

FREED & SHEPHERD, P.C.

ATTORNEYS & COUNSELORS AT LAW

9030 STONY POINT PARKWAY

SUITE 400

RICHMOND, VIRGINIA 23235

Phone: (804) 330-5528
Fax: (804) 330-5940
E-Mail: info@freshlaw.com
Internet: www.freshlaw.com

ASHLAND OFFICE:
629-C N. Washington Highway
Ashland, Virginia 23005

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Important Message Regarding Potential Repeal of Valuation Discounts

Dear Clients and Professional Advisors:

On January 9, 2009, H.R. 436, entitled "Certain Estate Tax Relief Act of 2009" was introduced in the House of Representatives, which, among other things, seeks to eliminate most valuation discounts associated with family controlled entities (LLCs, limited partnerships, corporations) containing "non-business assets." In general, valuation discounts are advantageous because they may significantly reduce the value of transferred property and allow for a shift in assets to younger generations in a tax effective manner. As proposed, HR 436 would apply to transfers occurring after the date of enactment. **Therefore, the opportunity to take advantage of valuation discounts in the gifting of family controlled entities may be closing and the time to act is now.**

If your estate plan currently includes a family controlled entity and you are either: 1) presently engaged in the gifting of such entity interests; or, 2) we have advised you in the past that you should be engaged in the gifting of such entity interests, now is the time to make these gifts before valuation discounts are eliminated. Additionally, if we have advised you in the past to consider forming a family controlled entity (such as an LLC), we believe that now is the time to form the entity and to make gifts of interests in that entity.

Additionally, given decreased asset values created by the recession and low interest rates, there is an excellent opportunity to gift to your descendants undervalued assets that are expected to appreciate in value. This will remove these assets from your estate and effectively transfer the appreciation to your descendants free of estate or gift tax.

If you believe that the information in this letter may apply to you, please contact me. As always, we appreciate the continued opportunity to assist you in your estate planning.

Very truly yours,

Freed & Shepherd, P.C.