Internal Revenue Service

Department of the Treasury

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Date:
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Merger LLC D =

LLC U =

LLC V =

J Assets =

K Assets =

L Assets =

This letter responds to your March 9, 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), July 20, 2000 (PLR-102440-00), and August 2, 2000 (PLR-104655-00) (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.

Facts

Distributing 1 owns all of the interests in Merger LLC D. Merger LLC D owns an interest in LLC V, and unrelated parties own the remaining interests. LLC V is classified as a partnership for federal income tax purposes. Merger LLC D owns the L Assets. Various entities that are owned directly or indirectly by Distributing 1 (the "Contributing Entities") own J Assets and K Assets.

Proposed Transactions

(i) The Contributing Entities will contribute J Assets and K Assets to newly formed limited liability companies and state law partnerships (the "Operating Entities").

Certain of the Operating Entities that do not own J Assets may be classified as partnerships or corporations for federal tax purposes. All other Operating Entities will be treated for federal tax purposes as having a single owner and will not elect under § 301.7701-3(b) of the Procedure and Administration Regulations to be treated as an entity that is not disregarded as an entity separate from its owner.

(ii) The Contributing Entities will distribute their interests in the Operating Entities to Distributing 1 (through intervening entities where necessary).

(iii) Distributing 1 will contribute all of the interests in the Operating Entities to newly formed LLC U.

(iv) Certain other parties will contribute other assets to LLC U or will purchase interests in LLC U from Distributing 1. On the admission of a party in addition to Distributing 1 as a member in LLC U, LLC U will be classified as a partnership for federal tax purposes.

(v) Merger LLC D will contribute the L Assets to LLC V. LLC V will (a) lease part of the L Assets to a newly formed joint venture that will be treated for federal tax purposes as a partnership among Merger LLC D and certain other parties and (b) lease the remaining L Assets to Merger LLC D.

Ruling

Based solely on the information submitted in the original and supplemental ruling requests, we rule that the transactions described in steps (i) through (v) above do not adversely affect any of the rulings contained in the Prior Letter Rulings, and the Prior Letter Rulings retain full force and effect.

Caveats

We express no opinion about the tax treatment of the transactions described above under any provisions of the Code or regulations or the tax treatment of any conditions existing at the time of, or effects resulting from, the transactions that are not specifically covered by the above ruling.

Procedural Matters

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

Each taxpayer affected by the Prior Letter Rulings should attach copies of those letters and this supplemental letter to the taxpayer’s federal income tax return for the taxable year in which the transactions covered by these letters are completed.

Under a power of attorney on file in this office, a copy of this supplemental letter will be forwarded to each of your authorized representatives.

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