

MEMO# 1554

November 28, 1989

IRS REVENUE RULING ON POWER TO INCREASE SIZE OF TRUST INVESTMENT

November 28, 1989 TO: UNIT INVESTMENT TRUST MEMBERS NO. 65-89 TAX MEMBERS NO. 46-89 RE: IRS REVENUE RULING ON POWER TO INCREASE SIZE OF TRUST INVESTMENT

The attached IRS Revenue Ruling addresses the issue of under what circumstances a unit investment trust can increase in size without losing its classification as a trust. The ruling involves a trust agreement provision permitting the trust's creator to increase the size of the trust by conveying to the trustee, within 90 days following the creation of the trust, additional securities that are substantially similar to those initially deposited. The trust's creator will then sell to new investors the additional certificates received in exchange for the additional securities deposited. Each certificate will represent an identical undivided ownership interest in the assets of the trust. The Revenue Ruling concludes that such an arrangement will not cause the investment trust to fail to be classified as a trust because the power to introduce new investors and new securities to the investment trust is 1) intended solely to facilitate the organization of the trust; 2) limited to a short period at the inception of the trust; and 3) neither intended nor available for use throughout the term of the trust to vary the beneficiaries' investment. We will keep you informed of developments. Keith D. Lawson
Assistant General Counsel Attachment