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Re:

Department of the Treasury
Washington, DC 20224

Third Party Communication: None
Date of Communication: Not Applicable

Person To Contact:

ID No.

Telephone Number:

Refer Reply To:
CC:PSI:B04
PLR-122287-14

Date:
November 21, 2014

Legend

Trustor 1	=
Trustor 2	=
Trustor 3	=
Trust 1	=
Trust 2	=
Trust 3	=
Trust 4	=
Trust 1A	=
Trust 1B	=
Trust 1C	=
Trust 2A	=
Trust 2B	=
Trust 2C	=
Trust 2D	=
Trust 3A	=
Trust 3B	=
Trust 3C	=
Trust 3D	=
Trust 4A	=
Trust 4B	=
Trust 4C	=
Trust 4D	=
<u>a</u>	=
<u>b</u>	=
<u>c</u>	=
<u>d</u>	=
<u>e</u>	=
<u>f</u>	=

Date 1	=
Date 2	=
Date 3	=
Date 4	=
Year 1	=
Year 2	=
Year 3	=
Year 4	=
Year 5	=
Year 6	=
A	=
A1	=
A2	=
A3	=
A4	=
B	=
B1	=
B2	=
B3	=
B4	=
C	=
C1	=
C2	=
D	=
D1	=
D2	=
E	=
E1	=
F	=
F1	=
F2	=
F3	=
G	=
Financial Company	=
Partnership	=
Court	=
Settlement Agreement	=
State 1	=
State 2	=

Dear :

This letter responds to your authorized representative's letter dated June 4, 2014, requesting a ruling on the generation-skipping transfer (GST) tax consequences of a court-approved settlement agreement resolving litigation arising from the administration of four trusts and other disputes.

FACTS AND REPRESENTATIONS

The facts and representations submitted are summarized as follows:

In Year 1, Trustor 1, A (Trustor 2's son), B (Trustor 1's brother), and an unrelated individual established Partnership. In Year 2, Trustor 1 retained E to assist him in his business and personal financial affairs. E proposed that the family establish family trusts and transfer their Partnership interests to these trusts. The beneficiaries would include A's children and their descendants, B's children and their descendants, and C's children and their descendants. C is the deceased sister of Trustor 1 and B.

On Date 1, a date prior to September 25, 1985, Trustor 1 and Trustor 2 created two irrevocable trusts to benefit the children of A, B, and C, and the spouses and descendants of the children of A, B, and C. D was appointed as trustee of these trusts. One of these two trusts terminated. The other trust is Trust 1.

On Date 2, a date prior to September 25, 1985, Trustor 1 and Trustor 2 created two other irrevocable trusts, Trust 2 and Trust 3, to benefit as Class A Beneficiaries: the children and issue of A2, A3, A4, C1, C2, D1, D2 and E, and as Class B Beneficiaries: ten-named employees of Partnership and E's spouse, E1. D was appointed as trustee of these trusts. Subsequent to Date 2, D resigned as trustee and Trustor 1 appointed E as trustee of Trusts 1, 2, and 3.

On Date 3, C2 (a niece of Trustors 1 and 2), and her spouse, Trustor 3, created an irrevocable trust, Trust 4, to benefit as Class A Beneficiaries: A2, A3, A4, C1, C2, E1 and their children and issue, and as Class B Beneficiaries: F1, F2, and F3. F was general counsel for the Partnership and held an interest in the Partnership. F1 is F's surviving spouse and F2 and F3 are F and F1's children. E was appointed as trustee of Trust 4.

Trusts 1, 2, 3, and 4 are the taxpayers requesting private letter rulings. The terms of these trusts are described in detail below.

Trust 1

Trustor 1 and Trustor 2 funded Trust 1 with cash and interests in Partnership. Section III of Trust 1 designates by name the following as beneficiaries: A2, A3, A4, B1, B2, B3, B4, C1, C2, the spouses of A2, A3, A4, B1, C1 and C2, and the children of A2, A3, A4, B1, B3, B4, C1, and C2. Section III also provides that Trust 1 is created for the benefit of all children of the above-named persons born after Date 1, and all children of any such after-born children who are born prior to termination of Trust 1. A2, A3, and A4 are children of A and A's spouse, A1. B1, B2, B3, and B4 are B's children. C1 and C2 are C's children.

Section IV(A) of Trust 1 provides that the trustee may distribute the net income of the trust to any one or more of the then living trust beneficiaries or may apply said income for the benefit of any such beneficiary or beneficiaries from time to time and in such amount or amounts as the trustee may determine in his sole discretion. Any income not so distributed or applied may be accumulated; but any such accumulations may also be so distributed or applied thereafter as if they were then current income.

Section IV(B) provides that prior to termination of the trust the trustee may distribute or apply principal of the trust to provide for or to assist in providing for any then living beneficiary, such reasonable maintenance, support, education and medical care as in his sole discretion the trustee deems to be appropriate.

Section IV(C) provides that at the termination of trust, the trustee shall distribute all remaining income and all of the principal of the trust to such one or more of the then living beneficiaries as he shall select in his sole discretion.

Section IV(D) provides that in the exercise of the discretion granted to the trustee in Section IV, the trustee may omit entirely any one or more of the possible beneficiaries. The trustee may treat beneficiaries within a group or family differently, including the right to omit one or more members of any such classification and also the right to omit entirely to provide for any one or more of such groups or families.

Section IV(E) provides that in the event, after applying the prior provisions, any part of the trust estate remains undisposed of, the remaining trust estate shall be distributed to then living lawful issue of trustors by right of representation, and if there be no such living lawful issue, then one-half (1/2) thereof respectively as to each of the trustors shall be distributed to his and her respective then living heirs at law.

Section IV(F) provides that, unless otherwise terminated at an earlier date under the foregoing provisions, the trust shall terminate on the day prior to the date which is twenty-one (21) years after the death of the last to survive of the beneficiaries designated by name in Section III who were living on Date 1.

Section VII(B) grants Trustor 1 the power to remove a trustee and designate a successor trustee. When Trustor 1 died, these powers vested in persons designated by

Trustor 1. Pursuant to Section VII(D), at such time as Trustor 1 and his designate are unable or unwilling to exercise these powers, then a majority of five living male adult beneficiaries may remove and appoint trustees. A trustee may not include any beneficiary of Trust 1.

Section X provides that State 1 law governs Trust 1. It is represented that this trust has been administered in State 2 for several years. It is represented that no additions have been made to Trust 1 since September 25, 1985.

Trust 2 and Trust 3

Trustor 1 and Trustor 2 funded Trust 2 and 3 with cash and interests in Partnership. The terms of Trusts 2 and 3 are identical. Section III of Trusts 2 and 3 designates as Class A beneficiaries: all children and issue born prior to termination of the trust of the following named parents: A2, A3, A4, C1, C2, D1, D2, and E. Section III names as Class B beneficiaries ten-named employees of Partnership and E1. D1 and D2 are D's children.

Section IV(A) of Trusts 2 and 3 provides that the trustee may distribute the net current year's income of the trust to any one or more of the then living Class A beneficiaries, or may apply said income for the benefit of any such Class A beneficiary or beneficiaries, not distributed to or applied for Class B beneficiaries as provided in paragraph B of this Section IV, from time to time and in such amount or amounts as the trustee may determine in his sole discretion. Any such income not so distributed or applied may be accumulated; but any such accumulations may also be so distributed to or applied for Class A Beneficiaries thereafter as if it were then current net income, or be distributed to or applied for any Class B beneficiary as provided in Section IV(B).

Section IV(B) provides that the trustee may distribute not to exceed a percent of each current year's net income of the trust to any one or more of the then living Class B beneficiaries or may apply said income for the benefit of any such beneficiary or beneficiaries from time to time in such year in such amount or amounts, within said limit of a percent, as the trustee may determine in his sole discretion. Any portion of such a percent of each year's current income not so distributed or applied may be accumulated, but any such accumulations, not to exceed in the aggregate the sum of \$b, may also be distributed or applied thereafter to any one or more of the then living Class B beneficiaries, as if said amount was then current net income.

Section IV(C) provides that prior to termination of the trust, the trustee may distribute or apply principal of the trust to provide for or to assist in providing for any then living Class A beneficiary, such reasonable maintenance, support, education and medical care as in his sole discretion the trustee deems to be appropriate.

Section IV(D) provides that at termination of the trust, the trustee shall distribute all remaining income and all of the principal of the trust to such one or more of the then living Class A beneficiaries as he shall select in his sole discretion. The trustee shall not distribute any principal to any Class B beneficiary.

Section IV(E) provides that in the exercise of the discretion granted to the trustee, the trustee may omit entirely any one or more of the possible beneficiaries. The trustee may treat beneficiaries within a class or group or family differently, including the right to omit one or more members of any such classification and also the right to omit entirely to provide for any one or more of such classes, groups or families.

Section IV(F) provides that in the event, after applying the prior provisions, any part of the trust estate remains undisposed of, then the remaining trust estate shall be distributed to the then living lawful issue of trustors by right of representation, and if there be no such living lawful issue, then one-half (1/2) thereof respectively as to each of the trustors shall be distributed to his and her respective then living heirs at law.

Section IV(G) provides that, unless terminated at an earlier date under the foregoing provisions, the trust shall terminate on the day prior to the date which is twenty-one (21) years after the death of the last to survive of the Class A beneficiaries designated in Section III who were living on Date 2.

Section VII(B) grants Trustor 1 the power to remove a trustee and designate a successor trustee. When Trustor 1 died, these powers vested in persons designated by Trustor 1. Pursuant to Section VII(D), at such time as Trustor 1 and his designate are unable or unwilling to exercise these powers, then a majority of five living male adult beneficiaries may remove and appoint trustees. A trustee may not include any beneficiary of Trust 2 or Trust 3, respectively.

Section X provides that State 1 law governs Trust 2 and Trust 3. It is represented that these trusts have been administered in State 2 for several years. It is represented that no additions have been made to Trusts 2 or 3 since September 25, 1985.

Trust 4

Trustor 3 and his spouse, C2, funded Trust 4 with cash. Subsequently, the trustee of Trust 4 purchased interests in Partnership. It is represented that sufficient GST exemption was allocated to Trust 4 to result in an inclusion ratio of zero and that no additions have been made to Trust 4 since its creation.

Article III of Trust 4 designates as Class A beneficiaries: A2, A3, A4, C1, C2, E1, and their children and issue who are born prior to termination of Trust 4. Article III names as Class B beneficiaries: F1, F2, and F3.

Article IV(A) provides that the trustee may distribute the net current year's income of Trust 4 to or apply said income for the benefit of any one or more of the then living Class A or Class B beneficiaries, in such amount or amounts as the Trustee may determine in his sole and absolute discretion. Any such income not so distributed or applied may be accumulated; but any such accumulations may also be distributed or applied thereafter as if it were then current net income.

Article IV(B) provides that at the termination of Trust 4, the trustee shall distribute all remaining income and all of the principal of the trust to such one or more of the then living Class A beneficiaries as he shall select in his sole and absolute discretion. No distribution of principal shall be made to any Class B beneficiary.

Article IV(C) provides that, in the exercise of the discretion granted to the trustee in Article IV, the trustee may omit entirely any one or more of the possible beneficiaries. The trustee may treat beneficiaries within a class differently, including the right to omit one or more members of any such classification and also the right to omit entirely to provide for any one or more Class A or Class B beneficiaries.

Article IV(D) provides that, in the event, after applying the prior provisions, any part of the trust estate remains undisposed of, the trustee shall distribute any remaining part of the trust estate to the then living Class A beneficiaries in equal shares.

Article IV(E) provides that, unless terminated at an earlier date under the foregoing provisions, the trust shall terminate on the day prior to the date which is twenty-one (21) years after the death of the last to survive of the Class A beneficiaries designated in Section III who were living as of Date 3.

Article IV(F) provides that at any time the trustee may, in his absolute and uncontrolled discretion, and for any reason which to him seems to justify such action, terminate Trust 4 and deliver and pay over the trust estate to the beneficiaries as provided in Article IV(B), as their own absolute property, free of the trust.

Article VII(B) grants the original trustee of Trust 4, E, and any successor trustee the power to remove a trustee and designate a successor trustee.

Article X provides that State 2 law governs Trust 4.

Litigation and Settlement Agreement

In Year 3, A3, her then-spouse, and their three children sued E, challenging, among other things, E's exercise of his discretionary distributions authority to discontinue distributions to them. This case settled years later. Pursuant to this settlement, E reinstated distributions to A3's children, but not A3. Trustor 2 died in Year 4. In that year, E appointed G, a relative, and Financial Company, E's wholly-owned company, as

successor co-trustees to Trusts 1-4. E also converted Partnership into a corporation and executed a shareholder agreement. Some beneficiaries of the trusts objected to certain provisions in the shareholder agreement, to the appointment of G and Financial Company as co-trustees, and to E's distribution practices, alleging that E made distributions to his family at the expense of A1's descendants. In Year 5, some of the beneficiaries complained about E's distribution practices and E's proposal to sell the Partnership. In Year 6, E discontinued distributions from Trusts 1-4 to A1's descendants. A1 and her adult descendants sued E, G, and Financial Company, alleging breach of fiduciary duty and self-dealing. A1 and her adult descendants requested the appointment of an Interim Trustee, permanent removal of the current trustees, and an accounting of the trusts. The case was referred to mediation. Subsequently, the parties entered into a Settlement Agreement to divide the trusts and appoint new trustees for each divided trust.

Pending the issuance of a private letter ruling, a Trustee Advisory Committee was appointed to include A4, C1's son, C2's son, and E1. Upon receipt of the private letter ruling and the division of Trusts 1-4 into subtrusts, G and Financial Company will resign in favor of successor trustee(s). The successor trustees will be selected by a number of the beneficiaries in each subtrust.

The division will be as follows: Trust 1 will be divided, *pro rata*, into three unequal subtrusts. Trust 1A will benefit A2, A3, A4, B1, B2, B3, and B4. Trust 1B will benefit C1, B1, B2, B3, and B4. Trust 1C will benefit C2, B1, B2, B3, and B4. As provided in Trust 1, each subtrust will also benefit the spouses of these individuals, all children of the above-named persons born after Date 1, and all children of any such after-born children who are born prior to termination of Trust 1.

Trust 2 and Trust 3 will each be divided, *pro rata*, into four unequal subtrusts. The Class A Beneficiaries of Trusts 2A and 3A include the children and issue of A2, A3, A4, D1, and D2. The Class A Beneficiaries of Trusts 2B and 3B include the children and issue of C1, D1, and D2. The Class A Beneficiaries of Trusts 2C and 3C include the children and issue of C2, D1, and D2. The Class A Beneficiaries of Trusts 2D and 3D include the children and issue of E, D1, and D2. The Class B Beneficiaries of each subtrust include the same ten-named employees of Partnership, as provided in Trusts 2 and 3. E1, however, who is a Class B Beneficiary of Trusts 2 and 3, is not a Class B Beneficiary of Trusts 2A, 2B, 2C, 3A, 3B, or 3C. E1 is a Class B Beneficiary of Trusts 2D and 3D.

Trust 4 will be divided, *pro rata*, into four unequal subtrusts. The Class A Beneficiaries of Trust 4A include A2, A3, A4 and their children and issue. The Class A Beneficiaries of Trust 4B include C1 and her children and issue. The Class A Beneficiaries of Trust 4C include C2 and her children and issue. The Class A Beneficiaries of Trust 4D includes E1 and her children and issue. The Class B Beneficiaries of each subtrust includes F1, F2, and F3, as provided in Trust 4.

The Settlement Agreement provides that Trusts 1A, 2A, and 3A will be allocated c percent of the aggregate value of the sum of the combined value of Trusts 1-4 (subject to certain adjustments set forth in the Settlement Agreement); the balance of Trusts 1-4 will be allocated as follows: Trusts 1B, 2B, 3B, and 4B – d percent; Trusts 1C, 2C, 3C, and 4C – e percent, and Trusts 2D, 3D, and 4D – f percent. Each subtrust will have its proportionate share of the assets and bear its proportionate share of the liabilities of its parent trust. Other than the separation of beneficiaries, the dispositive terms of each subtrust are the same as those of its parent trust. The termination date of each subtrust is the same as the termination date of its parent trust.

The trustee provisions of Trusts 1-4 will be modified in each subtrust to reflect the terms of the Settlement Agreement. Each subtrust designates beneficiaries of such trust who have the power to remove a trustee and appoint a successor trustee who is an Independent Trustee. Each subtrust defines the term “Independent Trustee” as a person who is not (i) a beneficiary of the trust with respect to which such trustee is serving, (ii) a person who has transferred or joined in the transfer or property to such trust, or (iii) a related or subordinate party to any person described in clauses (i) or (ii) within the meaning of § 672(c)

The situs provisions of Trusts 1, 2 and 3 will be modified in the related subtrusts to reflect a change of trust situs from State 1 to State 2. The Settlement Agreement is contingent upon receipt of a favorable private letter ruling.

RULING REQUESTED

You have requested a ruling that the terms of the Settlement Agreement will not cause distributions from, or the termination of any interest in Trust 1, 2, 3, 4 or the related subtrusts to be subject to the GST tax.

LAW AND ANALYSIS

Section 2601 of the Internal Revenue Code imposes a tax on every generation-skipping transfer.

Under § 1433(a) of the Tax Reform Act of 1986 (the Act) the GST tax is generally applicable to generation-skipping transfers made after October 22, 1986. However, under § 1433(b)(2)(A) of the Act and § 26.2601-1(b)(1)(i) of the Generation-Skipping Transfer Tax Regulations, the GST tax does not apply to a transfer under a trust that was irrevocable on September 25, 1985, except to the extent the transfer is made out of corpus added to the trust by an actual or constructive addition after September 25, 1985.

Section [26.2601-1\(b\)\(4\)\(i\)](#) provides rules for determining when a modification, judicial construction, settlement agreement, or trustee action with respect to a trust that is exempt from the GST tax under § 26.2601-1(b) (hereinafter referred to as an exempt trust) will not cause the trust to lose its exempt status for GST tax purposes. In general, unless specifically provided otherwise, the rules contained in this paragraph are applicable only for purposes of determining whether an exempt trust retains its exempt status for generation-skipping transfer tax purposes. The rules do not apply in determining, for example, whether the transaction results in a gift subject to gift tax, or may cause the trust to be included in the gross estate of a beneficiary, or may result in the realization of capital gain for purposes of § [1001](#)

Section [26.2601-1\(b\)\(4\)\(i\)\(B\)](#) provides that a court-approved settlement of a bona fide issue regarding the administration of the trust or the construction of terms of the governing instrument will not cause an exempt trust to be subject to the provisions of chapter 13, if— (1) the settlement is the product of arm's length negotiations; and (2) the settlement is within the range of reasonable outcomes under the governing instrument and applicable state law addressing the issues resolved by the settlement. A settlement that results in a compromise between the positions of the litigating parties and reflects the parties' assessments of the relative strengths of their positions is a settlement that is within the range of reasonable outcomes.

Section [26.2601-1\(b\)\(4\)\(i\)\(D\)](#) provides that a modification will not cause an exempt trust to be subject to the provisions of chapter 13 if the modification does not shift a beneficial interest in the trust to any beneficiary who occupies a lower generation (as defined in § 2651) than the person or persons who held the beneficial interest prior to the modification, and the modification does not extend the time for vesting of any beneficial interest in the trust beyond the period provided for in the original trust. A modification of an exempt trust will result in a shift in a beneficial interest to a lower generation beneficiary if the modification can result in either an increase in the amount of a GST transfer or the creation of a new GST transfer. Furthermore, a modification that is administrative in nature that only indirectly increases the amount transferred (for example, by lowering administrative costs or income taxes) will not be considered a shift in a beneficial interest in a trust.

Section [26.2601-1\(b\)\(4\)\(i\)\(E\)](#) *Example 4*, considers a situation in which in 1980, Grantor, who was domiciled in State X, executed an irrevocable trust for the benefit of Grantor's issue, naming a State X bank as trustee. Under the terms of the trust, the trust is to terminate, in all events, no later than 21 years after the death of the last to die of certain designated individuals living at the time the trust was executed. The provisions of the trust do not specify that any particular state law is to govern the administration and construction of the trust. In State X, the common law rule against perpetuities applies to trusts. In 2002, a State Y bank is named as sole trustee. The effect of changing trustees is that the situs of the trust changes to State Y, and the laws of State Y govern the administration and construction of the trust. State Y law contains

no rule against perpetuities. In this case, however, in view of the terms of the trust instrument, the trust will terminate at the same time before and after the change in situs. Accordingly, the change in situs does not shift any beneficial interest in the trust to a beneficiary who occupies a lower generation (as defined in § 2651) than the person or persons who held the beneficial interest prior to the transfer. Furthermore, the change in situs does not extend the time for vesting of any beneficial interest in the trust beyond that provided for in the original trust. Therefore, the trust will not be subject to the provisions of chapter 13.

Section 26.2601-1(b)(4)(i)(E) *Example 5*, considers a situation in which, in 1980, Grantor established an irrevocable trust for the benefit of his two children, A and B, and their issue. Under the terms of the trust, the trustee has the discretion to distribute income and principal to A, B, and their issue in such amounts as the trustee deems appropriate. On the death of the last to die of A and B, the trust principal is to be distributed to the living issue of A and B, *per stirpes*. In 2002, the appropriate local court approved the division of the trust into two equal trusts, one for the benefit of A and A's issue and one for the benefit of B and B's issue. The trust for A and A's issue provides that the trustee has the discretion to distribute trust income and principal to A and A's issue in such amounts as the the trustee deems appropriate. On A's death, the trust principal is to be distributed equally to A's issue, *per stirpes*. If A dies with no living descendants, the principal will be added to the trust for B and B's issue. The trust for B and B's issue is identical (except for the beneficiaries), and terminates at B's death at which time the trust principal is to be distributed equally to B's issue, *per stirpes*. If B dies with no living descendants, principal will be added to the trust for A and A's issue. The division of the trust into two trusts does not shift any beneficial interest in the trust to a beneficiary who occupies a lower generation (as defined in § 2651) than the person or persons who held the beneficial interest prior to the division. In addition, the division does not extend the time for vesting of any beneficial interest in the trust beyond the period provided for in the original trust. Therefore, the two partitioned trusts resulting from the division will not be subject to the provisions of chapter 13.

Section 26.2601-1(b)(4)(i)(E) *Example 10*, considers a situation in which in 1980, Grantor executed an irrevocable trust for the benefit of Grantor's issue, naming a bank and five other individuals as trustees. In 2002, the appropriate local court approves a modification of the trust that decreases the number of trustees which results in lower administrative costs. The modification pertains to the administration of the trust and does not shift a beneficial interest in the trust to any beneficiary who occupies a lower generation (as defined in § 2651) than the person or persons who held the beneficial interest prior to the modification. In addition, the modification does not extent the time for vesting of any beneficial interest in the trust beyond the period provided for in the original trust. Therefore, the trust will not be subject to the provisions of chapter 13.

No guidance has been issued concerning the partial termination or modification of a trust that may affect the status of a trust that is exempt from GST tax because sufficient

GST exemption was allocated to the trust to result in an inclusion ratio of zero. At a minimum, a partial termination or modification that would not affect the GST status of a grandfathered trust should similarly not affect the exempt status of such a trust.

Accordingly, in this case, the analysis under § [26.2601-1\(b\)\(4\)\(i\)\(B\)](#) is the same for Trust 4 as it is for Trusts 1, 2, and 3.

In the present case, Trusts 1, 2, and 3 are exempt from GST tax because Trusts 1, 2, and 3 were irrevocable prior to September 25, 1985 and no additions have been made to Trusts 1, 2, or 3 on or after September 25, 1985. It is represented that Trust 4 is exempt from GST tax because sufficient GST tax exemption was allocated to Trust 4 to result in an inclusion ratio of zero and no additions have been made to Trust 4 since its creation.

In this case, the beneficiaries and trustees had many disagreements and engaged in numerous lawsuits for many years. There were many bona fide issues regarding administration of the trusts and construction of the terms of the trusts. The most recent litigation resulted in Settlement Agreement. The parties were represented by separate counsel. The facts provided and representations made support a conclusion that the settlement is a product of arm's length negotiations and is within the range of reasonable outcomes under the terms of Trusts 1, 2, 3, and 4 and applicable state law. Settlement Agreement represents a compromise between the positions of the litigating parties and reflects the parties' assessments of the relative strengths of their positions.

Pursuant to Settlement Agreement, the trusts will be divided. Except for dividing along beneficiary lines and the modification of the trustee provisions, the subtrusts are nearly identical to the parent trusts. The division of Trusts 1, 2, 3, and 4 pursuant to the Settlement Agreement does not shift a beneficial interest in any trust to a beneficiary who occupies a lower generation than the person or persons who held the interest before the division. Moreover, the division does not extend the time for vesting of any beneficial interest in Trust 1, 2, 3, or 4 beyond the period provided for in the parent trusts. The modification of the trustee provisions in the subtrusts is administrative in nature. Finally, the change of trust situs of the subtrusts will not change the termination date of any of the subtrusts. Accordingly, the change in situs does not shift a beneficial interest in any trust to a beneficiary who occupies a lower generation than the person or persons who held the interest before the division and does not extend the time for vesting of any beneficial interest in the divided trusts beyond the period provided for in the parent trusts.

Accordingly, based upon the facts submitted and the representations made, we conclude that the terms of the Settlement Agreement will not cause distributions from, or the termination of any interest in, Trust 1, 2, 3, or 4 or the subtrusts to be subject to the GST tax.

The rulings contained in this letter are based upon information and representations submitted by the taxpayer and accompanied by a penalty of perjury statement executed by an appropriate party. While this office has not verified any of the material submitted in support of the request for rulings, it is subject to verification on examination.

Except as expressly provided herein, no opinion is expressed or implied concerning the tax consequences of any aspect of any transaction or item discussed or referenced in this letter.

This ruling is directed only to the taxpayer requesting it. Section 6110(k)(3) of the Code provides that it may not be used or cited as precedent.

In accordance with the Power of Attorney on file with this office, a copy of this letter is being sent to your authorized representative.

Sincerely,

Lorraine E. Gardner
Senior Counsel, Branch 4
Office of the Associate Chief Counsel
(Passthroughs & Special Industries)

Enclosures (2)

Copy of this letter
Copy for § 6110 purposes

cc: