

Internal Revenue Service

Department of the Treasury

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Washington, DC 20224

Person to Contact:

Telephone Number:

Refer Reply To:

CC:CORP:B06-PLR-139406-02

Date:

July 25, 2002

LEGEND:

Distributing =

Controlled =

Acquiring =

Business A =

Business B =

Shareholder 1 =

Shareholder 2 =

Date 9 =

X =

Y =

Dear

This responds to your letter requesting a ruling supplementing PLR100582-02 (the "Prior Letter Ruling"). The Prior Letter Ruling, and the ruling request related thereto (the "Prior Letter Ruling Request"), which are both incorporated herein by reference, address a proposed distribution of Controlled stock by Distributing under section 355 of the Internal Revenue Code (referred to as the "Distribution" in the Prior

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Letter Ruling and hereafter referred to as the “Proposed Spin-Off”). The Proposed Spin-Off has not been consummated to date. This supplemental ruling addresses the effect of a proposed acquisition of Distributing by Acquiring (the “Proposed Acquisition”) on the Prior Letter Ruling. The facts are summarized below.

FACTS

Distributing, a publicly held corporation, is engaged in Business A and (through its ownership of Controlled) Business B. Business A and Business B are substantially different and incompatible businesses that create management and systematic problems for Distributing, which Distributing intends to resolve by separating the two businesses in the Proposed Spin-Off. The Proposed Spin-Off was authorized by Distributing’s Board of Directors on Date 9 (the “Resolution Date”).

Acquiring is also a publicly held corporation, which engages in Business A. After the Prior Letter Ruling was issued, Acquiring initiated negotiations with Distributing to acquire all of the issued and outstanding stock of Distributing. As a result of these negotiations, Acquiring will acquire Distributing. The Proposed Acquisition is expected to be completed within Y months after completion of the Proposed Spin-Off. Pursuant to the Proposed Acquisition, the shareholders of Distributing will receive stock of Acquiring in exchange for their Distributing shares. Distributing contends that the Proposed Acquisition will qualify as a tax-free section 368(a) reorganization. Acquiring and Distributing will receive opinions of counsel to that effect. After the Proposed Acquisition, Distributing shareholders will own approximately X percent of the total issued and outstanding shares of Acquiring.

REPRESENTATIONS

In connection with this supplemental ruling request, Distributing represents that, as of the date of the Prior Letter Ruling, all representations and information set forth in the Prior Letter Ruling Request were true as stated therein. Distributing modifies, however, the following representations that appear in the Prior Letter Ruling, as set forth below:

- (k) The Distribution is being carried out for the following corporate business purpose: to effect fit and focus. The Distribution is motivated, in whole or substantial part, by the foregoing corporate business purpose. This business purpose existed on the Resolution Date, is equally important to Distributing and Controlled at the present time and is unaffected by the business purposes for the Proposed Acquisition. Distributing intends to complete the Distribution without regard to whether the Proposed Acquisition occurs.
- (l) There is no plan or intention by any shareholder who owns 5 percent or

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more of the stock of Distributing, and the management of Distributing, to its best knowledge, is not aware of any plan or intention on the part of any particular remaining shareholder or security holder of Distributing to sell, exchange, transfer by gift, or otherwise dispose of any stock in or securities of either Distributing or Controlled after the Distribution, other than pursuant to the Proposed Acquisition. Notwithstanding the foregoing, Shareholder 1 and Shareholder 2 may in the future determine to dispose of or purchase any such stock in the normal course of their respective businesses as investment advisors based upon decisions as to existing market conditions and the needs of investors they represent.

- (n) There is no plan or intention to liquidate either Distributing or Controlled, to merge either corporation with any other corporation, or to sell or otherwise dispose of the assets of either corporation after the Distribution, except in the ordinary course of business and except pursuant to the Proposed Acquisition.

Notwithstanding the above-modified representations, Distributing represents that all of the other representations in the Prior Letter Ruling continue to be true at the present time.

RULINGS

The Proposed Acquisition does not raise any issues relating to the qualification of the Proposed Spin-Off under section 355(a), but, potentially, may raise issues under sections 355(c) and (e).

Accordingly, based solely on the information submitted in the Prior Letter Ruling Request, this supplemental ruling request and the representations set forth above, we rule as follows:

The Proposed Acquisition will not have any effect on Ruling Numbers 1, 3, 4, 5, 6 or 7 of the Prior Letter Ruling, and those rulings remain in full force and effect. However, Ruling Number 2 is withdrawn and no longer is valid.

CAVEATS

No opinion is expressed about the tax treatment of the transaction under any other provision of the Code or Regulations, or the tax treatment of any conditions existing at the time of, or effects resulting from, the transaction that are not specifically covered by the above rulings. In addition to the caveats stated in the Prior Letter Ruling, no opinion is expressed concerning the tax consequences associated with:

- (1) the Proposed Acquisition;

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- (2) whether the Proposed Acquisition will affect any of the rulings in the Prior Letter Ruling, except as specifically provided above; and
- (3) the application of sections 355(c) and (e) to the Proposed Spin-Off.

PROCEDURAL STATEMENTS

The rulings contained in this letter are predicated upon the facts and representations submitted by the taxpayer and accompanied by a penalties of perjury statement executed by an appropriate party. This office has not verified any of the materials submitted in support of the request for a ruling. Verification of the information, representations, and other data may be required as part of the audit process.

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.

A copy of this letter, together with a copy of the Prior Letter Ruling, must be attached to the federal income tax returns of the taxpayer involved for the taxable years in which the transactions covered by these letters are consummated.

In accordance with the Power of Attorney on file with this office, the original of this letter is being sent to the taxpayer's authorized representative.

Sincerely yours,

Alfred C. Bishop, Jr.

Alfred C. Bishop, Jr.
Branch Chief, Branch 6
Associate Chief Counsel (Corporate)