

Benson and Associates
Attorneys At Law

200 Rufe Snow Drive North
106 Sterling Center
Keller, Texas 76248
Telephone 817/379/9845 Fax 817/379/9847

Offices in New York, New York, Dallas and Keller, Texas

June 3, 2002

Date: June 3, 2002

RE: Master Trust: Endowments, Capital Gains, Extraordinary Dividends, Taxable
Stock Dividends and Compliance Overseer: Authorization to Copyright

This memo concerns cash endowments to our Copyrighted Master Spendthrift Trusts, capital gains, extraordinary dividends and taxable stock dividends, and the compliance overseer. Generally, funds or endowments put into a trust have no tax consequences to the party contributing the funds or endowments, the beneficiaries, or to the trust itself. Capital gains, extraordinary dividends and taxable stock dividends when allocated by the trustee to the corpus of the trust in good faith are not taxable income to the trust.

Trusts that are written in compliance with the Internal Revenue Service Statutes and Codes on Estates, Trusts and Beneficiaries, as well as with "Scott on Trusts" have this advantage. Relevant code sections are Title 26, Subtitle A, Chapter 1, subchapter 1, Part 1, Sections 59, 67, 543, 553, 927 Subpart A Section 641; Section 643, Subparts A, B, C and D, and including Section 651, Sections 672, 673, 674, 675, 676, 677 and 678.

TITLE 26, Subtitle A, Chapter 1, Subchapter J, Part 1, Subpart A, Section 643. Definitions applicable to subparts A, B, C, and D clearly define and outline 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 a trust.

It further outlines that extraordinary dividends and taxable stock dividends are excluded as items of gross income constituting extraordinary dividends or taxable stock dividends which the trustee, according to the terms and conditions of the trust, in compliance with all applicable local laws, acting in good faith, determines that such dividends are allocable to corpus under the terms of the governing instrument, and applicable local law shall not be considered income.

Scott on Trusts: Volume 1 Section 1-163, including, specifically Section 37., "Reservation and creation of powers." is very plain and explicit concerning the reservation of powers by the Settlor stating that "The surrender of control is sufficient even though the Settlor reserves power to reassume the control". And again, "There is sufficient surrender of control over the property if the Settlor transfers the title to it

to the trustee, even though the Settlor reserves the power to undo what he has done” in the replacement of any trustee or beneficiary, the power reserved by the Settlor of the Trust through the office of the Compliance Overseer in our Copyrighted Spendthrift Trusts is in compliance with Scott on Trusts.

Furthermore, Scott on Trusts continues “The fact that the Settlor reserves power to revoke the trust does not invalidate the trust under a statute which provides that all transfers in trust for the use of the person making them shall be void against existing and subsequent creditors”. The fact that our Copyrighted Spendthrift Trusts does not allow for the revocation of the trust by the Settlor cements the powers of the trust and, therefore, is in legal compliance with all courts and the Internal Revenue Code.

In Scott on Trusts Volume 1 Section 1-164, including, specifically Section 164. “Duties and powers of the trustee.”, the extent of the duties and of the powers of a trustee depends primarily upon the terms of the trust. Insofar as the trust instrument expressly, or by implication, imposes duties or confers powers upon the trustee, the terms of the trust determine the extent of his duties and powers, except so far as the performance of the duties or the exercise of the powers. And it continues that the Settlor cannot safely rely upon a hope that without such express provisions the court will find that powers necessary or appropriate for the efficient administration of the trust are to be implied. For this reason, it is common to insert in the trust instrument express provisions conferring powers upon the trustee, even though some of the powers might be held to have been created without such express provisions.

In expansion of this concept Scott of Trusts continues: “In determining the terms of the trust, resort is had in the first place to the instrument if any under which the trust is created. As to any matter expressly covered by the instrument, the provisions of the instrument, if unambiguous, determine the terms of the trust”, establishing and enforcing the concept.

In Volume 2 Section 163A-320A, including, specifically Section 185. “Duty with respect to person holding power of control.”, the outline of the power is summarized “By the terms of the trust it may be provided that the action of the trustee in certain respects shall be subject to the control of another. The person upon whom such power of control is conferred may be a co-trustee, or a beneficiary, or the Settlor, or a third person otherwise unconnected with the trust”.

In such cases the holder of the powers owes duties to the beneficiaries with respect to the exercise of the power and as fiduciary not for his own benefit.

The summation of the issue is fully expressed in this Section of Scott on Trusts wherein it states that “Where a trust is created inter vivos and the Settlor reserves power to control the trustee in some respects in the administration of the trust, the Settlor may or may not hold the power of control solely for his own benefit” and finally “ Where the holder of the power holds it solely for his own benefit, the trustee can

properly comply and is under a duty to comply with his directions, provided that the attempted exercise of the power does not violate the terms and conditions of the trust”.

The Master Spendthrift Trust was written and copyrighted under my direct supervision. It is a novel structure and innovative work which is in complete compliance with the Internal Revenue Code as amended. Its terms and conditions prohibit the Settlor of the trust from holding the office of a Compliance Overseer, Trustee, or Beneficiary in any manner. Therefore, the Master Copyrighted Spendthrift Trust is not a grantor trust as set forth in the Internal Revenue Code. The trust is a complex trust with discretionary powers entrusted to the trustees of the trust solely according to the terms and conditions of the trust.

The original Master Spendthrift Trust was registered with the United States Copyright Office by this Law Firm on November 29, 1999, under my direction and authority, under the title “Spendthrift Trust Format”; Copyright Registration Number TXu 928-247.



Robert N. Benson