



SUPPLEMENTAL INFORMATION SUBMITTED

Submitted on: 5-22-07

Taken By: _____

SUPPLEMENTAL INFORMATION HAS BEEN RECEIVED BY THIS OFFICE IN REGARDS TO THE FOLLOWING:

BP# _____

PA# OG-7282

USR

SP# _____

SI# _____

OTHER: _____

ARNOLD GALLAGHER SAYDAK
PERCELL ROBERTS & POTTER

A Professional Corporation

ATTORNEYS AT LAW

800 U.S. Bank Center
800 Willamette Street
Eugene, OR 97401

Telephone: (541) 484-0188
Facsimile: (541) 484-0536
E-Mail: mreeder@agsprp.com
www.arnoldgallagher.com

Correspondence:
P.O. Box 1758
Eugene, OR 97440-1758

MICHEAL M. REEDER

May 22, 2007

State of Oregon
DAS—State Services Division
Risk Management—Measure 37 Unit
1225 Ferry Street S.E., U160
Salem, Oregon 97310-4292

HAND DELIVERED

Stephen L. Vorhes
Assistant County Counsel
Lane County
125 East 8th Avenue
Eugene, Oregon 97401-2926

Re: Rosboro Lumber Company, LLC Measure 37 Claims

To the State of Oregon and Lane County:

Our office represents Rosboro Lumber Company, LLC (Claimant or Rosboro), which owns certain real properties in Lane County (Subject Properties) and which has filed separate claims under ORS 197.352 (Measure 37 Claim) for compensation with Lane County and the State of Oregon. This letter is provided as additional support for each of Claimant's Measure 37 Claims and is incorporated by reference therein. This letter specifically responds to the multiple Lane County staff memoranda submitted for each of the five Rosboro claims (PA 06-7279, PA 06-7281, PA 06-7283, PA 06-7285, PA 06-7287).

A change of business form from a general partnership to a limited liability company does not cause a "break in ownership" under ORS 197.352 and does not affect the date of acquisition for purposes of determining a "waiver" of restricting land use regulations under ORS 197.352.

The Subject Properties were acquired between 1947 and 1954 by Rosboro Lumber

USR
EZ

Company, an Oregon general partnership, prior to any land use regulations.¹ Subsequent to acquisition of the Subject Properties, Rosboro Lumber Company converted its form of business entity from an Oregon general partnership to an Oregon limited liability company in 1995. This conversion process has subsequently been codified by the Oregon legislature and is found in ORS 63.467-63.479.² This change of business form did not result in a new “owner” of the Subject Property under either a Measure 37 context or otherwise and, consequently, there has been no “break in ownership” of the Subject Property since the Claimant first acquired ownership in the 1940s and 1950s.

Under a conversion, there is no change in ownership, but rather the owner merely converts the manner in which it conducts business; in this case, from a general partnership to a limited liability company.³ In Oregon, business entities may freely convert from one form of

¹ Deeds to the subject property refer to Rosboro Lumber Company as a “co-partnership.” Notwithstanding the Claimant’s reference to a “co-partnership,” Oregon law recognizes two forms of partnership: a limited liability partnership and a general partnership. Unless organized under ORS Chapter 70 or its predecessor ORS Chapter 69, a partnership is a general partnership regardless of how the partnership may refer to itself.

² See the attached “Articles of Organization” from the State of Oregon Secretary of State, Registry Number 434936-83.

³ ORS 63.479 states as follows:

(1) When a conversion to or from a limited liability company pursuant to ORS 63.470 takes effect:

- (a) The business entity continues its existence despite the conversion;
- (b) Title to all real estate and other property owned by the converting business entity is vested in the converted business entity without reversion or impairment;
- (c) All obligations of the converting business entity including, without limitation, contractual, tort, statutory and administrative obligations are obligations of the converted business entity;
- (d) An action or proceeding pending against the converting business entity or its owners may be continued as if the conversion had not occurred, or the converted business entity may be substituted as a party to the action or proceeding;
- (e) The ownership interests of each owner that are to be converted into ownership interests or obligations of the converted business entity or any other business entity, or into cash or other property, are converted as provided in the plan of conversion;
- (f) Liability of an owner for obligations of the business entity shall be determined:
 - (A) As to liabilities incurred by the business entity prior to conversion, according to laws applicable prior to conversion; and
 - (B) As to liabilities incurred by the business entity after conversion, according to laws applicable after conversion, except as provided in paragraph (g) of this subsection;
- (g) If prior to conversion an owner of a business entity was a partner of a partnership or general partner of a limited partnership and was personally liable for the business entity's liabilities, and after conversion is an owner normally protected from personal liability, then such owner shall continue to be personally liable for the business entity's liabilities incurred during the 12 months following conversion, if the other party or parties to the transaction reasonably believed that the owner would be personally liable and had not received notice of the conversion; and
- (h) Unless the converted business entity is a partnership, the registration of an assumed business name of a business entity under ORS chapter 648 shall continue as the assumed business name of the converted business entity. If the converted business entity is a partnership, the converting business entity shall amend or cancel the registration of the assumed business name under ORS chapter 648, and the partners of the partnership shall register the name as an assumed business name under ORS chapter 648.

(2) Owners of the business entity that converted are entitled to:

- (a) In the case of limited liability companies, only the rights provided in the plan of conversion; and

business to another, without affecting title to the business's assets or property or the business's liabilities. See ORS 60.470-60.478 (Corporations); ORS 63.467-63.479 (LLC); ORS 67.322-67.348 (Partnerships). Simply put, "[t]he business entity continues its existence despite the conversion." ORS 63.479(1)(a). The liabilities of the owner pre-conversion continue in the owner post-conversion. ORS 63.479(1)(c). Likewise, "[t]itle to all real estate and other property owned by the converting business entity is vested in the converted business entity without reversion or impairment." ORS 63.479(1)(b).

Along the same lines, the Internal Revenue Service does not require a new Employer Identification Number (EIN) where a partnership converts to an LLC. The Claimant maintains the same EIN that it has had since first acquiring ownership of the Subject Properties. See the attached private letter ruling from the IRS in which the IRS finds that the conversion of business form does not result in a termination of the partnership for tax purposes but rather the LLC will be treated as a continuation of the partnership.

Oregon law does not require that a converted business entity take any action to transfer "title" on real property documentation; title is automatically transferred as a matter of law upon conversion. See ORS 63.479(1)(b). Accordingly, the Claimant has taken steps to change the title of all its real property on an "as needed" basis (see 1998 Warranty Deeds from Rosboro Lumber Company, general partnership, to Rosboro Lumber Company, LLC on several of the claims). When a general partnership converts its business form to an LLC, there is no new entity created and accordingly there is no change of ownership of the assets, to include real property, but rather the owner of the property is merely changing the form of how it conducts business.

In sum, notwithstanding any change of business form, the Claimant has been and the owner of the Subject Properties since first acquiring ownership in the 1940s and 1950s. Any "waiver" of restricting land use regulations should be from the date of acquisition in the 1940s and 1950s.

Very truly yours,



Micheal M. Reeder

MMR:AJN:jgh
Enclosures

cc: Client
State of Oregon - DAS

N:\P - T\Rosboro, LLC 15616\Rosboro M37 Final Claims & Appraisals\Rosboro M37 Supplemental Material 052207.doc

(b) In the case of owners of business entities other than limited liability companies, the rights provided in the plan of conversion and in the statutes applicable to the business entity prior to conversion, including, without limitation, any rights to dissent, to dissociate, to withdraw, to recover for breach of any duty or obligation owed by the other owners, and to obtain an appraisal or payment for the value of an owner's interest.

12/30/94 11:18 AM JCDHVER: 448
\$40 BUSINESS REG40.00

STATE OF OREGON
Corporation Division - Business Registry
255 Capitol Street NE, Suite 151
Salem, OR 97310-1327

FILED
DEC 30 1994

Registry Number:

434936-83ARTICLES OF ORGANIZATION
LIMITED LIABILITY COMPANY

SECRETARY OF STATE

ARTICLE 1: Name of the company: ROSBORO LUMBER COMPANY, L.L.C.

SIC Code: 2400

ARTICLE 2: Latest date upon which the limited liability company is to dissolve:
December 31, 2024.

ARTICLE 3: Name of the initial registered agent: Laurence E. Thorp.

Address of initial registered office: 644 North A Street, Springfield, Oregon
97477.ARTICLE 4: Address where the Division may mail notices if different than registered
agent's address: Same as above.ARTICLE 5: Name and address of each organizer: Paul B. Cole, P.O. Box 20, Springfield,
OR 97477

ARTICLE 6: The limited liability company will be managed by a manager.

EXECUTION:


SignaturePaul B. Cole
Printed NameGeneral Manager
Title

Person to contact about this filing: Laurence E. Thorp (503) 747-3354

Submit the original and one true copy and \$40. Make checks payable to the Corporation Division. Submit the
completed form and fee to the above address or fax to (503) 378-4381.

[201 1/94]

01039501543 831.219

40.00

434936-83

Articles of Amendment
to the
Articles of Organization of
Rosboro Lumber Company, LLC

FILED
JUL - 1 1997
OREGON
SECRETARY OF STATE

Registry Number: 434936-83

1. The name of the limited liability company prior to this amendment was:
ROSBORO LUMBER COMPANY, L.L.C.
2. ARTICLE 1 of the Articles of Organization is amended to change the name of the company and shall read as follows:

"ARTICLE 1: Name of company: ROSBORO LUMBER COMPANY, LLC."
3. ARTICLE 2 of the Articles of Organization is amended to make the duration of the company perpetual and shall read as follows:

"ARTICLE 2: The duration of the limited liability company shall be perpetual subject to dissolution by the members as provided in the Operating Agreement."
4. Except as expressly amended above, all of the terms of the Articles of Organization are reaffirmed.
5. The foregoing amendments were approved by the members as of July 1, 1997. The amendment was approved by 100 percent of the members.


Paul B. Cole, General Manager

CW
7-1

Articles of Amendment
to the
Articles of Organization of
Rosboro Lumber Company, LLC

FILED

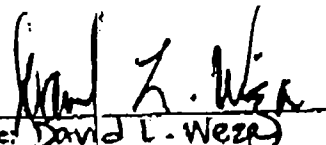
05/16/2006 MAY 1 2006 17577 0001
BUSINESS REG
OREGON
SECRETARY OF STATE

Registry Number: 434936-83

1. The name of the limited liability company prior to this amendment was:

ROSBORO LUMBER COMPANY, LLC
2. ARTICLE 1 of the Articles of Organization is amended to change the name of the company and shall read as follows:

"ARTICLE 1: Name of company: ROSBORO, LLC"
3. Except as expressly amended above, all of the terms of the Articles of Organization, as previously amended, are reaffirmed.
4. The foregoing amendment was approved by the members as of April 25, 2006. The amendment was approved by 100 percent of the members.


Name: David L. Weze
Title: CEO

Portline2-4563268.1 0063028-00002

12/30/94 1:01PM JCGHVER1 R48
\$40 BUSINESS FEE \$40.00

STATE OF OREGON
Corporation Division - Business Registry
255 Capitol Street NE, Suite 151
Salem, OR 97310-1327

FILED
DEC 30 1994

Registry Number: **ARTICLES OF ORGANIZATION** SECRETARY OF STATE
434936-83 **LIMITED LIABILITY COMPANY**

ARTICLE 1: Name of the company: ROSBORO LUMBER COMPANY, L.L.C.

SIC Code: 2400

ARTICLE 2: Latest date upon which the limited liability company is to dissolve:
December 31, 2024.

ARTICLE 3: Name of the initial registered agent: Laurence E. Thorp.

Address of initial registered office: 644 North A Street, Springfield, Oregon
97477.

ARTICLE 4: Address where the Division may mail notices if different than registered
agent's address: Same as above.

ARTICLE 5: Name and address of each organizer: Paul B. Cole, P.O. Box 20, Springfield,
OR 97477

ARTICLE 6: The limited liability company will be managed by a manager.

EXECUTION:  Paul B. Cole General Manager
Signature Printed Name Title

Person to contact about this filing: Laurence E. Thorp (503) 747-3354

Submit the original and one true copy and \$40. Make checks payable to the Corporation Division. Submit the
completed form and fee to the above address or fax to (503) 378-4381. [201 1/94]

01039501543 831.219

40.00

434936-83

Articles of Amendment
to the
Articles of Organization of
Rosboro Lumber Company, LLC

FILED
JUL - 1 1997
OREGON
SECRETARY OF STATE

Registry Number: 434936-83

1. The name of the limited liability company prior to this amendment was:
ROSBORO LUMBER COMPANY, L.L.C.
2. ARTICLE 1 of the Articles of Organization is amended to change the name of the company and shall read as follows:

"ARTICLE 1: Name of company: ROSBORO LUMBER COMPANY, LLC."
3. ARTICLE 2 of the Articles of Organization is amended to make the duration of the company perpetual and shall read as follows:

"ARTICLE 2: The duration of the limited liability company shall be perpetual subject to dissolution by the members as provided in the Operating Agreement."
4. Except as expressly amended above, all of the terms of the Articles of Organization are reaffirmed.
5. The foregoing amendments were approved by the members as of July 1, 1997. The amendment was approved by 100 percent of the members.


Paul B. Cole, General Manager

CW
7-1

Articles of Amendment
to the
Articles of Organization of
Rosboro Lumber Company, LLC

FILED

15/01 2006 MAY - 1 2006 17577 0001
BUSINESS REG
OREGON
SECRETARY OF STATE

Registry Number: 434936-83

1. The name of the limited liability company prior to this amendment was:

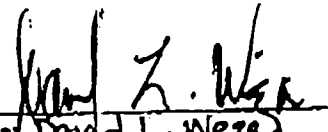
ROSBORO LUMBER COMPANY, LLC

2. ARTICLE I of the Articles of Organization is amended to change the name of the company and shall read as follows:

"ARTICLE 1: Name of company: ROSBORO, LLC"

3. Except as expressly amended above, all of the terms of the Articles of Organization, as previously amended, are reaffirmed.

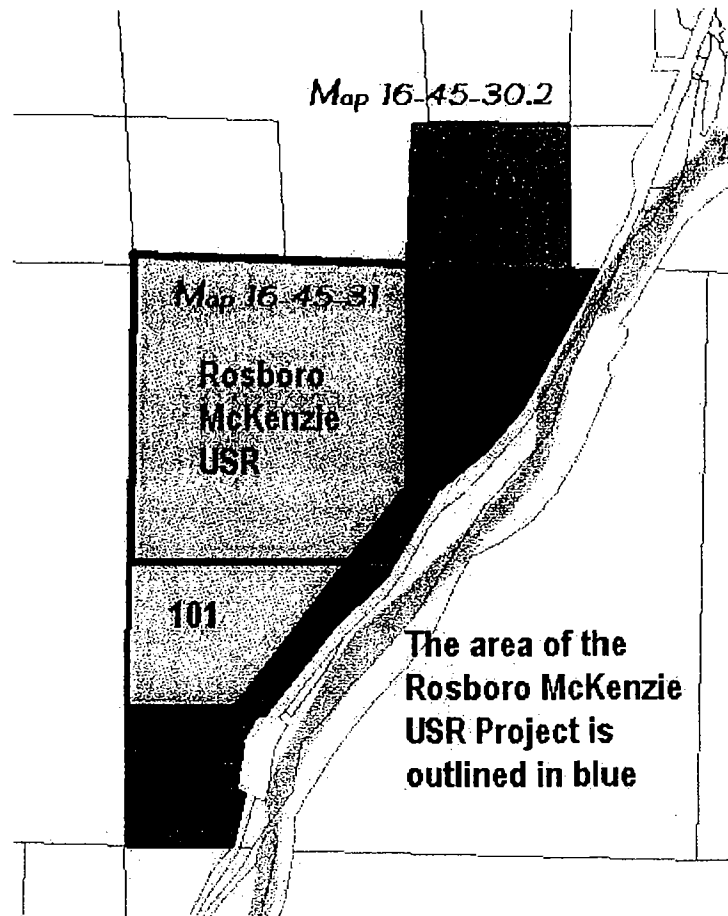
4. The foregoing amendment was approved by the members as of April 25, 2006. The amendment was approved by 100 percent of the members.


Name: David L. Weza
Title: CEO

PortDoc2-4563268,1 0063028-00002

PA 06-7282, USR Company LLC – Supplemental Memo

Illustration: Approximate Boundaries of Rosboro USR Company LLC Property



Issue

The Lane County staff memorandum raised the following issue concerning the ownership of the property for this claim, "It is unknown when USR Company, LLC acquired an interest in Tax Lots 101 and 102 (map 16-45-31)."

Response

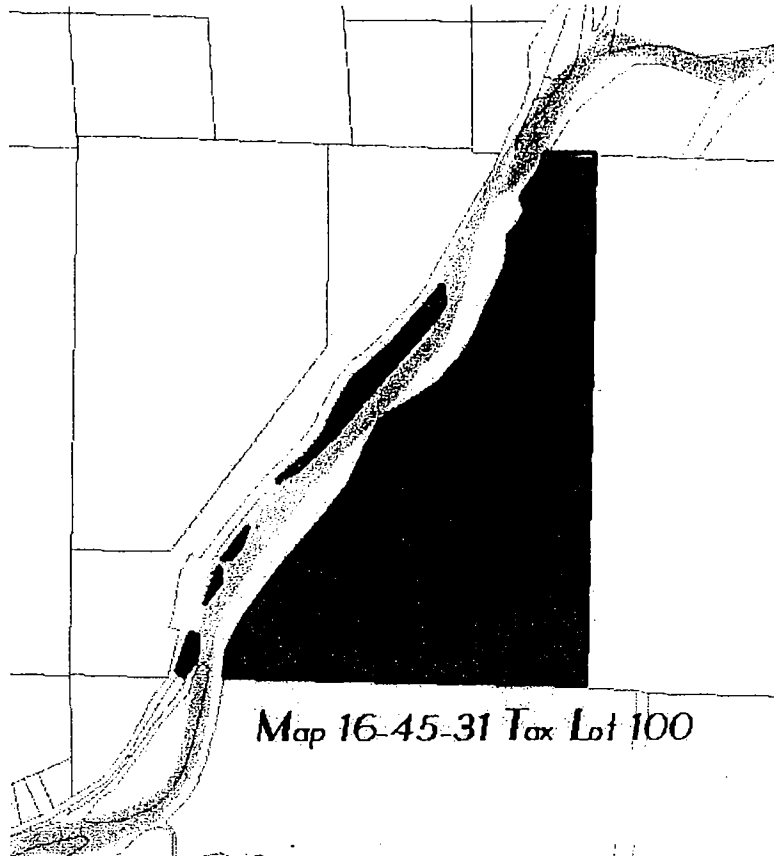
The boundaries of the property for this claim include a portion of TL 101, shown above, which property is vested in USR Company LLC. For TL 101, see a copy of Lane County Assessment and Taxation "PARCEL RECORD" report and a copy of recorded warranty deed #2000015178 dated December 27, 1999.

The boundaries of the property for this claim include a portion of TL 102, shown above, which vested in Rosboro Lumber Company, LLC. For TL 101, see a copy of Lane

County Assessment and Taxation "PARCEL RECORD" report and a copy of recorded warranty deed #9875163 dated August 20, 1998.

Rosboro Lumber Company acquired ownership to the property in this claim on March 24, 1947 with deed Book 344 Pages 223-232. The subject property is included in Tract 44 on page 5 of this deed.

Illustration: Approximate Boundaries of Rosboro McKenzie South Property



Issue:

The Lane County staff erroneously states that the date of acquisition by Rosboro for the subject property is October 26, 1960.

Response

The government lot portions of the subject property, and portion of the subject property in the south half of the southeast corner of Section 31, were acquired by the Claimant on March 24, 1947 (deed Book 244 Pages 233-232). See the description of Tracts 42 and 44 on page 5 of this deed and the description of Tract No. 13 on page 7 of this deed. The 80-acre portion of the subject property located in the SE $\frac{1}{4}$ of the NE $\frac{1}{4}$ of Section 31 and in the NE $\frac{1}{4}$ of the SE $\frac{1}{4}$ of Section 31 was acquired by the Claimant on May 28, 1948 with Bargain and Sale deed 48068.

The quitclaim deed, #14637, dated October 26, 1960, released whatever claims that person had to the property described in the deed and is not the vesting deed.

Internal Revenue Service

Department of the Treasury

Index Nos.: 708.02-00,
721.00-00, and 7701.02-00

P.O. Box 7604
Ben Franklin Station
Washington, DC 20044

Laurence E. Thorp, Esq.
Thorp Purdy Jewett Urness
& Wilkinson, P.C.
644 North A Street
Springfield, Oregon 97477-4694

Person to Contact:
David McDonnell

Telephone Number:
(202) 622-3050

Refer Reply to:
CC:DOM:P&SI:1 TR-31-1988-94

Date:
DEC 19 1994

P = Rosboro Lumber Company
EIN: 93-0398134

X = Rosboro Lumber Company, L.L.C.

State S = Oregon

Dear Mr. Thorp:

This letter responds to a letter dated November 21, 1994, and prior correspondence, submitted by you on behalf of P as its authorized representative, requesting rulings concerning the conversion of P, a general partnership, to X, a limited liability company (LLC).

The submitted information states that P is a State S general partnership engaged in the lumber business. P's partners wish to convert P to an LLC organized under the State S LLC Act (Act). P's partners propose to transfer their partnership interests in P to X, a newly-formed State S LLC. The partners will receive capital accounts and ownership interests in X equal to their capital accounts and ownership interests in P. P will be dissolved. X will then possess all the assets and liabilities of P. X will continue the lumber business of P.

The Act provides that an LLC is dissolved, except as otherwise provided in writing in the articles of organization or any operating agreement, upon the death, incompetence, withdrawal, expulsion, bankruptcy, or dissolution of a member, or the occurrence of any other event that terminates the continued membership of a member in the LLC. However, if there are at least two remaining members and if the articles of organization or any operating agreement so provide in writing, the business or affairs of the LLC may be continued by the consent, obtained within 120 days of the dissolution event, of such percentage or number of the remaining members as is specified in the articles of organization or any operating agreement.

Paragraph 12 of the operating agreement provides that X will not dissolve upon the withdrawal or death of a member. Under the Act, X will dissolve upon the incompetence, expulsion,

Laurence E. Thorp, Esq.

bankruptcy, or dissolution of a member, or the occurrence of any other event that terminates the continued membership of a member in X. Under paragraphs 9(c) and 12 of the operating agreement, the members may continue X by a vote of members owning a majority of the membership interests within 120 days of any event that causes the dissolution of X as specified in the Act.

The Act provides that, after the filing of the initial articles of organization, a person may be admitted as an additional member upon compliance with the articles of organization or any operating agreement, or, if neither the articles of organization nor any operating agreement so provide, in the case of an assignee of a membership interest, upon the written consent of all members other than the assignor. An assignment of a membership interest does not itself entitle the assignee to become or to exercise any rights of a member. An assignment entitles the assignee to receive, to the extent assigned, only the distributions to which the assignor would be entitled. Except as otherwise provided in the articles of organization or any operating agreement, an assignee of a member's interest may become a member only if all other members unanimously consent.

Paragraph 10(a) of the operating agreement provides that upon approval of members owning a majority of the membership interests (excluding the membership interest of the transferring member), a member is entitled to transfer an interest without any restriction and with full voting rights to a family member, another member of X, a trust for the benefit of a family member or a member of X, or a partnership, limited partnership, LLC, or corporation in which the only members entitled to vote are (or were immediately prior to the transfer) members of X. Paragraph 10(d) provides that, in the event of any transfer other than a transfer under paragraph 10(a), without the prior written consent of all the other members, the transferee will have no right to vote, nor have any voice in management, nor have the right to attend membership meetings, nor review or audit the books. The transferee will have only the right to receive distributions in accordance with the transferee's membership interest in X.

You have asked us to rule that: (1) X will be classified as a partnership under § 7701 of the Internal Revenue Code; (2) P, P's partners, X, and X's members will not recognize gain or loss on the transfer of the partnership interests in P to X in exchange for membership interests in X under § 721; and (3) the conversion of P to X will not cause a termination of P under § 708, and X will be treated as a continuation of P.

Laurence E. Thorp, Esq.

Classification

Section 7701 sets forth definitions to be used in determining the classification of an organization for federal tax purposes. Organizations are classified as associations taxable as corporations, as partnerships, or as trusts. The classification of any particular organization is determined under the tests and standards set forth in §§ 301.7701-2, 301.7701-3, and 301.7701-4 of the Procedure and Administration Regulations.

Section 301.7701-2(a)(1) sets forth six major characteristics ordinarily found in a pure corporation which, taken together, distinguish it from other organizations. These are: (1) associates, (2) an objective to carry on business and divide the gains therefrom, (3) continuity of life, (4) centralization of management, (5) liability for corporate debts limited to corporate property, and (6) free transferability of interests.

Section 301.7701-2(a)(2) provides that characteristics common to partnerships and corporations are not material in attempting to distinguish between an association and a partnership. Section 301.7701-2(a)(3) provides that because associates and an objective to carry on a business and divide the gains therefrom are generally common to corporations and partnerships, an organization that has these characteristics will be classified as a partnership if it lacks at least two of the remaining four characteristics.

Rev. Rul. 88-76, 1988-2 C.B. 360, holds that the Wyoming LLC considered therein is classified for federal tax purposes as a partnership because it lacks the corporate characteristics of continuity of life and free transferability of interests.

Section 301.7701-2(b)(1) provides that an organization has continuity of life if the death, insanity, bankruptcy, retirement, resignation, or expulsion of any member will not cause a dissolution of the organization. On the other hand, if the death, insanity, bankruptcy, retirement, resignation, or expulsion of any member will cause a dissolution of the organization, continuity of life does not exist. If the death, insanity, bankruptcy, retirement, resignation, expulsion, or other event of withdrawal of a general partner of a limited partnership causes a dissolution of the partnership, continuity of life does not exist; furthermore, continuity of life does not exist notwithstanding the fact that a dissolution of the limited partnership may be avoided, upon an event of withdrawal of a general partner, by the remaining general partners agreeing to continue the partnership or by at least a majority in interest of

Laurence E. Thorp, Esq.

the remaining partners agreeing to continue the partnership. See Glensder Textile Co. v. Commissioner, 46 B.T.A. 176 (1942), acq., 1942-1 C.B. 8.

In this case, under the Act and X's operating agreement, X will dissolve upon the incompetence, expulsion, bankruptcy, or dissolution of a member, or the occurrence of any other event that terminates the continued membership of a member in X. If a member of X ceases to be a member of X because of any of the foregoing events, the continuity of X is not assured, because there must be at least two remaining members and members then holding a majority of the membership interests must agree to continue X. Accordingly, X will lack the corporate characteristic of continuity of life.

Section 301.7701-2(e)(1) provides that an organization has the corporate characteristic of free transferability of interests if each of its members or those members owning substantially all of the interests in the organization have the power, without the consent of other members, to substitute for themselves in the same organization a person who is not a member of the organization. For this power of substitution to exist in the corporate sense, the member must be able, without the consent of other members, to confer upon the member's substitute all the attributes of the member's interest in the organization. Thus, the characteristic of free transferability does not exist if each member can, without the consent of the other members, assign only the right to share in the profits but cannot assign the right to participate in the management of the organization.

Under X's operating agreement, certain transferees may be admitted to X as a member upon the approval of the members owning a majority of the membership interests (excluding the membership interest of the transferring member). Other transferees may become members only upon the prior written consent of all the other members. Accordingly, X will lack free transferability of interests.

X will have associates and an objective to carry on business and divide the gains therefrom. Also, X will lack the corporate characteristics of continuity of life and free transferability of interests. Therefore, provided that X remains in conformity with the Act and the operating agreement, X will be classified as a partnership for federal tax purposes.

Gain or Loss on Conversion

Section 721(a) provides that no gain or loss will be recognized to a partnership or to any of its partners in the case

Laurence E. Thorp, Esq.

of a contribution of property to the partnership in exchange for an interest in the partnership.

Under § 731(a), if a partnership makes a distribution to a partner, gain will not be recognized to the partner, except to the extent that any money distributed exceeds the adjusted basis of the partner's interest in the partnership immediately before the distribution, and loss will not be recognized to the partner, except upon a distribution of certain property in liquidation of a partner's interest in a partnership. Section 731(b) provides that no gain or loss will be recognized to a partnership on a distribution to a partner of property, including money.

Rev. Rul. 84-52, 1984-1 C.B. 157, considers the federal income tax consequences of the conversion of a general partnership to a limited partnership. Each partner's total percentage interest in the partnership's profits, losses, and capital remained the same after the conversion. Further, the business of the general partnership continued to be carried on after the conversion. Rev. Rul. 84-52 treats the conversion as an exchange under § 721 and concludes that the general partnership is not terminated. Rev. Rul. 84-52 relies on § 1.708-1(b)(1)(ii) of the Income Tax Regulations which provides that a transaction governed by § 721 is not treated as a sale or exchange for purposes of § 708. Rev. Rul. 84-52 further concludes that if as a result of the conversion, there is a change in the partners' shares of the partnership's liabilities, gain will be recognized by the partners under § 731 to the extent of § 752.

The conversion of P to X is analogous to the situation in Rev. Rul. 84-52. P's business will be continued by X, and the partners' interest in capital, profits, and losses will remain the same after the conversion.

Assuming that P is classified as a partnership for federal tax purposes, we conclude that X will be considered a continuation of P and that the conversion of P to X will not result in a termination of P under § 708. We also conclude that no gain or loss will be recognized by P, P's partners, X, or X's members upon the transfer of the partnership interests in P to X and upon the liquidation of P, except as provided in §§ 731 and 752.

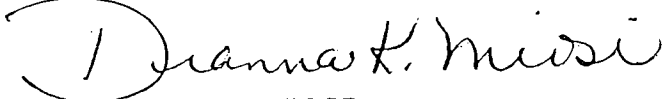
Except as specifically ruled upon above, we express no opinion concerning the federal income tax consequences of this transaction under any other provision of the Code or regulations. No opinion is expressed on the classification of P for federal income tax purposes.

Laurence E. Thorp, Esq.

This ruling is subject to the requirements of Rev. Proc. 89-12, 1989-1 C.B. 798, to the extent applicable. If the requirements of Rev. Proc. 89-12 fail to be met at any time, this ruling will have no force or effect.

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

Sincerely yours,

A handwritten signature in cursive script, reading "Dianna K. Miosi". The signature is written in dark ink and is positioned above the typed name.

DIANNA K. MIOSI
Senior Technician Reviewer,
Branch 1
Office of the Assistant
Chief Counsel
(Passthroughs and
Special Industries)

Enclosure:

Copy for § 6110 purposes