WHO IS EVERT MEYERS?

With regard to the Corpus of a Beneficial Trust the following understanding was explained to us (the Benson Boring Law Firm) by Evert Meyers. Mr. Meyers was the IRS Agent sent to conduct an examination of the Trust in the 1990s. When the Copyrights were filed Mary Beth Peters reported the filing of the Trust Copyrights to the IRSand Mr. Meyers was sent to investigate them to determine if they were compliant trusts.

Evert was in charge of this type of investigation in the Dallas office and was the brightest agent with the most experience concerning trust knowledge. He possessed a clear and complete understanding of Trust Law and the IRC. Using his abilities Evert studied all the Trust formats and determined they were all in full compliance with the IRC and Trust Law.

When he came to us, we discussed the operations of Trusts and the complex nature of the instruments. It was our understanding at the time that incomes to a Beneficial Trust were to be classed in various different ways, like business income, gifts and the like. However, Evert informed me that <u>a trust written to comply with Rule 643 was treated very different.</u>

This opened our eyes to see exactly what he was instructing us about with regard to declarations made by a Trustee. He explained that any and all income that was endowed to our Beneficial Trust came into the Corpus of the Trust as gross income and since it came into and was held in Corpus the Trustee was required to declare it to be either Extraordinary Dividends or Taxable Stock Dividends. This action and declaration by the Trustee which designated the gross income that come into the Corpus as Extraordinary Dividends or Taxable Stock Dividends <u>exempted the amount as income to the Trust.</u>

He explained the law was simple and complete as it stated: "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."

He made clear to us that this declaration by the Trustee was absolute and that any all gross income no mater from what source or by what means it came was either declared extraordinary dividends or taxable stock dividends and to make any other designation of the gross income was to defeat Rule 643 and fall under taxable consequences.

This made it very clear as to how to determine taxes for a Beneficial Trust in that it was a "0" return on a 1041 each year from the time a Trust was funded and received an EIN number. Evert wrote us an unsolicited letter as an active agent explaining our structure and how it was legal to operate as he had outlined. He told us in person when he had examined the Trusts that we would not receive any letter from the IRS showing the findings because it would serve as an endorsement of our Trusts and they would never do such an action.

With his advice and the letter, he later sent while an active agent we rely on this and always have to educate tax preparers so they may prepare taxes for our clients. Also, he explained another important aspect of Rule 643 that makes another area extremely clear.

When any asset, property, Real Estate or the like is conveyed to our 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: "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". This wonderful rule falls under the Discretionary provision of the Trust.

It is further explained: "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." Evert explained that to stay within Rule 643 and not be subject to capital gains that no Beneficiary could be designated any percent of the Corpus nor be required to receive any amount of revenue on an annual basis. The Master's Trusts are written to accomplish this at his direction.