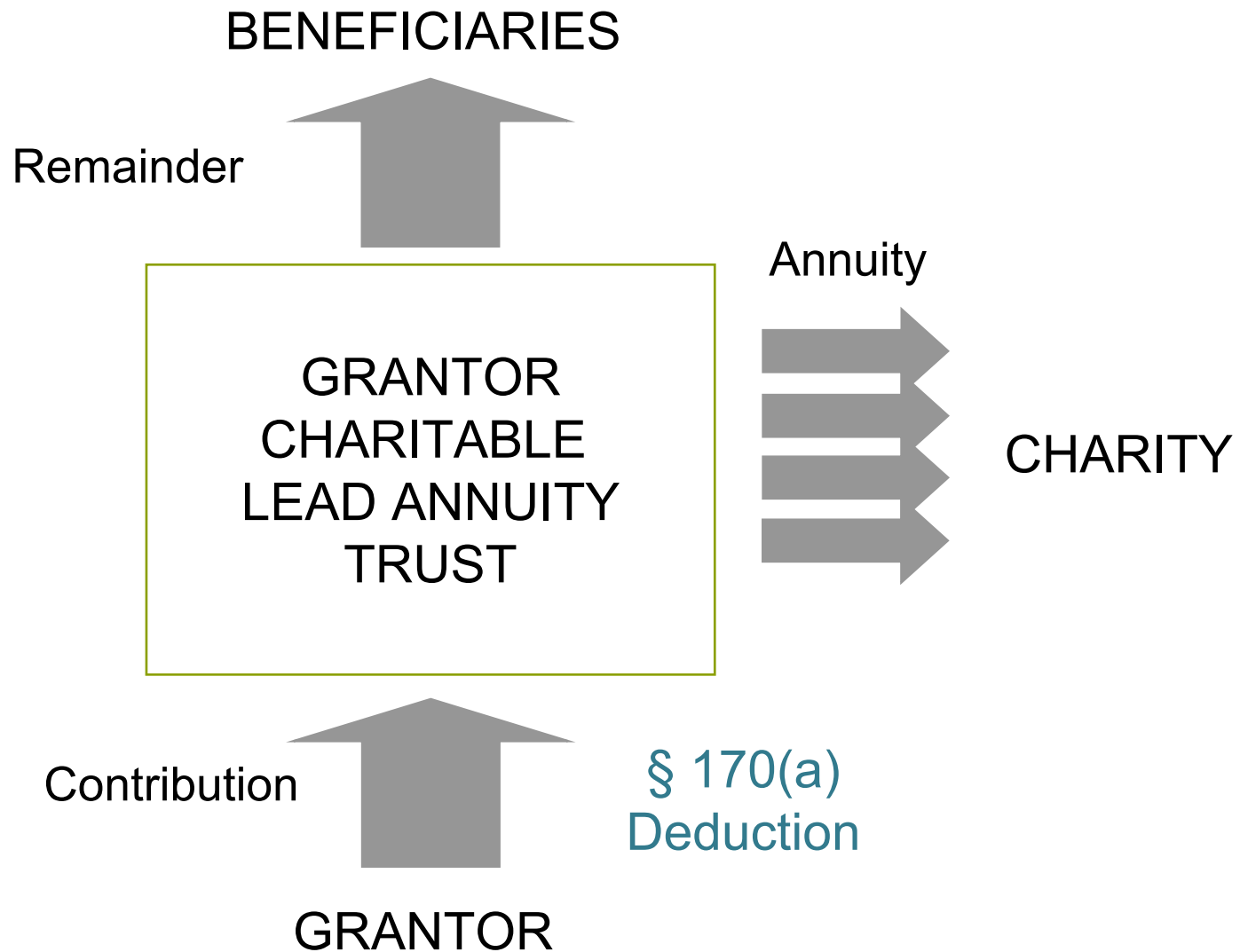
*Median inflation-adjusted non-grantor CLAT remainder assuming \$10 million zeroed-out 20-year CLAT funded at the October 2011 Section 7520 rate, invested 100% global equity. Probability of success defined as remainder interest >\$1,000.

Non-Grantor Charitable Lead Trusts



Charitable Lead Trusts, as defined under Sections 170, 170A, 2055 and 2522 of the Internal Revenue Code of 1986, as amended from time to time (the "Code"), and the Treasury Regulations thereunder.

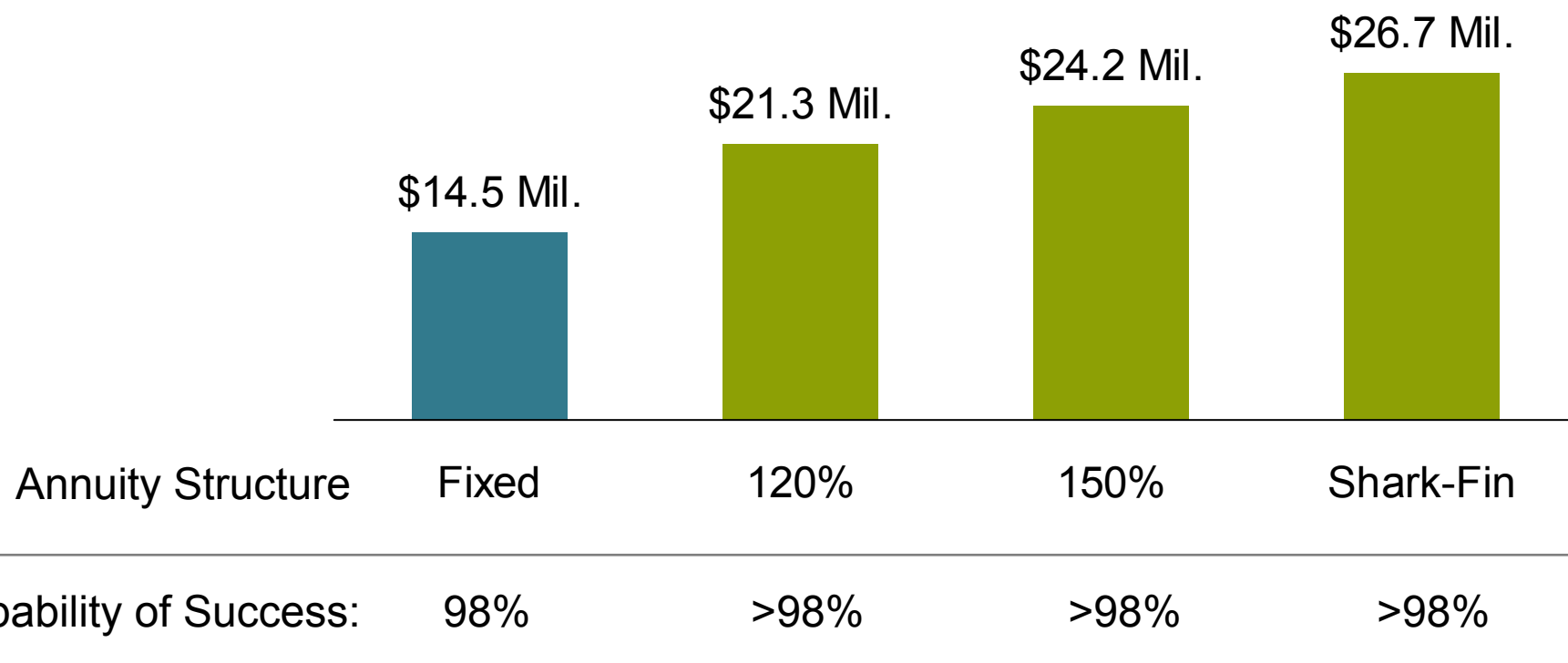
“Intentionally Defective” Grantor Charitable Lead Trusts



Charitable Lead Trusts, as defined under Sections 170, 170A, 2055 and 2522 of the Internal Revenue Code of 1986, as amended from time to time (the “Code”), and the Treasury Regulations thereunder.

Grantor CLATs

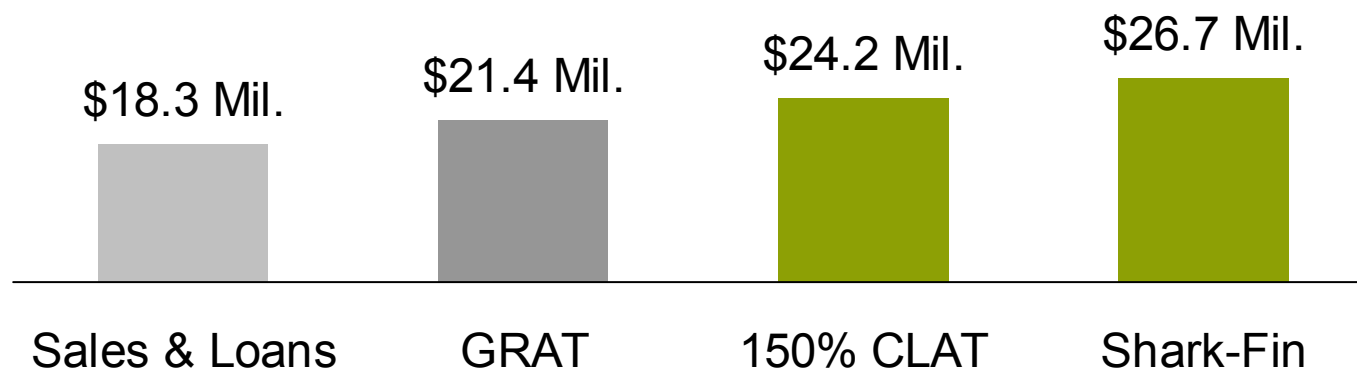
Median Wealth Transferred* \$10 Million, 20-Year Term CLAT (Real, \$ Millions)



*Median inflation-adjusted grantor CLAT remainder assuming \$10 million zeroed-out 20-year CLAT funded at October 2011 Section 7520 rate, invested 100% global equity. Probability of success defined as remainder interest >\$1,000.

CLATs Compared to Other Planning Techniques

Median Wealth Transferred*
\$10 Million, 20-Years (Real, \$ Millions)



Taxable Gift?	Yes	No	No	No
Mortality Risk?	No	Yes	No	No
Income Tax Deduction?	No	No	Yes	Yes

*Median inflation-adjusted remainders. Data do not represent past performance and are not a promise of actual future results. For the sale to IDGT, assumes \$10 million intra-family loan to intentionally defective grantor trust with a promissory note paying interest only at the appropriate applicable federal rate for October 2011 with a balloon payment at the end of the term. For comparability the strategy does not include a seed gift. For GRATs, assumes \$10 Mil. funded at the October 2011 Section 7520 rate. Assumes "zeroed-out" GRATS with 20% increasing annuities. For CLATs, assumes \$10 million zeroed-out 20-year grantor CLATs funded at October 2011 Section 7520 rate. All assets assumed to be invested in 100% global equity. Global equity has been modeled as 35% US value and 35% US growth, 25% developed international, and 5% emerging markets. Based on Bernstein estimates of the range of returns for the applicable capital markets over the periods analyzed. See Notes on Wealth Forecasting at the end of this presentation for further details.

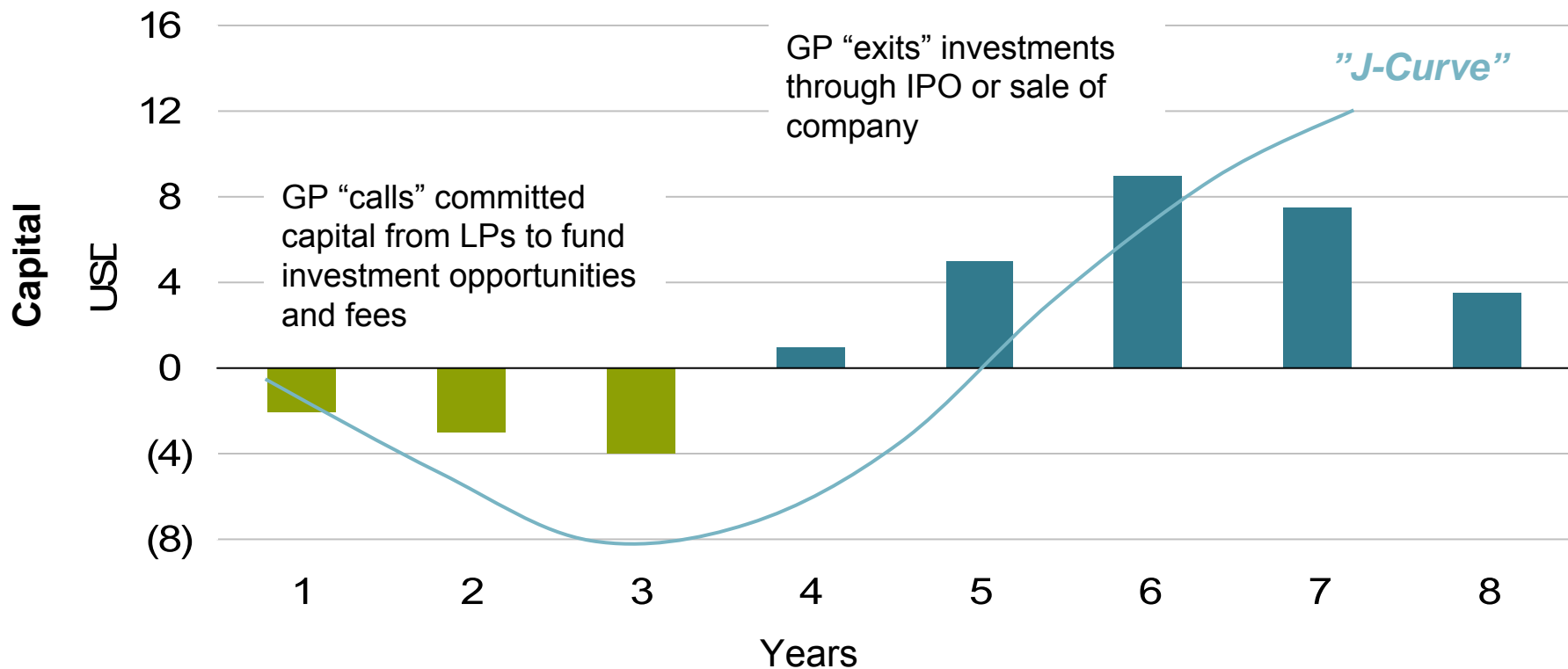
Is a Shark-Fin Advisable?

- Annually increasing annuities (e.g., 150%) should be used under most circumstances:
 - Income tax mortality risk (grantor to non-grantor trust)
 - Lifetime CLATs with annually increasing annuities have little or no “mortality risk”
 - Perception that a “Shark-Fin” is too good to be true

- Shark-Fin CLATs might be advisable:
 - Lifetime Shark-Fin CLATs are superior ways of fulfilling a testamentary charitable bequest
 - Nature of the assets:
 - Lack liquidity
 - Volatile
 - Limited diversification opportunities

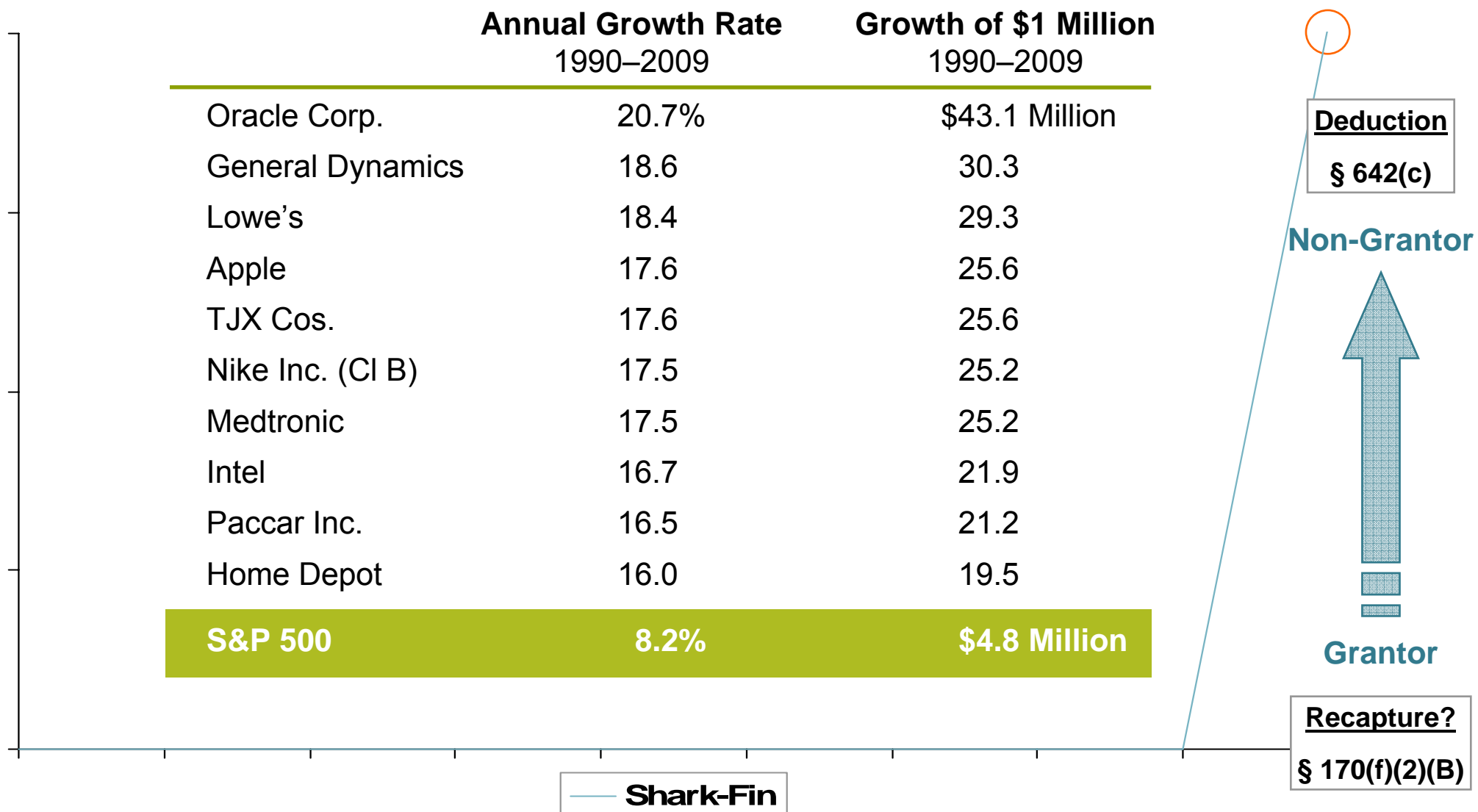
Interesting Application #1: Private Equity Investments

Net Investor Cash Flows Hypothetical Venture Capital Fund



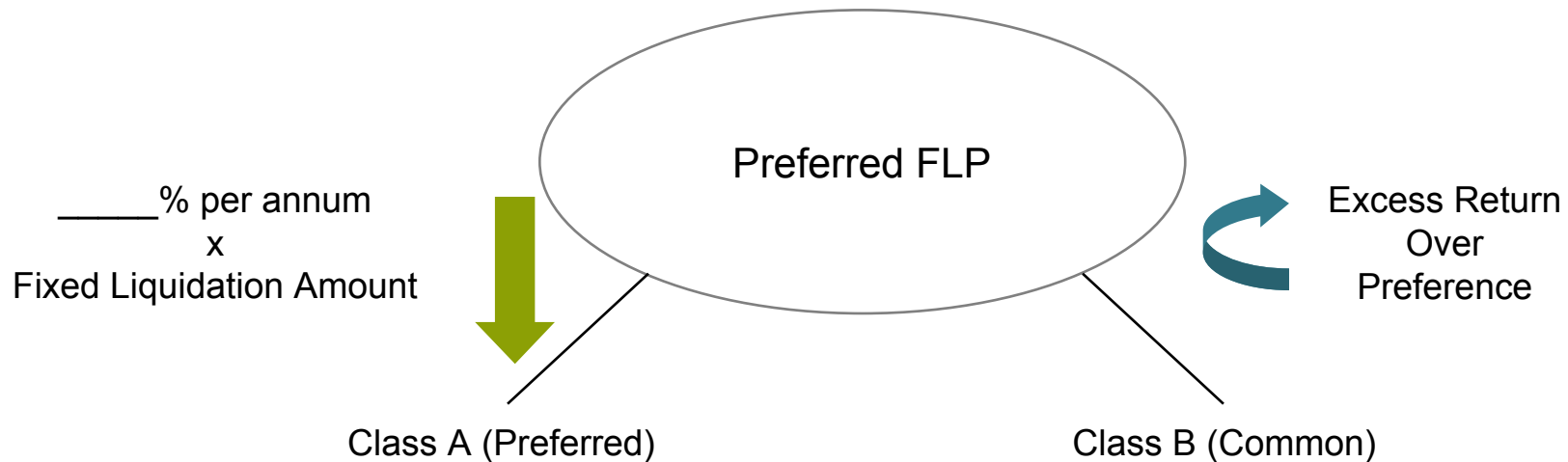
■ Remember gifts of speculative property are NOT jeopardy investments (Treas. Reg. § 53.4944-1(a)(2)(ii)(a))

Interesting Application #2: Single Stock Positions



Source: Center for Research in Security Prices (CRSP) and AllianceBernstein

Section 2701 Qualified Payment Preferred Investment FLPs



PREFERRED SHARES

Preferred Return:

- Annual Distribution Payable at Fixed Rate
- Cumulative (4 Year Deferral Allowable)

Liquidation Preference:

- Fixed Amount + Unpaid Preference

Valuation:

- Fixed Liquidation Amount (No Discount)

COMMON SHARES

Return:

- No Distributions Until Preferred Return Paid
- Excess Return Above Cumulative Preferred Return

Liquidation:

- All Assets After Liquidation Preference to Preferred

Valuation:

- Minority, Lack of Marketability & Subordination Discount

Section 2701 of the Code and the Treasury Regulations thereunder. Revenue Ruling 83-120, 1983-2 C.B. 170.

Rev. Rul. 83-120, 1983-2 C.B. 170

■ Major factors

- Yield
- Dividend Coverage
- Dissolution Protection

■ Minor Factors

- Voting rights
- Lack of marketability



“high-grade, publicly traded preferred stocks”

Preferred Stock Sectors

Financial Services

Oil & Gas

Real Estate

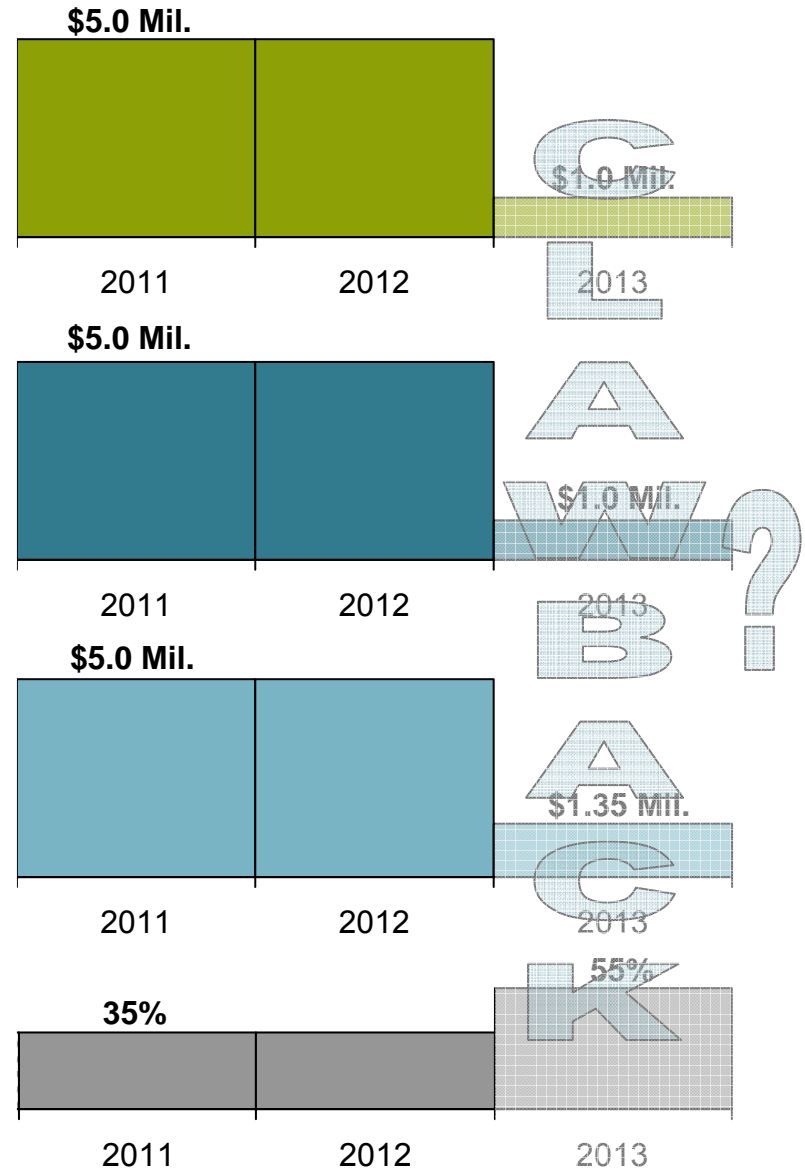
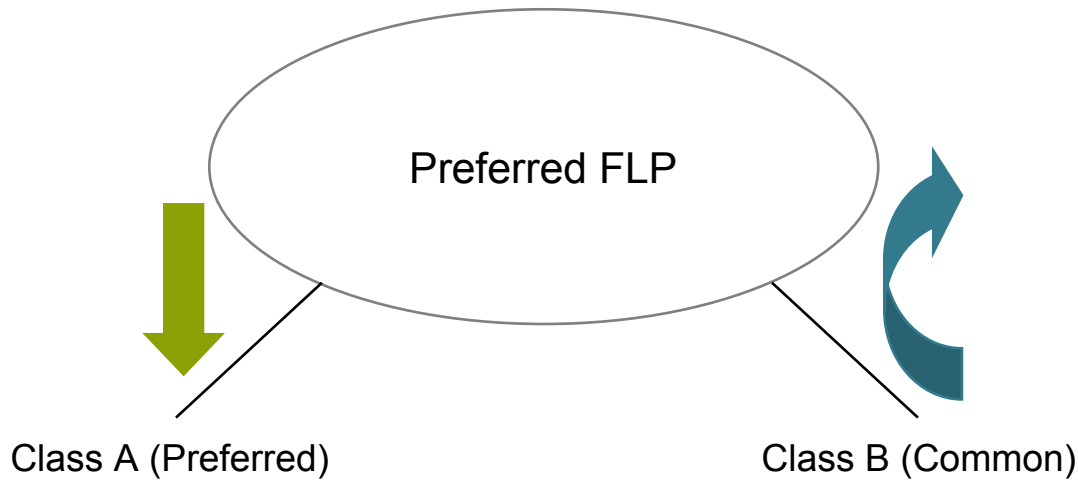


Preferred Stock Yields

6% to 14%



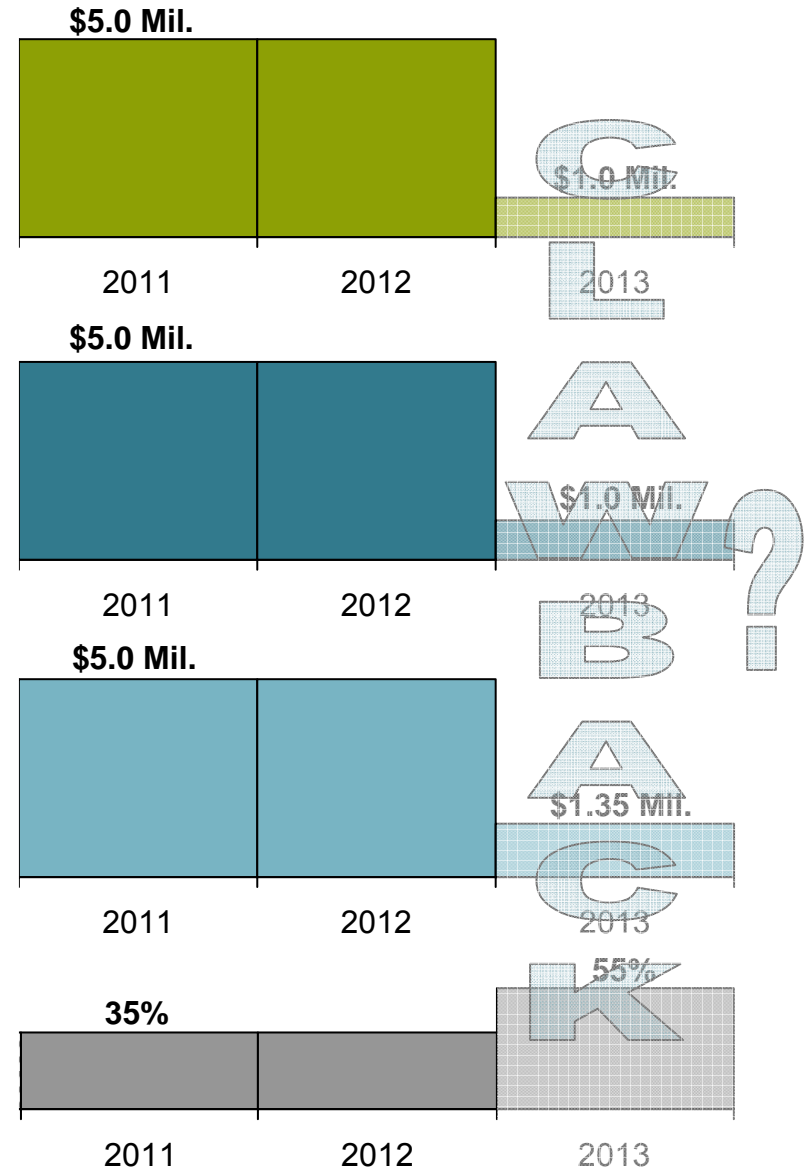
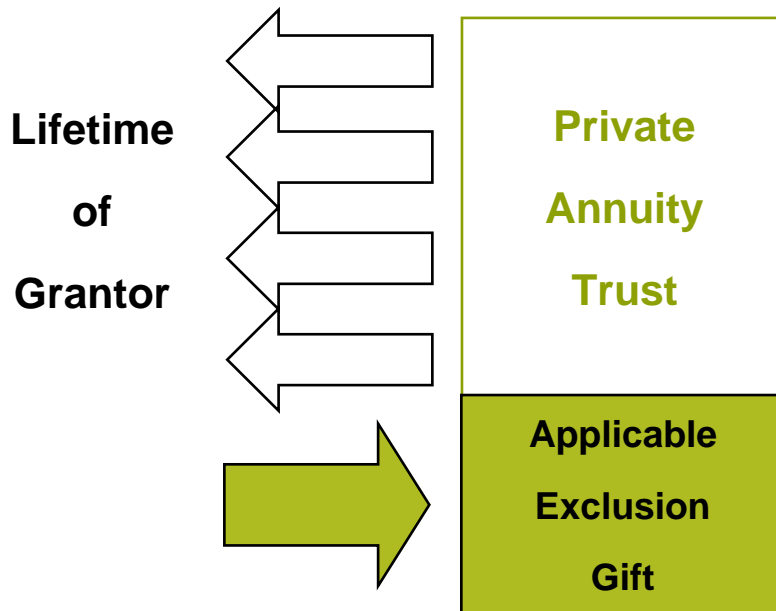
Preferred Investment FLPs: The Perfect Applicable Exclusion Gift?



Private Annuity Sale: The Perfect Applicable Exclusion Gift?

Private Annuity

- Section 7520
- Mortality Tables
- Valuation Factors in § 20.2031-7(d)
- IRS Publication 1457
- 110 Year Exhaustion Test
- Grantor Trust



Other Planning Opportunities to Consider

- SCINs
- Irrevocable Life Insurance Trusts
- Same-Sex couples/Non-Traditional Couples/Domestic Partner Planning
- QPRTs
- Gift Splitting
- Valuation Discounts



BERNSTEIN

Global Wealth Management

Appendix

Capital Market Projections

	Median 30-Year Growth Rate	Mean Annual Return	Mean Annual Income	One- Year Volatility	30-Year Annual Equivalent Volatility
Short Term Taxables	4.9	5.1	5.4	1.0	10.2
Int.-Term Diversified Municipals	3.6	3.9	3.7	3.9	7.6
Int.-Term Taxables	4.8	5.1	6.0	4.7	9.3
U.S. Value	9.6	11.2	3.8	15.9	18.3
U.S. Growth	9.3	11.3	2.3	18.2	19.8
Developed International	10.0	12.1	3.7	17.9	19.3
Emerging Markets	8.2	12.2	3.7	26.6	27.7
Inflation	3.2	3.5	n/a	1.2	9.8

Does not represent any past performance and is not a guarantee of any future specific risk-levels or returns, or any specific range of risk-levels or returns.

Based on 10,000 simulated trials each consisting of 30-year periods.

Reflects Bernstein's estimates, and the capital market conditions as of June 30, 2011.

Notes on Wealth Forecasting System

1. Purpose and Description of Wealth Forecasting Analysis

Bernstein's Wealth Forecasting AnalysisSM is designed to assist investors in making long-term investment decisions regarding their allocation of investments among categories of financial assets. Our new planning tool consists of a four-step process: (1) Client Profile Input: the client's asset allocation, income, expenses, cash withdrawals, tax rate, risk-tolerance level, goals, and other factors; (2) Client Scenarios: in effect, questions the client would like our guidance on, which may touch on issues such as when to retire, what his/her cash-flow stream is likely to be, whether his/her portfolio can beat inflation long term, and how different asset allocations might impact his/her long-term security; (3) The Capital-Markets Engine: Our proprietary model, which uses our research and historical data to create a vast range of market returns, takes into account the linkages within and among the capital markets, as well as their unpredictability; and finally (4) A Probability Distribution of Outcomes: Based on the assets invested pursuant to the stated asset allocation, 90% of the estimated ranges of returns and asset values the client could expect to experience are represented within the range established by the 5th and 95th percentiles on "box and whiskers" graphs. However, outcomes outside this range are expected to occur 10% of the time; thus, the range does not establish the boundaries for all outcomes. Expected market returns on bonds are derived taking into account yield and other criteria. An important assumption is that stocks will, over time, outperform long bonds by a reasonable amount, although this is in no way a certainty. Moreover, actual future results may not meet Bernstein's estimates of the range of market returns, as these results are subject to a variety of economic, market, and other variables. Accordingly, the analysis should not be construed as a promise of actual future results, the actual range of future results, or the actual probability that these results will be realized.

2. Retirement Vehicles

Each retirement plan is modeled as one of the following vehicles: Traditional IRA, 401(k), 403(b), Keogh, or Roth IRA/401(k). One of the significant differences among these vehicle types is the date at which mandatory distributions commence. For traditional IRA vehicles, mandatory distributions are assumed to commence during the year in which the investor reaches the age of 70.5. For 401(k), 403(b), and Keogh vehicles, mandatory distributions are assumed to commence at the later of (i) the year in which the investor reaches the age of 70.5 or (ii) the year in which the investor retires. In the case of a married couple, these dates are based on the date of birth of the older spouse. The minimum mandatory withdrawal is estimated using the Minimum Distribution Incidental Benefit tables as published on www.irs.gov. For Roth IRA/401(k) vehicles, there are no mandatory distributions. Distributions from Roth IRA/401(k) that exceed principal will be taxed and/or penalized if the distributed assets are less than five years old and the contributor is less than 59.5 years old. All Roth 401(k) plans will be rolled into a Roth IRA plan when the investor turns 59.5 years old to avoid Minimum Distribution requirements.

3. Rebalancing

Another important planning assumption is how the asset allocation varies over time. We attempt to model how the portfolio would actually be managed. Cash flows and cash generated from portfolio turnover are used to maintain the selected asset allocation between cash, bonds, stocks, REITs, and hedge funds over the period of the analysis. Where this is not sufficient, an optimization program is run to trade off the mismatch between the actual allocation and targets against the cost of trading to rebalance. In general, the portfolio allocation will be maintained reasonably close to its target. In addition, in later years, there may be contention between the total relationship's allocation and those of the separate portfolios. For example, suppose an investor (in the top marginal federal tax bracket) begins with an asset mix consisting entirely of municipal bonds in his/her personal portfolio and entirely of stocks in his/her retirement portfolio. If personal assets are spent, the mix between stocks and bonds will be pulled away from targets. We put primary weight on maintaining the overall allocation near target, which may result in an allocation to taxable bonds in the retirement portfolio as the personal assets decrease in value relative to the retirement portfolio's value.

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4. Expenses and Spending Plans (Withdrawals)

All results are generally shown after applicable taxes and after anticipated withdrawals and/or additions, unless otherwise noted. Liquidations may result in realized gains or losses, which will have capital gains tax implications.

5. Modeled Asset Classes

The following assets or indexes were used in this analysis to represent the various model classes:

Asset Class	Modeled As...	Annual Turnover Rate
Short-Term Taxables	Taxable bonds with maturity of 2 years	50%
Intermediate-Term Diversified Municipals	AA-rated diversified municipal bonds of a 7-year maturity	30%
Intermediate-Term Taxables	Taxable bonds with maturity of 7 years	30%
U.S. Value	S & P / Barra Value Index	15%
U.S. Growth	S & P / Barra Growth Index	15%
Developed International	MSCI EAFE Unhedged	15%
Emerging Markets	MSCI Emerging Markets Index	20%

6. Volatility

Volatility is a measure of dispersion of expected returns around the average. The greater the volatility, the more likely it is that returns in any one period will be substantially above or below the expected result. The volatility for each asset class used in this analysis is listed on the Capital Markets Projections page at the end of these Notes. In general, two-thirds of the returns will be within one standard deviation. For example, assuming that stocks are expected to return 8.0% on a compounded basis and the volatility of returns on stocks is 17.0%, in any one year it is likely that two-thirds of the projected returns will be between (8.9)% and 28.8%. With intermediate government bonds, if the expected compound return is assumed to be 5.0% and the volatility is assumed to be 6.0%, two-thirds of the outcomes will typically be between (1.1)% and 11.5%. Bernstein's forecast of volatility is based on historical data and incorporates Bernstein's judgment that the volatility of fixed income assets is different for different time periods.

7. Technical Assumptions

Bernstein's Wealth Forecasting System is based on a number of technical assumptions regarding the future behavior of financial markets. Bernstein's Capital Markets Engine is the module responsible for creating simulations of returns in the capital markets. These simulations are based on inputs that summarize the current condition of the capital markets as of March 31, 2011. Therefore, the first 12-month period of simulated returns represents the period from March 31, 2011 through March 31, 2012, and not necessarily the calendar year of 2011. A description of these technical assumptions is available on request.

8. Tax Implications

Before making any asset allocation decisions, an investor should review with his/her tax advisor the tax liabilities incurred by the different investment alternatives presented herein, including any capital gains that would be incurred as a result of liquidating all or part of his/her portfolio, retirement-plan distributions, investments in municipal or taxable bonds, etc. Bernstein does not provide tax, legal, or accounting advice. In considering this material, you should discuss your individual circumstances with professionals in those areas before making any decisions.

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9. Tax Rates

Bernstein's Wealth Forecasting Analysis has used the following tax rates for this analysis:

Taxpayer	Scenario	Start Year	End Year	Federal Income Tax Rate	Federal Capital Gains Tax Rate	State Income Tax Rate	State Capital Gains Tax Rate	Tax Method Type
Client	All	2011	2060	See below	See below	6.50%	6.50%	Top Marginal Rates

The federal income tax rate represents Bernstein's estimate of either the top marginal tax bracket or an "average" rate calculated based upon the marginal rate schedule. The federal capital gains tax rate is represented by the lesser of the top marginal income tax bracket or the current cap on capital gains for an individual or corporation, as applicable. Federal tax rates are blended with applicable state tax rates by including, among other things, federal deductions for state income and capital gains taxes. The state tax rate generally represents Bernstein's estimate of the top marginal rate, if applicable.

The Wealth Forecasting System uses the following top marginal tax rates: During 2011-2012, federal income tax rate is 35%, and federal capital gains tax rate is 15%. For 2013 and beyond, federal income tax rate becomes 39.6%, and federal capital gains tax rate becomes 20%. The FICA tax for 2011 is 4.2%, and becomes 6.2% for 2012 and beyond. For AMT purposes, federal income tax rate is 28%, and federal capital gains tax rate is 20%. The transfer tax rate is 35% and the gift/estate tax exclusion amount and GST exemption amount is \$5 million (adjusted for inflation); it is assumed the transfer tax system will not change in 2013.

10. Intentionally Defective Grantor Trusts (IDGTs)

The Intentionally Defective Grantor Trust (IDGT) is modeled as an irrevocable trust whose assets are treated as the grantor's for income tax purposes, but not for gift or estate tax purposes. Some income- and transfer-tax consequences associated with transfers to and the operation of an IDGT remain uncertain, and the strategy may be subject to challenge by the IRS. Hence, this technique requires substantial guidance from tax and legal advisors. The grantor may give assets to the trust, which will require using gift tax exemptions or exclusions, or paying gift taxes. The IDGT is modeled with one or more current beneficiaries, and one or more remainder beneficiaries. Distributions to the current beneficiaries are not required, but the system permits the user to structure annual distributions in a number of different ways, including 1) an amount or a percentage of fiduciary accounting income (FAI) (which may be defined to include some or all realized capital gains); 2) FAI plus some principal, expressed either as a percentage of trust assets or as a dollar amount; 3) An annuity, or fixed dollar amount, which may be increased annually by inflation, or by a fixed percentage; 4) A unitrust, or annual payment of a percentage of trust assets, based on the trust's value at the beginning of the year, or average over multiple years; or 5) any combination of the above four payout methods. Because the IDGT is modeled as a grantor trust, the system calculates all taxes on income and realized capital gains that occur in the IDGT portfolio each year, based on the grantor's tax rates and other income, and pays them from the grantor's personal portfolio. The IDGT may continue for the duration of the analysis, or the trust assets may be distributed in cash or in kind at a specific point in time or periodically to (1) a non-modeled recipient, (2) a taxable trust, or (3) a taxable portfolio for someone other than the grantor. If applicable, an installment sale to an IDGT may be modeled as a user-entered initial 'seed' gift followed by a sale of additional assets to the trust. The system will use one of two methods to repay the value of the sale assets plus interest (less any user-specified discount to the grantor): 1) user-defined payback schedule, or 2) annual interest-only payments at the applicable federal rate (AFR) appropriate for the month of sale and the term of the installment note, with a balloon payment of principal plus any unpaid interest at the end of the specified term.

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11. Grantor Retained Annuity Trusts

The Grantor Retained Annuity Trust (GRAT) is a wealth transfer vehicle which receives its initial funding from the grantor and transfers annuity payments to the grantor's personal portfolio each year. The annuity amounts, which are determined in advance, may be fixed (the same amount each year) or increasing (growing each year by no more than 20% of the previous year's amount). The annuity payment is made first from available cash, and then from other portfolio assets in kind. Because the GRAT is modeled as a grantor trust, the system calculates all taxes on income and realized capital gains that occur in the GRAT portfolio each year, based on the grantor's tax rates and other income, and pays them from the grantor's personal portfolio. When the GRAT term ends, the remainder, if any, may be transferred in cash or in kind (as the user specifies) to (1) a non-modeled recipient, (2) a continuing grantor trust, or (3) a taxable trust. If the remainder is transferred in kind, the assets will have carryover basis.

12. Rolling Grantor Retained Annuity Trust Strategy

The Rolling Grantor Retained Annuity Trust (GRAT) is a wealth transfer strategy which consists of a series of GRATs. Each GRAT is a wealth transfer vehicle that receives its initial funding from the grantor, and transfers annuity payments to the grantor's personal portfolio. Each year, the annuity payments from all existing GRATs are used to establish a new GRAT. The annuity amounts, which are determined in advance, may be fixed (the same amount each year) or increasing (growing each year by no more than 20% of the previous year's amount). Because the GRAT is modeled as a grantor trust, the system calculates all taxes on income and realized capital gains that occur in all GRAT portfolios each year, based on the grantor's tax rates and other income, and pays them either from the grantor's personal portfolio, or if specified, from annuity payments before funding the next GRAT. The remainders of all individual GRATs may be transferred in cash or in kind to (1) a non-modeled recipient, (2) a continuing grantor trust, (3) a taxable trust, or (4) a taxable portfolio for someone other than the grantor. In each year in which a new GRAT is to be created (aside from Year 1), we use our Capital Markets Engine to generate an IRS Section 7520 rate that is consistent with the concurrent yield curve environment. Using this rate as a discount rate, we are able to continually construct new "zeroed-out" GRATs in an ever-changing interest rate environment.

13. Charitable Lead Trusts

The Charitable Lead Trust (CLT) is modeled as a portfolio which receives its initial funding from the grantor and transfers payments to one or more charitable recipients each year for a specified number of years. The annual payments may be a fixed dollar amount (Charitable Lead Annuity Trust or CLAT) or a percentage of the trust's assets (Charitable Lead Unitrust or CLUT). In the case of a CLAT, annuities may be fixed (the same amount each year), or variable (so long as the present value of the annuity is ascertainable at the time the trust is funded). The annual payment is made first from available cash and then from other trust assets in kind. The trust will pay income taxes on retained income and will receive a charitable income tax deduction for income paid to the charitable recipient(s). Realized capital gains may be treated in one of two ways, as directed: 1) taxed entirely to the trust, or 2) included in the payment to charity and, therefore, deducted from the trust's income, to the extent the payment exceeds traditional income. When the CLT term ends, the remainder, if any, may be transferred in kind to 1) a non-modeled recipient, 2) a taxable trust, or 3) a beneficiary's portfolio. The transferred assets will have carryover basis.

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14. Lifetime Gifting and Generation Skipping Transfers

The Wealth Forecasting System models the transfer taxes on gifts to descendants, including generation-skipping transfers (i.e., direct skips, taxable terminations and taxable distributions). The system applies the transfer tax regime applicable in the year of the gift under the current law. The system takes into account gifts made prior to the beginning of the analysis by the transferor and the transferor's spouse (if applicable). The system reflects the use of credits, exemptions and exclusions resulting from transfers to portfolios that are not modeled in the system (e.g. a life insurance trust). When modeling gifts from a member of a married couple, it is assumed that the couple "splits" gifts throughout the duration of the analysis. For transfers to children (the second generation) or grandchildren (the third generation), the system assumes that the gifts are made in equal shares to each member of the generation to which the gift is made.

15. Estate Transfer and Taxation

The Wealth Forecasting System models the transfer of assets to children, more remote descendants, and charities, taking into account applicable wealth transfer taxes. If the analysis concerns a grantor and his or her spouse, the System assumes that only the first to die owns assets in his or her individual name and that no assets are owned jointly. It is further assumed that the couple's estate plan provides that an amount equal to the largest amount that can pass free of Federal estate tax by reason of the Federal unified credit against estate taxes (or, if desired, the largest amount that can pass without state death tax, if less) passes to a trust for the benefit of the surviving spouse and/or descendants of the first-to-die, or directly to one or more of those descendants. It is further assumed that the balance of the first-to-die's individually owned assets passes outright to the surviving spouse and that such transfer qualifies for the Federal estate tax marital deduction. Any state death taxes payable at the death of the first-to-die before 2010 are assumed to be paid from the assets otherwise passing to the surviving spouse. To the extent that this assumption results in an increase in state death taxes under any state's law, this increase is ignored. In addition, it is assumed that the surviving spouse "rolls over" into a traditional IRA in his or her own name any assets in any retirement accounts (e.g., a traditional IRA), except Roth IRA, owned by the first to die. Roth IRA assets are rolled over into a Roth IRA plan owned by the surviving spouse. The surviving spouse withdraws each year at least the minimum required distribution ("MRD"), if any, from the traditional IRA. At the survivor's death, all applicable wealth transfer taxes are paid, taking into account any deductions to which the survivor's estate may be entitled for gifts to charity and/or (before 2010) the payment of state death taxes. The balance of the survivor's individually-owned assets passes to descendants and/or charities and/or trusts for their benefit. The survivor's retirement accounts (if any) pass to descendants and/or charities. To the extent that a retirement account passes to more than one individual beneficiary, it is assumed that separate accounts are established for each beneficiary and that each takes at least the MRD each year from the Roth IRA and/or traditional IRA account. In all cases, it is assumed that all expenses are paid from an individual's taxable accounts rather than his or her retirement accounts to the maximum extent possible.