

Internal Revenue Service

Department of the Treasury

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Washington, DC 20224

Person to Contact:

Telephone Number:

Refer Reply To:

CC:Corp:B06-PLR-121777-03

Date:

May 6, 2003

Sub 1 =

Corporation =

Assets =

\$n6 =

\$n7 =

n8 =

Industry A =

Dear

This letter responds to your March 28, 2003 request that we further supplement our letter ruling dated June 25, 2002 (PLR-100157-02) ("Original Letter Ruling"), as supplemented by our letter ruling dated August 27, 2002 (PLR-138103-02) ("First Supplemental Letter Ruling") (collectively, the "Prior Letter Rulings"). The information submitted in that request and later correspondence is summarized below.

SUMMARY OF FACTS

The facts and representations set forth in the Original Letter Ruling, as previously modified, and the First Supplemental Letter Ruling are hereby incorporated, except as

PLR-121777-03

modified below, for purposes of this second supplemental ruling. All capitalized terms not defined herein shall have the meanings ascribed to them in the Prior Letter Rulings.

The Prior Letter Rulings addressed certain federal tax consequences resulting from Parent's restructuring of its operations (defined in the Original Letter Ruling and redefined in the First Supplemental Letter Ruling as the "Restructuring").

Sub 1 is an indirect wholly-owned subsidiary of Parent that owns Assets that are used by the Parent and its affiliated group (the "Parent Group"), for which Sub 1 receives compensation from the Parent Group. All of the stock of Sub 1 is owned by Corporation, an indirect wholly-owned subsidiary of Parent. In the past 18 months, Corporation has made capital contributions to Sub 1 of approximately \$6 and approximately \$7 (collectively, the "Capital Contributions") for valid business purposes. The Capital Contributions were equal to less than 5 percent of the value of the Parent Group. Including the Capital Contributions, the value of Sub 1 is less than 5 percent of the value of the Parent Group.

In your request, you have indicated that due to Industry A regulations, Parent has determined that Sub 1 should neither be converted or merged into a partnership or disregarded entity pursuant to Step (1) of the Restructuring nor transferred to Partnership as part of the Restructuring. Accordingly, you have asked us to amend the Prior Letter Rulings by deleting Step (1) of the Restructuring as set forth in the First Supplemental Letter Ruling and replacing it with the following:

- (1) Parent will, under applicable state law, convert or merge most of its existing corporate subsidiaries, but not Sub 1 or GP Sub (defined in Step (2)), into partnerships or disregarded entities for federal income tax purposes. In connection with these conversions and mergers, the stock of Sub 1 will be distributed up to Parent and contributed to GP Sub. The stock of Sub 1 will constitute the only Business A asset owned by GP Sub (other than GP Sub's interest in Partnership as described in Step (2)).

REPRESENTATIONS

Parent reaffirms representation (b), representations (d) through (i), representation (k) (as previously modified), representation (l), and representations (bb) through (ff) of the Prior Letter Rulings.

Parent does not reaffirm representation (j) of the Original Letter Ruling because it pertains to a transaction that is not part of the Restructuring as revised in the First Supplemental Letter Ruling and as revised herein and thus is not applicable to this ruling.

Parent revises representations (a), (c), and (aa) of the Prior Letter Rulings as set forth below:

PLR-121777-03

Revised Representation (a):

The principal purpose of Parent's transfer of all of its Business A assets (except the stock of Sub 1 and the stock of GP Sub) to Partnership, pursuant to the Merger and otherwise in connection with the revised Restructuring, is not the recognition of any loss, directly or indirectly, in any such assets in connection with the Distribution. Rather, the principal purpose of Parent's transfer of all the Business A assets (except the stock of Sub 1 and the stock of GP Sub) to Partnership, pursuant to the Merger and otherwise in connection with the revised Restructuring, is to restructure the Business A business that was carried on by Parent and its lower tier entities prior to the revised Restructuring so that it will be conducted in partnership form by Partnership and its lower tier entities on a continuing basis following the revised Restructuring.

Revised Representation (c):

Parent will transfer, pursuant to the Merger and otherwise in connection with the revised Restructuring, all of its assets (other than the outstanding stock of GP Sub and Sub 1) to Partnership subject to all of Parent's liabilities.

Revised Representation (aa):

No formal or informal plan of liquidation has ever been adopted by Parent, except for the present plan which is expected to be formally adopted on or before the Merger.

Parent also makes the following representation in connection with the revised Restructuring:

(gg) No assets other than the stock of Sub 1 will be transferred to GP Sub prior to the Restructuring.

RULINGS

Based on the information submitted and on the representations set forth above, we rule as follows:

Neither the Capital Contributions to Sub 1 nor the transfer of the stock of Sub 1 to GP Sub as described above will have any adverse effect on the rulings contained in the Original Letter Ruling, as supplemented by the rulings in the First Supplemental Letter Ruling, and those rulings will continue in full force and effect.

CAVEAT

No opinion is expressed about the tax treatment of the proposed transaction under other provisions of the Code and regulations or about the tax treatment of any conditions existing at the time of, or effects resulting from, the proposed transaction that are not specifically covered by the above rulings.

PLR-121777-03

PROCEDURAL STATEMENTS

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.

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

A copy of this second supplemental ruling and the Prior Letter Rulings must be attached to the federal income tax return of each taxpayer involved in the taxable year in which the transaction is consummated.

Pursuant to a power of attorney on file in this office, we have sent the original of this letter to the taxpayer's representative and a copy of this letter to the taxpayer.

Sincerely yours,

Alfred C. Bishop, Jr.
Alfred C. Bishop, Jr.
Branch Chief, Branch 6
Office of Associate Chief Counsel
(Corporate)

cc: