

Internal Revenue Service

Department of the Treasury

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Newco B22 =

Newco B31 =

Partnership I =

Partnership J =

Partnership K =

Partnership M =

Partnership N =

LLC T =

This letter replies to your February 25, 2000 request that we further supplement our letter ruling dated March 30, 1999 (PLR-121425-98) (the "Original Letter Ruling"), as supplemented by our letter rulings dated April 28, 1999 (PLR-107269-99), July 5, 2000 (PLR-102442-00), and July 20, 2000 (PLR-102440-00) (together, the "Prior Letter Rulings"). Capitalized terms not defined in this letter retain the meanings assigned them in the Original Letter Ruling.

The Prior Letter Rulings address certain federal income tax consequences of the distributions by Distributing 2 of the stock of Controlled A and Controlled B and related transactions.

Amendments to the Transaction

Distributing 2 has amended the description of the transaction in the Original Letter Ruling as follows:

- (i) Steps (ii) and (iii) are removed from the description of the transaction.
- (ii) Step (vii) is modified to include Subs B22 and B31 as additional Reincorporation Subs, to include Newco B22 and Newco B31 as additional

Newcos, and to include the mergers of Subs B22 and B31 into Newcos B22 and B31, respectively, as additional Reincorporations.

(iii) Step (viii) is modified to remove Subs B4, B22, and B31 as Merger Subs, to include Newco B22 and Newco B31 as Merger Subs, and to include the LLC Mergers of Newcos B22 and B31 in the place of the LLC Mergers of Subs B22 and B31 in step (viii)(f).

(iv) Steps (x), (xi), and (xii) are modified to replace Trust with LLC T.

(v) Step (xxii) is modified to remove Sub E4 as a Reorg Sub.

(vi) Step (xxvi) and all other references to LLC N, LLC O, and Partnership L are removed from the description of the transaction.

(vii) Step (xxxi) is modified to include Subs B4 and E4 as Controlled A Contributed Subsidiaries.

(viii) Step (xxxiv) and all other references to LLC S and Partnership O are removed from the description of the transaction.

(ix) Step (xlv) is modified to read as follows:

“(xlv) As part of the Proposed Transaction, certain LLCs and partnerships that are (a) owned (or treated as owned, for federal income tax purposes) by the same entity and (b) disregarded as entities separate from such owner for federal tax purposes will be merged together (the “Disregarded Entity Mergers”). Disregarded Entity Mergers will occur in the following circumstances: (a) the merger of a “parent” Merger LLC and its “subsidiary” Merger LLC or Contribution LLC, (b) the merger of certain Contribution LLCs and/or Merger LLCs that own synergistic assets, (c) the merger of certain Contribution LLCs and/or Merger LLCs that directly or indirectly own interests in partnerships that are considered synergistic, (d) the merger of certain partnerships that own synergistic assets, and (e) the merger of a Contribution LLC or Merger LLC with a partnership that owns synergistic assets.”

(x) Steps (lviii) and (lix) are added to the description of the transaction:

“(lviii) Distributing 2 will provide a limited guarantee of the Controlled A Debt.”

“(lix) Partnership K will convert, pursuant to state law, from a limited partnership into a general partnership.”

Representation

The taxpayer makes the following representation regarding the additional Reincorporations described above in paragraph (ii):

(ttt) To the best of the taxpayer's knowledge and belief, provided the Internal Revenue Service rules as the taxpayer requests, each additional Reincorporation will qualify as a reorganization under § 368(a)(1)(F) of the Internal Revenue Code.

Rulings

Based on the information submitted with the original and supplemental ruling requests, we rule as follows:

(1) The above changes do not adversely affect any of the rulings contained in the Prior Letter Rulings, and the Prior Letter Rulings (including the Original Letter Ruling, as modified) retain full force and effect.

(2) Ruling (41) in the Original Letter Ruling is amended as follows:

“(41) For all federal tax purposes, (i) each Contribution LLC, each Conversion LLC, each Merger LLC, each Reorg LLC, LLCs A, B, H, L, M, P through R, T, Partnership J, Partnership C (following the consummation of both steps (viii) and (xix) in the Original Letter Ruling), Partnership E (following the consummation of both steps (viii) and (xix) in the Original Letter Ruling, Partnership I (until the consummation of the first to occur of step (xxxi) or (xxxix) in the Original Letter Ruling), Partnership K, (until the consummation of step (xxxv) in the Original Letter Ruling), Partnership M (until the consummation of step (xli) in the Original Letter Ruling), Partnership N (until the consummation of step (xxxv) in the Original Letter Ruling), and each new Partnership not specifically identified above will be disregarded as an entity separate from its owner (the “Disregarded Entities”), (ii) the owner of a Disregarded Entity will be treated as direct owner of the assets of the Disregarded Entity, (iii) distributions by a Disregarded Entity to its owner will be disregarded, and (iv) the merger of Disregarded Entities that are owned by the same owner (or treated, for federal tax purposes, as owned by the same owner) will be disregarded.”

(3) A distribution of Inter-Affiliate Debt by a corporate subsidiary to its corporate parent, as described in step (xliv) of the Original Letter Ruling, will be treated as a distribution governed by § 301 and by § 1.1502-13(f)(2) of the income Tax Regulations, and not as “other property” governed by § 351(b).

(4) Any distribution described in ruling (3), above, will not be included in the gross income of the corporate parent. However, the corporate parent is required to make a corresponding negative adjustment in the amount of the distribution to its basis in its corporate subsidiary stock under § 1.1502-32 (§ 1.1502-13(f)(2)(ii)).

(5) Caveat (d) is deleted from the Original Letter Ruling.

(6) Caveat (g) in the Original Letter Ruling is hereby modified so that it does not apply to the distributions described in ruling (3), above.

Procedural Matters

This letter is directed only to the taxpayers who requested it. Section 6110(k)(3) provides that it may not be used or cited as precedent.

A copy of this letter should be attached to the federal income tax return of each affected taxpayer for the tax year in which the transactions covered by this letter are completed.

Under a power of attorney on file in this office, a copy of this letter is being sent to each of your authorized representatives.

Sincerely,
Associate Chief Counsel (Corporate)
By: _____
Wayne T. Murray
Senior Technician/Reviewer
Branch 4