

Internal Revenue Service

Department of the Treasury

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Person to Contact:

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Refer Reply To:

CC:DOM:CORP:5-PLR-119746-98

Date:

December 17, 1998

Date A =

a =

b =

Dear

This responds to your October 15, 1998 request that we supplement our ruling dated August 19, 1997 (PLR-112573-97) (the "Ruling Letter"), which was issued in response to your request for a ruling, dated June 27, 1997 (the "Ruling Request"). Capitalized terms retain the meanings originally assigned to them in the Ruling Letter.

You request a supplemental ruling that the following changes to the original proposed transaction have no effect on the Ruling Letter:

(i) The valuation and consideration received from the sale of Business A to an unrelated third party has changed to reflect the actual terms negotiated by Sub 1.

(ii) The valuation of Business B has changed.

(iii) The actual amount of cash to be transferred from Foreign Parent to Newco, from Newco to Sub 1, and then back to Foreign Parent (as a result of the liquidations of Sub 1 and Holdings) and disregarded as a circular flow of cash has changed to reflect (i) and (ii). Of the \$a contributed by Foreign Parent to Newco, only \$b will return to Foreign Parent.

(iv) Sub 1 will retain cash to repay certain liabilities not initially transferred to Newco. Any remaining cash and liabilities will be transferred to Newco by Date A.

(v) The liquidation of Sub 1 and Holdings will occur in several steps, but within the same taxable year.

Taxpayer has represented that, except for the additional facts described above, all other facts and representations in the Ruling Letter remain true, correct, and complete.

Based on the information and representations submitted with the Ruling Request and this supplemental request, we rule as follows:

- (a) The rulings set forth in the Ruling Letter remain in full force and effect with respect to the revised transaction.
- (b) The calculation of any gain under § 357(c) of the Internal Revenue Code will include all transfers by Sub 1 to Newco pursuant to the overall plan.

We express no opinion about the tax treatment of this transaction under 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 transaction that are not specifically covered by the original and supplemental rulings.

This ruling is directed only to the taxpayer 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 the taxpayers involved for the taxable year in which the transaction covered by this letter is consummated pursuant to the power of attorney on file in this office, a copy of this letter have been sent to the taxpayer's authorized representative.

Sincerely yours,

Assistant Chief Counsel (Corporate)

By _____
Charles M. Whedbee
Senior Technical Reviewer