

Your 10-Step Guide to Completing a Stock Sale



IMPORTANT: In a stock sale you cannot allow the buyer to pay you over time because the IRS will not allow the plan to hold a note. This means you must ensure that the plan receives all of the money it is owed the day the sale is closed. If the buyer is related to you (by blood or by marriage) or a current employee, you will need to have a valuation performed by a Qualified Appraiser to determine the sale price. If the buyer is not a relative or employee, you can determine the sale price.

1

Provide us with the net sale price **at least one week before** you complete the sale by emailing Carlos Martinez at cmartinez@benetrends.com. **This timing is critical.**

2

There are 2 line items that you must ensure are added to the **Stock Sale contract before** you sign it. Without these line items, we will not be allowed to speak with you once the stock sale is completed. Instead, we would be required to deal exclusively with the buyer. In our experience, most buyers don't want to be involved with the plan or the plan termination.

Here are examples of the 2 line items:

- Due to the Stock Sale, the "Plan" is to receive \$[fill in amount].
- Regardless of the Stock Sale, [name of Plan Administrator] will remain responsible for the "Plan", the termination of the "Plan", and any future audits on the "Plan".

We will provide you with the exact wording and placement of the line items you need to add.

3

Once we have the sale price, Benetrends, Inc. will complete your **final stock calculation**. We will then email you the **breakdown instructions**, telling you how much money needs to go to each shareholder the day of the sale.

4

After you receive our breakdown instructions, complete the stock sale and deposit or wire the appropriate amount into the plan account.

5

Contact us with the future date you want to use as the plan termination date. (We need this to prepare Termination Packet 1.)

6

Once we receive your email with the plan termination date, we will prepare Termination Packet 1 (see page 2) and email it to you.

7

Once you receive Termination Packet 1, you must provide us with **all** of the following 4 items to move forward with the plan termination process:

ITEM 1: Electronically sign-off on **Termination Packet 1** pages (via DOCUSIGN) **no later than** the plan termination date you have chosen. The system will forward the signed pages to us.

***Please be sure to read page 2. It contains action items and crucial information about the page on Form 5310.**

ITEM 2: The Benetrends Accounting Department will send you a separate email. Once you receive it, go online and pay the \$1,500 plan termination fee.

ITEM 3: We will notify the team in our Documentation Department, who will prepare the **Termination Amendment** paperwork for you. Once that is ready, you will receive an email inviting you to electronically sign-off on that paperwork.

ITEM 4: Email us a copy of the signed **Stock Sale contract**.

8

Once we receive these 4 items, we will prepare Termination Packet 2 and email that to you, along with the blank year-end questionnaire and census file. Complete these and email them back to us.

9

You will work with our Plan Termination Department to ensure they liquidate all money out of all plan accounts for all employees.

10

Our Plan Termination Department will provide specific instructions and details on all paperwork they need from you so that we can complete the Final Form 5500. Once this is ready we will send to you for sign-off.

4 Key Things You Need to Know About Completing Termination Packet 1

1

The first two pages of Termination Packet 1 are not numbered. Think of them as a cover letter that explains the plan termination process.

ACTION ITEM: You can keep these pages for your records.

2

One of the pages in Termination Packet 1 provides **information pertaining to Form 5310**. This is an **optional** filing to the IRS. Fortunately, it is **not required** in order to complete the plan termination process. Why do we say “fortunately”? In the middle of the page about Form 5310, you will see three bullet points, which say:

- anyone who insists on filing Form 5310 will have to pay the IRS a separate fee of \$3,500
- anyone who insists on filing Form 5310 will have to pay Benetrends, Inc. a separate fee of \$2,000
- the IRS will force the filer to keep the plan open until the IRS provides them with an IRS Determination Letter, which can take 16-18 months.

ACTION ITEM:

To avoid paying the extra \$5,500 in fees noted above (as well as having to keep the plan open for another 1.5 years), do the following on the page pertaining to **Form 5310**:

1. Electronically sign off at the bottom of the page.
2. Directly above where you sign, you will see 2 line items:
 - Requesting that Benetrends, Inc. assist with the filing.
 - Not requesting.

Put an “x” or a check mark on the second line, where it says “Not requesting.”

3

Another page in Termination Packet 1 reads: **Notice of Plan Termination**.

ACTION ITEM:

- **If you have any employees (other than yourself) with a balance in a plan account:** You must complete a Notice of Plan Termination for each employee by typing the name of the employee and the current date at the top of that page, and providing the completed Notice to each employee. This is the legal way to notify your employees that you are going to be terminating the plan.
- **If you do not have any employees (other than yourself) with a balance in a plan account:** simply keep this page for your records.

4

The last page of Termination Packet 1 is labeled **Participant Authorization to Sell Shares**.

ACTION ITEM:

- If you rolled over retirement money through the plan, you need to sign and date the last page.
- If you did not roll over retirement money through the plan, you can ignore this page.