



LLC 3 =

LP 1 =

State C =

Date 4 =

Date 5 =

Date 6 =

Public Company =

n =

o =

p =

q =

r =

s =

t =

u =

v =

w =

x =

y =

z =

aa =

bb =

cc =

dd =

This letter responds to your June 5, 2007 request that we supplement our letter ruling dated March 15, 2007 (PLR-101871-07) (the “Prior Letter Ruling”). Legend terms not defined in this ruling have the meanings assigned to them in the Prior Letter Ruling. The information provided in that request and in later correspondence is summarized below.

The Prior Letter Ruling addressed certain federal income tax consequences of proposed transactions (the “Proposed Transactions”) under § 332, § 708, and certain other provisions of the Internal Revenue Code (the “Code”).

#### **SUPPLEMENTAL FACTS**

Apart from the additional steps described below, the Proposed Transactions remain as described in the Prior Letter Ruling.

During the final stages of implementing Restructuring – Part I (steps 1 through 8) of the Proposed Transactions, Parent became aware of two issues specific to State C that ultimately were resolved by additional transactions described below (the “Additional Transactions”). The issues identified by Parent were (i) how best to address certain State C licensing requirements, and (ii) how to eliminate certain intercompany debt obligations and modify the investment portfolio of certain entities that hold (either directly or indirectly) third-party obligations that would have resulted in State C classifying certain members of the Parent group as “financial corporations.” The Additional Transactions adopted to resolve these issues are in addition to and not in substitution for any of the Proposed Transactions.

The description of the Parent corporate structure appearing in the Prior Letter Ruling, as it existed before any of the Proposed Transactions or Additional Transactions were undertaken, is elaborated as follows:

(1) In addition to Sub 2, Sub 1 wholly owned Sub 6 and LLC 3, a single member limited liability company disregarded as separate from its owner for federal tax purposes under § 301.7701-3 of the Procedure and Administration Regulations (a “disregarded entity”).

(2) In addition to the entities described on pages 4 and 5 of the Prior Letter Ruling, Sub 2 wholly owned Sub 7 and Sub 8. Sub 7 wholly owned Sub 9, and Sub 8 wholly owned Sub 10.

(3) PRS and Sub 4 owned, respectively, a n-percent interest and a o-percent limited partner interest in LP 1, a limited partnership (PRS' n-percent interest in LP 1 consisted of a p-percent limited partner interest and a o-percent general partner interest).

(4) In addition to the intercorporate debt described on page 5 of the Prior Letter Ruling, on Date 1, (i) LLC 3 was indebted to Sub 6 in the amount of q dollars, represented by an interest-bearing intercompany note (the "Sub 6 Intercompany Debt"); (ii) Parent was indebted to Sub 7 in the amount of r dollars, represented by an interest-bearing intercompany note (the "Parent/Sub 7 Intercompany Debt"); (iii) Parent was indebted to Sub 9 in the amount of s dollars, represented by an interest-bearing intercompany note (the "Parent/Sub 9 Intercompany Debt"); (iv) Sub 6 was indebted to Parent in the amount of t dollars, represented by an interest-bearing intercompany note (the "Sub 6/Parent Intercompany Debt"); (v) Sub 9 was indebted to Sub 7 in the amount of u dollars, represented by interest-bearing intercompany note (the "Sub 9/Sub 7 Intercompany Debt"); (vi) LP 1 was indebted to Sub 9 in the amount of v dollars, represented by a non-interest bearing intercompany account (the "LP 1/Sub 9 Intercompany Debt"); (vii) Sub 9 was indebted to PRS in the amount of w dollars, represented by a non-interest bearing intercompany account (the "Sub 9/PRS Intercompany Debt"); (viii) Parent was indebted to LP 1 (the "Parent/LP 1 Intercompany Debt"); and (ix) PRS was indebted to Parent (the "PRS/Parent Intercompany Debt").

### PROPOSED TRANSACTIONS

The Additional Transactions described below were completed on Date 5, following step (8) of the Proposed Transactions.

- (1) On Date 4, Sub 1 LLC formed Newco 2 as a wholly owned State A corporation and, effective Date 5 (immediately following step (8) of the Proposed Transactions), Sub 1 LLC contributed to Newco 2 the b-percent general partner interest in Sub 4 received by Sub 1 LLC from LLC 2 in the LLC 2 Merger (step (3) of the Proposed Transactions) (the "Newco 2 Contribution"). As a result, Newco 2 became sole general partner of Sub 4.
- (2) Sub 6 distributed to Sub 1 LLC the q dollars Sub 6 Intercompany Debt net of the t dollars Sub 6/Parent Intercompany Debt (a net receivable totaling x dollars), and immediately thereafter, Sub 1 LLC contributed the q dollars Sub 6 Intercompany Debt to LLC 3 (collectively, the "First Transfer"). The First Transfer resulted in cancellation of the Sub 6 Intercompany Debt and the Sub 6/Parent Intercompany Debt (since Sub 1 LLC is a disregarded entity of Parent).
- (3) Parent transferred s dollars to Sub 9 in complete satisfaction of the Parent/Sub 9 Intercompany Debt (the "Second Transfer").
- (4) Parent transferred v dollars to LP 1 in partial satisfaction of the Parent/LP 1 Intercompany Debt (the "Third Transfer").

- (5) LP 1 transferred the y dollars received in the Third Transfer to Sub 9 in complete satisfaction of the LP 1/Sub 9 Intercompany Debt (the “Fourth Transfer”).
- (6) Sub 9 transferred w dollars to PRS in complete satisfaction of the Sub 9/PRS Intercompany Debt (the “Fifth Transfer”).
- (7) PRS transferred the w dollars received in the Fifth Transfer to Parent in partial satisfaction of the PRS/Parent Intercompany Debt (the “Sixth Transfer”).
- (8) Sub 9 transferred y dollars to Sub 7. Of this amount, u dollars was paid in complete satisfaction of the Sub 9/Sub 7 Intercompany Debt (the “Seventh Transfer”), and z dollars was a distribution of current and accumulated earnings and profits of Sub 9.
- (9) Parent transferred r dollars to Sub 7 in complete satisfaction of the Parent/Sub 7 Intercompany Debt (the “Eighth Transfer”).
- (10) Sub 7 distributed aa dollars of cash through Sub 1 LLC to Parent as a dividend (the “Ninth Transfer”).
- (11) On Date 6, Parent contributed bb dollars through Sub 1 LLC to Sub 8 (the “Sub 8 Contribution”). Sub 8 retained cc dollars and contributed dd dollars to Sub 10 (the “Sub 10 Contribution”).
- (12) On Date 6, Sub 8 and Sub 10 purchased for cc dollars and dd dollars, respectively, of Public Company common stock.
- (13) On Date 2 (as the first step in the Restructuring – Part II), Newco 2 and Parent (through Sub 1 LLC) will adopt a formal plan of merger and, pursuant to the applicable laws of State A, Newco 2 will merge with and into Sub 1 LLC (the “Newco 2 Merger”).

### **REPRESENTATION**

The adjusted basis of each intercompany obligation, as described in the First through Eighth Transfer, equaled such obligation’s adjusted issue price and fair market value at the time of the Additional Transactions.

### **RULING**

Based on the information and representation set forth above and submitted with the requests for the Prior Letter Ruling and this Supplemental, we rule that the Additional Transactions will have no adverse effect on the rulings contained in the Prior Letter Ruling, and that all such rulings will remain in full force and effect.

### **CAVEATS**

We express no opinion about the tax treatment of the Proposed Transactions or the Additional Transactions under other provisions of the Code and regulations or on the tax treatment of any conditions existing at the time of, or effects resulting from, the Proposed Transactions or the Additional Transactions that are not specifically covered by the above rulings. In particular, no opinion is expressed regarding:

(i) Whether any entity described as a disregarded entity actually qualifies as a disregarded entity under § 301.7701-3;

(ii) Apart from their effect on the Prior Letter Ruling, the federal income tax consequences of the of the various debt reductions and distributions occurring in the Additional Transactions;

(iii) Whether Newco 2 should be respected as a separate entity; and

(iv) If it should be respected, whether the Newco 2 Contribution should be treated under some analysis as a liquidation-reincorporation of Sub 2.

### **PROCEDURAL STATEMENTS**

This ruling 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 ruling letter must be attached to any income tax return to which it is relevant. Alternatively, taxpayers filing their returns electronically may satisfy this requirement by attaching a statement to their return that provides the date and control number of the letter ruling.

In accordance with the power of attorney on file with this office, a copy of this letter is being sent to your authorized representatives.

Sincerely,

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Lewis K Brickates  
Branch Chief, Branch 4  
Associate Chief Counsel (Corporate)