

Internal Revenue Service

Department of the Treasury

Index Numbers: 0355.01-00
0368.04-00

Washington, DC 20224

Number: **199937019**
Release Date: 9/17/1999

Person to Contact:

Telephone Number:

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Refer Reply To:

CC:DOM:CORP:4 PLR-105017-99

Date:

June 16, 1999

Business B =

Business C =

b =

f =

Dear :

This letter responds to your February 26, 1999 request (as amended in later correspondence) for a supplement to (i) the ruling letter we issued to Distributing 2 on December 16, 1998 (the "Ruling Letter") and (ii) certain other ruling letters described in the Ruling Letter (collectively, the "Prior Rulings"). Capitalized terms retain the meanings assigned in the Prior Rulings.

The Ruling Letter addresses certain federal income tax consequences of proposed distributions by Distributing 2 to its shareholders of Controlled 1 (holding Business C) and Controlled 2 (indirectly holding Business B) and related transactions.

Certain events have occurred since the Ruling Letter was issued that make it impracticable to separate Business C from Business B at this time. Consequently, Business C will be transferred to Controlled 1 in Contribution 1 (as originally planned), but Controlled 1 will remain a wholly owned subsidiary of Distributing 1 rather than being distributed to Distributing 2. In addition, Distributing 2 now intends that certain key executives of Business B and Business C who own Distributing 2 Common Stock exchange their shares for Class B Controlled 2 shares in Distribution 2. As to each exchanging executive (together, the "Exchanging Executives"), the fair market value of

the Controlled 2 stock received will approximately equal the fair market value of the Distributing 2 Common Stock surrendered. Finally, to minimize the risk of a substantial Country F tax liability, Distributing 2 will continue to own one common share (less than .01 percent) of Distributing 1 following Distribution 2. Controlled 2 will hold all other shares of Distributing 1.

As a result of these changes to the originally proposed transaction, the Ruling Letter is modified as follows:

1. The symbols b and f in the legend have new definitions, as indicated, and g is deleted.
2. The following description of the proposed transaction replaces paragraphs (i) through (viii) on pages 3 and 4 of the Ruling Letter:
 - (i) Distributing 1 will transfer the Business C assets to a newly formed subsidiary ("Controlled 1") in exchange for Controlled 1 stock and the assumption by Controlled 1 of liabilities related to the transferred assets ("Contribution 1").
 - (ii) Distributing 1 will borrow funds from a third party lender and use those funds to repay all of its debt to Sub and part of its debt to Distributing 2.
 - (iii) Distributing 2 will transfer the Distributing 1 stock, the remaining Intercompany Debt, and the Asset to a newly formed corporation ("Controlled 2") in exchange for Controlled 2 stock ("Contribution 2").
 - (iv) Controlled 2 will issue new shares of its stock pro rata to the Distributing 2 shareholders with respect to their Distributing 2 Common Stock, and the Controlled 2 shares held by Distributing 2 will be cancelled ("Distribution 2"). As part of Distribution 2, the Exchanging Executives will surrender all of their Distributing 2 shares to Distributing 2 and will receive in exchange solely shares of Controlled 2.
 - (v) Distributing 2 will redeem any Distributing 2 Common Stock held by Business B or Business C employees (except Individual).
 - (vi) Controlled 2 will issue the first tranche of incentive stock to certain senior executives of Business B and Business C.
 - (vii) Within a months of the Distribution, the b most senior executives of Business B and Business C will have been issued stock in

Controlled 2 representing in the aggregate a greater than c percent interest. Within d months, this interest will rise to greater than e percent. The total cost to the Business B and Business C executives for their Controlled 2 stock will be approximately f dollars.

While the revised transaction will not achieve the same degree of business-specific incentive compensation as the original transaction, Distributing 2 represents that it will nonetheless constitute a substantial improvement over the current corporate structure and will be acceptable to the executives involved.

3. All representations and rulings relating to Contribution 1, Distribution 1, and Distribution 3 are deleted from the Ruling Letter.

4. The following additional ruling is issued:

No gain or loss will be recognized by (and no amount will otherwise be included in the income of) the Exchanging Executives on the surrender of their shares in Distributing 2 in exchange solely for shares in Controlled 2 (§ 355(a)(1)).

Based on the information and representations submitted with the original and supplemental ruling requests (and later correspondence), we reaffirm the rulings set forth in the Prior Rulings, with the modifications stated herein.

We express no opinion on the tax effects of the transaction under other provisions of the Code and regulations, or the tax effects of any conditions existing at the time of, or effects resulting from, the transaction that are not specifically covered by the Prior Rulings and this supplemental ruling. In particular, no opinion is expressed on whether Contribution 1 described in step (i) will qualify under § 351.

This supplemental 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.

Each taxpayer involved in the transaction should attach a copy of this supplemental letter to the taxpayer's federal income tax return for the taxable year in which the transaction is consummated.

Under a power of attorney on file in this office, a copy of this letter is being sent to the taxpayer.

Sincerely,

Assistant Chief Counsel (Corporate)

By: _____
Wayne T. Murray
Senior Technician/Reviewer, Branch 4