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Department of the Treasury

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Taxpayer	=
New Parent	=
Date A	=
Date B	=
State X	=
c	=
d	=
e	=
f	=

We respond to your letter dated July 10, 2001, requesting a ruling supplementing the rulings previously issued in PLR-100524-00 (the Original Letter Ruling). The material information submitted for consideration is summarized below.

In the Original Letter Ruling, we issued rulings under §§ 368 and 1001 of the Internal Revenue Code regarding a plan for a reorganization and recapitalization, which

resulted with members holding certain Equity Interests and Non-Equity Rights. In the Original Ruling Letter, we stated that, although the Non-Equity Rights are associated with the Class B Equity Interests, the Non-Equity Rights are not attributes of equity. We deemed a separation of the Equity Interests and the Non-Equity Rights for analytical purposes and ruled that the members of Taxpayer would not recognize any gain or loss on deemed exchanges for Equity Interests and Non-Equity Rights in Newco (now referred to herein as Taxpayer). This transaction was consummated as of Date A.

On Date B, the board of directors of Taxpayer authorized preparations for additional restructuring. Accordingly, Taxpayer proposes to engage in the following steps:

(i) Taxpayer will form a new wholly-owned subsidiary, New Parent, a State X for-profit corporation;

(ii) New Parent will form a new wholly-owned subsidiary, Transitory, a State X for-profit corporation; and

(iii) Taxpayer will merge with and into Transitory in accordance with State X law, with Taxpayer surviving the transaction. Shareholders of Taxpayer will exchange their Class A and Class B shares in Taxpayer for Class A and Class B shares in New Parent in the following manner: Each share of Taxpayer Class A stock will be converted into one share of New Parent Class A stock, each share of Taxpayer Series B-1 stock will be converted into c shares of New Parent Class A stock and one share of New Parent Series B-1 stock, each share of Taxpayer Series B-2 stock will be converted into d shares of New Parent Class A stock and one share of New Parent Series B-2 stock, each share of Taxpayer Series B-3 stock will be converted into e shares of New Parent Class A stock and one share of New Parent Series B-3 stock, and each share of Taxpayer Series B-4 stock will be converted into f shares of New Parent Class A stock and one share of New Parent Series B-4 stock.

Taxpayer represents that, subject only to the resolution of the issue addressed in the ruling below, the transfer of Class A and Class B common stock of Taxpayer in exchange for Class A and Class B common stock of New Parent will constitute a transfer described in § 351 of the Code.

Based solely on the information submitted, the representation set forth above, and the separation of Equity Interests and Non-Equity Rights, we hold that the shareholders of Taxpayer will not recognize any gain or loss attributable to their retained Non-Equity Rights when they exchange their Class A and respective series of Class B shares in Taxpayer for Class A and Class B shares of New Parent.

The ruling contained in this letter is predicated upon the facts and representations submitted by the taxpayers and accompanied by a penalties of perjury statement executed by an appropriate party. This office has not verified any of the materials submitted in support of the request for a ruling. Verification of the information, representations, and other data may be required as part of the audit process. See section 12.04 of Rev. Proc. 2001-1, 2001-1 I.R.B. 1, 46, which discusses in greater detail the revocation or modification of ruling letters. However, when the criteria in section 12.05 of Rev. Proc. 2001-1, 2001-1 I.R.B. at 47, are satisfied, a ruling is not revoked or modified retroactively except in rare or unusual circumstances.

This 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 letter should be attached to the federal income tax returns of the taxpayers involved for the taxable year in which the transaction covered by this ruling letter is consummated.

Sincerely yours,

Filiz A. Serbes

Filiz A. Serbes
Chief, Branch 3
Office of Associate Chief Counsel
(Corporate)