

Case Study for

Hudson Valley Estate Planning Council

December 14, 2016

The Costanza Family

Frank Costanza, age 70, is married to Estelle, age 68. They have three children, Donald, Eric and Chelsea. For 20 years, Frank worked for Vandelay Industries, a successful latex manufacturing company in New York which manufactured products for the dental field. In 1990, Estelle's mother died and she inherited \$1,000,000. Frank convinced Estelle that this was his golden opportunity to buy Vandelay Industries from the Dolan family, which owned the company for 75 years. However, as with many family businesses, sometimes the apple does fall far from the tree and Robert, the grandson of the founder, was more interested in his music career and was happy to sell the company for \$500,000 in 1990.

Now realizing his dream and becoming a business owner, Frank was savvy enough to know his limitations. He was excellent at designing products for his customers, such as Henry Schein, but he knew that he did not have the temperament to work with clients. He was a bit too short tempered for his own good. In 1995, Frank hired family friend, Lloyd Braun, to head the sales division and Lloyd became the first employee of the company. Lloyd didn't attend college, but he had a natural knack for sales and had a successful career in computer sales and was viewed as an industry leader in his 30s. Luckily for Frank, Lloyd developed an aversion to riding the subway and was pining for a move to the country, so he moved to Newburgh and bought a house down the street from Frank and Estelle.

Sales have increased at least 20% annually in the first 5 years of Lloyd's tenure due to his sales prowess. He was very successful at cold calling dental device manufacturers and managed to create a reputation for the company as an industry leader. However, in the late 1990s, the world evolved and Lloyd's skill set became antiquated as the world of online sales started to grow.

Sensing that the company had to pivot, Frank hired his sons, Donald and Eric, to lead the company into the internet age. Donald and Eric both had business degrees. Donald worked at Global Crossing, where he learned how not to run a company, and Eric worked at Alta Vista. They gained valuable experience in internet sales and helped grow Vandelay Industries to greater heights. Lloyd learned from the young whippersnappers and, despite his age, still added value to the company.

While her brothers were working in the company, Chelsea, who has a degree in public health, has been working for a non-profit focused on providing clean water to citizens of third-world countries as well as Flint, Michigan. She has never had any interest in Vandelay Industries and feels that she can have a greater impact on the world through philanthropy.

As time has passed, Estelle has been interested in Chelsea's pursuits and is interested in finding a way to start her own charity and have Chelsea run it, as long as the operating costs are low and there are minimal reporting requirements.

Costanza Family Members

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| 1. Frank Costanza | Family Patriarch, President and 100% owner of Vandelay Industries (a NY S Corporation) and Office Building, LLC (where Vandelay Industries and Worldwide Pants, Inc. are tenants [Worldwide Pants is owned by Frank's brother, Newman]). |
| 2. Estelle Costanza | Frank's wife, family matriarch. |
| 3. Donald Costanza | Frank and Estelle's eldest son, VP of Marketing |
| 4. Eric Costanza | Frank and Estelle's younger son, VP of Operations |
| 5. Chelsea Costanza | Frank and Estelle's daughter |

Employee of Vandelay Industries

There are currently 25 employees, including Lloyd Braun, VP of Sales

Frank' Concerns

- Frank would like to be able to retire in the near future. He also wants to ensure that Estelle has sufficient assets to sustain her lifestyle upon Frank's death.
- Frank would like to have his sons run Vandelay Industries in the near future, but he is not willing to give up control just yet, if ever. He also wants to make sure that Lloyd has an important role in the business and is adequately compensated for his efforts, even after Frank retires/dies.
- The three children should be treated "equally."
- Frank is loyal to a fault and wants to keep Lloyd incentivized to stay in the business. For that matter, Frank wants to consider options to reward all of his employees for the success of the company.

Estelle's Concerns

- Estelle is not concerned with how much the company grows. It is irrelevant to her that is worth \$5,000,000 or \$100,000,000. All she cares about is that she receives the same \$250,000 salary that Frank has been receiving the last number of years. Estelle needs the income to maintain her lifestyle and to make an impact on her favorite charities in the Hudson Valley. She would like to use the foundation to pass on family values about charity, generosity and community service, but does not know how to involve Steve and the children meaningfully.
- Estelle would like to explore options to satisfy her philanthropic needs.

Donald Costanza

- Donald feels as if he is responsible for the future growth of the company and would like to have some "skin in the game" now.
- Donald would like to have more certainty as to his role in management as his father gets older.

Eric Costanza

- Eric also wants to own stock in the company, but secretly he is not sure that he wants to be involved forever like Donald. Eric is considering following his childhood dream of becoming a lounge singer and moving to California to live the dream. Also, Eric wants to marry his high school sweetheart, Miley Cyrus, because he feels she is a stabilizing force in his life. Eric knows that his parents would be less than thrilled with both of these decisions.

Chelsea Costanza

- More than ever, Chelsea is more interested in women's health and environmental issues, but she is not sure where to begin looking for the appropriate charities. Estelle shares similar interests, but Chelsea lacks her mother's resources. Both Estelle and Chelsea are interested in a cost-effective solution.
- Chelsea is single, but has been dating her boyfriend George for 20 years. George is a struggling actor, but he has the impression that marrying Chelsea will give him access to resources to buy a frozen yogurt franchise, which he is convinced will leave him financially secure for life.