

INTERNAL REVENUE SERVICE

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March 3, 1999

Re:

Distributing =

Corporation A (Division A) =

Business A =

Controlled =

Date A =

Purchaser =

Dear :

We respond to your letter dated January 4, 1999, requesting a supplemental ruling to PLR-21626-96, a ruling letter issued September 23, 1996 ("Prior Ruling Letter"). Additional information was submitted in a letter dated February 12, 1999. The information submitted for consideration is summarized below.

As part of the transactions described in the Prior Ruling Letter, Distributing caused its wholly-owned subsidiary, Corporation A, to be merged into Distributing, resulting in the complete liquidation of Corporation A. Corporation A has since been operated as a unincorporated division of Distributing engaged in Business A (Division A). In the Prior Ruling Letter, Distributing represented that "[t]here is no plan or intention to liquidate either Distributing or Controlled, to merge either corporation, or to sell or otherwise dispose of the assets of either corporation after the transaction, except in the ordinary course of business."

After consummation of the transactions described in the Prior Ruling Letter,

however, certain events have occurred which have significantly changed the Business A industry in which Division A operates. Historically, Business A has been a highly fragmented industry. Division A was able to succeed in Business A, in part, due to its relative size. However, the Business A industry has been identified as being in the early stages of consolidation, and consequently, Division A's relative size is diminishing. Several industry participants have begun aggressively pursuing a consolidation strategy, creating companies which are significantly larger than Division A. Distributing believes it would require an extensive commitment for Division A to continue to compete effectively, and that the changes in the industry necessitate the sale of Division A to an industry consolidator. On Date A, Distributing was approached by Purchaser, an industry consolidator, with respect to the possible acquisition of Division A. Subsequent to the submission of the current supplemental ruling request, a letter of intent was executed by Distributing and Purchaser for the cash acquisition of all the assets of Division A by Purchaser.

Based solely on the information and documentation submitted, we hold as follows:

The disposition of all of the assets of Division A to Purchaser, as described above, will have no adverse effect on any of the rulings set forth in the Prior Ruling Letter, and those rulings will remain in full force and effect.

No opinion is expressed about the tax treatment of the proposed transaction under any other provisions of the Code and regulations or about the tax treatment of any conditions existing at the time of, or effects resulting from, the proposed transaction not specifically covered by the above rulings.

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

It is important that a copy of this letter be attached to the federal income tax returns of taxpayers involved for the taxable year in which the transaction covered by this letter is consummated.

Sincerely yours,

Assistant Chief Counsel (Corporate)

By _____
Mark S. Jennings
Senior Technician Reviewer, Branch 1