Business Owner's Guide to Buy-Sell Strategies

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TRANSAMERICA FINANCIAL LIFE INSURANCE COMPANY

Buy-Sell Planning and Exit Strategies for Successful Business Owners

You've invested a lot of time, energy, and money into your business. It's only natural that you want to receive full value for it when you sell your interest.

A buy-sell agreement, funded with life insurance, can help.

As a successful business owner, you may plan to continue working and owning your business for many years. You want to plan for the smooth transfer of your business interest when you eventually leave the business. The most common trigger events are:

- termination (e.g., leaving the business to do something else);
- retirement;
- disability; and
- death.

But regardless of why you eventually leave your business, you should develop and implement an exit strategy well before of any of these events occur. This will help you and your family benefit from the time, effort, and money you've put into the business. For many successful business owners, a key component of that exit strategy is a buy-sell agreement.

What is a Buy-Sell Agreement?

A buy-sell agreement is a strategic device – a tool – used by business owners to help ensure that they or the family will be adequately compensated when their interest in their business is sold. It also provides additional advantages to the owners and the business discussed later. The agreement is a legally binding contract that outlines the specific terms and conditions for the transfer of the business (or business owner's share of the business). Generally, the agreement specifies the value of the business or how the value will be determined; the time frame over which the compensation will be paid; the method by which the agreement will be funded; and the method by which an owner's interest will be purchased.

Why is a Buy-Sell Agreement Important to You?

A buy-sell agreement serves several crucial purposes, including helping you or your family receive your share of its value at the time of a triggering event. It also provides for the orderly transfer of a departing owner's interest. Unfortunately, without a well-drafted buy-sell agreement in place, problems could arise that can have a significant impact on the business, the remaining owner(s), and payments to the departed owner or their family, including:

- The business could be forced to borrow, or possibly put itself up for sale, in order to buy out a departing or deceased owner's interest;
- Disputes over the value of a departing or deceased owner's share, who has the right to buy it, or how payments will be made could lead to long and costly litigation, resulting in lost profits and business value;
- Members of a deceased owner's family could decide to become part of the ongoing management of the business, making operating the business more difficult;
- Valued employees, feeling uncertain about the business's future, could look for other employment opportunities;
- Key customers, sensing the same uncertainty, could look for alternate providers; and
- Crucial suppliers, aware of the situation, may change the terms of any credit arrangement.

A well thought out and properly drafted buy-sell agreement can help eliminate these possibilities and ensure the ongoing success of the business. Any buy-sell agreement should be drafted by a qualified attorney.

Establishing Business Value

Establishing the value of your business is probably the most important step you will take in developing your buy-sell strategy. Business owners often over-estimate or under-estimate the value of their business.

The actual appraised value of your business will generally be determined by such factors as: its assets minus liabilities; average annual earnings; the type of business it is (e.g., service, retail, professional); the length of time it has been existence; its standing in the community; its location; and its most recent revenue and earnings trends. Once all of these elements have been assessed, a professional business appraiser will be able to determine your business or practice's current value. This, in turn, will allow you to draft a buy-sell agreement that's acceptable to you, the other owners, and the IRS.

Why satisfy the IRS? Because if the IRS determines that your business has not been properly valued, it could impose additional taxes and penalties that could significantly – and negatively – impact your plans. If the business' value for tax purposes exceeds the price specified in the buy-sell agreement, your family may owe taxes based on the tax value while only receiving the amount specified in the agreement. In some cases, the taxes owed may exceed the total amount received.

How Are Buy-Sell Agreements Funded?

There are several ways to fund a buy-sell agreement, including a savings fund, an installment plan, disability insurance, and life insurance.

Savings Fund

A savings fund is an account into which you and the other owners or the business make annual deposits to fund the eventual purchase of an owner's interest in the business. The major drawback to a savings fund is that a sale could occur before the account has accumulated a sufficient amount of money to carry out its intended purpose. In addition, interest or other earnings of the fund are taxable each year.

Installment Plans

Under an installment plan, the remaining owners or the business make regular payments to a departed owner or a deceased owner's heirs in exchange for their share of the business. While there are advantages to this method (the ownership is usually transferred immediately and interest on the installment payments is generally deductible as a business expense), there are two major drawbacks: one – future business operations and profits could be weakened as a result of the ongoing payments; and two – the deceased or departed owner/shareholder's family will not only have to receive its compensation over an extended period of time, but it may also be dependent upon the continued success of the business – which cannot be guaranteed.

Life Insurance

Life insurance is generally the most common and certain method of funding a buy-sell agreement. The funds are generally immediately available upon the death of an owner/shareholder and the cost of the coverage is well below the ultimate payout from the life insurance policy. The tax-deferred growth of a cash value policy may allow the policy to be used, if the policy has built-up sufficient cash value, to help fund a buy-out caused by termination, retirement, or disability. A variety of life insurance products can be used to fund the agreement.

Disability Insurance

Many business owners include disability insurance as part of their buy-sell agreement if an owner becomes disabled during the early years of the agreement. During these early years, savings funds and life insurance cash values will not have had time to accumulate sufficient value to cover the cost of a buyout brought on by disability. Disability insurance, on the other hand, can ensure the money will be there regardless of when the disability begins.

Advantages of Buy-Sell Agreements

A buy-sell agreement offers a number of advantages to the owners, the business, the successor owners, and in event of death, to the owners' heirs.

Advantages for the Selling Owners

- Provides a planned exit strategy in the event an owner decides to leave the business to pursue other interests or retire.
- Establishes the purchase price and payment method in the event an owner becomes disabled and unable to carry out his or her duties.
- Establishes the purchase price and payment method in the event an owner dies prematurely.
- Allows owner(s) to create a legacy by leaving a financially sound, ongoing business.
- Using life insurance ensures a source of cash at an owner's death to buy his or her interest.

Advantages for the Business

- Formalizes a business continuation plan.
- Reduces the risk of losing customers, employees and suppliers when an owner leaves.
- Stabilizes working capital.
- Stabilizes future business management.
- Can help enhance business credit rating by reducing potential uncertainty.

Advantages of Buy-Sell Agreements

Advantages for Other Owners

- Provides for an orderly transition of the departing or deceased owner's share of the business.
- Allows the remaining owners to retain control of the business.
- Assures creditors, customers, employees, and suppliers of the business's continuation.
- Provides minimal impact to the business's financial statements.
- The money needed is provided by the insurance company and available when needed.
- Maintains business credit and may strengthen it due to reduced uncertainty.

Advantages for the Heirs

- Provides a cash payment shortly after owner's death. (Additional amounts may have to be paid in installments, depending on the terms of the agreement.)
- Estate settlement is not delayed by the search for a buyer.
- Heirs are not burdened with business responsibilities and concerns.
- Protects deceased owner's family from being "frozen out."
- Helps establish the value of an owner's business interest for tax purposes (tax law requirements must be met).

Which Type of Buy-Sell Agreement is Right for You?

Different needs require different "strategies"

Business owners normally use one of four basic types of buy-sell agreements: Cross-Purchase; Entity Purchase; "Wait-and-See"; and Partnership. Which solution is right for your business will depend largely upon your particular circumstances, goals, and objectives.

Cross Purchase Agreements

Under a Cross-Purchase Agreement, the owners enter into an agreement with each other, rather than the business, to purchase the interests of a departing or deceased owner when a triggering event occurs. Each owner purchases a life insurance policy on the lives of the other owners and uses the death benefit proceeds or accesses cash values through withdrawals or policy loans to purchase the departing or deceased owner's interest following a triggering event.

Entity Purchase Agreements

Under an Entity Purchase Agreement, the business – and not the individual owners - enters into an agreement with each of the owners to purchase their interest when a triggering event occurs. The business purchases a life insurance policy on each owner and uses the death benefit proceeds or accesses cash values upon a triggering event to purchase the departing or deceased owner's interest following a triggering event.

Wait and See Agreement

A Wait-and-See Agreement can be used when the owners are unsure about what their future needs will be – or how then-current tax law could impact those needs – and thus want to "wait and see" which type of buy-sell agreement would best suit their situation. The Wait-and-See Agreement allows owners to protect their interests through the establishment of a buy-sell agreement today, but literally "wait and see" how a departing or deceased owners interest should be purchased, and who should make the purchase.

Partnership Agreement

A Partnership Agreement utilizes a separately created Partnership in conjunction with a Cross-Purchase Agreement to purchase a deceased or departing owner's share of the business (A limited liability company could be used rather than a partnership).

Since an owner could become disabled immediately following the establishment of the buy-sell agreement, most agreements will either include language that spells out when disability coverage will commence, that separately purchased disability insurance be included as part of the agreement, or both. The agreement, including any language specifying the terms and conditions of coverage must be drafted by an attorney.

We will review all four types of agreements in greater detail on the following pages.

Distributions such as loans and withdrawals will reduce the cash value and death benefit and loans will be charged interest. If a policy lapses while a loan is outstanding, adverse tax consequences may result. If the policy is treated as a modified endowment contract (MEC) by IRC Sec. 7702A, loans are taxable when taken to the extent of gain then in the contract. Loans and withdrawals from cash value may also be subject to a 10% federal income tax penalty if taken prior to age 59½. Cash distributions associated with benefit reductions, including reductions caused by withdrawals during the first 15 years, may be taxable. Please consult your tax advisor regarding your particular situation. Loans, withdrawals and assignments are considered distributions. Please see the prospectus for details.

A Buy-Sell Exit Strategy Using Life Insurance

A buy-sell exit strategy using life insurance helps business owners determine the right strategy for their business. Because it is funded by life insurance, it can help ensure that funds will be available to carry out the sale of the business under the following circumstances:

At Termination or Retirement

If an owner wishes to sell his or her interest in the business to pursue other interests or retire, the buy-sell agreement provides for the purchase the departing owner's interest at a predetermined price. In these situations, if the policy has been in force for sufficient time and sufficient premiums paid, the life insurance policy's cash value generally provides funds for a cash down payment for the purchase.*

At Death

In the event of an owners death, the proceeds from the life insurance policy can be used to purchase the deceased owner's share of the business from his or her estate.

In the Event of Disability

In the event an owner becomes disabled and cannot carry out his or her responsibilities – and providing sufficient time has elapsed for policy cash values to grow large enough — the buy-sell agreement would provide for the purchase of the disabled owner's interest using policy cash values to help finance the purchase. Many business owners also purchase disability insurance as part of their buy-sell agreement.

Of course, there may be other circumstances that could force the implementation of a buy-sell agreement, including divorce, loss of a required license, or simple disagreements between owners about the direction for the business. All of these, as well as other, potential "triggers" should be considered in the creation of a buy-sell agreement.

Provisions

The primary provisions of a buy-sell agreement funded by life insurance include:

- The remaining (in a cross-purchase) owners, or the business entity itself (in an entity purchase), are obligated to purchase, and the departing owner or the deceased owner's estate is obligated to sell, the departing or deceased owner's interest;
- Who will own the life insurance policies, who pays the life insurance premiums, and restrictions on uses of the policies' cash value;
- A specific purchase price, or a method of determining the price; and
- How and when the purchase price will be paid.

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Cross-Purchase Agreements

Under a Cross-Purchase Agreement:

- each owner agrees to purchase each of the other owners' interests in the business following a triggering event; and
- each owner purchases a life insurance policy on the life of each of the other business owners to fund the agreement.

How it works in the real world:

Bob and Susan own a business together. They are both 35 and have been friends since childhood. Although good friends, they had very different career interests. Susan, an engineering major, was a tinkerer who always tried to find a better way to build things. Bob was a business student fascinated by the challenges of building and running a business. Ten years later, Susan developed a better mousetrap. She and Bob formed a company to manufacture and sell the mousetrap, and the company is now valued at $10 million.

Bob, the business entrepreneur, is always thinking about the future. And though he's not ready to leave the company any time soon, he may want to try something new before he retires. Thus, Bob and Susan want a buy-sell agreement that will pay each of them a fair price for their interests, plus allow for continuation of the business.

Strategy: Enter into a cross-purchase buy-sell agreement.

Basic Cross-Purchase Agreement

Bob and Susan purchase a five million dollar life insurance policy on each other.

Bob owns 50% of the business

Susan owns 50% of the business

Cross-Purchase Buy-Sell Agreements

Advantages:

- The purchased interest has an income tax basis equal to the price paid for the interest. This may result in a tax savings (compared to an Entity Purchase Agreement), if the interest is later sold at a higher price.
- State law may limit the ability of a business or personal creditors to reach the cash value or proceeds of a life insurance policy.
- Not subject to state laws restricting stock redemptions.
- Heirs' sale of interest qualifies for long-term capital gains treatment.

Disadvantages:

- The agreement is generally more expensive and difficult to administer if more than two or three owners are involved because it requires the purchase of more policies than an Entity Purchase Agreement (e.g. 12 policies for four owners, 20 policies for five owners, etc.)
- The cash values of the policies owned on the other owners will be included in the calculation of the deceased owner's estate.
- Depending on the type of entity, transfers of policies between surviving owners after an owner's death may violate the transfer for value rule, causing some of the death benefits to be subject to income tax.

Cross-Purchase Buy-Sell Agreement: Lifetime Buy-out

Susan purchases Bob's interest at the predetermined price. Assuming the policy has been in force long enough to accumulate sufficient cash values to grow sufficiently, Susan can borrow* from her policy's cash value to serve as a down payment for financing the agreement.

Bob sells his shares to Susan at the predetermined price

Bob wants to pursue other interests, retire or becomes disabled.

Susan takes a loan or withdrawal from the life insurance policy she purchased on Bob to buy out his interest to the extent permitted under the policy. (She could also surrender the policy, but doing so could subject her to income tax as well as surrender charges during the first several years). Additional payments are likely to be required under the agreement.

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Cross-Purchase Buy-Sell Agreement: Death of an Owner

Bob passes away and his interest is inherited by his heirs.

Bob's interest, per the agreement, is sold to Susan.

Susan files a claim on the policy at Bob's death. The insurance company sends the death benefit proceeds to Susan.

Susan uses the death proceeds from the insurance policy to buy Bob's interest in the company.

Entity Purchase Buy-Sell Agreements

Under an Entity Purchase Buy-Sell Agreement:

- the business (and not the other owners) agrees to purchase each owner's interest in the business following a triggering event; and
- the business owns the life insurance policies on each of the owners.

How it works in the real world.

Jane and Bill own a business together. Both 42, Jane and Bill became friends after working at an internship with a high-tech, multi-million dollar company. During the internship, they found that they both had a great sense for business, a million new ideas, and that they communicated well together. Shortly after completing their internship, Jane and Bill went to work for the company. Not long after that, Jane's boyfriend David introduced his cousin Lucy to Bill, and the two couples eventually married.

Over the years, Jane and Bill had monthly dinners together where they brainstormed ideas and talked shop. Ten years later, they developed an idea for a much-improved cell phone battery. Believing they could sell this idea, Jane and Bill formed a company, which today is valued at $10 million. While Jane and Bill are good friends and respect each other's spouses, they do have concerns about what could happen if one of them were to die, leave the company for another opportunity, retire, or become disabled.

For example:

- Neither of them wants to be in business with the other's spouse.
- Neither one wants to be in business with an outsider should the other decide to sell their interest.
- Both of them want to ensure that David or Lucy will be compensated fairly and quickly for their share.

Thus, Jane and Bill want a strategy that will:

- allow the surviving (or remaining) owner to assume complete ownership of the company
- use company funds to pay the life insurance premiums;
- provide an immediate buyer for the departed owner's interest in the company; and
- compensate a deceased owner's spouse fairly, quickly, and at a minimum cost to the survivor.

Strategy: Enter into an entity purchase buy-sell agreement.

Basic Entity Purchase Buy-Sell Agreement

Jane owns 50%

The business purchases five million dollar life insurance policies on each owner.

Bill owns 50%

Advantages:

- Generally easier to understand than Cross-Purchase Agreements.
- Easier to administer.
- Fewer policies are required if there are three or more owners.
- No question as to unreasonable compensation issues.

Disadvantages:

- Earnings retained to fund the buyout may be subject to the accumulated earnings tax.
- Family attribution rules might make the buyout a dividend.
- May change owner voting power unfavorably.
- May increase value of survivor's interest, but not survivor's basis.
- Insurance proceeds and cash value might be subject to corporate alternative minimum tax.
- Must comply with the rules governing employer-owned life insurance, including notice to and consent of the insured and IRS reporting requirements

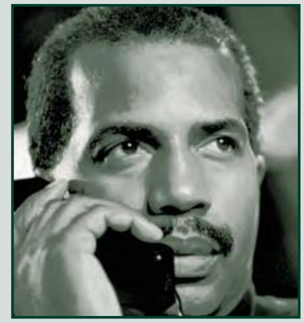
Basic Entity Purchase Buy-Sell Agreement: Lifetime Buy-Out

Assuming the policy has been in force long enough for cash values to grow sufficiently, the business can borrow* or withdraw from policy cash values to help buy Jane's interest in the company.

Jane sells her interest at the predetermined price

Jane wants to pursue other interests, retires, or becomes disabled.

The business uses the cash value of the life insurance policy it purchased on Jane by withdrawing the premiums paid, borrowing against the cash value or surrendering the policy. Surrender of the policy may incur some income tax.



After the business purchases Jane's interest, Bill controls the Company.

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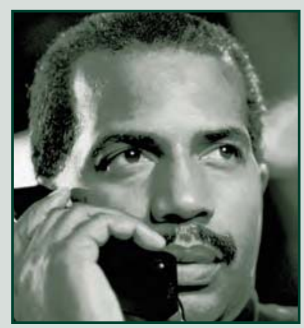
Basic Entity Purchase Buy-Sell Agreement – Death of an Owner

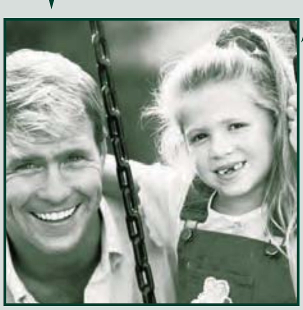
The business uses the proceeds to buy Jane's interest in the company.



Jane passes away and her interest is inherited by her heirs.

The business files a death claim. The life insurance company sends the death benefit proceeds to the business.

After the business purchases Jane's interest, Bill controls the Company.



Jane's interest, under the agreement, is sold to the company.

Wait-and-See Buy-Sell Agreements

It is often difficult for the owners of a business to determine which type of buy-sell agreement would best suit all of their interests when a triggering event occurs. Potential changes in tax law, business needs, and personal situations contribute to this uncertainty. In such cases, many business owners elect to use a Wait-and-See buy-sell agreement.

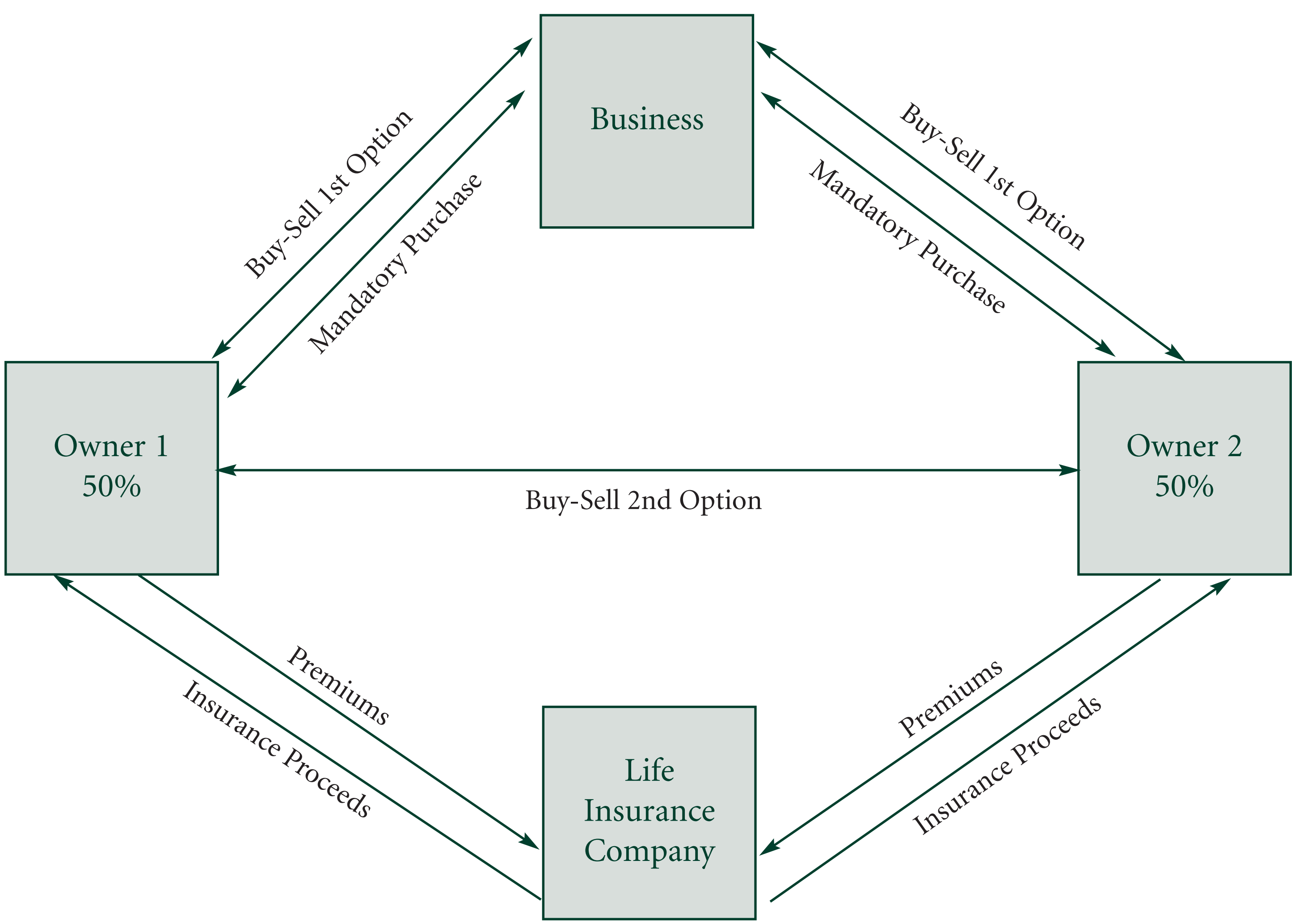
Under the Wait-and-See approach:

- Business owners have the flexibility to accommodate unforeseen changes in tax law, business needs and/or personal situations by putting off the decision of which type of buy-sell agreement to implement.
- The actual purchaser of the departing or deceased owner's interest is not determined until a triggering event occurs.

A Wait-and-See buy-sell agreement allows the owners to choose whether they will buy each other's interests outright or the business will buy the interest.

The Wait-and-See flowchart is the same as both the Cross-Purchase and Entity Redemption flowcharts, except that the actual purchaser of the departing or deceased owner's interest, and the respective amounts, are not determined until the triggering event.

Wait-and-See Buy-Sell Agreement



Partnership Buy-Sell Agreements

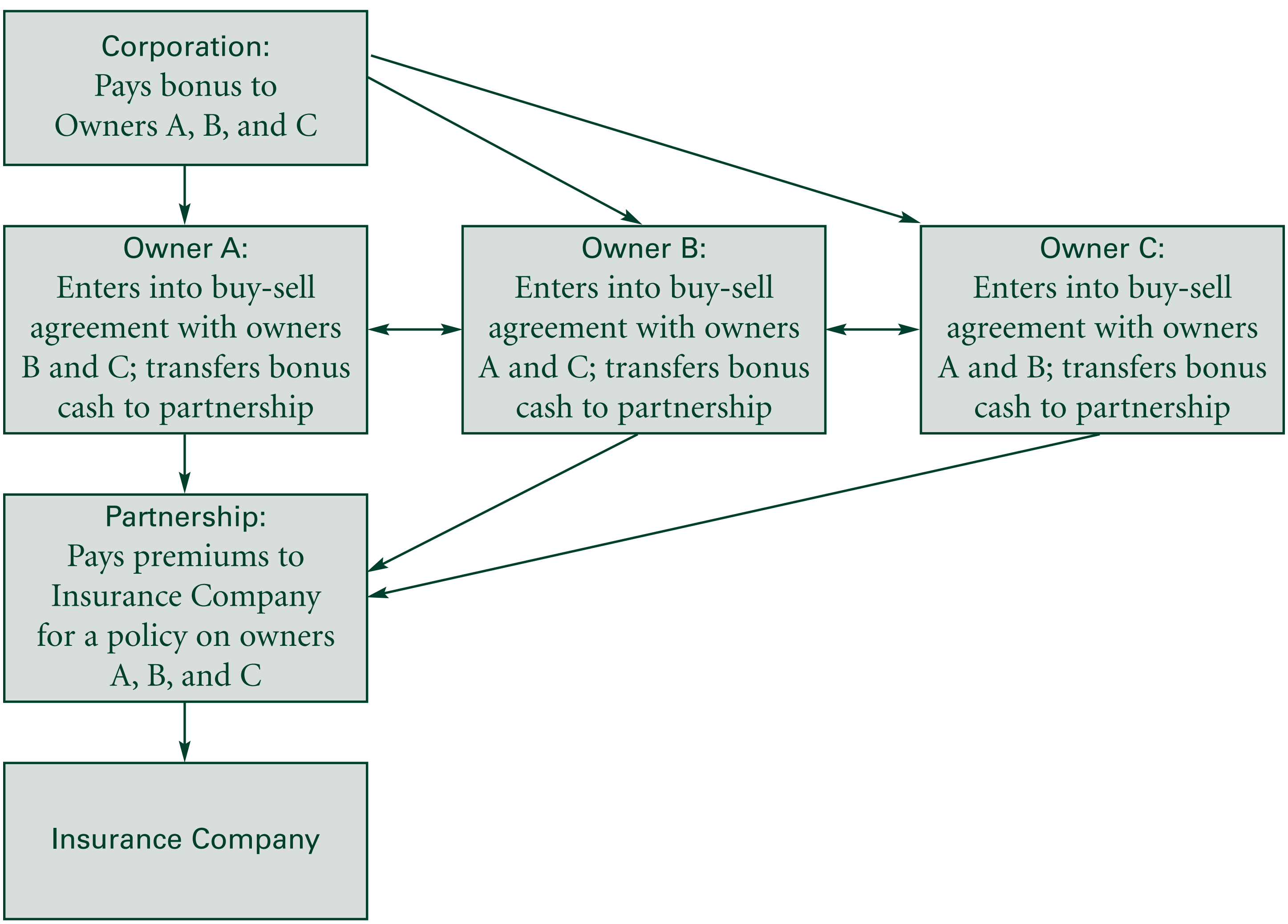
As we've seen, there are both advantages and disadvantages to using a Cross-Purchase or Entity Redemption Buy-Sell Agreement. But what if there were an option that essentially eliminated the disadvantages? For many successful business owners, there is such an option, and it's called a Partnership Buy-Sell Agreement – a buy-sell agreement utilizing a separate general or limited partnership. It may also be structured to use a limited liability company (LLC) instead of a partnership.

Under a Partnership Buy-Sell Agreement, the owners of the business:

- establish a partnership;
- become partners in the partnership; and
- enter into a Cross-Purchase Buy-Sell Agreement that provides for the disposition of the departing owner's interest in both the partnership and the business following one of the four trigger events: termination, disability, retirement, or death.

The partnership then purchases, owns, and is the beneficiary of a life insurance policy on each of the owners. In order for the partnership to pay the policy premiums, each of the owners transfers a sum of cash to the partnership in the form of a capital contribution. Many companies will "bonus" that sum of cash to the owners under an Executive Bonus Plan, which may be tax-deductible to the company. The partnership must comply with the rules for employer-owned policies. These include providing specific notice of the policy to the insured, obtaining written consent of the insured, and reporting information about the policy to the IRS.

Partnership Buy-Sell Agreement



Partnership Buy-Sell Agreement: Lifetime Buy-Out

What happens when an owner retires or decides to terminate employment?

Here's how it works in the real world

Bob, Mary, and Dan co-own a successful business. They have established an exit strategy for the business, using a partnership buy-sell agreement. After working happily together for 15 years, Dan decides to retire. He notifies Bob and Mary of his decision, and sets into motion the following chain of events:

I. Bob, Mary and Dan terminate their partnership.

II. The partnership distributes each of their life insurance policies to them as a liquidation of their capital accounts. The partners may be subject to income tax if the value of their policy exceeds their capital account.

III. Dan now has access to his policy's cash value.

IV. If the policies have built up sufficient cash surrender value, Bob and Mary borrow from their policies' cash values and use the money to buy out the remainder of Dan's share. (They may also leave their policies intact, and take a business loan to buy Dan out.)

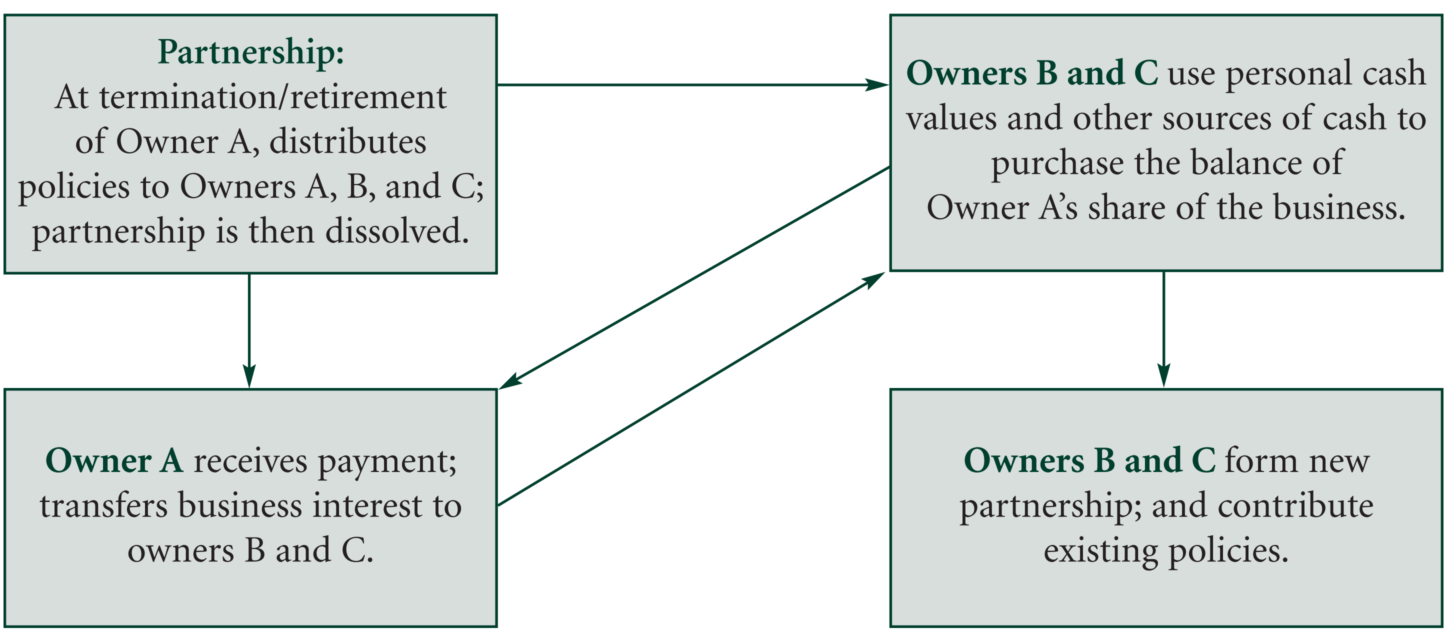
V. Dan has now sold his interest to Bob and Mary, who are now the sole owners.

VI. Bob and Mary form a new partnership, using their policies as their tax free capital contribution, and continue running the business as before.

What have Bob, Mary and Dan accomplished?

- Dan has successfully sold his interest in the business.
- If he keeps his policy in force, Dan can use its death benefit for estate preservation, survivor protection, charitable giving, or wealth replacement. With proper planning, he may be able to keep his policy proceeds out of his taxable estate.
- Bob and Mary have retained full ownership of the business without interruption, without having to go into sizeable debt requiring regular payments, without suffering adverse tax consequences, and without having to take on a new business partner.

Lifetime Buy-Out



Partnership Buy-Sell Agreement: Death of an Owner

What happens when an owner dies?

Here's how it works in the real world

Bob, Mary, and Dan co-own a successful business. After working happily together for 15 years, Dan unexpectedly dies. Following his death, the following chain of events are set into motion.

I. The insurance company pays the federal income tax free death benefit from Dan's policy to the partnership.

II. The partnership distributes the proceeds to Bob and Mary on a tax free basis.

III. Bob and Mary use the proceeds to purchase Dan's share of the business (including the partnership) from his estate.

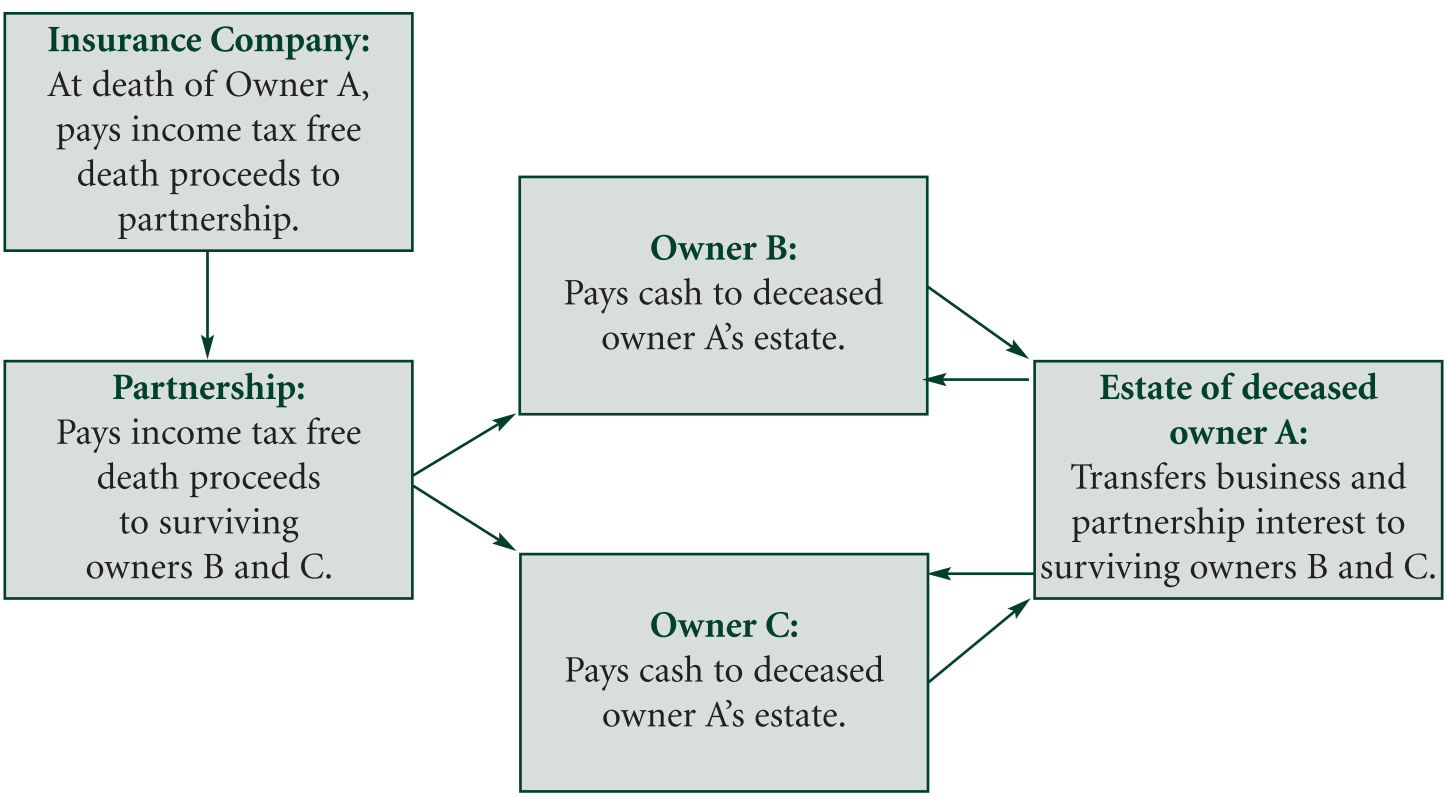
IV. Dan's estate has now been compensated for his share of the business, and its ownership reverts solely to Bob and Mary.

V. Bob and Mary continue the partnership – and running the business – as before.

So what have Bob, Mary and Dan accomplished?

- The value of Dan's share of the business has been paid to his estate.
- Bob and Mary have retained full ownership of the business without interruption, without having to go into sizeable debt, without suffering adverse tax consequences, and without having to take on a new business partner. The amount each one pays to Dan's estate increases his or her basis in the business, reducing the potential gain if they sell the business.

Buy-Out Following Death



Advantages of a Partnership Buy-Sell Agreement

- Requires only one life insurance policy per owner
- Can help minimize cost inequities among partners due to insurability/cost of insurance issues.
- Provides a full basis increase to the surviving owners
- Allows surviving owners to distribute insurance proceeds to themselves, free from income taxes, in order to carry out the terms of the buy-sell agreement
- Permits the transfer of a departing owner's policy to him/her without recognition of policy gain and without raising transfer of value concerns.
- Avoids the corporate Alternative Minimum Tax

One Final Option: A Trusteed Buy-Sell Agreement

Another tactic for effectively administering a cross-purchase buy-sell agreement is to use a trust to facilitate the transfer of interest from one owner to another when departure from the business occurs.

Here's how it works: The trustee owns the policies covering each of the owners. At the death of an owner, the proceeds from the life insurance policy flow to the trust, which uses them to buy out the deceased owner's interest in the trust. Any remaining proceeds are distributed to the remaining owners, who can then purchase the deceased owner's share of the business. The trust may also retain custody of the certificates of ownership for the owners' interests.

Note: While these types of agreements can be helpful in reducing paperwork and effecting a smooth business transfer, they can also be very complex and should only be drafted and reviewed by a qualified Attorney.

A Buy-Sell Agreement is a Binding Contract

Buy-sell agreements are legally binding contracts between the owners of a business. Thus, the following points should be considered:

A. The Agreement must be drafted by an attorney.

B. The key points of the agreement should include:

1. The names of all parties
2. The purpose of the agreement
3. A list of insurance policies
4. A provision outlining the plan for payment of premiums on the policies
5. Any restrictions on transferability of business ownership
6. Mandatory provisions under which a deceased owner's estate or the departing owner will sell and the other owners (cross purchase) or the business (entity purchase) will buy
7. A specified purchase and sale price and/or evaluation formula
8. How any amount due that exceeds the insurance proceeds or cash value will be paid
9. The disposition of a business interest during an owner's lifetime (right of first refusal)
10. The disposition of a business interest in the event of disability

The Business Planning Team

Business planning, especially when it involves the succession of the business, is a very complex discipline and will generally require the efforts of more than one professional. A typical business planning team will include:

- All of the business owners
- An estate and business planning attorney (each owner may want his or her own attorney)
- A Certified Public Accountant (CPA)
- A Business appraisal expert
- A knowledgeable insurance professional

In Summary

- As a business owner, you have the opportunity to establish the value of your company and to provide for the transfer of an owner's interest in the company in the event one of you leaves the business, retires, dies or becomes disabled.
- Buy-sell agreements can stabilize future business management and working capital.
- A buy-sell agreement can provide an effective full value exit strategy.
- A buy-sell agreement can help you maximize the realizable value of your business.

Your insurance professional is ready to help you meet your long-term strategic needs.

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