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Tax Relief Impacts Estate Planning

On June 7, 2001, President Bush signed into law the Economic Growth and Tax Relief Reconciliation Act of 2001. Among other things, the Act makes sweeping changes to the federal estate, gift and generation skipping transfer (GST) taxing systems. Tax exemptions will increase dramatically over the next eight years with complete repeal of the estate and GST tax on January 1, 2010. However, none of these changes will apply after December 31, 2010, if Congress does not reenact them.

We strongly recommend that you review your estate plan in light of this new legislation—to ensure that you take full advantage of the scheduled future tax relief it provides. For example, with proper planning, a married couple will be able to shelter up to \$2,000,000 of assets from estate taxes due to the increase in the estate tax exemption from \$675,000 to \$1,000,000 per person beginning January 1, 2002.



Proposed Regulations Simplify IRA Distribution

Edgar S. "Pat" Levy, III, Estate Planning, plevy@wehwlaw.com

In January 2001, the IRS issued new proposed regulations that will liberalize and simplify the rules governing when and how fast a person (participant) has to take benefits out of his or her IRA or other qualified retirement plan account. Good estate planning requires that special consideration be given to IRAs of any significant size because of the potential double taxation (income and estate taxation) of these assets. Traditional estate planning strategy with respect to IRAs attempts to defer distributions and the income taxation thereof as long as

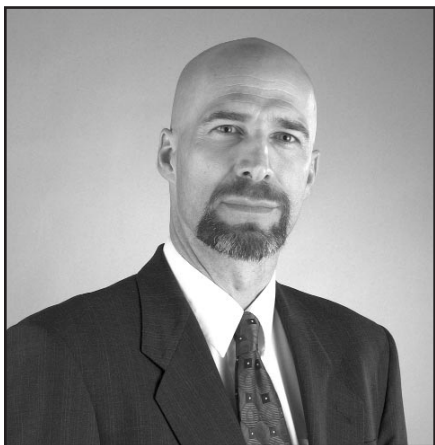


Edgar S. "Pat" Levy, III

possible to achieve the significant benefit of income tax free growth of the IRA. Under the old rules, choosing a method of distribution was complicated and confusing. The new proposed regulations provide one chart to follow in almost all cases and will eliminate most of the confusion and uncertainty. The new proposed regulations are applicable to year 2000 distributions, assuming the IRA or qualified plan administrator makes the necessary technical amendment. These new regulations, coupled with the recently enacted tax legislation, make reviewing your existing estate plan particularly compelling. For further information, contact Pat Levy at 884-1000, extension 265.



Blue Lights, Other Cities



John D. Bryson

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speeding conviction on your driver's history unless the violation is for speeding in a zone of 55 mph or greater, and for exceeding the posted speed limit by more than 15 mph. For example, a conviction for speeding 69 mph in a 55 mph zone occurring in North Carolina will result in two insurance points, while the same conviction occurring out-of-state will never show up on your driver's history. This special rule applies only to out-of-state speeding violations.

Accordingly, for many out-of-state speeding tickets we advise our clients to simply pay the ticket, saving the cost of retaining out-of-state counsel and eliminating the fear of an increase in insurance premiums. The rules vary for commercial vehicles. For further information, contact John Bryson at 884-1000, extension 263.



Occasionally, vacation or business travels result in a traffic citation. Convictions for moving violations can mean increases in your insurance premiums that last for three years and can cost hundreds, if not thousands, of dollars. While we recommend you call us whenever you receive a traffic citation, there are special rules accompanying out-of-state speeding tickets which may allow you to pay the ticket without any insurance consequences.

The North Carolina Division of Motor Vehicles cannot record an out-of-state

Chuck Alt

Small Business Advocate Nominee



Charles A. Alt

Congratulations to Chuck Alt, who was recently chosen as a finalist for the Chamber of Commerce's Small Business Advocate Award for 2001. For over 17 years Chuck has assisted hundreds of clients to create, buy and sell companies, offered strategic advice on various tax matters, assisted in complex commercial transactions and successfully guided many of them away from litigation and other potential pitfalls. As a member of our firm's Executive Management Committee, Chuck has also helped to guide us through a time of growth and innovation. In addition, Chuck has served on numerous charitable boards and committees in our community including the United Way, the Community Clinic and the High Point Public Library.



The IRS and Split Dollar Plans

Ann E. Hanks, Estate Planning, ahanks@wehwlaw.com

A Split Dollar Plan governs life insurance. It is simply an arrangement between two parties to split the payment of the premiums on a life insurance policy and to split the policy proceeds at the death of the insured. The insured can pay a portion or none of the premium. Typically, a company (of which the insured is the owner or an employee) pays the majority of the premiums as they are due and agrees to recover



Ann E. Hanks

the total amount of premiums it has paid from the death proceeds at the insured's death. The insured's named beneficiaries, typically his or her family, receive the remainder of the death proceeds. The current income tax consequences to the insured under this arrangement are minimal. If the insured pays no part of the premium, he or she is taxed on the value of the insurance benefit (the portion of the death proceeds) that will be received at his or her death by his or her beneficiaries. In the past, the IRS did not assess any income tax for any other perceived benefit under the Split Dollar arrangement.

Recently, the IRS announced that it is scrutinizing these arrangements to determine if any additional income tax should be paid. The IRS may completely revamp the way Split Dollar arrangements are taxed. Some new definitive rules should be made within the next twelve months. Should you have a Split Dollar arrangement, you may wish to consult with Ann Hanks to be sure that it is in compliance with the IRS's rules. For further information, contact Ann Hanks at 884-1000, extension 222.



Firm News

New Attorneys in 2001

CHRISTOPHER M. KROGER
General Business

Chris came to Wyatt Early Harris Wheeler from Womble Carlyle Sandridge & Rice in January 2001.

He is part of the Business Practice Group. Chris received his JD at the West Virginia University College of Law in 1994. He received an undergraduate degree from Marshall University in Accounting in 1985. He is a CPA and worked for Touche Ross & Company, Columbia Gas Transmission Corporation and Union Carbide Corporation before returning to law school. He has worked as an attorney with Steptoe & Johnson in Charleston, West Virginia, Tuggle Duggins & Meschan in Greensboro, and Womble Carlyle in Winston-Salem.



MATTHEW C. JOBE
General Business

Matt joined the firm in August 2001. He is a 2001 graduate of Wake Forest University School of Law. He also has an undergraduate degree and Masters of Accounting degree from the University of North Carolina at Chapel Hill. Matt is in the Business Practice Group. He is also a licensed CPA. Prior to returning to law school, Matt was employed for four years with KPMG Peat Marwick LLP.



ARLENE M. WIEGNER
Litigation

Arlene joined the firm in August 2001. She is a 2001 graduate of Wake Forest University School of Law. She has undergraduate and masters degrees from the C.W. Post Campus of Long Island University. Arlene is working with the Litigation Practice Group in the Family Practice section.



MARC R. TYREY
Litigation

Marc joined the firm in January 2001. Prior to joining Wyatt Early Harris Wheeler he worked with the District Attorney's office in Guilford County. Marc is part of the Litigation Practice Group working in civil litigation. Marc received his undergraduate degree from Guilford College in Greensboro, and his law degree from Campbell University in 1997. Marc is a native of Durham, N.C. He has worked as a law clerk for the North Carolina Conference of Superior Court Judges on the Pattern Jury Instruction project, with the firm of Rose Orcutt Cauley Blake & Ellis, PA, and with the District Attorney's Office in Guilford County.



DAVID N. WOODS
Real Estate

David joined the firm in September 2000. He works in the Real Estate Practice Group handling residential real estate closings. He is a 2000 graduate of the University of North Carolina School of Law. His undergraduate degree was obtained in 1997 from Lenoir Rhyne College in Hickory. David is a native of Lenoir, North Carolina.



Recognition and Awards

WEHW Attorney Voted President of Matrimonial Law Organization



Doyle Early, Jr.

Doyle Early, Jr. has been elected President of the North Carolina Chapter of the American Academy of Matrimonial Lawyers for the year 2001. The American Academy of Matrimonial Lawyers is a 1,500 member national organization whose purpose is "to encourage the study, improve the practice, elevate the standards and advance the cause of matrimonial law, to the end that the welfare of the family and society be protected." Fellowship is limited to a select group of family law specialists throughout the United States. The North Carolina Chapter has 25 members. For additional information or assistance regarding family law issues, please contact Doyle at 884-4444 or by e-mail at dearly@wehwlaw.com.



Significant Revisions to Uniform Commercial Code Article 9.

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Significant changes to Article 9 of the Uniform Commercial Code will affect the filing and perfection of security interests.

For several years, the drafting committee of the Uniform Commercial Code (UCC) has worked on significant revisions to Article 9 of the UCC. Article 9 deals with the perfection and enforcement of security interests in personal property. North Carolina has now adopted the UCC drafting committee's revisions to Article 9 which became effective on July 1, 2001.

Typically, Article 9 issues arise in credit transactions in which the creditor obtains security for the payment or performance of the debtor's obligations. Article 9 sets forth the rules for defining types of collateral, priorities among competing creditors and the secured party's rights in the event of default. Among other things, the revised Article 9 makes dramatic changes to many of the rules of filing and perfection of security interests. The revisions also include changes to the rules concerning remedies in the event of default.

For our clients, the most immediate impact will be in the area of filing and perfection of their security interests. The rules are much too detailed to summarize here. However, the revisions will necessitate the client review of all filed UCC security interests to make sure they comply with revised Article 9. For further information, contact Rick Sawyer at 884-1000, extension 237 or Jim Hundley at 884-1000, extension 223.



In Brief is published quarterly by Wyatt Early Harris Wheeler LLP. The purpose of this newsletter is to provide general information about legal developments. As the information presented is not a comprehensive treatment of the subject matters covered, readers are encouraged to seek specific legal advice before taking any action.



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