STRUCTURED INSTALLMENT SALES: THE BUYER'S PERSPECTIVE

An installment sale is the sale of a property or business wherein the buyer makes periodic payments to the seller with at least one payment occurring after the tax year of the sale. Internal Revenue Code Section 453 allows the seller to defer recognition of the income from the sale to the year(s) in which the periodic payments are received. Installment sales must operate in compliance with IRC § 453 to receive tax-advantaged treatment.

Why Utilize a Structured Installment Sale?

There are several reasons that make structured installment sales attractive to both buyers and sellers, including:

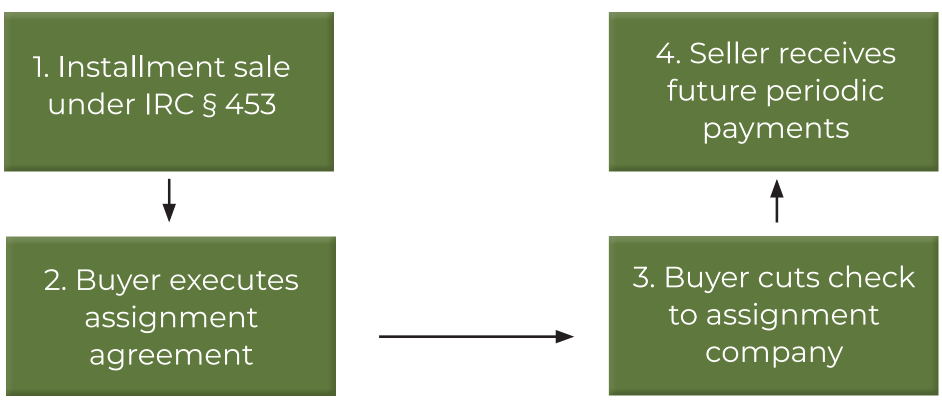
- Taxes are not payable until the year payments are received
- Guaranteed[1] rate of return
- Stream of payments is flexible in design
- Protection from future insolvency of buyer
- Low-risk foundation for diversified investment portfolio

Assignment: The assignment process ensures that future payments are made to the seller, while releasing the buyer from future payment obligation. The buyer executes an assignment agreement and pays a lump sum to the assignment company, when then in turn uses the money to purchase a funding asset.

Funding Asset: A structured installment sale can be funded using a fixed annuity via a life insurance company or U.S. Treasury Obligations.

What is the Buyer's Process?

- Agrees to IRC § 453 Installment Sale
- Executes representations statement and assignment agreement
- Cuts check to the assignment company
- Transaction complete



[1] Guarantees are subject to the claims-paying abilities of the issuing insurance company.

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