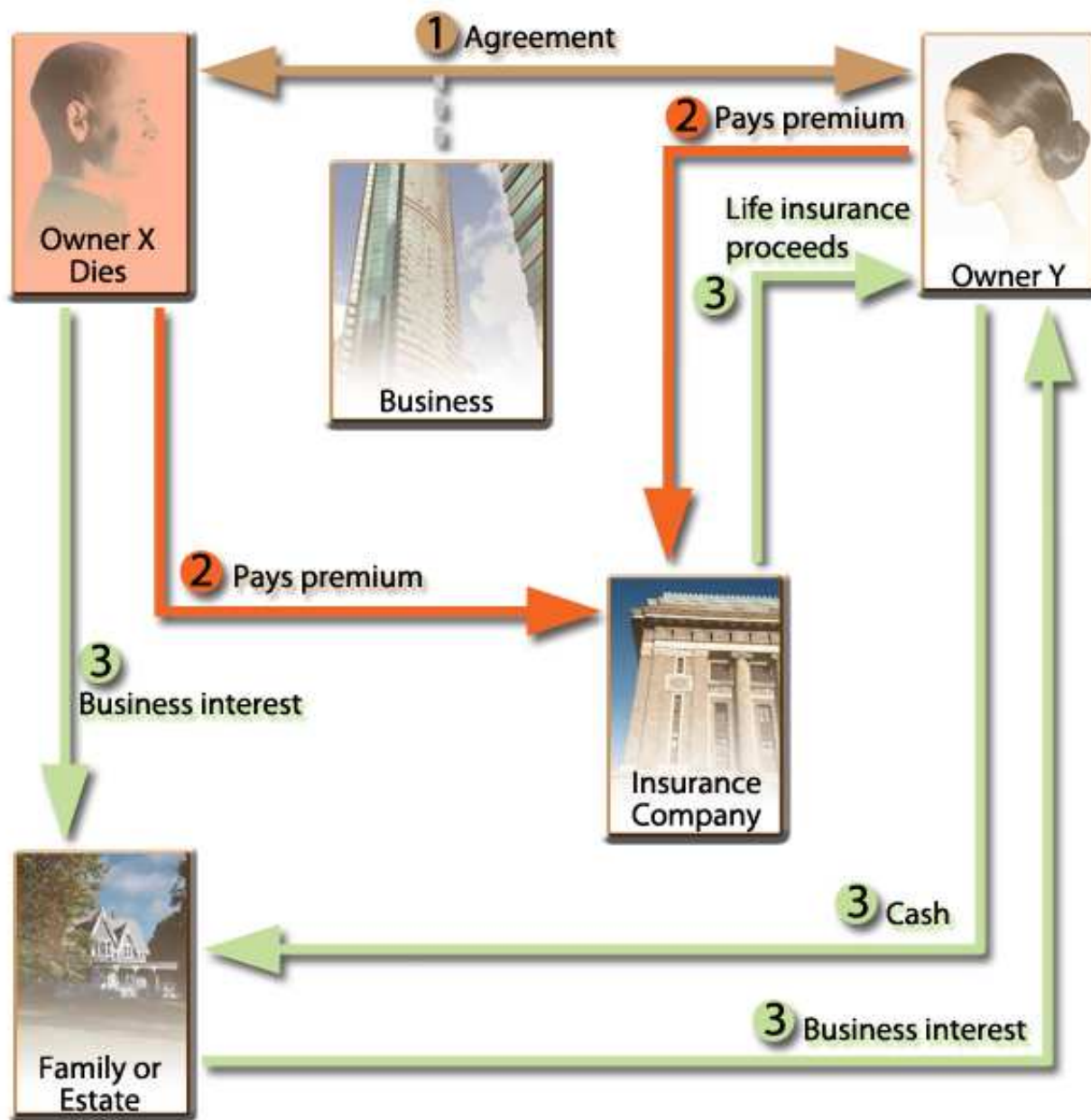


How Cross Purchase Plans Work



- 1 The owners of the business enter into an agreement among themselves. The agreement requires that, at the death of an owner, his or her share of the business will be sold to the other owner(s).
- 2 With this agreement in place, each owner buys individual insurance policies on the life of each of the other owners. The purchase of life insurance ensures that funds will be available for the surviving owner(s) to buy a deceased owner's business interest.
- 3 When an owner dies, the owner's business interest passes to his or her heirs. The surviving owner(s) collect the insurance proceeds from the insurer and use that money to buy the business interest from the deceased owner's estate.

When the stock is bought back, each surviving owner's share of the business is increased proportionately.

