TRUST HISTORY

It is important for a person to understand the full impact a Spendthrift Trust Organization can have with the Assets growth and protection for a Family Legacy for generations. This memo is a short introduction to the History of the Spendthrift Trust and why this understanding is important for a person to be able to secure the only tool that can help with the growth and protection of the Family Assets. The Spendthrift Trust Organization allows a person's lifetime work to continue with future generations.

The original Trust concept was conceived by King Henry VIII in 1533. He had a need for a concept which would allow his nobles and Lords to administer and develop the King's lands; hence the Trust concept had its founding. The US Constitution has its roots derived from the English Trust Law. Further information on History of the Trust in the United States is available from your Distributor.

The 1950's saw the development and expansion of the current Spendthrift Trust which is offered by Masters Trust. Due to the existence of the Trust before the establishment of the IRS certain laws apply to the trust that are not available to a Corporation, LLC, Sub-S or other forms of United States Business entities. When the IRS issues an EIN (Employer Identification Number) these specific laws which are inherent with the trust are acknowledged. Specifically the laws concerning Tax benefits, asset protection and Asset growth. For example, the Spendthrift Trust provides protection against any lawsuits from an individual, Corporation, or Government entity. Masters Trust has provided thousands of Trusts over 30 years with not one lawsuit successfully penetrating these trusts.

A contract in the form of a Spendthrift Trust Organization, does not owe its existence to any act of the legislature. The authority for its creation is the common law right of the parties to enter into a contract. According to American law, the government cannot regulate or impose a tax upon a right. Our "right to contract" according to the Constitution of the United States, Article §10 is unimpariable. That means that it is not within the power of the government or even a judge to change one word of a Contract of Trust. Once the property is transferred into a Spendthrift Trust Organization, it is subject to its own indenture, which governs and protects the property held by it. The government can ONLY regulate and tax entities it creates.

A Spendthrift Trust is not considered a taxable "Association" pursuant to tax law. Black`s Law Dictionary defines Association as follows: "What is designated as a trust or a partnership may be classified as an association [only] if it clearly possesses [all] corporate attributes. Corporate attributes include: [1] centralized management, [2] continuity of existence, [3] free transferability of interest, [4] limited liability.

A Spendthrift Trust Organization is not an "association" or an “unincorporated association," because it does not possess the same attributes of a corporation, such as continuity of existence and free transferability of [beneficial] interest. Further, unlike a corporation, a Spendthrift Trust Organization is not an "artificial entity" nor does it owe its existence to the charter power of the State.

A Spendthrift Trust Organization is also not an alter ego or a nominee for any trustee or beneficiary

because no one individual holds both legal and equitable title and beneficial interest.

Another major advantage to operating a Spendthrift Trust Organization as a business is that, because it is not a creature of the legislature, it is not subject to the myriad of strangling legislative controls, rules and regulations that are applicable to corporations and other legislative entities. The Supreme Court case Eliot v. Freeman 220 US 178 ruled that a Spendthrift Trust Organization is not subject to legislative control. The Supreme Court holds that the trust relationship comes under the realm of equity based on common law and is not subject to legislative restrictions as are corporations and other organizations created by legislative authority.

If the Trust is constructed correctly and it is a Discretionary Trust, which does not require the distribution of current income, the Trustee may allocate earnings of the Trust to remain as part of its corpus without tax consequences. These earnings would then become taxable only when distributed to the beneficiary and the taxes are paid by the Beneficiary as ordinary income.

Our Trusts were written to comply with TITLE 26, Subtitle A, CHAPTER 1, Subchapter J, PART I, Subpart A, Sec 643, STATUTE (3) and (4) and (7)(b) of the Internal Revenue Code. This states the following: 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 was critical in nature because the law states that the Trust must be a Non-Grantor, Irrevocable, and Discretionary Trust in order to comply with this curtail provision. This tax code also states that Capital gains and losses are excluded in this type of Trust saying 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 the Trust. It also says that items of gross income constituting extraordinary dividends or taxable stock dividends which the Trustee, 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 was huge and critical in that Trust could invest in the stock market and profits from these investments were not taxable to the Trust. It also allowed royalties from oil and gas and like dividends that were declared as extraordinary to be paid to the Trust and it was not taxable income!

The old Trust lawyers of the past said this special section of the IRC was written to accommodate Trusts because Constitutional Law came from Trust Law. The preamble of the U.S. Constitution is a trust statement; the U.S. Constitution is a Trust for the People. Constitutional Law came from Trust Law therefore it has no power to change the Law of Trusts. Once constructed and established this special Trust is not subject to income tax. The Constitution of the United States plainly says that only a "pole tax" is a legal authorized tax. This means each person regardless of their station or age all pay exactly the same tax. So when the code was adopted it was authorized as a "voluntary tax" but over the years became what it is today. Over the years people were taught to pay tax or suffer huge penalties and prison, therefore the "voluntary tax" enslaved the people as they willingly submitted to ever increasing taxation. Today the Spendthrift Trust Organization is the only structure that is exempt from income tax

when properly constructed, authorized by the IRC itself. It difers tax and only when a Beneficiary or entity receives funds from the Trust are the funds taxed; paid by the individual or entity that receives them as ordinary income.

We are available to discuss how these Spendthrift Trusts can provide you and your family the security and safety for your assets protection.