

802.5  
2/14/12  
Mike Concess

From: Ferkingstad, James H.  
Sent: Tuesday, February 14, 2012 10:05 AM  
To: [REDACTED]  
Cc: Ferkingstad, James H.  
Subject: Pipelines rented or leased

See Mike's comment. Pipelines are exempt as investment rental property.

---

From: Verne, B. Michael  
Sent: Tuesday, February 14, 2012 9:42 AM  
To: Ferkingstad, James H.  
Subject: RE: Follow-up Conversation

I agree that this can be exempted under 802.5. Pipelines are real property and this would be exempt as investment rental property.

Investment rental property is real property that will not be rented to entities included within the acquiring person except for the sole purpose of maintaining, managing or supervising the operation of the real property, and will be held solely for rental or investment purposes.

From: Verne, B. Michael  
Sent: Tuesday, February 14, 2012 11:07 AM  
To: Ferkingstad, James H.  
Subject: RE: Follow-up Conversation

Here is some more info on pipelines as real property (from various tax codes including IRS):

The services of contractors in constructing a pipeline are considered to be rendered in the construction of new real property.

Utility lines and pipelines are generally considered real property if they are underground or permanently attached above ground.

The following items are considered real property: Pipeline transmission lines

Electrical hookups, plumbing hookups, and water wells are in the nature of land improvements, similar to oil and gas pipelines which are considered as real estate.

Internal Revenue Code section 897 broadly defines the term "U.S. real property interest" (USRPI) to include the following: Oil and gas pipelines

---

From: [REDACTED]  
Sent: Monday, February 13, 2012 2:37 PM  
To: Ferkingstad, James H.  
Subject: Follow-up Conversation

James,

We spoke last week about whether my client's proposed acquisition of a gas pipeline and processing facility would be reportable. To refresh your recollection, my client proposes to acquire the assets that make up the pipeline system and processing facility and lease them back to the current owner/operator on a long-term (15-year) triple net lease. We spoke about 802.1 and 802.63 and your conclusion was that the transaction would be reportable.

However, we did not discuss the exemption under 802.5. After some additional review of Informal Staff Opinions (0602024, 0711002, and 0709020), it appears that this exemption would apply to our proposed transaction.

A representative of my client and I would like to discuss it with you further. We are both generally available this afternoon. Can you let me know when you would be available to discuss and we will give you a call.

Best regards,

