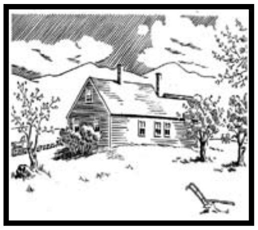
Chapter 2.
SUCCESS STORIES



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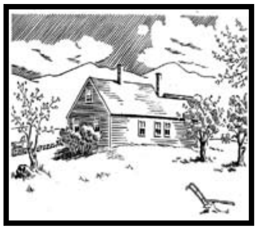
The following example of a successful estate planning process was compiled in the spring of 2006. We greatly thank the Harding/Kirkbride family for sharing their story.

The second example is taken from "Transferring the Family Farm: What Worked, What Didn't for 10 New Jersey Families" a publication of the New Jersey Farm Link Program and is re-printed with their permission. The publication can be accessed at http://www.nj.gov/agriculture/sadc/publications/transferprofilesbooklet.pdf.



Harding & Kirkbride Livestock Co., Meriden, WY

Ranch Background
The Harding & Kirkbride Ranch and Livestock Company was officially incorporated in 1924 by two long-time ranching families, both who had come to Wyoming in the 1880s. Jeff Kirkbride's great-grandmother and great-grandfather married and along with the great-grandmother's brother formed the original ranch, with headquarters in Meriden. Today there are two additional ranches located at Chugwater and Rock River. The families ran both sheep and cattle until the late 1970s, but today the operation is just cow/calf and yearling cattle. The family also puts up a small amount of meadow hay, though they primarily use Wyoming grass for their feed. Today, all employees of the ranch are family members and descendants of the original Harding and Kirkbride partners.

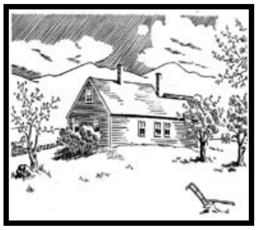
Transfer Process
The original partners started the transfer process by slowly gifting shares to the next generation, whenever legally and financially possible. They would also sell shares to their children occasionally. Over the years, this has been the main process for transferring the ranch to the next generation. Today, when family members want to come back to the ranch, they buy shares in the ranch to get their start.

Today, the ranch stands as a corporation with a limited amount of owners. Only the people who are working on the ranch have ownership. Jeff points out that this system may change in the future, but for now that is the process. There are currently three different generations incorporated in the ownership, which includes seven Kirkbride's and six Harding's. The family members continue to pass down ownership to the next generations. The family keeps very good records on the ranch. All official documents such as insurance policies, buy-sell arrangements, contracts, etc. are kept in one central location. The family has assigned one person to be the "clearinghouse" for such information. Jeff points out that other copies of the information may exist, but they are careful to keep one copy of everything in one place.

The corporation officially meets twice a year, including a March meeting to set price shares and elect directors. But those two meetings are far from the only communication that occurs. There are four different ranch sites and each is somewhat independent from the other. Still, there is significant communication between everyone. Jeff feels that this is one of the necessary components for the ranch's success. Along with conversations that take place around the back of the pickup truck, the family members also use email to communicate about different things going on at each place. Jeff says, "we communicate inter-ranch most every day of the week. Some of those interactions are phone calls, some emails and some meetings in person. We spend at least two to three hours a week in conference with each other in some way." Jeff's dad, Jon, is the president of the corporation and while decisions are usually made as a group, Jon would ultimately serve as 'where the buck would stop.'

As family members come back to the ranch, they seem to evolve toward things that are personal strengths. Jeff says, "Everybody has a strength that is important. We work really hard to encourage each owner to oversee or have significant input in areas they enjoy and can help flourish. That's another significant part of what will make the ranch successful."

To keep the ranch going in the future, the family is committed to working hard to continue to expand the size and scope of the operation which, as Jeff points out, can be hard in today's environment with high land prices and inflation. "Growth is the key. We are looking at such



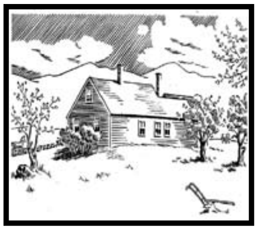
things as solar power, different pasture rotations and usage and more creative ways to bring people back to the ranch." Today, the ranch leases more land and runs more cattle than ever before.

Advice for other ranchers

Jeff believes it is never too early to start planning. He points out that it's one thing to have informal discussions, but the family works hard at putting ideas down on paper. They put together a plan for the next ten to twenty years and then keep revaluating that plan at yearly intervals. Jeff stresses that foresight and forethought are very important, "Be proactive. Talk about the future. Come up with ideas and possible solutions for what might happen." The vision for the ranch has been passed down from generation to generation for decades. Jeff says, "We do not have a an official 'vision' or 'mission statement.' But we do have a common goal -- a common vision which shows up in the decisions we make as a unit. I would summarize, in my own mind, in these four words -- effeciency, growth, sustainablity, enjoyment."

Another key to the ranch's success is their use of highly trained and knowledgeable experts to help with estate planning. They consult with these individual experts frequently and the company relies on their assistance and advice. Jeff believes that their work with an estate planning attorney has been essential to what they've been able to do. They've also received assistance from several financial planners, as well as insurance agents. Accountants have also been very important because of changing tax laws.

Another tool that the ranch has used has been life insurance. Jeff says, "When you have significant estates vested in the older generation, if something happens to that person, no one else will be able to afford to purchase their shares or buy their spouse out." The ranch has assisted in purchasing insurance on the partners so that if someone dies prematurely or needs to leave the business, the other partners can afford to buy the shares from the surviving spouse.



Johnsen Farm, New Jersey

This profile describes a farm transfer gone awry. The Johnsen family farm dates to the early 1900s and continues today with the third generation. The family's most recent transition was acrimonious and literally tore the family apart. Following a breach of confidentiality on the part of the family's estate planner, disagreements over the pending farm transfer gained steam, leading one family member to sue the others for control of the farm. The farm eventually was divided up between the members of the third generation, but the farm and the family were never the same. At the family's request, names have been changed to protect privacy.

Farm Background

The Johnsen Farm began in the early 1900s when Frederick and Marie Johnsen, a European immigrant couple, purchased some land in northern New Jersey. The family started with milk cows and a garden. Over the years, the Johnsens steadily increased the size of the herd.

Frederick and Marie's son, Andrew, took over the family farm in the late 1920s. He continued the dairy operation and expanded the herd. As the farm grew, Andrew and his wife, Katherine, had three children, Elizabeth, Michael and Joseph. The couple's children all grew up on the farm and were actively involved in its operation. As adults, Elizabeth and Michael moved away from the farm and pursued off-farm careers. They nonetheless stayed in touch with the family and would help out on the farm whenever their schedules would allow. Joseph, meanwhile, remained nearby and continued to work on the farm full-time. During this period, the farm grew to encompass roughly 500 acres. The dairy herd, at its largest, consisted of as many as 100 cows.

Farm Transfer Process

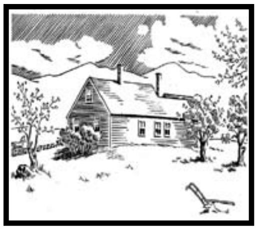
Andrew and Katherine began the estate planning process as they approached retirement age in the late 1970s. As it turned out, this process would occur in two phases.

During the first phase, Andrew and Katherine established a plan to transfer the farm to their children. Andrew and Katherine did not discuss any of the plan's details with the family, however. The next generation was therefore unaware of the shape of these plans or who had been consulted in developing them. All the family knew was that the farm was to be passed to the three children.

A few years after the plan had been developed, Joseph approached his parents about the children receiving their inheritance, or their piece of the farm, while Andrew and Katherine were still living. Joseph felt this step might help alleviate potential inheritance taxes. This discussion put Andrew and Katherine's second attempt at estate planning into motion.

During this second phase, the Johnsens decided to use an estate planner. They chose him on the recommendation of their local bank. The estate planner asked to speak with each family member individually to determine each person's particular wishes for the estate transfer. The family members were repeatedly told that their conversations would remain confidential. Naturally, there were differences of opinion and different goals in mind concerning how the farm should be passed on. The Johnsens were generally aware of these differences but perhaps not the details behind them.

Throughout the process, Joseph expected to receive the greatest share of the control or ownership of the family farm. He felt this was justified because he was doing most of the farming. Elizabeth and Michael expected to receive a portion of the farm, too, but were more concerned with other matters. They were concerned with keeping the farm in the family and deferring to Andrew and Katherine to make sure the senior generation's wishes were carried out. Andrew and Katherine, meanwhile, wanted to first gather everyone's opinion on how the



transfer should be shaped. They then expected to divide up the farm in an equitable manner.

Challenges

As a result of family members' differences, the planning process began to break down. The situation was then exacerbated when the estate planner broke his pledge of confidentiality. He openly shared with Joseph information he had gathered from the other family members.

Concerned that he would not be getting his fair share of the farm, Joseph responded with anger and made many demands on the family, including that he be given the whole farm. Andrew and Katherine's attorney suggested the parents remedy the situation by displacing Joseph from the farm and not allowing him to be involved in the family farm operation. Andrew and Katherine rejected this idea and continued trying to resolve the situation on their own.

Family tensions and divisions continued to grow over the next year. Then Joseph and his wife, who still were not satisfied with the direction of the transfer, filed lawsuits against Joseph's parents, brother and sister for the family's estate. Elizabeth was living in another state at the time and was shocked when she was served with the papers. "I didn't know what to think," she says. "Here was a brother whom I had worked with, and I just couldn't believe he had done this. My parents couldn't believe that their own son had done this either." Andrew and Katherine had never imagined being sued or forcefully challenged by one of their children. They had always thought their children would respect their transfer decisions.

Those family members being sued all retained separate lawyers to handle their cases. It took about one year for all the lawsuits to be settled. To fight the suit brought against her, Elizabeth spent over $10,000. Elizabeth recalls how the sibling who sued the family was not even completely satisfied with the outcome of the lawsuit. Rather, Joseph and his wife had "settled" for the judge's decision so as to resolve the situation.

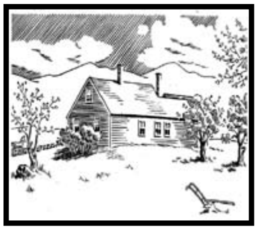
Resolution of the Farm Transfer

According to Elizabeth, the lawsuit and its resolution brought about the end of the farm as the family had known and built it. The farm was divided among the children, and the family left the dairy business.

Elizabeth received 100 acres, Michael received 100 acres and Joseph, the sibling who had brought on the lawsuits, received the balance of the farm's acreage. In order for Andrew and Katherine to have an income, it was decided that each child would hold a mortgage on his or her share of the farm. The mortgages were designed so that payments would be made to Andrew and Katherine until the time of their passing. When that occurred, the mortgages would be considered paid off and the transfer would be considered complete.

Soon after the suit had been finalized, the Johnsens sold their dairy cows through a government buyout program. Ceasing dairying as their full-time occupation was particularly difficult for Andrew and Katherine. Although they continued to grow field crops and hay and to raise some animals, the change left them feeling disconnected from the familiar agricultural organizations, farm shows and social network that had filled their dairy days. Nonetheless, the couple continued farming. Andrew farmed into his 80s and passed away in his 90s, about 15 years after the lawsuit had determined the fate of the farm transfer. Katherine had passed away earlier.

Johnsen Farm's land continues to be in production today. Elizabeth and Michael each rent their acreage to the same young farmer, who produces hay. Joseph's family, meanwhile, preserved their farm and rents the land to



another farmer who grows grain.

Relationships

According to Elizabeth, the farm transfer process was contentious and created divisions within the family. She describes the situation as having been a full-fledged family crisis. Communication broke down. Misunderstanding and competing interests and perceptions took hold. One family member sued the others.

The situation continued to deteriorate from there. Nobody had expected that a family lawsuit would be a part of the transfer process. As the suit progressed, a wedge developed between Joseph and the rest of the family. This break continued once the farm was divided up. The family was upset and angry that Joseph had sued. To this day, Joseph's family remains estranged from the rest of the Johnsens.

In Elizabeth's description of her brother, Elizabeth includes both love and disbelief. "Joseph was a wonderful brother," she says, "but I could never understand why he did it." Elizabeth remains in close contact with her other brother, Michael.

Advice for Other Farmers

Looking back, Elizabeth goes back to the estate planner's actions as the start of her family's problems. She also acknowledges that the family had different visions of how the transfer should go. In this light, some of the family's disagreements probably would have happened anyway. Whether or not these issues would have led to a fractious lawsuit on their own – rather than coupled with the estate planner's unique confidential-conversation approach and breach of confidentiality – is another question.

Elizabeth remains suspicious of estate planning because of what her family suffered through. She advises that farm families take a hard look at whom they utilize to manage their planning processes. In her opinion, the trustworthiness of this individual or organization must be unparalleled. The trustworthiness and perspectives of all family members must also be examined.

Elizabeth hopes other families will not have to pay the same price that she and her family paid so dearly. Estate and farm transfer planning can work, she says, but it has to be done right and with the right people.