



DEPARTMENT OF THE TREASURY
INTERNAL REVENUE SERVICE
WASHINGTON, D.C. 20224

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TAX EXEMPT AND
GOVERNMENT ENTITIES
DIVISION

NOV 25 2003

Uniform Issue List No.: 402.01-00

T. EP. R. A. T. I

Legend:

Corporation A.....

Corporation B.....

Corporation C.....

Plan D.....

Plan E.....

Plan F.....

Plan G.....

Plan H.....

Plan I.....

Plan J.....

Plan K.....

Trust L.....

Trust M.....

Trust N.....

Trust O.....

Trust P.....

Trust Q.....

Trustee R.....

Trustee S.....

Dear :

This is in response to a letter dated July 19, 2002, as supplemented by letters dated November 12, 2002, and December 10, 2002, submitted on your behalf by your authorized representative requesting rulings regarding a proposed restructuring of certain pension trusts. The following facts and representations were submitted in connection with your request.

Corporation A is the common parent of a controlled group of corporations, including Corporation B. Eight retirement plans, Plans D, E, F, G, H, I, J and K (collectively, the "Plans"), are maintained for the benefit of the employees of Corporation A, its subsidiaries, and a former subsidiary. These Plans participate in various trusts, Trusts L, M, N, O, P, and Q (collectively, the "Trusts"). Each Trust is a collective Trust that holds assets for the benefit of two or more of the Plans. Each Plan is qualified under section 401(a) of the Internal Revenue Code (the "Code") and each collective Trust is a qualified trust under section 401(a) that is exempt from tax under section 501(a). Trusts P and Q participate in five group trusts ("Group Trusts"). Each Group Trust is intended to satisfy the group trust requirements of Revenue Ruling 81-100, 1981-1 C.B. 326, and, accordingly, is exempt from tax under Code section 501(a).

Trustee R is the sole trustee for Trusts L, M, N, and O. Trustees R and S are the co-trustees for Trusts P and Q. Plans D, F, G, H, I, K participate in Trusts L, N, and P. Plans E and J participate in Trusts M, O, and Q. The Plans participating in a Trust are not required to participate in the same investment accounts in the same proportions. Rather, each Plan may invest separately in each investment account established under a Trust pursuant to that Plan's individually determined investment guidelines.

For certain Trust assets that are illiquid, difficult to value, or likely to generate unrelated business taxable income as defined in Code section 512, a separate account is established for each such asset, as though that asset were the only asset in a segregated investment account. Corporation B, a named fiduciary, assigns to each Plan participating in the asset, at the time the asset is acquired, a fixed percentage interest in the asset that remains in effect for the life of the asset. Accordingly, each Plan participating in that asset is allocated any net income (or loss) and distributions derived from the asset based on the Plan's fixed sharing percentage in the asset.

Two Plans, Plan D and Plan E, included coverage for the employees of Corporation C, a former subsidiary of Corporation A that was spun off in 1999. To effect the spin off, the assets and liabilities attributable to Corporation C's employees under Plans D and E were allocated to new Corporation C sponsored

plans, Plans J and K. The assets of Plans D and E that could be transferred to new trusts established for Plans J and K were so transferred. However, Plans J and K retained beneficial interests, direct or indirect, in certain of the Trusts to the extent the assets of such Trusts were difficult to transfer or value. Consequently, Plan K was expected to continue its participation in Trust L and Trust P, and Plan J was expected to continue its participation in Trust M and Trust Q. Plan K was added as a participating plan in Trust L and Trust P, and Plan J was added as a participating plan in Trust M and Trust Q.

Due to the financial cost, complexities and inefficiencies arising from the use of multiple trusts, Corporation A desires to reduce the number of collective Trusts from six to two, and otherwise to reorganize the collective Trusts and their assets in the following manner. Trust L and Trust N will be merged into Trust P pursuant to an agreement and plan of merger. Trust P will survive and succeed to all of the assets and liabilities of Trust L and Trust N. Trusts L and N will be terminated, and the interests of the six pension plans (Plans D, F, G, H, I and K) in Trusts L and N will be exchanged for additional interests in Trust P.

Trust M and Trust O will be merged into Trust Q pursuant to an agreement and plan of merger. Trust Q will survive and succeed to all assets and liabilities of Trusts M and O. Trust M and Trust O will be terminated. The interests of the Plans E and J in Trusts M and O will be exchanged for additional interests in Trust Q. The Group Trusts will not directly be affected by the proposed restructuring. After the mergers, Trusts P and Q will continue to participate in the Group Trusts and will retain their respective interests, unaltered, in each Group Trust. Each merger is consistent with the terms of the Plans and Trust documents.

In each merger, the surviving Trust will succeed to all assets and liabilities of the merging Trust (which will be terminated), and each Plan will continue to hold through its interest in the surviving Trust the same beneficial interest in each asset of the merging Trust and the surviving Trust immediately after the merger that it owned immediately before the merger. The restructuring will not alter the aggregate fair market value of any Plan's beneficial interest in the aggregate assets of all Trusts, the value of benefits available to any plan beneficiary, or any funding obligation of Corporation A or any subsidiary or former subsidiary to any Plan.

Based on the above facts and representations, you request the following rulings that:

1. No merger will be considered a sale or other disposition of property or cause any Trust or Corporation A, a subsidiary of Corporation A, a former subsidiary of Corporation A, or Plan beneficiary to recognize income or loss.

2. In each merger, each asset transferred by the merging Trust to the surviving Trust will have the same tax basis, holding period, and other tax attributes in the hands of the surviving Trust immediately after the merger that it has in the hands of the merging Trust immediately before the merger.
3. In each merger, the surviving Trust will succeed to and take into account any net operating loss carry forward (NOLCF), net capital loss, excess foreign tax credits and other tax attributes of the merging Trust.
4. In each merger, each historic asset of the surviving Trust will have the same tax basis, holding period and other tax attributes immediately after the merger that it has immediately before the merger.
5. In each merger, any NOLCF, net capital loss, excess foreign tax credits and other tax attributes of the surviving Trust immediately before the merger will survive and remain available to the surviving Trust after the merger.
6. To the extent a Trust retains or succeeds to any NOLCF, net capital loss, excess foreign tax credits, or other tax attributes in connection with the restructuring, no limitation will be imposed as a result of the restructuring on the Trust's use of such tax attributes.

In regard to ruling request number (1), Code section 402(a) provides, in effect, that contributions made by an employer to a trust described in section 401(a) are not taxable to the employees on whose behalf they are made until the year or years in which such contributions are actually distributed to them.

Revenue Ruling 67-213, 1967-2 C.B. 149, involves the transfer of funds directly from a trust forming part of a qualified plan under Code section 401(a) to a trust forming part of another qualified plan. The revenue ruling provides that if a participant's interest in a qualified plan is transferred from the trust of a qualified plan to the trust of another qualified plan without being made available to the participant, no taxable income will be recognized to the participant by reason of such transfer.

In this case, the assets and liabilities of Trusts L and N will be directly transferred to surviving Trust P, and the assets and liabilities of Trusts M and O will be directly transferred to Trust Q in the mergers. The Plans' interests in Trusts L, N, M and O will be exchanged for additional interests in Trusts P and Q of equal fair market value. No participant or beneficiary of any of the Plans will receive a distribution of any assets transferred, and the assets will remain in Trusts that are qualified under Code section 401(a) and exempt from tax under section 501(a). Accordingly, we conclude with respect to the portion of your first ruling request relating to taxability of Plan beneficiaries, that none of the mergers will cause any

Plan participant or beneficiary to recognize income or loss with respect to the assets transferred at the time of transfer under section 402(a).

With respect to the other requests contained in ruling request (1), and ruling requests (2) through (6), we note that these rulings fall outside the jurisdiction of this office. Accordingly, we have forwarded these ruling requests to the office of the Associate Chief Counsel (Passthroughs and Special Industries), which has jurisdiction over these requests.

This letter expresses no opinion as to whether the above Plans or Trusts satisfy the requirements for qualification under Code section 401(a) so that the Trusts are exempt from tax under section 501(a). The determination as to whether a plan or trust is qualified under section 401(a) is within the jurisdiction of the office of the appropriate Employee Plans Area Manager.

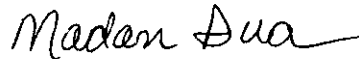
No opinion is expressed as to the tax treatment of the transaction described herein under the provisions of any other Code section which may be applicable thereto.

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

Pursuant to a Power of Attorney on file with this office, a copy of this letter ruling has been sent to your authorized representative.

If you wish to inquire about this ruling, please contact .

Sincerely yours,



Madan Dua, Acting Manager
Employee Plans Technical Group 1

Enclosures:

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Notice 437

cc: