

**M453<sub>SM</sub> FOR THE SALE OF A PROFESSIONAL PRACTICE**

A licensed professional who is planning to sell his or her professional practice should consider using a monetized installment sale (“M453<sub>SM</sub>”) as the best way to do so, to maximize long-term income from the sale and to minimize the tax cost of selling.

As with other capital assets, the selling professional may sell the practice in a C453 transaction pursuant to Section 453 of the Internal Revenue Code, without the credit and collateral risk that typically accompany an installment sale. This is accomplished when S.Crow Collateral Corp., as a dealer under Section 453, buys the practice in an intermediate installment purchase and re-sells the practice to the ultimate buying professional, typically for cash. In this way, the selling professional may defer the tax on gain on sale for as long as 30 years and then pay the tax in dollars that will then have less value, because of inflation.

**Direct Transfer of Ownership**

Although S.Crow Collateral Corp. is the intermediate buyer contractually, by contract the ownership of the practice itself, together with related assets, passes directly from the selling professional to the buying professional.

## Liquidity with Substitute Funds

If the seller wishes, he or she may separately borrow from an independent lender an amount of money that is comparable to the resale price for the assets. If that is the seller's choice, he or she then enjoys complete liquidity by way of the loan proceeds, as a substitute for liquidity in the form of the sale proceeds. The loan is not made against the installment contract or with a pledge of the installment contract, but through a long-term escrow both the seller and the lender can be assured that S.Crow Collateral Corp.'s installment payments will fully fund the seller's loan payments, both during the term of the loan and at its maturity.

Before engaging in any such transaction, the selling professional should seek the advice of his or her legal and tax advisers, but it is S.Crow Collateral Corp.'s position that an M453<sub>SM</sub> and the separate loan, properly done, can enable the selling professional to enjoy both tax deferral and the availability of substitute cash.

## Further Benefit for the Selling Professional and the Buying Professional

A further benefit of the M453<sub>SM</sub> flows to both the selling professional and the buying professional, because (and only because) of the M453<sub>SM</sub>. In contrast to a direct sale from the selling professional to the buying professional, an M453<sub>SM</sub> involves *two* sale-and-purchase transactions, one from the selling professional to S.Crow Collateral Corp. and one from S.Crow Collateral Corp. to the buying professional. The parties to each of those transactions are at liberty to agree on an allocation of the purchase price, and the allocation in one transaction need not be the same as the allocation in the other transaction. Therefore, S.Crow Collateral Corp. may agree with the selling professional on an allocation which is best for the selling professional's tax treatment, and S.Crow Collateral Corp. may then agree with the buying professional on a different allocation that is best for the buying professional's tax treatment. Just this one benefit may help to overcome disparity between the price which the selling professional wants to receive and the price which the buying professional is willing to pay.

## Disclaimer

Note: As a principal only, S.Crow Collateral Corp. does not act in the capacity of a broker, sales representative, investment adviser, or tax or legal adviser, does not sell or recommend any security, and does not accept any transaction fee or payment for transaction services. Circumstances may affect tax and legal outcomes. Each transaction is different and unique to each participant. Neither S.Crow Collateral Corp. nor any of its officers or employees may or does provide tax, legal or investment advice. Nothing herein is intended to be, or may be taken to be, tax, legal or investment advice. Interested parties should consult their legal, tax and investment advisers before participating in any transaction.