Newly Revised **Internal Revenue Code § 453**
Now Allows You to **Defer Your Capital Gains Taxes for 30-Years**
-1031 Rescue Plan-

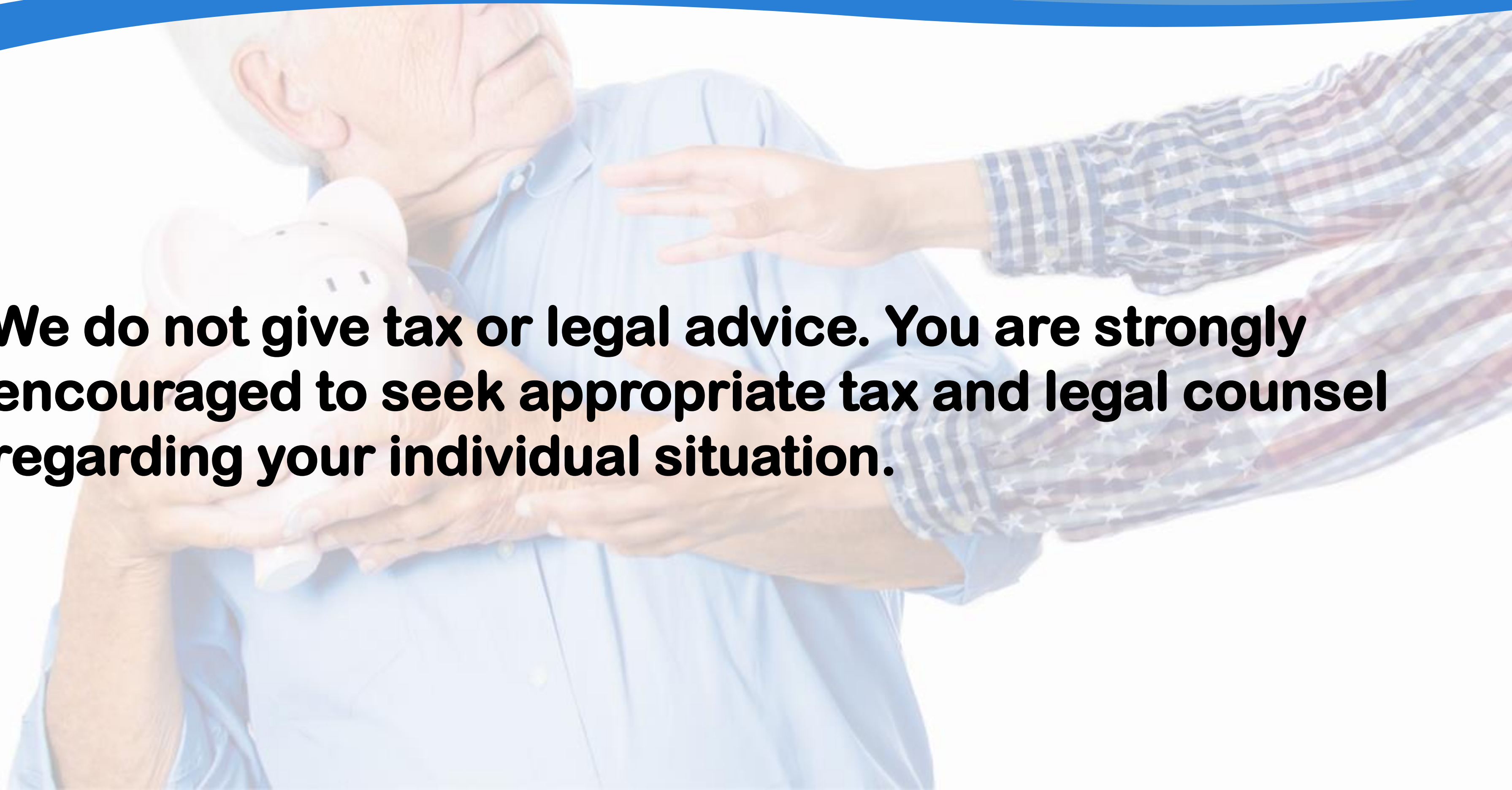
Sell your high-value asset, obtain cash equal to 93.3% of the sales proceeds *and* defer your capital gains tax for up to 30 years.

IRS
Department of the Treasury
Internal Revenue Service

IRS-Accepted: The overall structure of the Monetized Installment Sale IRC ***§ 453*** has been judged acceptable by the Office of Chief Counsel of the IRS in Memorandum 2012340F released August 24, 2012. Life Equity Consulting is not an accounting or law firm. No information provided in this webinar will be intended as tax advice. This webinar is for training purposes only and not to be construed as legal or tax advise. Consult with a qualified tax adviser before acting on any of the information provided in this webinar.

Life Equity Consulting
A Wise Financial Decision

Disclaimer:



We do not give tax or legal advice. You are strongly encouraged to seek appropriate tax and legal counsel regarding your individual situation.

Defer Taxes for Decades

We will introduce to you how owners of businesses, real estate and other capital assets can sell their asset, defer the taxes for decades and receive at close of escrow a tax-free amount nearly equivalent to the sale proceeds.

Tax Planning Approach:

- **Installment Sale (IRS:453)**
- **Coupled with a Monetized Loan**

Definition of MONETIZE

monetized; monetizing

transitive verb

1 : to coin into money; *also* : to establish as legal tender

2 : to purchase (public or private debt) and thereby free for other uses moneys that would have been devoted to debt service

3 : to utilize (something of value) as a source of profit

—**monetizable** \-ˌtī-zə-bəl\ *adjective*

—**monetization** \ˌmä-nə-tə-ˈzā-shən *also* ˌmə-\ *noun*

Memorandum Issued 2012

The **Office of the Chief Counsel of the IRS** issued a Memorandum of support in 2012.

Office of Chief Counsel
Internal Revenue Service
Memorandum

Number: **20123401F**
Release Date: 8/24/2012

CC:LB&I:NR:HOU2:JSLuff
POSTF-126770-10

UILC: 453.00-00, 453A.04-00

date: July 18, 2012

Why this works:

The foundation for the tax side of the installment sale tax planning approach is Section 453 of the Internal Revenue Code. (around since 1913)

That section, the installment-sale-reporting section of the Code, declares the general principle that when a taxpayer sells a capital asset and does not receive full payment of the selling price in the year of sale, the transaction is an installment sale for which the seller owes the tax *pro rata* as and when the principal is received.

Further, in 1980 Congress said a Seller could receive loan proceeds in connection with an installment sale contract and still receive tax deferral.

2014 US Bankruptcy Court

Marc C. Forsythe - State Bar No. 153854
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Attorneys for Debtor and Debtor-in-Possession

FILED & ENTERED

FEB 26 2014

CLERK U.S. BANKRUPTCY COURT
Central District of California
BY daniele DEPUTY CLERK

CHANGES MADE BY COURT

UNITED STATES BANKRUPTCY COURT
CENTRAL DISTRICT OF CALIFORNIA
SANTA ANA DIVISION

In re:

LINDA J. MARTIN, an individual,

Debtor and Debtor-in-Possession.

Case No. 8:13-bk-13134-TA

Chapter 11 Proceeding

ORDER ON DEBTOR'S MOTION FOR ORDER:

1. AUTHORIZING SALE OF PROPERTY (239 Carnation Ave., Corona Del Mar, California) FREE AND CLEAR OF LIENS AND FINDING BUYER TO BE GOOD FAITH PURCHASER PURSUANT TO 11 U.S.C. §363(b), (f) and (m);
2. APPROVAL OF THE SALE AS AN COLLATERALIZED INSTALLMENT SALE PURSUANT TO I.R.S. CODE § 453;
3. APPROVAL OF OVERBID PROCEDURES; AND
4. AUTHORIZING COMPENSATION OF REAL ESTATE BROKER.

Hearing Date: January 2[illegible], 201[illegible]
Time: 10:00 a.m.
Place: 5B

On January 22, 2013 at 10:00 a.m. in Courtroom 5B of the United States Bankruptcy Court located at 411 West Fourth Street, Santa Ana, California 92701, the motion of Linda Martin, Debtor and Debtor-in-Possession herein ("Debtor"), an Order: Authorizing Sale ("Sale") of Property Free and Clear of Liens and Finding Buyer to be Good Faith Purchaser Pursuant to

2011 US Securities and Exchange Commission

CORRESP 1 filename1.htm

INTERNATIONAL PAPER

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April 18, 2011

VIA Facsimile and EDGAR Correspondence

Mr. John Reynolds
Assistant Director
U.S. Securities and Exchange Commission
Washington, D.C. 20549

Re: International Paper Company
Form 10-K
Filed February 25, 2011
File No. 001-03157

Dear Mr. Reynolds:

On behalf of International Paper Company (the "Company"), I am responding to comments of the staff of the Division of Corporation Finance (the "Staff") of the Securities and Exchange Commission (the "Commission") as set forth in your letter dated April 5, 2011 (the "Comment Letter") relating to the above-captioned Form 10-K (the "Form 10-K"). The numbered paragraphs below correspond to the numbered paragraphs in the Comment Letter. To facilitate your review, I have reproduced the text of the Staff's comments in bold below.

The Company is filing this response letter via EDGAR submission in addition to providing you a facsimile copy of the submission.

Form 10-K for the Fiscal Year Ended December 31, 2010

Management's Discussion and Analysis of Financial Condition and Results of Operation, page 18

Off-Balance Sheet Variable Interest Entities, page 37

Question 1: We note the discussion on page 37 and elsewhere related to the variable interest entities formed in connection with your 2006 sale of forestlands, including your statements that you are not the primary beneficiary of these entities and your intention to affect a legal right of offset of certain debt obligations to these entities with your investments in the entities. In future filings, please provide an enhanced narrative explanation responsive to Item 303(a)(4)(A) of Regulation S-K and provide additional narrative and quantitative disclosure responsive to Item 303(a)(4)(C). Please provide us with your proposed draft disclosure.

The following proposed draft disclosure is based on information included in our 2010 Annual Report on Form 10-K filed on February 25, 2011. We will include the following language, as revised for 2011 activity, in our 2011 Annual Report on Form 10-K to be filed within 60 days of the end of our 2011 fiscal year.

"In connection with the 2006 sale of approximately 5.6 million acres of forestlands, International Paper received installment notes (the Timber Notes) totaling approximately $4.8 billion. The Timber Notes, which do not require principal payments prior to their August 2016 maturity, are supported by irrevocable letters of credit obtained by the buyers of the forestlands. During the

Case Studies

$40 million

to

$4 billion +

Case Studies

GLATFELTER
Beyond Paper

LP
BUILDING PRODUCTS

Kimberly-Clark

Plum Creek

INTERNATIONAL PAPER

MWV
MEADWESTVACO

ST JOE

Rayonier

OfficeMax

Case Studies

1. The $43.25 Million Monetized Installment Sale by GREIF, Inc.

2. The $617 Million Monetized Installment Sale by Kimberly Clark.

3. The $4.8 Billion Monetized Installment Sale by International Paper

4. The $350 Million Monetized Installment Sale by Plum Creek

5. The $1.47 Billion Monetized Installment Sale by OfficeMax

6. The $774 Million Monetized Installment Sale by Meadwestvaco

7. The $183 Million Monetized Installment Sale by the St. Joe Company

8. The $22.5 Million Monetized Installment Sale by Rayonier

9. The $403 Million Monetized Installment Sale by Louisiana Paper

10. The $37.9 Million Monetized Installment Sale by Glatfelter [1]

Case Studies

More details on the transactions can be found in the company filings (below) or at www.liquidcappartners.com .

[1] See **GREIF** Inc. at http://www.investquest.com/iq/g/gef/fin/8k/gef8k060605.htm;

see **Kimberly Clark** at http://files.shareholder.com/downloads/KMB/4330473318x0xS55785-03-1/55785/filing.pdf at p. 126;

see **International Paper** at https://www.sec.gov/Archives/edgar/data/51434/000119312511100407/filename1.htm;

see **Plum Creek** at investor.weyerhaeuser.com/download/PCL+Q2+2000+10-Q.pdf

see **St. Joe's** at http://ir.joe.com/secfiling.cfm?filingID=745308-14-22;

see **MeadWestvaco** at http://phx.corporate-ir.net/External.File?item=UGFyZW50SUQ9NTM3NjAyfENoaWxkSUQ9MjI2NTQwfFR5cGU9MQ==&t=1; and

see **OfficeMax** at http://investor.officedepot.com/phoenix.zhtml?c=94746&p=irol-faq.

see **Rayonier** at https://www.google.com/url?sa=t&source=web&rct=j&url=https://www.rayonier.com/Documents/2016_Annual_Report_RYN.aspx&ved=0ahUKEwjk6Ka1m4HUAhUT8GMKHQbhCucQFggfMAA&usg=AFQjCNE0YOGQCxnXiXBZf0D_-QwvorYcog&sig2=b5kdrLLVtnl-YlnQ_rxGNg

see **L.P. Building Products** at http://www.otcmarkets.com/edgar/GetFilingPdf?FilingID=11369524

see **Glatfelter** at http://www.glatfelter.com/about_us/news_events/press_release.aspx?PRID=10

Case Sample

Sales Price:	**$1,800,000.00**
Cost Basis:	**$450,000.00**
Cost of Improvements:	**$200,000.00**
Depreciation Recapture (2001)	**$ 51,545.45**
Closing Cost:	**$90,000.00**
Subject to Capital Gains:	**$1,111,545.45**

Federal	**20.0%**
State (CA)	**13.3%**
Net Investment Income Tax (Obama Care)	**3.8%**
	37.1%

Without using M453 ...Your Tax Bill: $412,383.37

Instead of writing a check to the IRS today

You can leverage your $412,383.37 tax bill and turn it into more than:

____

$3,000,000

Often Sellers can face as much as 30% to 40% or more of their profit going to taxes

Cost for this tax planning approach

6.7% of the Net Sales Proceeds

Now, there is a way to sell assets

- Postpone Constructive Receipt
- Postpone the Tax Bill
- Yet, still receive cash at close of escrow nearly equal to the selling price

Consider this Tax Planning Approach in Any of These Situations

Sales Price needs to be $500,000 or More
This strategy works for…

- Capital Gain Taxes,
- Cancellation of Debt,
- Debt over Basis, (people who use their homes as an ATM)
- Depreciation Recapture,
- Expected Failure of a 1031 Exchange,
- or pre-payment of an Existing Installment Debt owed to the Taxpayer.
- Other than listed securities through a public exchange

Who Can Use This Tax Planning Approach?

Business Entity: Corporation - Limited Liability Company - Partnership…,
A Professional Practice: Law Firm, Medical Practice…
Real Estate

- Whether held for Business or Investment Purposes
- Personal Residence
- Fractional Interest (Divorce)
- Mineral Rights…

Crypto Currency
Contract Rights

- Franchise agreements
- License Agreements
- Long-term Leases (30 years or more remaining, including options)

Art or Antique Collections Aircraft, Watercraft and Classic Automobiles, but not including sales by someone in the ordinary course of business as a dealer

Real Estate "Flippers" Beware!

Must hold property for 1 year and 1 day to receive Long-Term Capital Gains Rate

How the Monetized Sales Works

Typical Sale you have 3-parties that make up a sale

- Seller
- Title Company
- Buyer

In the Monetized Installment Sale
You Will Be Adding Additional Parties to the Transaction

The Monetized Installment Sale

The Seller negotiates with the Buyer.

At Closing…

The Seller will direct deed directly to the Buyer

Seller NEVER takes constructive receipt of the money

The Monetized Installment Sale

The Monetized Installment Sale

Installment Sale Contract is for the NSP

Capital Asset Dealer

Net Sales Proceeds

Seller

Lender

<u>Terms of Installment Sale:</u>

- No Money Down
- Interest Only
- Non-Amortizing 30-Year Term
- Asset Dealer - 100% of the <u>Net</u> Sales Proceeds

<u>The Net Sale Proceeds is defined as</u>
<u>Contract Sales Price – Closing Fees</u>

The Monetized Installment Sale

Seller

Monetization Loan

$$$$

Lender

#3

Capital Asset Dealer

#1

#2

Annual Fee $300/Yr

Escrow Co.

$$$$

1031 Intermediary

The <u>Dealer</u> has arranged for the <u>Lender</u> to give a monetization loan for 95% of the net sales proceeds.

Cost:

1% Loan Origination Fee

.7% Escrow Fees

The Monetized Installment Sale

Once the funds have gone from the Lender to the Seller the Escrow Company will then release the NSP to the Dealer

The Monetized Installment Sale

Once the Dealer has the proceeds from the Escrow, they will invest at a rate of 7.5% +/-

The Monetized Installment Sale

Once the Dealer has the proceeds from the Buyer, they will invest at a rate of 7% +/-
The Dealer owes the Seller $57K/Yr. on the Monetization Loan

The Monetized Installment Sale

Once the Dealer has the proceeds from the Buyer, they will invest at a rate of 7% +/-
The Dealer owes the Seller $57K/Yr. on the Monetization Loan
The Seller owes the Lender $57K/Yr.

The Monetized Installment Sale

It's a Wash!

The Seller will have to report the $57K as Income however, you get to write off $57K of interest as expense. You get to do this because it's an investment business loan.

How Can You Write Off Interest Paid?

Investment Business Loan

<u>To be used for</u>:

- **Business**
- **Investments**

(Savings Account, Cd's, Mutual Funds, Stocks, Annuities, Indexed Universal Life Insurance, etc.)

30 Years Later…

30 years later, Dealer Pays Principle, Constructive Receipt Issued, Taxes Become Due.

Primary Residence Requires Extra Step

- Can work for Primary Residence
- Special Care Needed
- One on One Appointment Required

What happens if the Dealer doesn't make the payments?

There is no default risk, what-so-ever, for the Seller! The loan is unsecured, the Seller's assets are NOT attached in any way. The loan agreement between the Seller and the Lender provides that if the Dealer does not make the payments - for any reason – the Seller is not obligated to make up for the Dealer's default.

- **Lender looks to the Installment Contract for payment**
- **No 1099C can be issued (cancelation of debt)**
- **Lender can't go after any of the Seller's other assets**
- **Lender can't report any negative item on credit report**
- **The Seller never applied for the loan**

Why would the Dealer do this?

Historically, over any 30-year time period the domestic stock markets average a yield of 9%-11%.

Anything over 5.7% per year is profit for the Dealer.

What does "nearly equal" to selling price mean on the sample of $1.8M?

- Net Sales Proceeds $1,692,000
- Loan @ 95% $1,607,400
- Less 1% Loan origination fee: $ 16,074
- .5% set up escrow accounts: $ 8,037
- $300.00 1st annual payment $ 300
- Loan Escrow Fee $ 2,070
- Total Loan Amount to Seller: **$1,580,919.00**
- (in approx. 2-5 days from close of escrow)
- **If the Seller didn't use the M453 they would have only received approximately $1,100,000 off the sale.**

M453 - RECAP

1. Seller enters into purchase agreement with buyer
2. Qualified Dealer offers to purchase asset from Seller through the Monetized Installment Sale transaction
3. Simultaneously, the Qualified Dealer will re-sell the asset to the ultimate buyer – Sales proceeds are paid to the Qualified Dealer
4. A third-party lender (The Monetization Loan) will loan to Seller an amount equal to 95%. Seller pays 1.7% fee leaving 93.3% of the net proceeds.
5. Each month, the long-term escrow company will automatically take an installment-interest payment from the Qualified Dealer's funds and run through the escrow accounts to the lender.

The seller/borrower may then use the monetization loan proceeds – which should be non-taxable as are any other loan proceeds – for any business or investment purpose which the seller/borrower prefers, including to pay debt on the asset being sold or to pay other business debt. The seller/borrower is not restricted in the use of the proceeds of the investment.

What happens in 30 years?

- The 360th payment, from the Dealer to the Seller, is the principal from the sale 30 years earlier. That final payment flows through the escrow accounts to the lender to pay off the loan. The Installment sale contract and the loan repayment are now satisfied and the transaction is complete.

When does the tax get paid?

- The Seller now has Constructive Receipt. When the Seller files his tax return the following year, he will report receiving sale proceeds and will be subject to tax on those proceeds at the current tax rate at that time.
- Capital Gains rate over the last 30 years has gone up four times and down three. So we don't expect it to change much.

How does the lender make money?

The Lender is a non-institutional private lender and an affiliate of a long-time commercial-mortgage lender. The affiliate was set up for the specific purpose of making these Monetization Loans.

The lender makes money in several ways:

- (1) The lender charges a 1% loan fee, which is paid up front from the proceeds of the monetization loan;
- (2) the lender is paid 6% interest every year for 30 years; and this structure reduces various costs and risks which lenders typically face (cyclicality risk, concentration risk, reinvestment risk).

What happens if the Seller dies before the 30 years is up?

- Does not “trigger” taxes due

- All of the Seller’s assets, the installment sale contract and the loan as well as any assets that were purchased with the loan proceeds become part of the Seller’s estate. The installment sale payments continue to go to the Seller’s estate, and therefore, the payments to the Lender continue on just as if the Seller were still alive. There is no additional management required by the Seller’s heirs.

- This is much more valuable to the IRS than a1031 Exchange.
  - Market is being “stimulated”
  - IRS eventually gets paid (death of Seller in 1031 Exchange tax goes away)
  - Better than 1031 you get new depreciation schedule- Basis carries over to new property (27.5 years Residential & 39 years for commercial & 25% Recapture

1031 vs M453

Here are the advantages of doing a 1031 Exchange:

1. A lot cheaper in cost
2. A known and familiar tax planning approach
3. If they keep it until they die, then the heirs receive a step up in basis and don't pay any gains taxes........for now. It keeps coming up in Congress to get rid of this step up in basis

1031 vs M453

Advantages of the 453:

1. Much more flexibility on what to do with the money.

    a. Don't have the 45/180-day restrictions. Can buy a property when ready and it does not have to be equal or greater value. Can sell high and buy low! (These time restrictions also decrease bargaining power for the client.)

    b. Provides a great "exit strategy" because they can put it into another business or any kind of financial vehicle like mutual funds, life insurance, savings account, pay off other investment property loans, etc.

2. Do not have to worry about what's available to buy because they can sit on the money if needed.

1031 vs M453

3. If the client has a loan on the property, they are selling in a 1031 Exchange, they have to replace that loan with an equal or greater loan when the purchase the next property. In this strategy, they do not have to replace the loan.

4. Increased depreciation write-offs each year! The seller's depreciation is based on original purchase. With this tax strategy, if they buy another investment property, they get to start a new depreciation schedule based on current property's value.

5. If they think that they will eventually develop an exit strategy, they greatly increased the tax bill by moving from one property to another because the cost basis remains with the original purchase price. For example, we talked to some folks selling a $900K home who are buying a $3MM home. In one day, they add $2.1MM in taxable gains! With this strategy, that doesn't apply.

Step by Step Process

1. Talk to your tax professional about this tax strategy
2. List your property with your agent
3. Your property goes under contract with a Buyer
4. Contact Life Equity Consulting to get this strategy started
5. Letter of Intent is sent from the Dealer
6. Documents are sent for your review and signature prior to closing
7. Communicate with title company that this is a 1031 exchange or
    1. provide the escrow with the attorney trust account wire instructions
    2. For primary residence, DO NOT communicate the M453 to escrow. (It may slow down the closing process)
8. Once all documents are signed and transaction is closed, you will receive your money 2-5 days from the close of escrow
9. Contact your tax professional with all closing documents for the next year reporting.

Step by Step Process M453

1. Seller enters into purchase agreement with buyer
2. Qualified Dealer offers to purchase asset from Seller through the Monetized Installment Sale transaction
3. Simultaneously, the Qualified Dealer will re-sell the asset to the ultimate buyer – Sales proceeds are paid to the Qualified Dealer
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Disclaimer:

We do not give tax or legal advice. You are strongly encouraged to seek appropriate tax and legal counsel regarding your individual situation.

Any Questions Please Follow Up With the Advisor Who Invited You To This Webinar

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Employee Retention | Tax Free Retirement | Estate Planning | Charitable Solutions | Tax Mitigation & Asset Protection | Defer Capital Gain Taxes for 30-Years

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