

Internal Revenue Service

Department of the Treasury

Number: **200306012**

Release Date: 02/07/2003

Index Numbers: 355.01-00, 368.01-00,
368.04-00

Washington, DC 20224

Person to Contact:

Telephone Number:

Refer Reply To:

CC:CORP:B04 - PLR-136561-02

Date:

October 30, 2002

Legend

LLC =

Company =

Date M =

Date N =

Date O =

State X =

Dear :

This letter responds to your July 3, 2002 request that we supplement our letter ruling dated May 17, 2002 (PLR-163702-01) (the "Prior Letter Ruling"). Additional information was received in a letter dated October 15, 2002. The information submitted for consideration is summarized below. Capitalized terms not defined in this letter have the meanings assigned them in the Prior Letter Ruling.

The Prior Letter Ruling addresses certain federal income tax consequences of a multi-step transaction which included the following steps: (i) Sub 1 transferring certain Business B assets to Distributing; (ii) Distributing transferring the Business B assets (including the assets received from Sub 1) and certain Business B liabilities to

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Controlled; (iii) Distributing delivering a certificate representing all of the Controlled stock to an exchange agent acting on behalf of the Distributing common stock holders (the "Distribution"); and (iv), immediately after the Distribution, Controlled merging into Acquiring under state law, with Acquiring surviving (the "Merger").

Facts

On Date M, the Distribution occurred, and effective as of Date N, Controlled merged with and into Acquiring.

Acquiring proposes to restructure its Business B operations after the Merger to achieve operational efficiencies. That restructuring is consistent with Acquiring's previous restructuring of Business C. In order to accomplish the restructuring of the Business B operations, the following transactions are proposed (the "Post-Merger Integration"):

1. Acquiring will contribute its Business B manufacturing and distribution operations to LLC, a single-member limited liability company formed on Date O.
2. Acquiring will contribute its Business B trademarks, trade names, and intellectual property to Company so that Acquiring may better identify and manage these assets and to protect such assets from potential contingent liabilities associated with LLC's manufacturing operations. Company is a State X corporation also formed on Date O.
3. LLC will elect under § 301.7701-3 of the Income Tax Regulations to change its classification as a disregarded entity to that of an association.

Representations

The following representations (lettered as shown in the Prior Letter Ruling) are revised to read in their entirety as follows:

(e) Following the Proposed Transaction and until the time of the Post-Merger Integration, Distributing will continue the active conduct of its business and Acquiring (as successor to Controlled) will continue the active conduct of Business B, independently and with their separate employees, except for services to be provided by Distributing to Acquiring for a transitional period following the Merger. Following the Post-Merger Integration, Distributing will continue the active conduct of its business, and the active conduct of Business B will be continued through one or more direct, wholly owned subsidiaries of Acquiring, independently and with their separate employees, except for services to be provided by Distributing for a transitional period.

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(j) There is no plan or intention to liquidate any of Distributing, Controlled, or Acquiring, to merge any such corporations with any other corporation (except pursuant to the Merger), or to sell or otherwise dispose of the assets of any such corporation after the Proposed Transaction, except for the Post-Merger Integration or in the ordinary course of business.

(z) Following the Merger, Acquiring or its subsidiaries will continue the historic business of Controlled or use a significant portion of Controlled's historic business assets in a business.

Additionally, Acquiring has submitted the following representation concerning the Post-Merger Integration:

(ii) Company will license to LLC the right to use the Business B intellectual property. LLC will pay a royalty fee for the use of the Business B intellectual property. The royalties are calculated to be at fair market value.

Ruling

Based on the information submitted with the original and supplemental ruling requests, we rule that the Post-Merger Integration will not affect the rulings contained in the Prior Letter Ruling.

Caveats

Except as expressly provided herein, we express no opinion about the tax treatment of the transactions described above under any provision of the Internal Revenue Code or regulations or the tax treatment of any condition existing at the time of, or effect resulting from, the transactions.

Procedural Matters

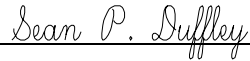
This supplemental ruling is directed only to the taxpayer who requested it. Section 6110(k)(3) of the Code provides that it may not be used or cited as precedent.

A copy of this letter together with the Prior Letter Ruling must be attached to any income tax return to which it is relevant.

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Under a power of attorney on file with this office, a copy of this supplemental letter is being sent to your authorized representative.

Sincerely,

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Sean P. Duffley
Assistant to the Chief, Branch 4
Office of Associate Chief Counsel
(Corporate)