

Internal Revenue Service

Department of the Treasury

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Washington, DC 20224

Person to Contact:

Telephone Number:

Refer Reply To:

CC:CORP:1-PLR-124544-00

Date:

December 21, 2000

Distributing =

Distributing Sub 1 =

Controlled =

Date A =

Business A =

Division 1 =

Division 2 =

Dear :

This is a reply to your letter dated October 30, 1999, requesting a ruling supplementing and affirming the rulings granted in PLR-114099-99 ("Prior Ruling"), specifically, rulings under § 355 of the Internal Revenue Code (the "Code") and other Code sections, as to the federal income tax consequences of a proposed transaction. Since the issuance of the Prior Ruling, certain business conditions have resulted in Distributing's desire to discontinue an operating division of Distributing Sub 1. The information submitted for consideration is substantially as set forth below.

On Date A, the transactions described in the Prior Ruling, including the tax-free separation of Distributing from Controlled (the "Distributions"), were effectuated. Ultimately, the transactions resulted in Distributing Sub 1 becoming a first tier, wholly owned subsidiary of Distributing. Distributing Sub 1 currently engages in integrated Business A; more specifically, Distributing Sub 1 conducts Division 1 and Division 2, which each perform a separate function of Business A. Due to a change in economic conditions since the issuance of the original letter ruling, Division 1 has been unable to compete with larger companies engaged in Business A and is experiencing unprecedented losses. Division 2, however, continues to meet or exceed business expectations.

PLR-124544-00

The following representation was made by the taxpayer in connection with the Prior Ruling:

There is no plan or intention to liquidate either Corporation X or Corporation Y, to merge either Corporation X or Corporation Y (herein Distributing Sub 1) with any other corporation, or to sell or otherwise dispose of the assets of either corporation after the transaction, except in the ordinary course of business.

As a result of the unprecedented and unexpected losses, Distributing Sub 1 now proposes to sell or write off the assets associated with Division 1 and to use the proceeds to enhance Division 2. The proceeds will not be used for distributions or dividends to Distributing or Distributing shareholders.

Based solely on the information submitted and the representations made, we rule that the discontinuation of Division 1 of Distributing Sub 1, as discussed above, will have no effect on the rulings provided in the Prior Ruling and those rulings remain in full force and effect.

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

A copy of this letter should be attached to the federal income tax returns of the taxpayers involved for the taxable year in which the transactions covered by this ruling are consummated.

Sincerely,
Associate Chief Counsel (Corporate)
By: Christopher W. Schoen
Assistant to the Chief, Branch 1