

DONLEVY-ROSEN & ROSEN, P.A.

INTRODUCTION - LOAN STRUCTURE PLANNING:

In conjunction with Donlevy-Rosen & Rosen, P.A., an offshore bank and an offshore lender have structured an advantageous investment/protection concept for real estate. This arrangement enables an offshore trust client to borrow funds at rates at least comparable to domestic United States lending rates, for the purpose of investing those funds in a Certificate of Deposit (CD) paying interest at a rate better than the lending rate, and usually better than equivalent domestic CD rates. There is no foreign exchange exposure. Security for the lender is provided by a mortgage or lien over available equity in qualified client real property (**thus protecting the pledged property to the extent of the lien**), usually located in the United States. The Loan Structure (also called “Real Estate Equity Investment Structure”, or “REEIS”) is typically implemented where the property is owned by the Trust Settlor. Modified structures are available where the property is owned by a trust, or related parties, such as limited partnerships, limited liability companies, or corporations.

Rev. 12/29/17

THIS PAGE INTENTIONALLY LEFT BLANK

PLAIN ENGLISH EXPLANATION OF LOAN STRUCTURE:

The only effective way to protect real estate is to remove the equity (value) of the asset from U.S. court jurisdiction. Implementation of this equity reduction technique is accomplished through the following steps:

1. You establish an offshore trust;
2. An offshore finance company makes a loan to you in an amount equal to 95% of the real estate equity you wish to protect; pursuant to the loan documents, the loan proceeds are transferred by the lender directly to your offshore trust (protected) and are invested in a certificate of deposit (CD) issued by an offshore bank;
3. As collateral for the loan: You give a mortgage (or other appropriate lien) on the property(ies) to be protected.

By placing a mortgage on your properties in the above described manner, you are removing the equity in the mortgaged properties, and, in effect, placing that equity in an offshore trust where no US creditor (or court) can reach it (see attached diagram). *Since real estate cannot itself be moved offshore, this technique is the only effective way of protecting it.*

Your trust will receive periodic interest on the CD in an amount slightly higher than the interest payable on the loan. The interest received will be subject to US income tax, and the interest paid, as well as the structure implementation costs (see below), will likely be deductible for US tax purposes.

In connection with this planning, we will represent both you and the offshore lender. By retaining us to implement this planning, you agree to that dual representation.

LOAN STRUCTURE FEES & COSTS (not including separate offshore trust implementation fees/costs): **FOR LOANS UNDER \$10,000,000***:

1. Current **legal fee** for implementation of loan structure = 0.15% of the loan amount or \$3,500 (whichever is greater)
2. Current **lender fee** (loan origination fee) for implementation of loan structure = 1.2% of the loan amount or \$15,000 (whichever is greater)
3. Other: Local recording costs, documentary stamps, trustee fee, lender administration fee (\$1,500), additional cost deposit (\$500), and local counsel fees (if property is located outside of Florida)
4. Net annual **ongoing cost** = 1.2% of the loan amount years 2 & 3; 1.1% year 4, and 1% year 5 and forward (Minimum lender fee is \$15,000; **no** annual legal fee). Minimum loan term is 3 years.

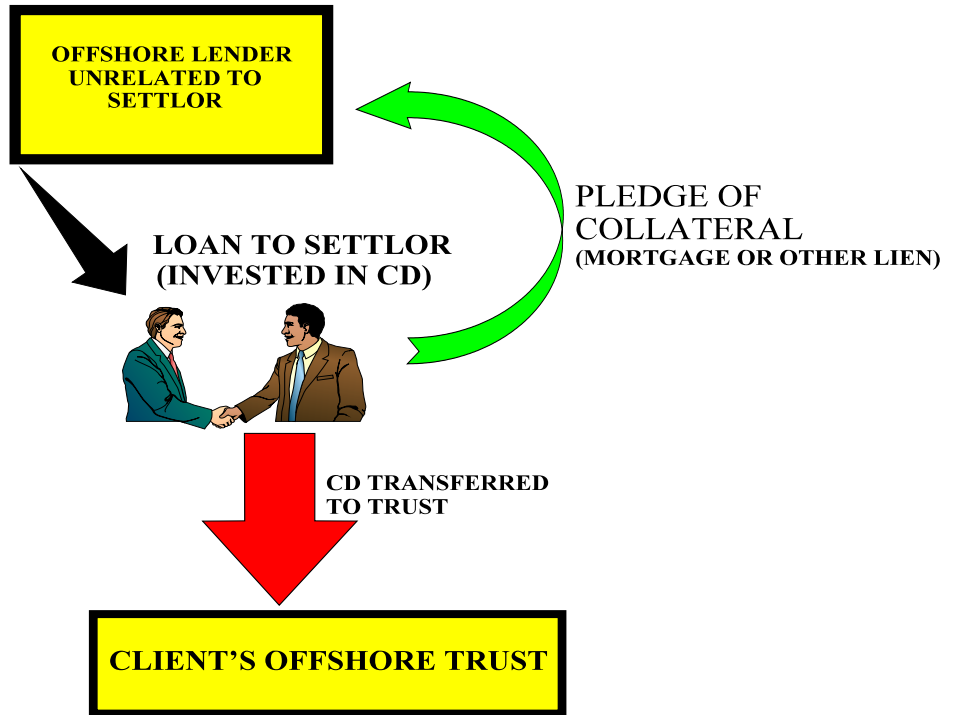
* Lower rates and legal fees are negotiated for loans over \$10,000,000.

Summary of Loan Structure: *To Protect Real Estate**

1. **Loan amount** = 95% of value of equity in collateral property
2. **Lien Type:** as appropriate to type of property pledged
3. **No monthly payments** (Loan is interest only, such quarterly interest payments are made by the offshore trustee from interest earned on certificate of deposit)
4. **Implementation fees** (ours=0.15% & lender's=1.2% <Combined Minimum=\$18,500> combined = **1.35%** + \$1,500 admin fee & cost deposit + \$750 trustee fee; (lower lender/legal fees can be negotiated on large loans)
5. **Annual renewal** (net ongoing cost of loan; *minimum three-year loan term required*) = 1.2% years 2, 3; 1.1% year 4; 1% year 5 and forward <Minimum=\$15,000/yr. + \$500 admin fee>(possible reduction by lender as above also - this is only for lender, *you pay no continuing legal fee on loan structures*)
6. Recording Costs, filing fees, local real estate counsel (for properties outside Florida) are **additional**

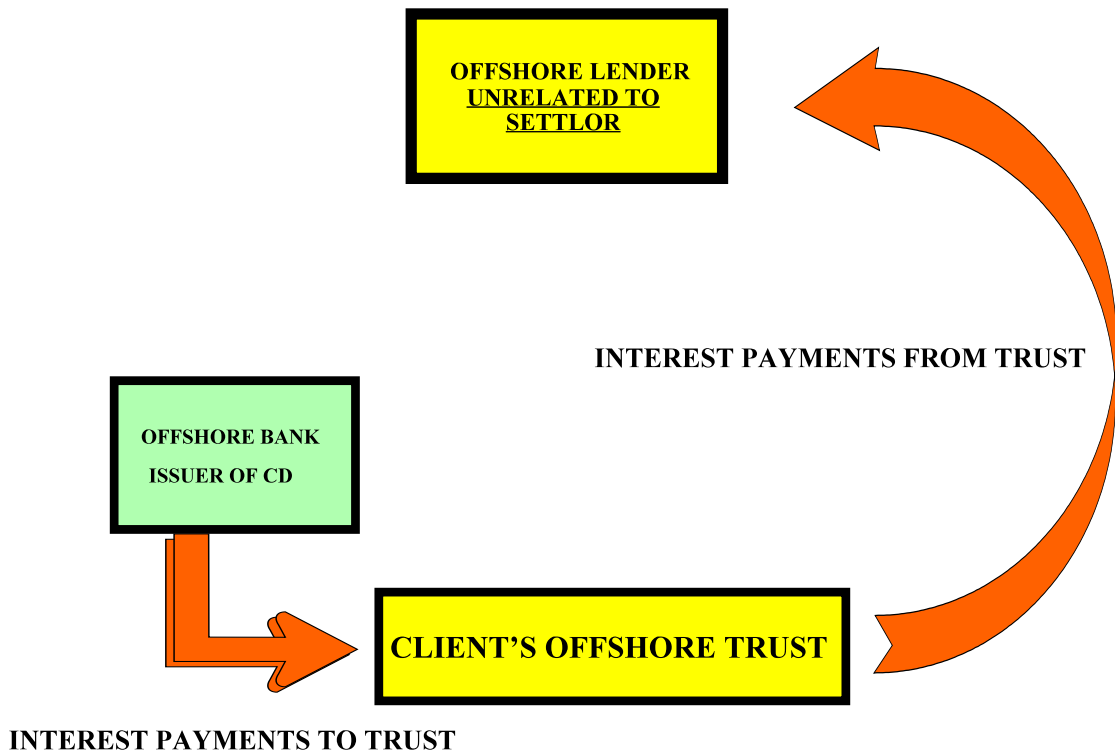
* You must have an offshore trust in order to be eligible for this planning technique.

EQUITY INVESTMENT STRUCTURE - PART ONE



©1998 DONLEVY-ROSEN & ROSEN, P.A.

EQUITY INVESTMENT STRUCTURE - PART TWO



©1998 DONLEVY-ROSEN & ROSEN, P.A.