MYERS AND ASSOCIATES

Memo

Date: May 6, 2003

To: **Robert Benson**

Re: Compliance with the IRC

This memo concerns endowments to the Copyrighted Spendthrift Trusts. Generally, funds or endowments conveyed to a trust have no tax consequences to the party contributing the funds or endowments, the beneficiaries, or to the trust itself.

Since the Copyrighted Spendthrift Trusts are written in compliance with the Internal Revenue Service Statues and Codes on Estates, Trusts and Beneficiaries, and are acceptable entities they receive Employee Identification Numbers, and file a Form 1041 as a Complex Trust each year. They must meet the compliance codes and filing requirements. Relevant code sections are Title 26, Subtitle A, Chapter 1. Subchapter I, Part 1, Sections 59, 67, 543, 553, 927 Subpart A Section 641; Section 643, Subparts A, B, C, and D, and including Section 651, Sections 672, 67:3, 674, 675, 676, 677. and 678.

Title 26, Subtitle A, Chapter 1, Subchapter I, Part I, Subpart A, Section 643, definitions applicable to subparts A, B, C, and D clearly define and outline that gains from the sale or exchange of capital assets shall be excluded to the extent that such gains are allocated to the corpus of a trust and are not required by the governing instrument to be distributed to the beneficiaries.

It further outlines that extraordinary dividends and taxable stock dividends are excluded as items of gross income constituting extraordinary dividends or taxable stock dividends. Whereas, the trustee, according to the terms and conditions of the of the trust in compliance with all applicable local laws and the trustee acting in good faith determines that such dividends are allocable to the corpus of the trust under the terms of the governing instrument and applicable local law shall not be considered income.

As you know I have served for many years as a Senior Revenue Agent with the Department of the Treasury responsible for the examination of Corporate tax returns, Real Estate Investment Trusts, High Income Individuals and related taxable entities and the accurate application of tax laws and related procedures created by the Congress of the United States.

Sincerely,

Everett S. Myers

Trustee

Who is Everette J. Myers?

Everette J. Meyers was the IRS Agent sent to conduct an examination of the Copyright Spendthrift Trust. When the Trust Copyrights were filed in 1999, a Ms. Mary Beth Peters reported the filing of the Trust Copyrights to the IRS and Mr. Meyers was sent to investigate them to determine if they were compliant with the Internal Revenue Code (IRC).

Mr. Myers was in charge of this type of investigation in the Dallas IRS office and was their brightest agent with the most experience concerning Trusts. Utilizing all his resources, Everette studied the Trust documents and determined they were all in full compliance with the entirety of the IRC and Trust Law, including Scott on Trust law.

Everette concurred that a trust written to comply with Rule 643 was treated very differently from other trusts. Any and all income endowed to the Beneficial Trust came into the Corpus of the Trust as gross income and, since it was held in Corpus (which is Latin for body), the Trustee was *required* to declare it to be either Extraordinary Dividends or Taxable Stock Dividends. This action by the Trustee, of designating gross income coming into the Corpus as Extraordinary Dividends or Taxable Stock Dividends, exempted the amount as income to the Trust.

The IRC is straight-forward and states: *"Items of gross income constituting extraordinary dividends or taxable stock dividends which the fiduciary, acting in good faith, determines to be allocable to corpus under the terms of the governing instrument and applicable local law shall not be considered income."*

This declaration by the Trustee was absolute. Any and all gross income, no mater from what source or by what means derived, was either declared extraordinary dividends or taxable stock dividends. To make any other designation of the gross income was to defeat Rule 643 and would incur taxable consequences.

Thus, a Beneficial Trust would have a zero-dollar ($0.00) amount on the 1041 tax return every year from the time a Trust was funded and received its EIN number. Everette wrote an unsolicited letter as an active IRS Agent explaining the Trust and how it was legal to operate as outlined. Once he had examined the Trusts, he surmised no one would receive a letter from the IRS supporting his findings because it would serve as an endorsement of the Trusts.

Everette also explained another important aspect of Rule 643. When any asset, property, real estate or the like is conveyed to the Trusts they have no basis value and therefore may not be construed as a “gift” by law. The exemption from capital gains is critical to understand and is plainly stated and falls under the discretionary provision of the Trust:

> *“Capital gains and losses (3) Gains from the sale or exchange of capital assets shall be excluded to the extent that such gains are allocated to corpus and are not (A) paid, credited, or required to be distributed to any beneficiary during the taxable year, or (B) paid, permanently set aside, or to be used for the purposes specified in section 642(c). Losses from the sale or exchange of capital assets shall be excluded, except to the extent such losses are taken into account in determining the amount of gains from the sale or exchange of capital assets which are paid, credited, or required to be distributed to any beneficiary during the taxable year.”*

Everette explained that to stay within Rule 643, and not be subject to capital gains, no Beneficiary could be designated any percent of the Corpus, nor be required to receive any amount of revenue on an annual basis, all of which is accomplished with the Copyrighted Spendthrift Trust.