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Derek L. Smith

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PLANNING TECHNIQUES FOR THE GST EXEMPTION
IN GENERATION-SKIPPING TRUSTS

By

Derek L. Smith

I. Introduction

A. Enactment of new legislation

1. The Tax Reform Act of 1986 ("Act") repealed the 1976 version of the generation-skipping transfer tax in Chapter 13 of the Internal Revenue Code and substituted an entirely new transfer tax.
2. This outline assumes a general familiarity with the terminology and mechanics of the new generation-skipping transfer ("GST") tax.

B. Planning Objective

1. The stated purpose of the GST tax is to promote uniformity in the tax consequences for transfers of property to beneficiaries more than one generation younger than the transferor, without regard to whether the property passes in succession to each younger generation or skips one or more generations. In other words, the GST tax is intended to have substantially the same effect as an additional gift or estate tax imposed at the generation that would otherwise be skipped for transfer tax purposes.
2. The imposition of a GST tax may in fact be more onerous than a gift or estate tax applied to the same transaction because of the absence of lower marginal tax rates and certain tax credits.
3. The planning techniques presented in this outline reflect the general objective of avoiding the imposition of any GST tax. This is accomplished first by the utilization of available exemptions and exclusions, and then by the substitution of gift or estate taxes at the first younger generation.

C. Effect on existing plans

1. GST tax planning is not limited to the super rich who can afford lifetime or testamentary gifts to grandchildren to take advantage of the \$2,000,000 per grandchild exclusion provided by the Gallo amendment.
2. Candidates for GST tax planning (rule of thumb):
 - a. Single individuals whose estates may exceed \$1,000,000.
 - b. Married couples whose combined estates may exceed \$1,600,000.
3. The GST tax has added an entirely new dimension to estate planning. The changes in planning techniques are more dramatic than those necessitated by ERTA.

II. \$1,000,000 GST Exemption

A. In general

1. The GST exemption is the most important planning device for GST tax purposes, comparable in significance to the unified credit exemption in estate tax planning.
2. Although there are numerous other facets to GST tax planning, the GST exemption probably accounts for most of the time and effort expended by planners.
3. Every individual has a \$1,000,000 GST exemption that may be allocated on a cumulative basis to generation-skipping transfers (or potential generation-skipping transfers) made during lifetime or at death. § 2631(a).

B. Allocation and deemed allocation

1. With respect to lifetime direct skips, the transferor's unused GST exemption will automatically be applied to those transfers, in order of occurrence, to produce an inclusion ratio of zero. The transferor may elect to negate this automatic allocation. § 2632(b).

2. There is no automatic allocation of the GST exemption to lifetime GST transfers other than direct skips.
3. The instructions for revised Form 709 do not treat the allocation of the GST exemption to direct skips as automatic. The allocation appears to be elective for all generation-skipping transfers without distinction.
4. Once made, a GST exemption allocation is irrevocable. § 2631(b).
5. An allocation may be made for any unused GST exemption at any time on or before the due date for filing the transferor's federal estate tax return. Presumably, the allocation is to be made by the executor.
6. If an allocation is not made within the specified time period, an arbitrary allocation is applied, as follows:
 - a. First, to all direct skips occurring at the transferor's death, and
 - b. Second, to all other trusts from which a taxable distribution or taxable termination may occur at any time on or after the transferor's death.
 - c. For multiple transfers within either category, the GST exemption is allocated in proportion to the values of the non-exempt portions of the properties or trusts.
7. Affirmative allocation of the unused GST exemption should always be made in order to:
 - a. Avoid a partial exemption for more than one trust,
 - b. Apply the exemption to a trust having certain GST tax consequences, rather than remote tax consequences, or
 - c. Apply the exemption to a trust that has the potential for multiple generation skips, rather than a single generation skip.

C. Spouses' separate exemptions

1. A married couple has two \$1,000,000 GST exemptions, but the exemptions cannot be freely transferred between the spouses.
2. A split-gift election treats each spouse as the transferor of one-half of the inter vivos transfers made during the calendar year. Each spouse's separate GST exemption may be allocated to his or her half of the transfer.
3. Lifetime or testamentary transfers to the less wealthy spouse may assure that both GST exemptions are fully utilized.

D. QTIP election

1. The beneficiary spouse of a marital deduction trust is generally treated as the transferor as to any generation-skipping transfer under the trust occurring after that spouse's death. Consequently, only the beneficiary spouse can allocate any GST exemption to the trust assets.
2. The application of this rule may be negated for QTIP trusts. The grantor of an inter vivos QTIP trust, or the executor with respect to a testamentary QTIP trust, may elect that the spouse creating the QTIP trust be treated as the transferor for GST tax purposes. § 2652(a)(3).
3. This election enables the GST exemption of the spouse who creates the QTIP trust to be allocated to the trust without loss of the gift or estate tax marital deduction.

E. Division of partially exempt trusts

1. If the allocation or deemed allocation of the GST exemption results in the creation of a trust that is only partially exempt from GST tax (i.e., a trust with an inclusion ratio other than 0 or 1), it may be desirable to split the trust into two separate trusts, one fully exempt and one not exempt.
2. Separate trusts permit different investment objectives to be applied (e.g., more capital appreciation for the exempt trust) and invasions to be made from one trust rather than the other.

Discretionary distributions to non-skip persons would generally be made from the non-exempt trust while distributions to skip persons would be charged to the exempt trust.

3. The proposed Technical Corrections Act of 1987 ("TCA") contains a provision that is apparently intended to prohibit the division of partially exempt trusts into separate exempt and non-exempt trusts. TCA § 114(f)(14). Under pressure from the ABA and other professional groups, the Treasury Department has indicated a willingness to reconsider this proposal.

F. Leveraging the GST exemption

1. Whether a particular transfer will serve to leverage the benefit of the GST exemption (i.e., discount the amount of the GST exemption needed to make a transfer wholly exempt) depends upon the computation of the applicable fraction in determining the inclusion ratio.
2. The denominator of the applicable fraction is the "value of the property transferred to the trust" reduced by the amount of federal and state death taxes paid from the property and the amount of any charitable gift or estate tax deduction. § 2642(a)(2)(B).
3. In the case of a grantor retained income trust it would appear that the GST exemption would have to be allocated against the entire value of the trust contribution, rather than the value of the remainder interest.
4. A qualified charitable lead trust may be used to leverage the GST exemption because the denominator of the fraction is reduced by the actuarial value of the charitable interest.
5. Because the present 10 percent Treasury tables have an adverse effect on the computation of annuity interests, use of a charitable lead unitrust is recommended.
6. Exhibit A illustrates the maximum contribution that may be made to a charitable lead unitrust without exceeding the \$1,000,000 GST exemption.

7. A proposed "technical correction" would delete the provision that permits a charitable deduction in determining the denominator of the applicable fraction. TCA § 114(f)(4)(C). Intense lobbying is under way to preserve the benefit of the charitable deduction for purposes of allocating the GST exemption.

III. Coordination With Estate Tax Planning

A. In general

1. Priority should generally be given to estate tax planning over GST tax planning.
2. The most successful plans are those that coordinate tax planning for both purposes.

B. Inconsistent exemptions

1. Difficulties arise in planning the estates of a married couple as a result of the inconsistent exemption amounts provided by the separate transfer tax systems.
2. A trust funded with the \$600,000 exemption equivalent of the unified credit fails to take full advantage of the \$1,000,000 GST exemption.
3. Increasing the size of the bypass trust to \$1,000,000 may cause the loss of some estate tax marital deduction. This approach satisfies GST tax planning objectives by sacrificing full estate tax deferral.

C. Illustrations

1. Assume Husband and Wife each has a separate estate of \$1,200,000. They have one Child who is independently wealthy. They also have one Grandchild who is the object of their affection. Assume Husband will die in 1990, and wife ten years later, with no appreciation in their estates.
2. In order to avoid GST taxes, Husband and Wife intend to leave their respective estates outright to Grandchild. Each spouse's GST exemption is allocated to the net assets passing to Grandchild

and the Family Trust (Article VII). The Family Trust consists of the usual unified credit exemption. Marital Trust Two equals the husband's unused GST exemption reduced by the value of the Family Trust. Marital Trust One consists of the remaining assets.

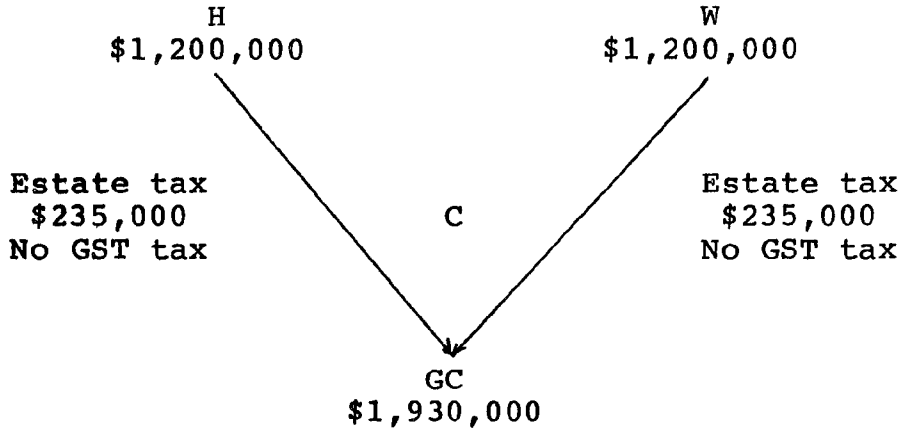
2. Marital Trust One is a general Power of appointment marital trust (Article II), but a QTIP trust would also be appropriate. Marital Trust Two must be a QTIP trust (Article III). In this example the Family Trust provides for sprinkling income and principal among the wife and descendants (Article IV).
3. It is contemplated that a full QTIP election will be made for Marital Trust Two. It is also anticipated that the executor will elect to treat the entire QTIP share of Marital Trust Two as if no QTIP election had been made for GST tax purposes (Article X G). Consequently, the husband will be treated as the transferor of Marital Trust Two for GST tax purposes even though the trust qualifies for the marital deduction and will be subject to estate tax in the wife's estate.
4. The husband's GST exemption should be allocated to the Family Trust and Marital Trust Two so that both trusts are fully exempt from GST tax (Article X I).
5. At the wife's death, the estate taxes attributable to Marital Trust One and Marital Trust Two are all paid from Marital Trust One, unless the wife otherwise appoints Marital Trust One (Article XI A). Marital Trust Two is added to the Family Trust without reduction for estate taxes (Article III B). The remaining assets of Marital Trust One are divided into two portions, the Exemption Share in the amount of the wife's unused GST exemption, and the Children's Share, constituting the balance of the assets (Article II B). The Exemption Share is also added to the Family Trust, so that its final value includes both spouses' GST exemptions. The Children's Share is distributed to the surviving descendants on a per stirpes basis, subject to a vested trust for any child under age thirty (Article V).
6. At the wife's death the Family Trust is distributed to surviving descendants, per stirpes,

subject to non-vested lifetime trusts for any surviving children (Article IV D).

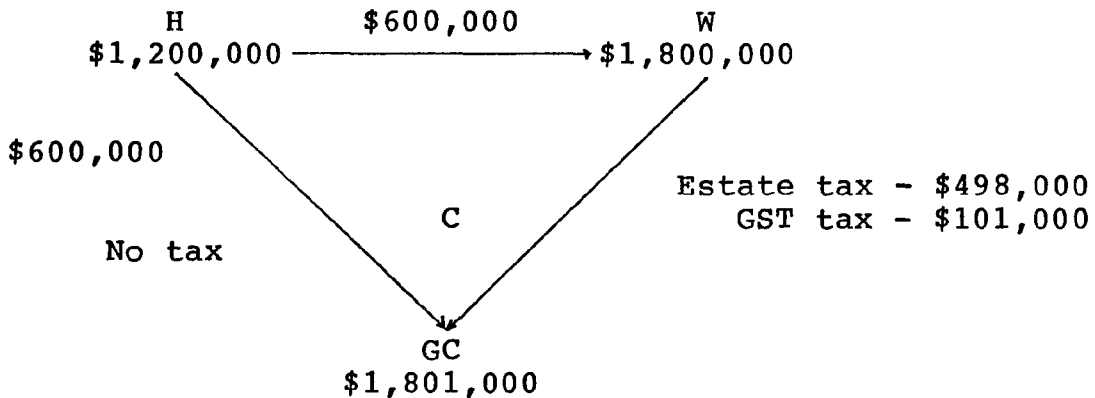
7. If the wife does not survive the husband, the residue is divided between the Family Trust and the Children's Share. In this case the Family Trust is increased to the full GST exemption available at the husband's death, and the Children's Share consists of the balance (Article VIII). The Family Trust and the Children's Share are administered on the same terms as before.

- C. Illustration. The following diagram illustrates the distribution of the husband's estate valued at \$3,000,000 assuming the wife survives having no separate estate, and disregarding any changes in asset values during the wife's lifetime.

by will. After payment of estate taxes, Grandchild's net inheritance will be \$1,930,000.



3. An astute estate planner points out to Husband and Wife the benefit of the marital deduction to postpone all estate taxes until Wife's death. He proposes that Husband leave only \$600,000 to Grandchild and the balance to Wife. Wife concurs. Each spouse's GST exemption will again be allocated to Grandchild's net inheritance.



4. Grandchild's net inheritance has been reduced by \$129,000, primarily due to GST taxes. Husband's transfer to Wife caused his estate to waste \$400,000 of GST exemption that would otherwise have precluded the GST tax.

D. Resolution using QTIP trust

1. The problem of taking full advantage of each spouse's GST exemption while preserving the estate tax deferral provided by the marital deduction can be resolved by use of a QTIP trust for the marital deduction transfer.
2. To the extent a QTIP election is made for the marital trust, an additional election may be made to treat the spouse who creates the trust as the transferor for GST tax purposes.
3. The electing spouse may allocate any unused GST exemption to the portion of the marital trust of which that spouse is deemed to be the transferor.

IV. "Balanced" GST Tax Plan

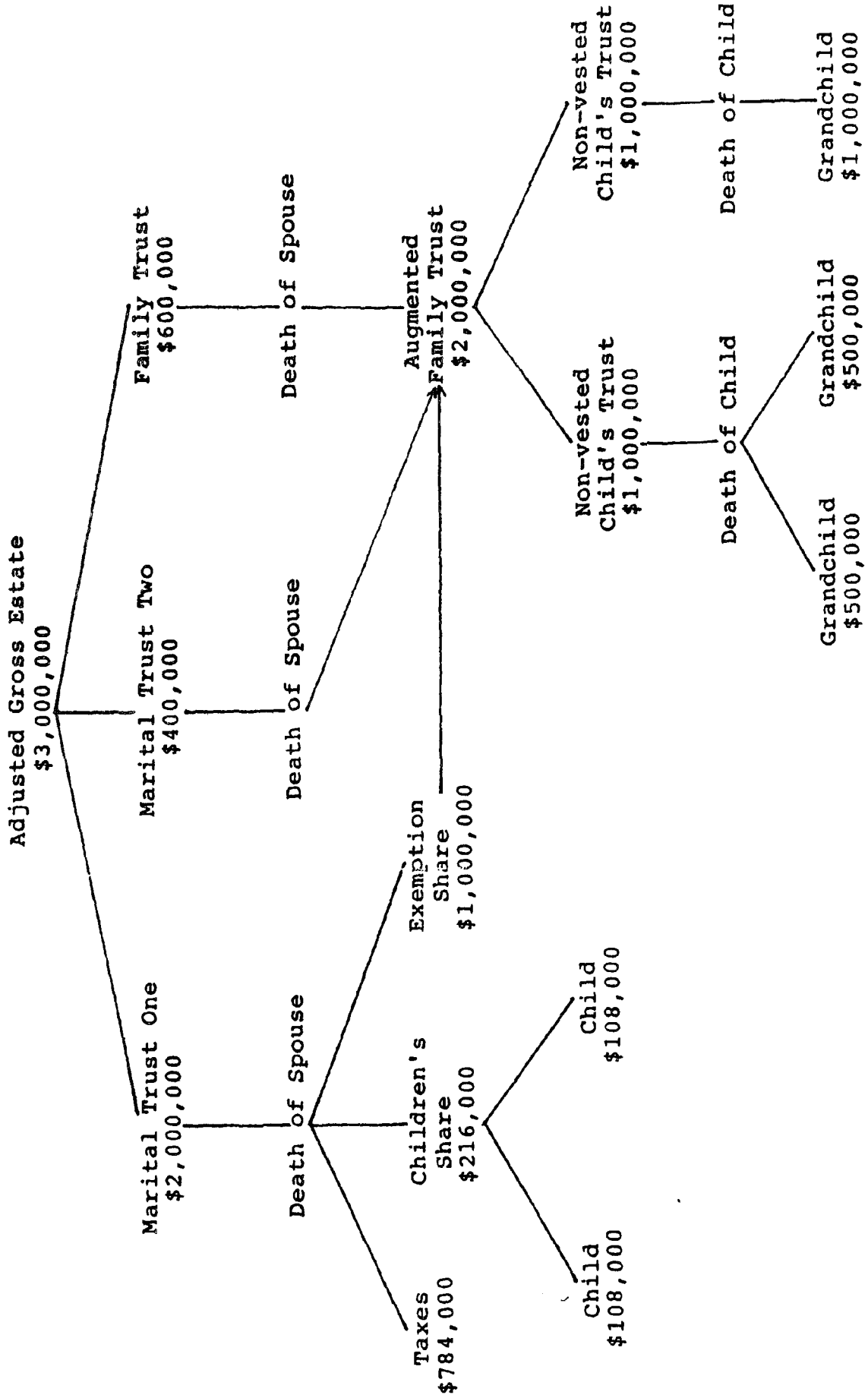
A. General provisions

1. Balanced GST tax planning for a married couple involves a dispositive scheme that makes effective use of each spouse's GST exemption without foregoing full estate tax deferral.
2. This plan is recommended when the spouses' combined estates are likely to exceed \$1,600,000. If the wealthier spouse is the first to die, the plan contemplates that the spouse's full \$1,000,000 GST exemption will be applied, even though the non-marital trust will not exceed \$600,000.
3. Non-vested lifetime trusts for children are also encouraged to insure that up to \$2,000,000 will pass to the grandchildren without estate or GST tax.
4. If the combined assets exceed the amount that may be sheltered by the spouses' GST exemptions, the excess should pass outright or in vested trusts for the children.

B. Sample trust agreement. Exhibit B at the conclusion of this outline is a trust agreement for the wealthier spouse (in this document, the husband) that illustrates the "balanced" GST tax plan.

1. If the wife survives, the residue of the estate (Article I C) is divided into two Marital Trusts

Balanced GST Tax Plan



V. "Optimum" GST Tax Plan

A. Planning objectives

1. Optimum planning for GST tax purposes is usually inconsistent with optimum planning for estate tax purposes. Estate tax deferral generally requires that the surviving spouse receive an income interest in all assets other than the unified credit exemption. This dilutes the potential amount of wealth that may be preserved for future generations using the GST exemption.
2. Life interests of children in generation-skipping trusts are similarly inconsistent with maximizing wealth transfers to more remote descendants.
3. In theory, an exempt generation-skipping trust should extend for the duration of the perpetuities period to avoid transfer taxes at as many successive generations as possible.
4. The optimum GST tax plan for a married couple presumes substantial wealth, usually in excess of \$5,000,000.
 - a. The estate tax plan will probably favor tax bracket equalization rather than full tax deferral.
 - b. The surviving spouse should forego the income from \$1,000,000 set aside for the GST exemption, as well as the income from the sum used to pay estate taxes.
 - c. Depending on available wealth, the plan may be supplemented by gifts to grandchildren qualifying for the \$2,000,000 grandchild exclusion if death occurs before 1990.

B. Sample trust agreement. Exhibit C provides a sample "optimum" GST tax plan.

1. The after-tax residue of the estate is again divided into three portions in Article VI. The Exemption Trust will consist of the husband's unused GST exemption. The remaining assets are divided between the Marital Trust and the Children's Share in a specified ratio (in this case, 2/3 Marital Trust, 1/3 Children's Share). In the alternative, the Marital Trust may be

pegged to a specified amount (e.g., one-half of the adjusted gross estate) and the balance applied to the Children's Share.

2. The Marital Trust (Article II) is a QTIP trust with a limited testamentary power of appointment. In default of appointment, the trust assets remaining after payment of estate taxes at the wife's death are divided into the Exemption Share and the Children's Share.
3. At the husband's death the Children's Share is distributed to descendants on a per stirpes basis (Article IV). In this case the shares of the children are held in separate lifetime trusts with general testamentary powers of appointment. At the wife's death, the separate trusts are augmented by additions from the Children's Share of the Marital Trust (Article II B(2)).
4. The Exemption Trust (Article III) is divided into separate trusts for the children (or the descendants of any deceased children). Income and principal may be sprinkled among the child and the child's descendants for the duration of the perpetuities period. The testator indicates his preference that reasonable income be paid to the child and later to descendants. At the wife's death, the Exemption Trust is augmented by the Exemption Share of the Marital Trust (Article II B(1)).
5. To provide flexibility and an opportunity to terminate the trust earlier than the perpetuities date if circumstances warrant, each child is given a limited testamentary power of appointment with respect to the child's separate trust (Article III C).
6. At the Termination Date the trust assets are distributed to the child's descendants on a per stirpes basis (Article III E). In the alternative, the trustee may be authorized to distribute the assets among surviving descendants in such shares as the trustee deems appropriate. This avoids two problems associated with per stirpes distribution. It is possible that income would not be distributed before termination consistent with a per stirpes allocation. A per stirpes distribution also favors the oldest generation beneficiaries living at the Termination

Date rather than the youngest generation beneficiaries. If trustee discretion as to the terminating distribution is undesirable, consider an equal division among all living descendants who have no living descendants (or no adult living descendants).

- C. Illustration. Following is a diagram illustrating the "optimum" GST tax plan for the wealthier spouse. The husband's adjusted gross estate is valued at \$9,166,000 and the wife has no separate estate. No appreciation in asset values is assumed during the wife's lifetime.

Optimum GST Tax Plan

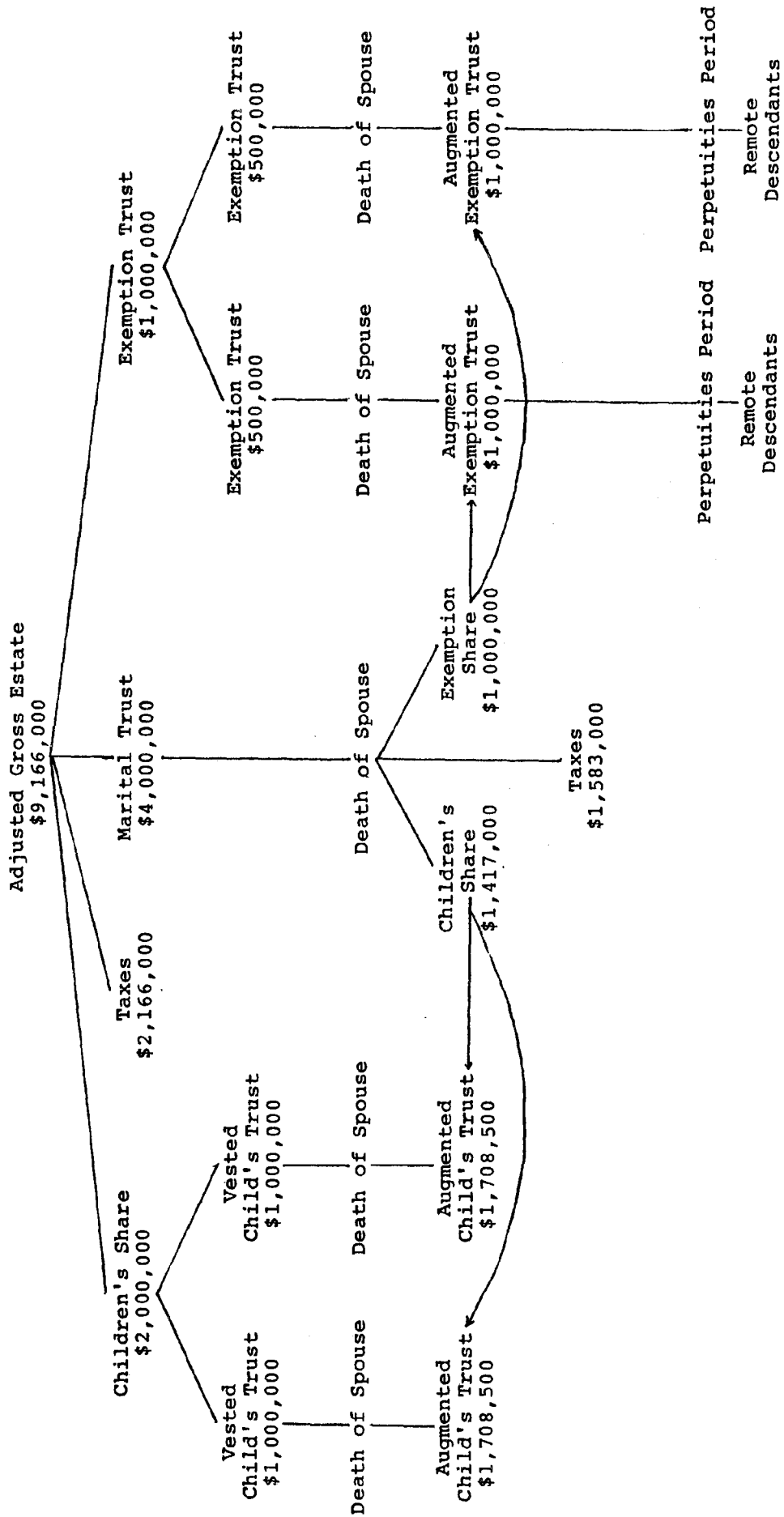


EXHIBIT A

CHARITABLE LEAD UNITRUSTS

<u>% Payout</u>	<u># Years</u>	<u>Income Interest</u>	<u>Remainder Interest</u>	<u>Amount of Trust Corpus Needed to Produce \$1,000,000 Remainder</u>
3%	5	14.13%	85.87%	\$1,164,551
	10	26.26	73.74	1,356,116
	15	36.67	63.33	1,579,030
	20	45.62	54.38	1,838,911
4%	5	18.46	81.54	1,226,391
	10	33.52	66.48	1,504,211
	15	45.79	54.21	1,844,678
	20	55.80	44.20	2,262,443
5%	5	22.62	77.38	1,292,323
	10	40.13	59.87	1,670,285
	15	53.67	46.33	2,158,428
	20	64.15	35.85	2,789,400
6%	5	26.61	73.39	1,362,583
	10	46.14	53.86	1,856,665
	15	60.47	39.53	2,529,724
	20	70.99	29.01	3,447,087
7%	5	30.43	69.57	1,437,401
	10	51.60	48.40	2,066,115
	15	66.33	33.67	2,970,002
	20	76.58	23.42	4,269,854
8%	5	34.09	65.91	1,517,220
	10	56.56	43.44	2,302,025
	15	71.37	28.63	3,492,839
	20	81.13	18.87	5,299,417
9%	5	37.60	62.40	1,602,564
	10	61.06	38.94	2,568,053
	15	75.70	24.30	4,115,226
	20	84.84	15.16	6,596,306
10%	5	40.95	59.05	1,693,480
	10	65.13	34.87	2,867,794
	15	79.41	20.59	4,856,726
	20	87.84	12.16	8,223,684

Above based on annual payouts at the end of each year with valuation being made at the beginning of the period.

EXHIBIT B

(Reprinted with permission from
Sovran Bank Will and Trust Forms
for Attorneys, 1987 edition)

FORM 44

REVOCABLE MARITAL DEDUCTION TRUST - THREE TRUSTS -

GENERAL POWER OF APPOINTMENT MARITAL TRUST -

QUALIFIED TERMINABLE INTEREST (QTIP) MARITAL TRUST

- *Funded or life insurance
- *Revocable until grantor's death
- *Division into Marital Trust One, Marital Trust Two and Family Trust on grantor's death
- *Marital Trusts take advantage of the unlimited marital deduction to the extent necessary to reduce estate taxes to zero (or lowest possible amount)
- *Family Trust designed to utilize shelter created by the unified credit and to exclude Family Trust assets from the taxable estate of the surviving spouse
- *General power of appointment Marital Trust One
- *QTIP Marital Trust Two
- *GST exemption applied to QTIP Marital Trust Two and Family Trust to avoid GST tax at death of each child

TRUST AGREEMENT

I, _____, of _____, Virginia, make this Trust Agreement dated _____, 19__ with SOVRAN BANK, N.A. ("my Trustee").

I am married to _____ ("my wife") and I now have ___ children, _____ and _____.

ARTICLE I

CREATION AND DISPOSITION OF TRUST

A. Creation of Trust. I have designated my Trustee as beneficiary of the insurance policies listed on the attached Schedule and transferred any assets listed on the attached Schedule to my Trustee. I may designate my Trustee as beneficiary of other insurance policies or transfer other assets to my Trustee. My Trustee shall hold the insurance proceeds and other assets received in trust under the terms of this agreement.

B. Trust During My Lifetime. During my lifetime my Trustee shall accumulate the income and retain the principal of the trust except as I may otherwise direct. If at any time, in the opinion of my Trustee, I am unable to so direct, my Trustee may pay income or principal as my Trustee may deem necessary to provide for my support and health and to pay my obligations, including the support of my wife and my dependents.

C. Disposition at My Death. If my wife survives me, my Trustee shall divide the assets held at my death and other assets received by my Trustee by reason of my death into Marital Trust One, Marital Trust Two and the Family Trust as directed in Article VII. If my wife does not survive me, my Trustee shall divide the assets held at my death and other assets received by my Trustee by reason of my death into the Family Trust and the Children's Share as directed in Article VIII. My Trustee shall administer Marital Trust One, Marital Trust Two, the Family Trust and the Children's Share as directed in Articles II, III, IV and V, respectively.

ARTICLE II

MARITAL TRUST ONE

A. During My Wife's Lifetime. My Trustee shall pay the net income of Marital Trust One to my wife during her lifetime in quarterly or more frequent installments and may pay to her as much of the principal as my Trustee may deem appropriate for her support, health and comfort. My wife may direct my Trustee in writing at any time to distribute all or any portion of the principal of Marital Trust One to or among any one or more of my descendants and to discharge any resulting transfer taxes. The payment to any descendant may be made outright, to a custodian or to a trustee to be held in further lawful trust. [Footnote 1]

B. General Power of Appointment. At my wife's death my Trustee shall distribute the principal and any undistributed income of Marital Trust One as my wife may appoint by specific reference to this power in her will. My wife may appoint to any persons, including her estate, and she may appoint outright, to a custodian or to a trustee to be held in further lawful trust. After payment of taxes as later provided, my Trustee shall divide the unappointed principal and income of Marital Trust One (the "trust assets") into the Exemption Share and the Children's Share in the manner described in the following paragraphs.

(1) Exemption Share. The Exemption Share shall consist of a fractional share of the trust assets. The numerator of the fraction shall equal the amount of my wife's available GST exemption after taking into account all allocations of her GST exemption made before her death. My Trustee may rely upon my wife's executor as to the amount of her available GST exemption. The denominator of the fraction shall equal the value of the trust assets based upon values as finally determined for federal estate tax purposes at my wife's death. My Trustee shall add the Exemption Share to the Family Trust to be administered as directed in Article IV.

(2) Children's Share. The Children's Share shall consist of the remaining fractional share of the trust assets. My Trustee shall distribute the Children's Share as directed in Article V.

(3) Allocation of Assets. My Trustee may allocate assets to the Exemption Share and the Children's Share as my Trustee may deem to be in the best interests of the beneficiaries, valuing each asset on the date of allocation. Income earned on the trust assets before division shall retain its character as income and shall be allocated in the same fractions.

ARTICLE III

MARITAL TRUST TWO

A. During My Wife's Lifetime. My Trustee shall pay the net income of Marital Trust Two to my wife during her lifetime in quarterly or more frequent installments and may pay to her as much of the principal as my Trustee may deem appropriate for her support, health and comfort.

B. Distributions at My Wife's Death. At my wife's death my Trustee shall distribute to my wife's estate any accrued or undistributed income of Marital Trust Two and add the principal of Marital Trust Two to the Family Trust.

ARTICLE IV

FAMILY TRUST

A. During My Wife's Lifetime. During my wife's lifetime, my Trustee may pay to or for the benefit of my wife or any of my descendants as much of the net income or principal of the Family

Trust as my Trustee may deem appropriate for any purpose.

Without limiting the discretion of my Trustee, my primary purpose is to provide for (1) the support, health and comfort of my wife, (2) the support, health and education of my children and (3) the support, health and education of other descendants if not inconsistent with the first two objectives. My Trustee may distribute principal while income is accumulated and shall annually add any undistributed income to principal.

B. Advancements. During my wife's lifetime my Trustee also may make advancements to any of my children for such purposes, in such amounts and upon such terms as my Trustee may deem appropriate, including funds to make a down payment on a residence or to enter a business or profession. The decision of my Trustee whether a discretionary distribution of principal to a child constitutes an advancement shall be final and binding on all beneficiaries.

C. Limited Power of Appointment. If my wife survives me, at my wife's death my Trustee shall distribute the principal and any undistributed income of the Family Trust as my wife may appoint by specific reference to this limited power in her will. My wife may appoint to or among any one or more of my descendants in such shares as she may deem appropriate, and she may appoint outright, to a custodian or to a trustee to be held in further lawful trust. Following my wife's death, the unappointed trust assets

shall be administered as directed in paragraph D of this Article.

[Footnote 2]

D. Distribution at Survivor's Death. At the death of the survivor of my wife and me, my Trustee shall divide the principal and any undistributed income of the Family Trust (including assets received from the Marital Trusts or other sources) into equal shares, one share for each then living child of mine and one share for each deceased child having a descendant then living; provided that in determining the equal shares my Trustee shall take into account and make adjustments for advancements made by my Trustee to any child, without interest. My Trustee shall not seek recovery from any child or the descendants of a deceased child to whom advancements have been made that exceed the total share of the child. My Trustee shall distribute the share of any deceased child to the child's then living descendants, per stirpes. My Trustee shall retain the share of any living child in a separate trust to be administered as directed in the following paragraphs.

(1) Child's Separate Trust. My Trustee may pay to or for the benefit of the child or any of the child's descendants as much of the net income or principal of the trust as my Trustee may deem appropriate for any purpose. Without limiting the discretion of my Trustee, my primary purpose is to provide for the support, health and education of the child (including funds to make a down payment on a residence or to enter a business or

profession) and, if not inconsistent with that objective, the support, health and education of the child's descendants. My Trustee may distribute principal while income is accumulated and shall annually add any undistributed income to principal.

(2) Limited Power of Appointment. At the child's death my Trustee shall distribute the principal and any undistributed income of the trust as the child may appoint by specific reference to this limited power in the child's will. The child may appoint to or among any one or more of my descendants (other than the child) and any charitable organizations, and the child may appoint outright, to a custodian or to a trustee to be held in further lawful trust. My Trustee shall distribute the unappointed principal and income of the trust to the child's then living descendants, per stirpes, or if there are none, to my then living descendants, per stirpes; provided, the share that would pass to any other child of mine who is then living shall be added to such child's separate trust under this Article.

ARTICLE V

CHILDREN'S SHARE

A. Distribution at Survivor's Death. At the death of the survivor of my wife and me, my Trustee shall distribute the Children's Share to my then living descendants, per stirpes;

provided, the share that would pass to any child of mine who has not reached age thirty shall be retained in a separate trust to be administered as directed in the following paragraphs.

B. Child's Separate Trust. My Trustee shall pay the net income of the trust to the child and may pay to or for the benefit of the child as much of the principal as my Trustee may deem appropriate for the child's support, health and education. At any time after the child reaches age thirty, my Trustee shall distribute all or any part of the principal and undistributed income of the trust to the child upon the child's written request.

C. General Power of Appointment. If the child dies before the trust is terminated, my Trustee shall distribute the principal and any undistributed income as the child may appoint by specific reference to this power in the child's will. The child may appoint to any persons, including the child's estate, and the child may appoint outright, to a custodian or to a trustee to be held in further lawful trust. After payment of taxes as later provided, my Trustee shall distribute the remaining and unappointed principal and income of the trust to the child's then living descendants, per stirpes, or if there are none, to my then living descendants, per stirpes; provided, the share that would pass to any other child of mine for whom a separate trust is then held under this Article shall be added to such child's separate trust.

ARTICLE VI

INTERESTS VESTING IN CERTAIN BENEFICIARIES

A. Beneficiaries Under Certain Age. Whenever any trust interest vests in a grandchild or other beneficiary under age twenty-five, my Trustee may hold the interest in trust. Until the beneficiary reaches age twenty-one, my Trustee may pay to or for the benefit of the beneficiary as much of the net income or principal of the trust as my Trustee may deem appropriate for the beneficiary's support, health and education. After the beneficiary reaches age twenty-one, my Trustee shall pay the net income of the trust to the beneficiary in annual or more frequent installments and may pay to or for the benefit of the beneficiary as much of the principal of the trust as my Trustee may deem appropriate for the beneficiary's support, health and education. When the beneficiary reaches age twenty-five, my Trustee shall distribute the trust assets to the beneficiary. If the beneficiary dies before reaching that age, my Trustee shall distribute the trust assets to the beneficiary's estate.

B. Beneficiaries Under Impairment. Whenever any trust interest vests in a beneficiary, other than my wife, who, in the opinion of my Trustee, is unable to manage financial affairs by reason of a physical or mental impairment, my Trustee may hold the interest in trust. My Trustee shall have no obligation to inquire into or seek a judicial determination of (1) the ability of any beneficiary to manage financial affairs or (2) the

existence of any physical or mental impairment. My Trustee may pay to or for the benefit of the beneficiary as much of the net income or principal of the trust as my Trustee may deem appropriate for the beneficiary's support, health and education. When the beneficiary has reached age twenty-one and, in the opinion of my Trustee, is able to manage financial affairs, my Trustee shall distribute the trust assets to the beneficiary. If the beneficiary dies before the trust is terminated, my Trustee shall distribute the trust assets to the beneficiary's estate.

C. Distribution to Custodian. My Trustee may also distribute any interest vesting in a beneficiary under age twenty-one to a custodian under the Virginia Uniform Gifts to Minors Act (21).

D. Vesting Not Postponed. The provisions of this Article shall not postpone vesting of any interest in the beneficiary.

ARTICLE VII

DIVISION INTO FAMILY TRUST AND MARITAL TRUSTS

A. Assets Subject to Division. If my wife survives me, my Trustee shall divide the principal of the assets held at my death and other assets received by my Trustee that are included in my gross estate for federal estate tax purposes (collectively the "Trust Assets") into the Family Trust, Marital Trust Two and Marital Trust One in the manner described in this Article.

B. Family Trust Fractional Share. The Family Trust shall consist of a fractional share of the Trust Assets. The numerator of the fraction shall equal the largest value of the Trust Assets that can pass free of federal estate tax by reason of the unified credit and the credit for state death taxes (to the extent the use of such credit does not increase state death taxes) allowable to my estate, after reduction by reason of (1) my adjusted taxable gifts, (2) other dispositions of property included in my gross estate for which no marital, charitable or other deduction is allowed in computing my federal estate tax and (3) administration expenses and other charges to principal that are not claimed and allowed as federal estate tax deductions. The denominator of the fraction shall equal the value of the Trust Assets based upon values as finally determined for federal estate tax purposes.

C. Marital Trust Two Fractional Share. Marital Trust Two shall consist of a fractional share of the Trust Assets. The numerator of the fraction shall equal the amount of my available GST exemption after taking into account all allocations of my GST exemption made before my death, less the value of the numerator of the Family Trust fractional share as determined in paragraph B. The denominator of the fraction shall equal the value of the Trust Assets based upon values as finally determined for federal estate tax purposes.

D. Marital Trust One Fractional Share. Marital Trust One shall consist of the remaining fractional share of the Trust Assets.

E. Tax Elections. Any portions of the Marital Trusts for which the marital deduction is not allowed in computing my federal estate tax by reason of a qualified disclaimer or failure to make a qualified terminable interest property election shall not be deemed a disposition of property under clause (2) of paragraph B. Transfer taxes incurred at my death and attributable to a qualified disclaimer of property included in my gross estate shall not be deemed charges to principal under clause (3) of paragraph B. I realize that the fractional shares of the Family Trust and Marital Trusts may otherwise be affected by the exercise of certain tax elections.

F. Assets Not Subject to Division. My Trustee shall segregate and add to the Family Trust all assets that are not included in my gross estate, and such assets shall not be subject to the fractional division in this Article.

G. Allocation of Assets. My Trustee shall not allocate to the Marital Trusts any property or proceeds of property that cannot qualify for the marital deduction. To the extent possible, my Trustee shall not allocate to the Marital Trusts any assets upon which a foreign death tax is payable. In other respects my Trustee may allocate assets as my Trustee may deem to

be in the best interests of the beneficiaries, valuing each asset on the date of allocation.

H. Allocation of Income. Income earned on the Trust Assets before division (and income on assets used to make the payments in Article IX) shall retain its character as income and shall be allocated in the same fractions. Income earned on assets that are not included in my gross estate shall retain its character as income in the Family Trust.

ARTICLE VIII

DIVISION INTO FAMILY TRUST AND CHILDREN'S TRUST

A. Assets Subject to Division. If my wife does not survive me, my Trustee shall divide the principal of the assets held at my death and other assets received by my Trustee by reason of my death (collectively the "Trust Assets") into the Family Trust and the Children's Share in the manner described in this Article.

B. Family Trust Fractional Share. The Family Trust shall consist of a fractional share of the Trust Assets. The numerator of the fraction shall equal the amount of my available GST exemption after taking into account all allocations of my GST exemption made before my death. The denominator of the fraction shall equal the value of the Trust Assets based upon values as finally determined for federal estate tax purposes.

C. Children's Share Fractional Share. The Children's Share shall consist of the remaining fractional share of the Trust Assets.

D. Allocation of Assets. My Trustee may allocate assets as my Trustee may deem to be in the best interests of the beneficiaries, valuing each asset on the date of allocation.

E. Allocation of Income. Income earned on the Trust Assets before division (and income on assets used to make the payments in Article IX) shall retain its character as income and shall be allocated in the same fractions.

ARTICLE IX

DEBTS, TAXES AND OTHER CHARGES

At my death my Trustee may pay to or upon the order of my Executor funds needed to pay my legally enforceable debts, charitable pledges, funeral and burial expenses, costs of administration, transfer taxes and specific bequests under my will. My Trustee may rely upon my Executor as to the amount of the charges. The decision of my Trustee whether to provide funds shall be final, except that my Trustee shall use any United States Treasury securities that may be redeemed at par to pay federal estate taxes for that purpose. Assets that are not included in my gross estate shall not be used for such payments. Except as otherwise provided with respect to certain disclaimed property, my Trustee shall pay the charges before the division of

the assets under Article VII or Article VIII, and the payments shall not be charged against the Marital Trusts or the share of any beneficiary.

ARTICLE X
FIDUCIARIES

A. Resignation of Trustee. Sovran Bank, N.A., or any successor corporate Trustee, may resign as Trustee by written notice to the adult beneficiaries authorized to receive trust income and the parents or other adult persons responsible for any minor beneficiaries authorized to receive trust income. The resignation shall be effective upon appointment of a successor Trustee.

B. Successor Trustee. If any Trustee resigns or ceases to serve, a majority of the adult beneficiaries authorized to receive trust income, or if there are none, a majority of the parents or other adult persons responsible for any minor beneficiaries authorized to receive trust income, may appoint any bank or trust company having trust powers as successor Trustee. The appointment shall be effective upon written acceptance of fiduciary duties by the successor Trustee. If no successor Trustee is so appointed, a corporate successor Trustee may be appointed as provided by law upon application of the resigning Trustee or any beneficiary.

C. Actions of Predecessor. No Trustee serving under this agreement shall be responsible for or required to inquire into any fiduciary actions occurring before such Trustee's appointment.

D. Compensation. Sovran Bank, N.A., or any successor corporate Trustee, shall receive for its services the compensation specified in its published fee schedule in effect at the time services are rendered, and such compensation may vary from time to time based on such schedule.

E. Fiduciary Powers. In addition to the powers granted by law, I grant my Trustee those powers set forth in Section 64.1-57 of the Code of Virginia, and I incorporate that Code Section in this agreement by this reference. If any asset donated to this trust does not meet the requirements of the prudent man standard set forth in Section 26-45.1 of such Code, my Trustee may nevertheless retain the asset for so long as my Trustee may deem appropriate, subject to the provisions of paragraph F of this Article. My Trustee may borrow money (including borrowings from Sovran Bank, N.A. or its affiliates) for any purpose deemed in the best interests of any trust under this agreement, and secure such borrowings with any assets of such trust. My Trustee may invest the trust assets in a money market or other short-term fund whether or not my Trustee or its affiliates is the sponsor, advisor, manager or custodian of, or provides services to, such fund. The compensation received by my Trustee or its affiliates

from such fund shall not reduce the compensation of my Trustee under this agreement.

F. Administration of Marital Trusts. My wife may direct my Trustee to make any unproductive assets of the Marital Trusts productive or convert them within a reasonable time. In funding or administering the Marital Trusts, my Trustee shall not exercise any power in a manner that would infringe upon any legal requirement for the allowance of the marital deduction.

G. QTIP Elections. I have authorized my Executor under my will to elect that all or a fractional share of Marital Trust Two qualify for the marital deduction as qualified terminable interest property (the "QTIP share"). Without limiting the discretion of my Executor, I anticipate that my Executor will elect to qualify the entire Marital Trust Two as the QTIP share unless other tax or administrative considerations make a different election appropriate in the opinion of my Executor. For purposes of generation-skipping transfer taxes, I have authorized my Executor to elect to treat all or a fractional share of the QTIP share as if the QTIP election had not been made. Without limiting the discretion of my Executor, I anticipate that my Executor will elect to treat the entire QTIP share as if the QTIP election had not been made for such purposes.

H. Principal Distributions from Marital Trust Two. Should my Executor elect to qualify only a portion of Marital Trust Two

for the marital deduction, my Trustee shall make all payments to my wife from the principal of Marital Trust Two first from the QTIP share. Should my Executor elect to treat any portion of the QTIP share for purposes of generation-skipping transfer taxes as if the QTIP election had not been made, my Trustee shall make all payments to my wife from the principal of the QTIP share first from the non-elected portion. At the time of the first principal payment, my Trustee may establish a separate trust for accounting purposes for the QTIP share, or separate trusts for the elected and non-elected portions of the QTIP share, as the case may be.

I. GST Exemption Allocation. I have authorized my Executor under my will to allocate all or any portion of my available GST exemption to any property of which I am the transferor, including any property transferred by me during my lifetime as to which I did not make an allocation before my death. Without limiting the discretion of my Executor, I anticipate that my Executor will allocate my available GST exemption to the Family Trust and Marital Trust Two.

J. Division into Separate Trusts. Should the allocation of my GST exemption or my wife's GST exemption cause any trust under this agreement to have an inclusion ratio other than one or zero, I authorize my Trustee to establish two separate trusts for accounting purposes. One trust shall have an inclusion ratio of one, and the other trust an inclusion ratio of zero.

K. Merger. My Trustee may merge or consolidate for administrative purposes any trust under this agreement with any other trust made by me or my wife having the same Trustee and substantially the same dispositive provisions.

L. Termination of Small Trusts. If at any time after the death of the survivor of my wife and me the size of any trust under this agreement is so small that, in the opinion of my corporate Trustee, the trust is uneconomical to administer, my corporate Trustee may terminate the trust and distribute the assets to the person then authorized to receive trust income, or if more than one person is authorized to receive trust income, to the one or ones of them my corporate Trustee may deem appropriate and in such shares as my corporate Trustee may deem appropriate.

M. Takers in Default. If at any time there is no living beneficiary designated to receive the assets of any trust under this agreement, my Trustee shall distribute the assets (1) one-half to the persons who would be my distributees under the laws of Virginia then in effect as if I had then died without a will, unmarried and owning the assets and (2) one-half to the persons who would be my wife's distributees under the laws of Virginia then in effect as if she had then died without a will, unmarried and owning the assets. [Footnote 3]

N. Allocation of Assets. Assets allocated to one trust or share may be of different character or have different income tax bases than assets allocated to another trust or share.

O. Fiduciary Discretion. The powers and discretion granted to my Trustee are exercisable only in a fiduciary capacity and may not be used to enlarge or shift any beneficial interest except as an incidental consequence of the discharge of fiduciary duties. My Trustee may make discretionary payments to the beneficiaries of any trust in unequal shares and may, but shall not be required to, consider other resources available to any beneficiary. My Trustee may make tax elections without regard to the relative interests of any beneficiaries and may, but shall not be required to, make equitable adjustments among beneficiaries. [Footnote 4]

ARTICLE XI

INSURANCE POLICIES

A. Administration of Policies. My Trustee shall not be required to pay any premium or perform any act necessary to continue in force any insurance policies payable to my Trustee. At my death my Trustee shall collect the net proceeds of any policies and may execute any receipts and releases.

B. Retained Benefits. I reserve the right to change the beneficiary of, assign, borrow against and exercise any option or privilege under any policies. I reserve the right to receive any payments, dividends, surrender values, proceeds of matured endowments or other benefits that accrue during my lifetime.

ARTICLE XII

RESERVED RIGHTS

A. Additional Contributions. I reserve for myself and any other person the right to make insurance policies payable to my Trustee and transfer acceptable assets to my Trustee. Assets transferred to my Trustee by a third person may be withdrawn by the person at any time during his lifetime, and my Trustee shall segregate the assets for accounting purposes, but need not separate them physically.

B. Revocation and Amendment. I reserve the right to revoke or amend this agreement by a writing (other than my will) signed by me and delivered to my Trustee during my lifetime. The duties or compensation of my Trustee shall not be changed without the consent of my Trustee. If this agreement has been revoked but at my death an insurance policy is payable to my Trustee, my Trustee shall distribute the net proceeds of the policy to my estate.

ARTICLE XIII

MISCELLANEOUS PROVISIONS

A. Payment of Taxes at My Wife's Death. If my wife does not negate this provision by specific reference to this paragraph in her will, at my wife's death my Trustee shall distribute to my wife's estate from the unappointed principal of Marital Trust One a sum sufficient to pay the estate and inheritance taxes payable at her death and attributable to the principal and undistributed

income of Marital Trust One and the QTIP share of Marital Trust Two, reduced by the amount of any funds collected or received by my wife's executor from Marital Trust Two or the beneficiaries of Marital Trust Two for payment of such taxes. The taxes attributable to the Marital Trusts shall be the difference between (1) the actual taxes payable at her death and (2) the taxes that would be payable if the principal and undistributed income of Marital Trust One and the QTIP share of Marital Trust Two were not taxable at her death.

B. Payment of Taxes at the Child's Death. If the child does not negate this provision by specific reference to this paragraph in the child's will, at the death of any child of mine my Trustee shall distribute to the child's estate from the unappointed principal of the child's separate trust under Article V a sum sufficient to pay the estate and inheritance taxes payable at the child's death and attributable to the principal and undistributed income of the child's separate trust. The taxes attributable to the principal and undistributed income shall be the difference between (1) the actual taxes payable at the child's death and (2) the taxes that would be payable if the principal and undistributed income of the child's separate trust were not taxable at the child's death.

C. Spendthrift Provisions. To the extent permitted by law, the principal and income of any trust shall not be liable for the

debts of any beneficiary or subject to alienation or anticipation by a beneficiary, except as otherwise provided.

D. Survivorship. My wife shall be deemed to have survived me if we die simultaneously or if, in the opinion of my Trustee, there is no sufficient evidence we have died otherwise than simultaneously. [Footnote 4]

E. Adoption. A person related by or through adoption shall take under this agreement as if related by or through birth, except that a person adopted after reaching age twenty-one and descendants of such person shall not so take.

F. Disclaimer. Any beneficiary or the legal representative of any deceased beneficiary shall have the right, within the time prescribed by law, to disclaim any benefit or power under this agreement. All or any fractional part of Marital Trust Two disclaimed by or on behalf of my wife shall be added to the Family Trust. My wife shall have the same interest in such added property as she has in the other property in the Family Trust (unless she also disclaims her interest in the Family Trust), except that my wife shall not have a limited power of appointment over the disclaimed property. My Trustee shall segregate the disclaimed property from the property of the Family Trust over which my wife retains a limited power of appointment. All or any fractional part of Marital Trust One disclaimed by or on behalf of my wife shall be added to the Children's Share and administered as if my wife had predeceased me. Any transfer

taxes incurred at my death and attributable to a qualified disclaimer of property included in my gross estate shall be paid from the disclaimed property. The transfer taxes attributable to a qualified disclaimer shall be the difference between (1) the actual taxes payable at my death and (2) the taxes that would be payable if the disclaimer were not made.

G. Construction of Terms. Where appropriate to the context, pronouns or other terms expressed in one number and gender shall be deemed to include the other number and genders. References to transfer taxes shall include gift, estate, inheritance and similar taxes, as well as generation-skipping transfer taxes. Tax-related terms shall be construed in the context of the federal revenue laws in effect at my death.

H. Situs, Multiple Counterparts. This agreement is made or delivered in Virginia and shall be governed by its laws. This

agreement is signed in more than one counterpart, each of which is an original.

WITNESS my signature and seal:

_____ [SEAL]

The terms of the Trust Agreement are accepted.

SOVRAN BANK, N.A.

By _____

STATE OF VIRGINIA)
) ss.
_____ OF _____)

The foregoing instrument was acknowledged before me this
_____ day of _____, 19__ by _____.

Notary Public

My commission expires: _____, 19__.

Schedule to Trust Agreement

Insurer

Policy No.

Face Amount

Asset

Value

FORM 44

FOOTNOTES

1. The following provision may be substituted for the last two sentences of this paragraph to give the wife an unrestricted right to withdraw the trust assets. If this provision is used, the Marital Trust will be deemed a grantor trust for federal income tax purposes, and all capital gains and losses of the trust will be taxable to the wife.

My wife may direct my Trustee in writing at any time to distribute to her all or any portion of the principal of the Marital Trust.

2. If the testator does not wish to give the wife a limited testamentary power of appointment over the Family Trust, paragraph C may be deleted.

3. If the grantor does not want one-half of the trust assets to pass to his wife's distributees if there are no takers, the following provision may be substituted for paragraph M. The use of this provision, however, may prohibit the merger of any trust under this agreement with a similar trust created by the wife as provided for in Article X K.

M. Takers in Default. If at anytime there is no living beneficiary designated to receive the assets of any trust under this agreement, my Trustee shall distribute the principal and any undistributed income of the trust to the persons who would be my distributees under the laws of Virginia then in effect as if I had then died without a will, unmarried and owning the assets.

4. If an individual who is a trust beneficiary will serve as co-trustee with the bank, the trust provisions should be revised so that discretionary distributions of trust income or principal are made solely by the corporate Trustee. In addition, the following provision should be inserted at the conclusion of Article X.

P. Restrictions on Individual Trustees. No individual serving as Trustee shall have a voice in any discretionary decision to distribute income or principal of any trust in order to discharge a legal obligation of the individual or for the individual's pecuniary benefit.

4. If both spouses have substantial estates, this provision may be deleted or revised to require that the wife survive for a period of up to 170 days.

EXHIBIT C

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Sovran Bank Will and Trust Forms
for Attorneys, 1987 edition)

FORM 47

REVOCABLE GST EXEMPTION TRUST - THREE PORTIONS -
QUALIFIED TERMINABLE INTEREST PROPERTY (QTIP)
MARITAL TRUST - EXEMPTION TRUST - CHILDREN'S SHARE

- * Funded or life insurance
- * Revocable until grantor's death
- * Division into Marital Trust, Exemption Trust and Children's Share upon grantor's death
- * QTIP Marital Trust
- * GST exemption allocated to Exemption Trust

TRUST AGREEMENT

I, _____, of _____, Virginia,
make this Trust Agreement dated _____, 19__ with SOVRAN
BANK, N.A. ("my Trustee").

I am married to _____ ("my wife") and I
now have ____ children, _____ and
_____.

ARTICLE I

CREATION AND DISPOSITION OF TRUST

A. Creation of Trust. I have designated my Trustee as
beneficiary of the insurance policies listed on the attached
Schedule and transferred any assets listed on the attached

Schedule to my Trustee. I may designate my Trustee as beneficiary of other insurance policies or transfer other assets to my Trustee. My Trustee shall hold the insurance proceeds and other assets received in trust under the terms of this agreement.

B. Trust During My Lifetime. During my lifetime my Trustee shall accumulate the income and retain the principal of the trust except as I may otherwise direct. If at any time, in the opinion of my Trustee, I am unable to so direct, my Trustee may pay income or principal as my Trustee may deem necessary to provide for my support and health and to pay my obligations, including the support of my wife and my dependents.

C. Disposition at My Death. My Trustee shall divide the assets held at my death and other assets received by my Trustee by reason of my death into the Marital Trust, the Exemption Trust and the Children's Share as directed in Article VI. My Trustee shall administer the Marital Trust, the Exemption Trust and the Children's Share as directed in Articles II, III and IV, respectively.

ARTICLE II

MARITAL TRUST

A. During My Wife's Lifetime. My Trustee shall pay the net income of the Marital Trust to my wife during her lifetime in quarterly or more frequent installments and may pay to her as

much of the principal as my Trustee may deem appropriate for her support, health and comfort.

B. Distributions at My Wife's Death. At my wife's death my Trustee shall distribute to my wife's estate any accrued or undistributed income of the Marital Trust and the sum needed to pay taxes attributable to the Marital Trust as later provided. My Trustee shall distribute the remaining principal of the Marital Trust as my wife may appoint by specific reference to this limited power in her will. My wife may appoint to or among any one or more of my descendants and any charitable organizations, and my wife may appoint outright, to a custodian or to a trustee to be held in further lawful trust, including a trust partially for the benefit of descendants and partially for the benefit of charitable organizations. My Trustee shall divide the remaining and unappointed principal of the Marital Trust (the "trust assets") into the Exemption Share and the Children's Share in the manner described in the following paragraphs.

(1) Exemption Share. The Exemption Share shall consist of a fractional share of the trust assets. The numerator of the fraction shall equal the amount of my wife's available GST exemption after taking into account all allocations of her GST exemption made before her death. My Trustee may rely upon my wife's executor as to the amount of her available GST exemption. The denominator of the fraction shall equal the value of the trust assets based upon values as finally determined for federal

estate tax purposes at my wife's death. My Trustee shall add the Exemption Share to the Exemption Trust to be administered as directed in Article III.

(2) Children's Share. The Children's Share shall consist of the remaining fractional share of the trust assets. My Trustee shall distribute the Children's Share to my then living descendants, per stirpes; provided, the share that would pass to any child of mine who is then living shall be added to such child's separate trust under Article IV.

(3) Allocation of Assets. My Trustee may allocate assets to the Exemption Share and the Children's Share as my Trustee may deem to be in the best interests of the beneficiaries, valuing each asset on the date of allocation. Income earned on the trust assets before division shall retain its character as income and shall be allocated in the same fractions.

ARTICLE III

EXEMPTION TRUST

A. Division of Exemption Trust. At my death my Trustee shall divide the Exemption Trust into equal shares, one share for each child of mine who survives me and one share for each deceased child of mine leaving a descendant who survives me. My Trustee shall retain each share in a separate trust to be administered as directed in the following paragraphs.

B. Until the Termination Date. Subject to the provisions of paragraph C of this Article and until the Termination Date, my Trustee may pay to or for the benefit of the child or any of the child's descendants as much of the net income or principal of the trust as my Trustee may deem appropriate for any purpose. Without limiting the discretion of my Trustee, my primary purpose is to provide reasonable income to the child for life and thereafter to the child's descendants. My Trustee may pay principal while income is accumulated and shall annually add any undistributed income to principal.

C. Limited Power of Appointment. At the child's death my Trustee shall distribute the principal and any undistributed income of the trust as the child may appoint by specific reference to this limited power in the child's will. The child may appoint to or among any persons other than the child, the child's estate, the child's creditors or creditors of the child's estate, and the child may appoint outright, to a custodian or to a trustee to be held in further lawful trust. Following the child's death, the unappointed trust assets shall continue to be administered as directed in paragraph B of this Article.

D. Termination Date. The Termination Date shall be the earlier of (1) the date that is twenty years after the death of the last survivor of my descendants who survive me or (2) the first date after the child's death that there is no living descendant of the child.

E. Distribution at Termination Date. At the Termination Date my Trustee shall distribute the trust assets to the child's then living descendants, per stirpes, or if there are none, my Trustee shall divide the trust assets into equal shares, one share for each child of mine who is then living and one share for each deceased child of mine having a then living descendant. My Trustee shall add the share of each then living child for whom a separate trust is then held under this Article to such child's separate trust, and the share shall be subject to the child's limited power of appointment under paragraph C. My Trustee shall add the share of each deceased child for whom a separate trust is then held under this Article to such child's separate trust, and the share shall not be subject to the child's limited power of appointment under paragraph C. My Trustee shall distribute the share of each deceased child for whom no separate trust is then held under this Article to such child's then living descendants, per stirpes.

ARTICLE IV

CHILDREN'S SHARE

A. Distribution at My Death. At my death my Trustee shall distribute the Children's Share to my descendants, per stirpes; provided, the share that would pass to any child of mine who survives me shall be retained in a separate trust to be administered as directed in the following paragraphs.

B. During Child's Lifetime. My Trustee shall pay the net income of the trust to the child and may pay to or for the benefit of the child as much of the principal as my Trustee may deem appropriate for the child's support, health and other needs.

C. General Power of Appointment. At the child's death my Trustee shall distribute the principal and any undistributed income as the child may appoint by specific reference to this power in the child's will. The child may appoint to any persons, including the child's estate, and the child may appoint outright, to a custodian or to a trustee to be held in further lawful trust. After the payment of taxes as later provided, my Trustee shall distribute the remaining and unappointed principal and income of the trust to the child's then living descendants, per stirpes, or if there are none, to my then living descendants, per stirpes; provided, the share that would pass to any other child of mine who is then living shall be added to such child's separate trust under this Article.

ARTICLE V

INTERESTS VESTING IN CERTAIN BENEFICIARIES

A. Beneficiaries Under Certain Age. Whenever any trust interest vests in a grandchild or other beneficiary under age twenty-five, my Trustee may hold the interest in trust. Until the beneficiary reaches age twenty-one, my Trustee may pay to or for the benefit of the beneficiary as much of the net income or

principal of the trust as my Trustee may deem appropriate for the beneficiary's support, health and education. After the beneficiary reaches age twenty-one, my Trustee shall pay the net income of the trust to the beneficiary in annual or more frequent installments and may pay to or for the benefit of the beneficiary as much of the principal of the trust as my Trustee may deem appropriate for the beneficiary's support, health and education. When the beneficiary reaches age twenty-five, my Trustee shall distribute the trust assets to the beneficiary. If the beneficiary dies before reaching that age, my Trustee shall distribute the trust assets to the beneficiary's estate.

B. Beneficiaries Under Impairment. Whenever any trust interest vests in a beneficiary, other than my wife, who, in the opinion of my Trustee, is unable to manage financial affairs by reason of a physical or mental impairment, my Trustee may hold the interest in trust. My Trustee shall have no obligation to inquire into or seek a judicial determination of (1) the ability of any beneficiary to manage financial affairs or (2) the existence of any physical or mental impairment. My Trustee may pay to or for the benefit of the beneficiary as much of the net income or principal of the trust as my Trustee may deem appropriate for the beneficiary's support, health and education. When the beneficiary has reached age twenty-one and, in the opinion of my Trustee, is able to manage financial affairs, my Trustee shall distribute the trust assets to the beneficiary. If

the beneficiary dies before the trust is terminated, my Trustee shall distribute the trust assets to the beneficiary's estate.

C. Distribution to Custodian. My Trustee may also distribute any interest vesting in a beneficiary under age twenty-one to a custodian under the Virginia Uniform Gifts to Minors Act (21).

D. Vesting Not Postponed. The provisions of this Article shall not postpone vesting of any interest in the beneficiary.

ARTICLE VI

DIVISION INTO SEPARATE TRUSTS

A. Assets Subject to Division. My Trustee shall divide the principal of the assets held at my death and other assets received by my Trustee by reason of my death (collectively the "Trust Assets") into the Exemption Trust, the Marital Trust and the Children's Share in the manner described in this Article.

B. Exemption Trust Fractional Share. The Exemption Trust shall consist of a fractional share of the Trust Assets. The numerator of the fraction shall equal the amount of my available GST exemption after taking into account all allocations of my GST exemption made before my death. The denominator of the fraction shall equal the value of the Trust Assets based upon values as finally determined for federal estate tax purposes.

C. Marital Trust and Children's Share Fractional Shares. If my wife survives me, the Marital Trust shall consist of two-thirds of the remaining fractional share of the Trust Assets and the Children's Share shall consist of one-third of the remaining fractional share of the Trust Assets. If my wife does not survive me, the Children's Share shall consist of the entire remaining fractional share of the Trust Assets.

D. Allocation of Assets. My Trustee shall not allocate to the Marital Trust any property or proceeds of property that cannot qualify for the marital deduction. To the extent possible, my Trustee shall not allocate to the Marital Trust any assets that are not included in my gross estate for federal estate tax purposes or any assets upon which a foreign death tax is payable. In other respects my Trustee may allocate assets as my Trustee may deem to be in the best interests of the beneficiaries, valuing each asset on the date of allocation.

E. Allocation of Income. Income earned on the Trust Assets before division (and income on assets used to make the payments in Article VII) shall retain its character as income and shall be allocated in the same fractions.

ARTICLE VII

DEBTS, TAXES AND OTHER CHARGES

At my death my Trustee may pay to or upon the order of my Executor funds needed to pay my legally enforceable debts,

charitable pledges, funeral and burial expenses, costs of administration, transfer taxes and specific bequests under my will. My Trustee may rely upon my Executor as to the amount of the charges. The decision of my Trustee whether to provide funds shall be final, except that my Trustee shall use any United States Treasury securities that may be redeemed at par to pay federal estate taxes for that purpose. Assets that are not included in my gross estate shall not be used for such payments. Except as otherwise provided with respect to certain disclaimed property, my Trustee shall pay the charges before the division of the assets under Article VI, and the payments shall not be charged against the Marital Trust or the share of any beneficiary.

ARTICLE VIII

FIDUCIARIES

A. Resignation of Trustee. Sovran Bank, N.A., or any successor corporate Trustee, may resign as Trustee by written notice to the adult beneficiaries authorized to receive trust income and the parents or other adult persons responsible for any minor beneficiaries authorized to receive trust income. The resignation shall be effective upon appointment of a successor Trustee.

B. Successor Trustee. If any Trustee resigns or ceases to serve, a majority of the adult beneficiaries authorized to

receive trust income or, if there are none, a majority of the parents or other adult persons responsible for any minor beneficiaries authorized to receive trust income, may appoint any bank or trust company having trust powers as successor Trustee. The appointment shall be effective upon written notice to and acceptance of fiduciary duties by the successor Trustee. If no successor Trustee is so appointed, a successor corporate Trustee may be appointed as provided by law upon application of the resigning Trustee or any beneficiary.

C. Actions of Predecessor. No Trustee serving under this agreement shall be responsible for or required to inquire into any fiduciary actions occurring before such Trustee's appointment.

D. Compensation. Sovran Bank, N.A., or any successor corporate Trustee, shall receive for its services the compensation specified in its published fee schedule in effect at the time services are rendered, and such compensation may vary from time to time based upon such schedule.

E. Fiduciary Powers. In addition to the powers granted by law, I grant my Trustee those powers set forth in Section 64.1-57 of the Code of Virginia, and I incorporate that Code Section in this agreement by this reference. If any asset donated to this trust does not meet the requirements of the prudent man standard set forth in Section 26-45.1 of such Code, my Trustee may nevertheless retain the asset for so long as my Trustee may deem

appropriate subject to the provisions of paragraph F of this Article. My Trustee may borrow money (including borrowings from Sovran Bank, N.A. or its affiliates) for any purpose deemed in the best interests of any trust under this agreement, and secure such borrowings with any assets of such trust. My Trustee may invest the trust assets in a money market or other short-term fund whether or not my Trustee or its affiliates is the sponsor, advisor, manager or custodian of, or provides services to such fund. The compensation received by my Trustee or its affiliates from such fund shall not reduce the compensation of my Trustee under this agreement.

F. Administration of Marital Trust. My wife may direct my Trustee to make any unproductive assets of the Marital Trust productive or convert them within a reasonable time. In funding or administering the Marital Trust, my Trustee shall not exercise any power in a manner that would infringe upon any legal requirement for the allowance of the marital deduction.

G. QTIP Elections. I have authorized my Executor under my will to elect that all or a fractional share of the Marital Trust qualify for the marital deduction as qualified terminable interest property (the "QTIP share"). Without limiting the discretion of my Executor, I anticipate that my Executor will elect to qualify the entire Marital Trust as the QTIP share unless other tax or administrative considerations make a different election appropriate in the opinion of my Executor.

For purposes of generation-skipping transfer taxes, I have authorized my Executor under my will to elect to treat all or a fractional share of the QTIP share as if the QTIP election had not been made. Without limiting the discretion of my Executor, I anticipate that my Executor will not elect to treat any portion of the QTIP share as if the QTIP election had not been made for such purposes.

H. Principal Distributions from Marital Trust. Should my Executor elect to qualify only a portion of the Marital Trust for the marital deduction, my Trustee shall make all payments to my wife from the principal of the Marital Trust first from the QTIP share. Should my Executor elect to treat any portion of the QTIP share for purposes of generation-skipping transfer taxes as if the QTIP election had not been made, my Trustee shall make all payments to my wife from the principal of the QTIP share first from the non-elected portion. At the time of the first principal payment, my Trustee may establish a separate trust for accounting purposes for the QTIP share, or separate trusts for the elected and non-elected portions of the QTIP share, as the case may be.

I. GST Exemption Allocation. I have authorized my Executor under my will to allocate all or any portion of my available GST exemption to any property of which I am the transferor, including any property transferred by me during my lifetime as to which I did not make an allocation before my death. Without limiting the

discretion of my Executor, I anticipate that my Executor will allocate my available GST exemption to the Exemption Trust.

J. Division into Separate Trusts. Should the allocation of my GST exemption or my wife's GST exemption cause any trust under this agreement to have an inclusion ratio other than one or zero, I authorize my Trustee to establish two separate trusts for accounting purposes. One trust shall have an inclusion ratio of one, and the other trust an inclusion ratio of zero.

K. Merger. My Trustee may merge or consolidate for administrative purposes any trust under this agreement with any other trust made by me or my wife having the same Trustee and substantially the same dispositive provisions.

L. Termination of Small Trusts. If at any time after the death of the survivor of my wife and me the size of any trust under this agreement is so small that, in the opinion of my corporate Trustee, the trust is uneconomical to administer, my corporate Trustee may terminate the trust and distribute the assets to the person then authorized to receive trust income, or if more than one person is authorized to receive trust income, to the one or ones of them my corporate Trustee may deem appropriate and in such shares as my corporate Trustee may deem appropriate.

M. Takers in Default. If at any time there is no living beneficiary designated to receive the assets of any trust under this agreement, my Trustee shall distribute the assets (1) one-half to the persons who would be my distributees under the

laws of Virginia then in effect as if I had then died without a will, unmarried and owning the assets and (2) one-half to the persons who would be my wife's distributees under the laws of Virginia then in effect as if she had then died without a will, unmarried and owning the assets. [Footnote 1]

N. Allocation of Assets. Assets allocated to one trust or share may be of different character or have different income tax bases than assets allocated to another trust or share.

O. Fiduciary Discretion. The powers and discretion granted to my Trustee are exercisable only in a fiduciary capacity and may not be used to enlarge or shift any beneficial interest except as an incidental consequence of the discharge of fiduciary duties. My Trustee may make discretionary payments to the beneficiaries of any trust in unequal shares and may, but shall not be required to, consider other resources available to any beneficiary. My Trustee may make tax elections without regard to the relative interests of any beneficiaries and may, but shall not be required to, make equitable adjustments among beneficiaries. [Footnote 2]

ARTICLE IX

INSURANCE POLICIES

A. Administration of Policies. My Trustee shall not be required to pay any premium or perform any act necessary to continue in force any insurance policies payable to my Trustee.

At my death my Trustee shall collect the net proceeds of any policies and may execute any receipts and releases.

B. Retained Benefits. I reserve the right to change the beneficiary of, assign, borrow against and exercise any option or privilege under any policies. I reserve the right to receive any payments, dividends, surrender values, proceeds of matured endowments or other benefits that accrue during my lifetime.

ARTICLE X

RESERVED RIGHTS

A. Additional Contributions. I reserve for myself and any other person the right to make insurance policies payable to my Trustee and transfer acceptable assets to my Trustee. Assets transferred to my Trustee by a third person may be withdrawn by the person at any time during his lifetime, and my Trustee shall segregate the assets for accounting purposes, but need not separate them physically.

B. Revocation and Amendment. I reserve the right to revoke or amend this agreement by a writing (other than my will) signed by me and delivered to my Trustee during my lifetime. The duties or compensation of my Trustee shall not be changed without the consent of my Trustee. If this agreement has been revoked but at my death an insurance policy is payable to my Trustee, my Trustee shall distribute the net proceeds of the policy to my estate.

ARTICLE XI

MISCELLANEOUS PROVISIONS

A. Payment of Taxes at My Wife's Death. If my wife does not negate this provision by specific reference to this paragraph in her will, at my wife's death my Trustee shall distribute to my wife's estate from the QTIP share of the Marital Trust a sum sufficient to pay the estate and inheritance taxes payable at her death and attributable to the QTIP share of the Marital Trust. The taxes attributable to the Marital Trust shall be the difference between (1) the actual taxes payable at her death and (2) the taxes that would be payable if the QTIP share of the Marital Trust were not taxable at her death. The taxes payable from the QTIP share shall be charged first against the non-elected portion for purposes of generation-skipping transfer taxes.

B. Payment of Taxes at the Child's Death. If the child does not negate this provision by specific reference to this paragraph in the child's will, at the death of any child of mine my Trustee shall distribute to the child from the unappointed principal of the child's separate trust under Article IV a sum sufficient to pay the estate and inheritance taxes payable at the child's death and attributable to the principal and undistributed income of the child's separate trust. The taxes attributable to the principal and undistributed income of the child's separate trust shall be the difference between (1) the actual taxes payable at the

child's death and (2) the taxes that would be payable if the principal and undistributed income of the child's separate trust were not taxable at the child's death.

C. Spendthrift Provisions. To the extent permitted by law, the principal and income of any trust shall not be liable for the debts of any beneficiary or subject to alienation or anticipation by a beneficiary, except as otherwise provided.

D. Survivorship. My wife shall be deemed to have survived me if we die simultaneously or if, in the opinion of my Trustee, there is no sufficient evidence we have died otherwise than simultaneously. [Footnote 3]

E. Adoption. A person related by or through adoption shall take under this agreement as if related by or through birth, except that a person adopted after reaching age twenty-one and descendants of such person shall not so take.

F. Disclaimer. Any beneficiary or the legal representative of any deceased beneficiary shall have the right, within the time prescribed by law, to disclaim any benefit or power under this agreement. All or any fractional part of the Marital Trust disclaimed by or on behalf of my wife shall be added to the Children's Share. Any transfer taxes incurred at my death and attributable to a qualified disclaimer of property included in my gross estate shall be paid from the disclaimed property. The transfer taxes attributable to a qualified disclaimer shall be the difference between (1) the actual taxes payable at my death

and (2) the taxes that would be payable if the disclaimer were not made.

G. Construction of Terms. Where appropriate to the context, pronouns or other terms expressed in one number and gender shall be deemed to include the other number and genders. References to transfer taxes shall include gift, estate, inheritance and similar taxes, as well as generation-skipping transfer taxes. Tax-related terms shall be construed in the context of the federal revenue laws in effect at my death.

H. Situs, Multiple Counterparts. This agreement is made or delivered in Virginia and shall be governed by its laws. This agreement is signed in more than one counterpart, each of which is an original.

WITNESS my signature and seal:

_____ [SEAL]

The terms of the Trust Agreement are accepted.

SOVRAN BANK, N.A.

By _____

STATE OF VIRGINIA)
) ss.
_____ OF _____)

The foregoing instrument was acknowledged before me this
_____ day of _____, 19__ by _____.

Notary Public

My commission expires: _____, 19__.

Schedule to Trust Agreement

Insurer

Policy No.

Face Amount

Asset

Value

FORM 47

FOOTNOTES

1. If the grantor does not want one-half of the trust assets to pass to his wife's distributees if there are no takers, the following provision may be substituted for paragraph M. The use of this provision, however, may prohibit the merger of any trust under this agreement with a similar trust created by the wife as provided for in Article VIII K.

M. Takers in Default. If at any time there is no living beneficiary designated to receive the assets of any trust under this agreement, my Trustee shall distribute the principal and any undistributed income of the trust to the persons who would be my distributees under the laws of Virginia then in effect as if I had then died without a will, unmarried and owning the assets.

2. If an individual who is a trust beneficiary will serve as co-trustee with the bank, the trust provisions should be revised so that discretionary distributions of trust income or principal are made solely by the corporate Trustee. In addition, the following provision should be inserted at the conclusion of Article VIII.

P. Restrictions on Individual Trustees. No individual serving as Trustee shall have a voice in any discretionary decision to distribute income or principal of any trust in order to discharge a legal obligation of the individual or for the individual's pecuniary benefit.

3. If both spouses have substantial estates, this provision may be deleted or revised to require that the wife survive for a period of up to 170 days.