Bill

Good afternoon. My name is Bill Williams, the president and CEO of Funeral Services, Inc., better known as FSI.

Paul

And I'm Paul White, FSI Vice President of Client Development and Marketing.

In a moment, we will share with you a little more about our background in the death care industry.

Bill

But first, let me take this opportunity to thank Kates-Boylston, and especially Patti Bartsche for putting this webinar together **and** to thank each of you attending today.

We sincerely hope you find this presentation informative and beneficial.

As the president and CEO of FSI, my role and responsibilities include:

- Leading FSI in providing death care trust administration and record-keeping services to funeral homes, cemeteries, trust organizations, third-party preneed sellers, state associations and others that operate preneed and perpetual care trusts
- Please note that FSI is not a trustee and we're not an investment manager. FSI performs all the preneed and perpetual care trust recordkeeping and reporting functions required by each state's death care laws for both the trustee and the cemetery or funeral home.
- And, we do this with privately owned and publicly owned clients in nearly two dozen states.

<u>Paul</u>

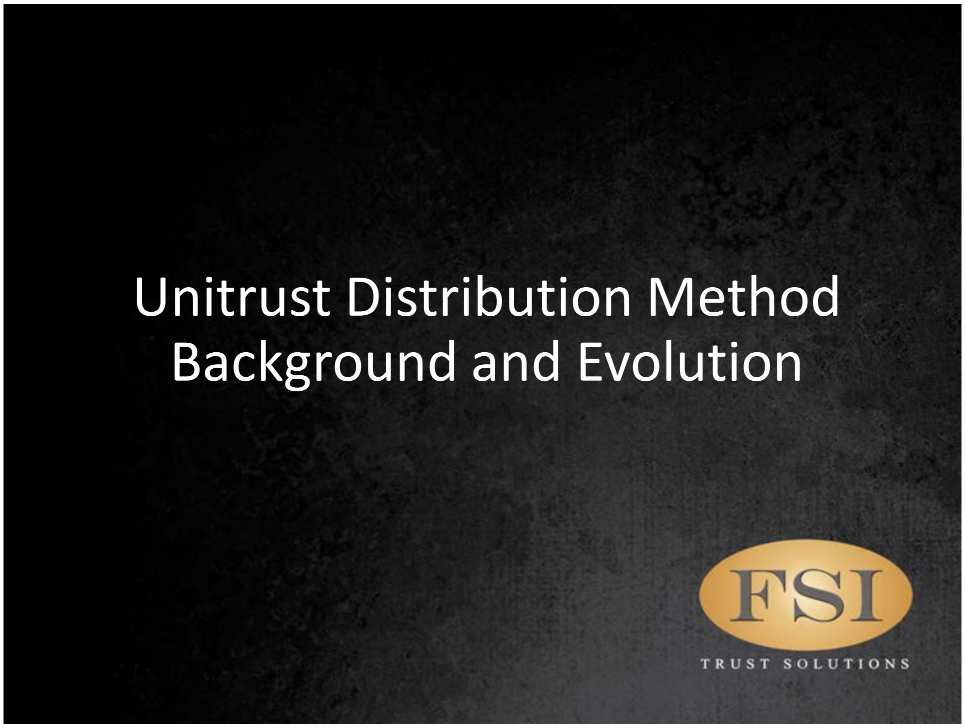
- As the vice president of client development and marketing, my role and responsibilities include:
- Introducing the company's wide array of products and services to prospective clients, and
- Maintaining the standards of excellence that current clients have come to enjoy from FSI.

<u>Bill</u>

Today's webinar will introduce you to a new a solution that could help ease the financial burden many perpetual care cemeteries face. The Unitrust Distribution Method, also known as the Total Return Method, potentially provides additional maintenance funds to better maintain and preserve the cemetery for future generations.

Just to give you a quick overview – today we're going to review:

- Exactly what the Unitrust method is and its evolution for perpetual care cemeteries
- The financial impact of Unitrusts – we'll show you a real-life example to illustrate its positive, long-term effect
- How to implement Unitrusts in your state



Bill

So, first, let’s look at the Unitrust distribution method’s background and evolution.

What is a Unitrust?

- Also known as a “total return trust”
- Does not limit distributions to income generated by the trust
- Percentage of the trust’s total market value is paid to the trust each year

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<u>Bill</u>

So, what exactly is a Unitrust?

As mentioned, Unitrust is also known as a “total return trust,” and here’s why:

- Unitrusts enable cemeteries to withdraw a certain, fixed percentage, usually between three and five percent, of the fair market value of their perpetual care trust for cemetery maintenance.
- With this strategy, the trust’s investment goals become much broader – instead of investing the trust for the sole purpose of producing income, which can stifle the growth of the trust principal, the investment focus shifts to increasing the total value of the trust.
- Typically, this investment strategy results in a higher rate of return, which equals a greater distribution to the cemetery, while simultaneously growing the trust principal.

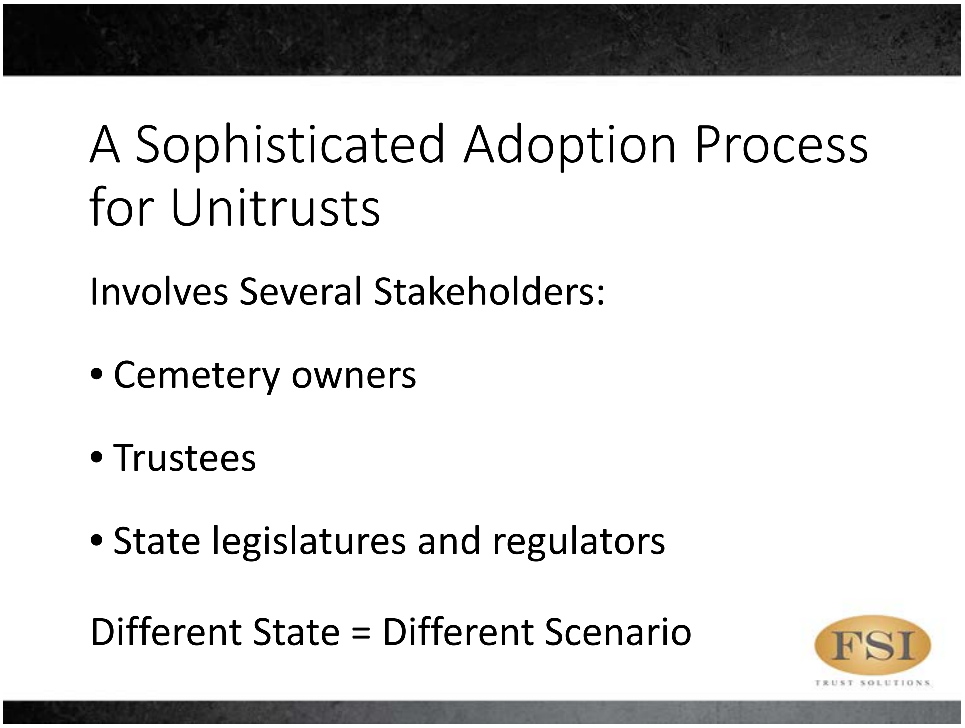
Income-Only Method’s Limitations

- Cemeteries generally receive smaller returns from income only investments
- Questions about long-term sustainability

Paul

Before we go further, let me remind you that the income-only method limits perpetual care cemeteries to the interest and dividends generated by the trust.

This strategy, especially in a low-interest rate environment, has substantially limited returns and is beginning to raise questions about the long-term financial sustainability for perpetual care cemeteries.

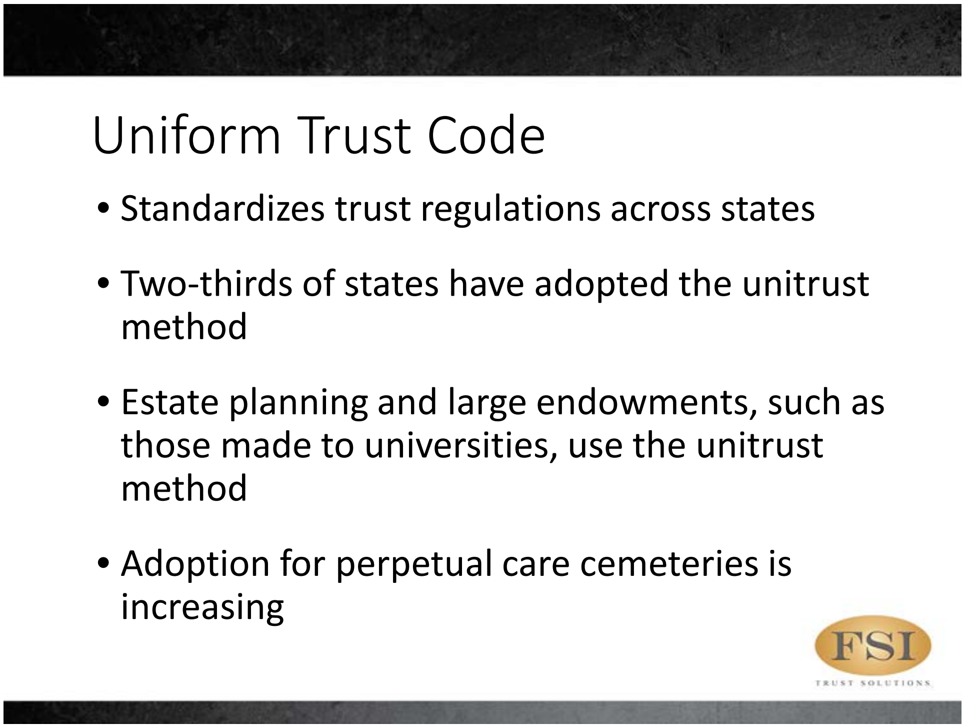


<u>Paul</u>

Stakeholders are beginning to understand the limited potential of the income-only method and the need to ensure these cemeteries' sustainability.

Stakeholders include:

- Cemetery owners, trustees, state legislatures and regulators.
- Each of these stakeholder's must collaborate to find the proper and most efficient route to implement the Unitrust concept within each state. Some states require legislation to implement Unitrusts, while others can simply make administrative rule changes.

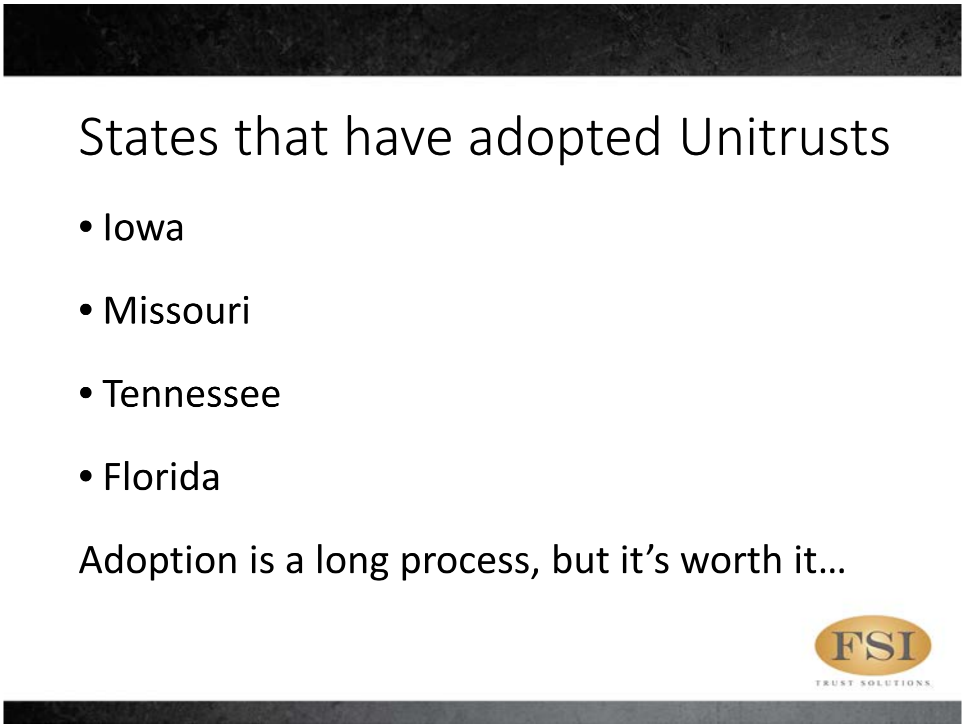


<u>Bill</u>

As Paul just mentioned, each state will have its own unique challenge when working to adopt the Unitrust method.

However, most states have adopted the Uniform Trust Code. The Uniform Trust Code is a national model designed to standardize trust regulations across states, and it already includes the Unitrust election. So, more than likely your state already allows the Unitrust model, it just hasn’t been applied to perpetual care trusts – yet.

Estate planners and large endowments, such as those made to universities and hospitals, have been using the Unitrust model for years to maximize cash for today, while continuing to grow the trust for future needs. Yet, few states have taken advantage of the Unitrust model for cemetery perpetual care trusts. But, we’re just now beginning to see that change.



Bill

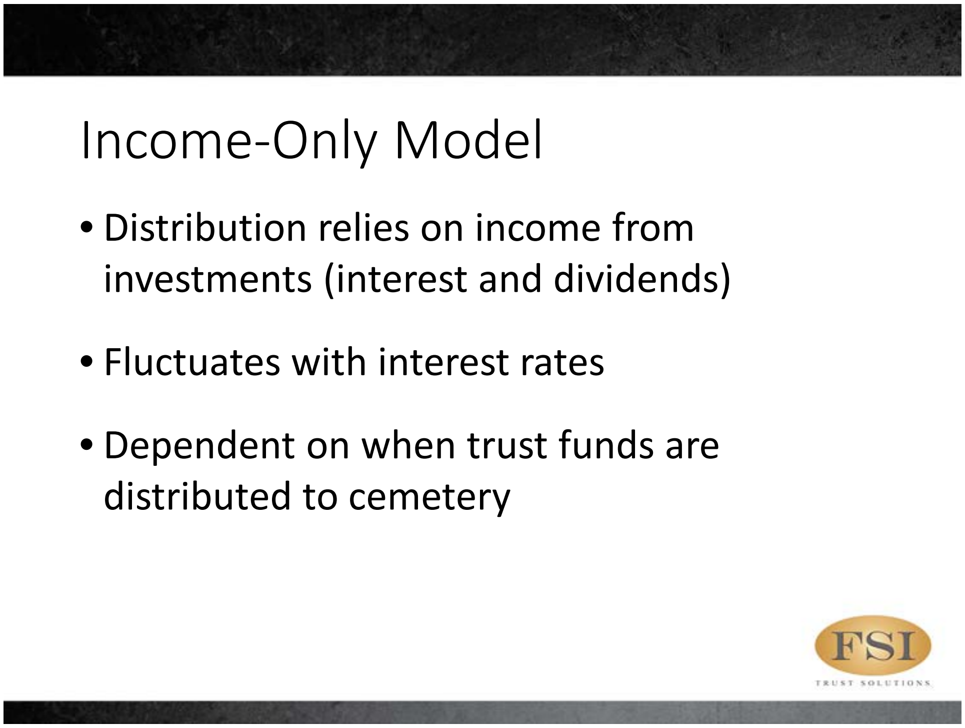
So far, Iowa, Missouri, Tennessee and most recently, Florida, have adopted the Unitrust Distribution Method.

Discussions in Iowa began as early as 2000, but nine years later, Missouri was the first state to actually adopt the model. Since then, the other three states have adopted Unitrusts for perpetual care cemeteries.

As you may guess, the process can be long and painstaking, but it's certainly worth it. I'll let Paul begin to tell you why.

Paul

Thanks, Bill. Let’s talk about the financial impact of Unitrusts and how they’re so effective for generating income.



<u>Paul</u>

To quickly review the income only model, remember these points:

- Many perpetual care cemeteries have struggled with low returns from their perpetual care trusts in the current market environment. And, interest-dependent income causes fluctuating returns, which makes budgeting for each month and year almost impossible.
- These inconsistent distributions are also dependent on when the trust funds are scheduled to make distributions to the cemetery, so a cemetery can only hope the market is doing well when its distributions are scheduled.

Unitrust Model

- Returns a known percentage of the trust's total market value
- Owners choose from three to five percent
- Growth derived from interest, dividends AND both realized and unrealized capital gains

<u>Paul</u>

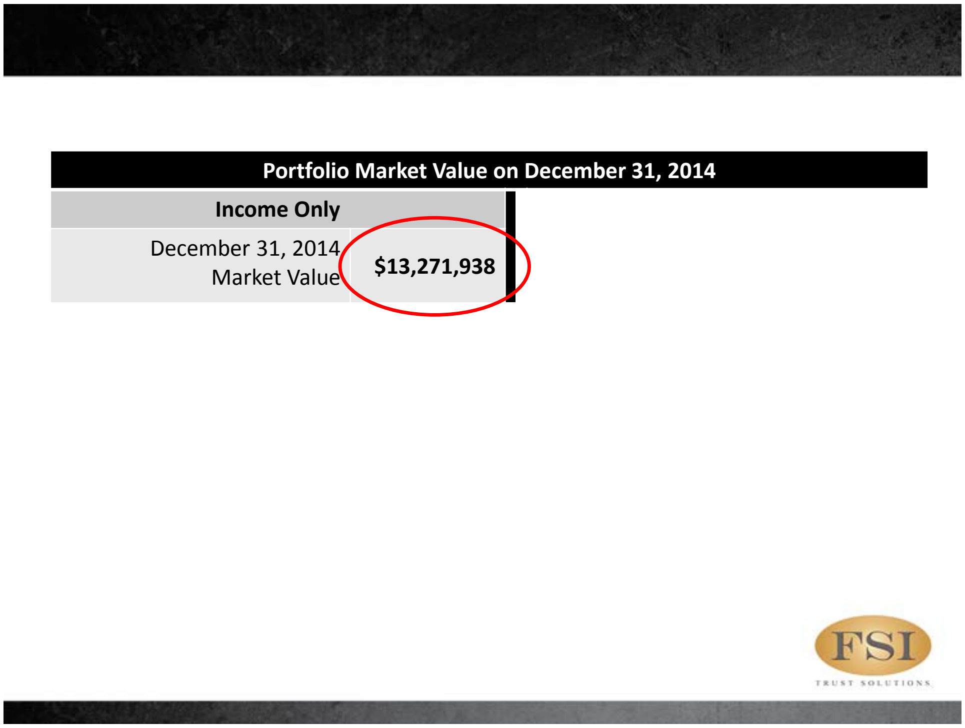
OK, now to the good news…

As mentioned earlier, the Unitrust method distributes a percentage of the total market value of the trust fund. Distributions are generally three to five percent of that market value, which provides a reasonable distribution to the cemetery while also helping to assure the principal of the trust fund grows and will be preserved. AND, the cemetery operator knows, at the beginning of the year, how much they will receive from trust for the entire upcoming year.

Growth of the fund is derived not only from interest and dividends, but also from the capital gains of stocks held in the trust fund's portfolio.

Bill

To help you better understand the financial impact of the Unitrust method compared to the income only approach, let’s look at an example from one FSI care and maintenance trust.



Portfolio Market Value on December 31, 2014	
Income Only	
December 31, 2014 Market Value	**$13,271,938**

Bill

The next few slides will show a breakdown of the trust's market value, and distribution payouts using both the income only distribution method and the Unitrust (total return) approach.

Portfolio Market Value on December 31, 2014		
Income Only		
December 31, 2014 Market Value		**$13,271,938**
	Income	**Yield**
Annual Income	440,866	3.32%

Portfolio Market Value on December 31, 2014		
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Trust Expenses	(155,517)	(1.17%)

Portfolio Market Value on December 31, 2014		
Income Only		
December 31, 2014 Market Value		**$13,271,938**
	Income	**Yield**
Annual Income	440,866	3.32%
Trust Expenses	(155,517)	(1.17%)
Net Amount Available for Distribution	**$285,349**	**2.15%**

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Portfolio Market Value on December 31, 2014
Unitrust (Total Return)

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Portfolio Market Value on December 31, 2014	
Unitrust (Total Return)	
Average of 3 prior year -ending Market Values	**$13,032,796**

Portfolio Market Value on December 31, 2014			
Income Only		Unitrust (Total Return)	
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Portfolio Market Value on December 31, 2014				
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	Income	Yield		
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Net Amount Available for Distribution			**3.0%** Withdrawal	

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FSI TRUST SOLUTIONS

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Net Amount Available for Distribution	**$285,349**	**2.15%**	3.0% Withdrawal	**$390,984**

37% Increase in Revenue Using the Unitrust Method

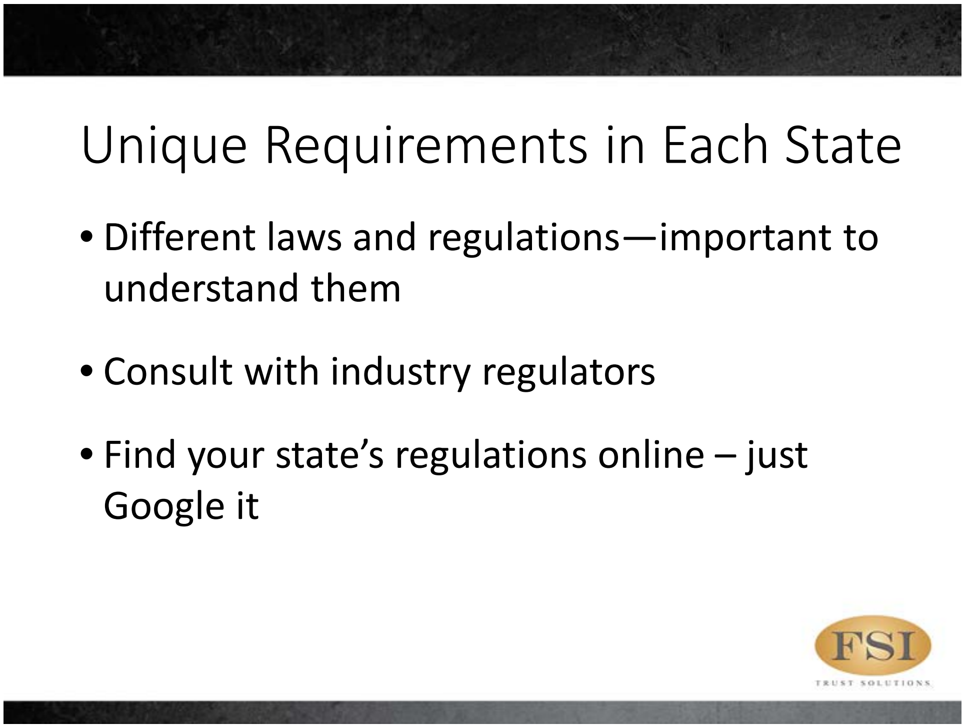
Now that we have your attention…

Paul

$100,000 more for your perpetual care cemetery each year. You know what they say: money talks! So now that we’ve got your attention, move to the final section of our presentation.

<u>Paul</u>

Here, we’ll discuss how you can begin implementing Unitrusts in your state.



Paul

As we mentioned previously, each state faces slightly different scenarios and challenges. Anyone seeking to make the transition should first be familiar with your state’s laws and regulations while also consulting with industry regulators.

A quick example of the widely varying laws: Florida law requires specific notification to the Florida Board of Funeral, Cemetery and Consumer Services to make the transition. Tennessee simply has a form that is filed with the state’s regulatory division.

You can find the requirements for the transition online in most states.

Investment Strategy Adjustment

- Most perpetual care trust funds are invested to maximize interest and dividends
- Unitrust focuses more on growth of trust itself
- Prudent asset allocation to both grow the trust and properly maintain the cemetery

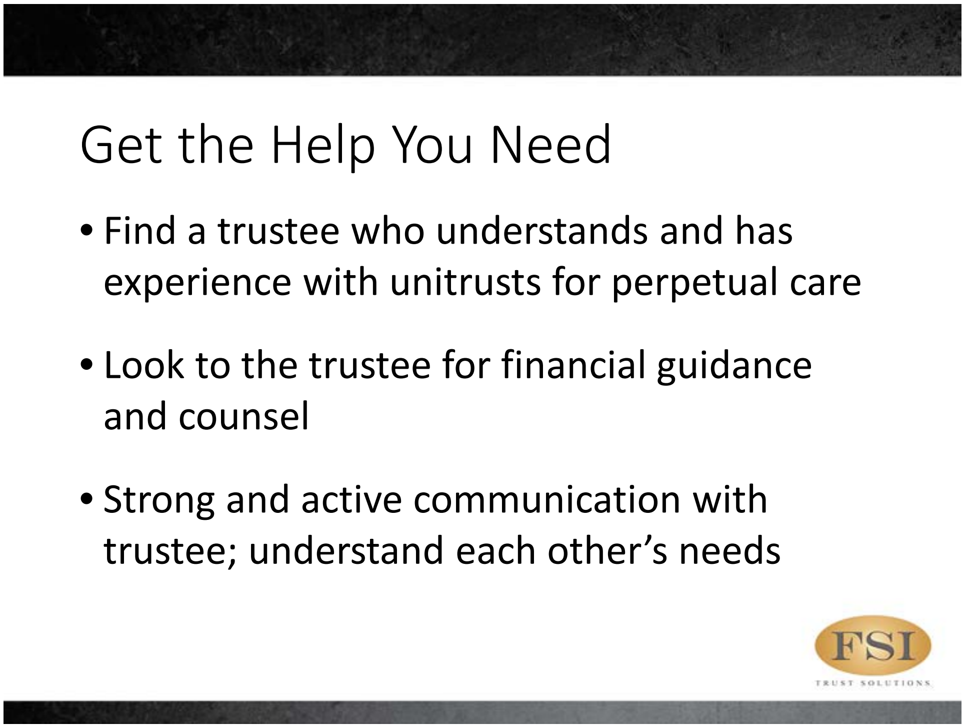
Bill

Using the Unitrust method requires a change in investment strategy; with the new strategy being nearly identically to the same for your preneed trust.

Unitrust focuses on growth of the entire trust, so investment goals must reflect that and be more broad.

For example, stocks have a strong history of outperforming bonds and other types of interest-bearing investments. Investing in stocks also means taking on some volatility and risks. However, the time horizon for a perpetual care trust is extremely long—as the word perpetual implies—so this volatility and risk is reduced.

It’s also important for the trust to adopt a prudent asset allocation that minimizes risk, outpaces the eroding effects of inflation, while still growing the trust as a whole.



<u>Bill</u>

When seeking to make the transition to Unitrusts, it’s essential to find a trustee you can work with and trust.

These points may seem obvious, but I cannot express the importance of them enough.

Make sure you find a trustee who understands and has experience with Unitrusts – most do, but not necessarily with perpetual care trusts. Most trustees can also help with the reallocation of investments that a Unitrust will require.

Like all relationships, it is imperative you and your trustee communicate often and actively and understand each other’s needs. If you don’t feel comfortable with any one of these points, I would recommend finding an outside source, something FSI can help you accomplish.

If you do feel confident with your current trust team, make sure you let them know of this potential change early and keep them up to date on implementing the Unitrust Method in your state.

Adopt Unitrusts in Your State

Advocate the Mutual Benefit of Unitrusts to State and National Leaders:

- What's good for perpetual care cemeteries is also good for the public
- Poorly maintained cemeteries become a liability for the community

<u>Paul</u>

For those who are not in a state that allows the Unitrust method, we encourage you to advocate the mutual benefit of Unitrusts to state and national associations, regulators and elected officials.

Most of those groups and leaders will quickly pick up on how important well-maintained cemeteries are to the public.

Cemeteries not maintained properly can become a liability for the community. If cemeteries fall into disrepair, taxpayer funds may be required to restore and maintain the property. Unitrusts help protect the public from this possibility by providing additional perpetual care funds today, and in the future.

Bill

To quickly review, here's what we covered today:

- The background and evolution of the Unitrust method
- How the Unitrust method can provide a substantially positive financial impact on your trust
- Steps to take to implement Unitrusts in your state, whether your state has adopted the method for perpetual care cemeteries or not.

Bill

Before we conclude today’s webinar, we will take any questions you have for the next 5-10 minutes.

<u>Bill</u>

Thank you all for your time today. We hope we helped you learn more about the Unitrust Distribution Method and how you can advance your perpetual care cemetery and its trust fund with it.

Please feel free to contact us anytime with additional questions on this or other topics by using the contact information on screen.

Again, thank you for your time and enjoy the rest of your day.