

Internal Revenue Service

Department of the Treasury

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Washington, DC 20224

Person to Contact:

Telephone Number:

Refer Reply To:

CC:CORP:4 PLR-147187-01

Date:

January 30, 2002

Date A =
Foreign Seller =
Target Business =
g =

Dear

This letter responds to your August 24, 2001 request that we supplement our letter ruling dated December 16, 1998 (PLR-116429-98)(the "Original Letter Ruling"). An earlier supplemental letter ruling (PLR-105017-99)(the First Supplemental Letter Ruling) was issued on June 16, 1999. The Original Letter Ruling and the First Supplemental Letter Ruling are together referred to herein as the "Prior Letter Rulings." Capitalized terms not defined in this ruling retain the meanings assigned in the Prior Letter Rulings.

The Prior Letter Rulings address certain federal income tax consequences of a proposed distribution by Distributing 2 to its shareholders of Controlled 2 ("Distribution 2") and related transactions. Distribution 2 was completed on Date A. Subsequently, Distributing 1 began negotiations with Foreign Seller to acquire, and eventually agreed to acquire, the domestic and foreign operations of the Target Business (the "Target Acquisition Transaction"). As part of the Target Acquisition Transaction, (i) Controlled 2 will transfer all of the Distributing 1 stock to a newly formed corporation ("Newco"), (ii) Controlled 2 will issue additional equity (the "Equity Infusion"), and (iii) Foreign Seller will transfer to Newco Target Business assets in exchange for Newco stock and notes. Following the transfer, Foreign Seller will own g percent of Newco.

In connection with this supplemental ruling request, each of Distributing 2 and Controlled 2 makes the following representations:

(a) After Distribution 2, there has been a change in business conditions that has resulted in the Equity Infusion and the Target Acquisition Transaction.

(b) At the time of Distribution 2, the Equity Infusion and the Target Acquisition Transaction were not anticipated by Controlled 2 and Distributing 2.

(c) At the time of Distribution 2, none of Distributing 2, Controlled 2, or their officers or directors had participated in any understanding, arrangement, agreement, or negotiation with Foreign Seller as to the Target Acquisition Transaction.

(d) At the time of Distribution 2, none of the Distributing 2 shareholders had participated in any understanding, arrangement, or negotiation with Foreign Seller as to the Target Acquisition Transaction.

Based solely on the information and representations submitted with the supplemental ruling request (including subsequent correspondence), we rule as follows:

The Equity Infusion and the Target Acquisition Transaction will have no adverse effect on the rulings contained in the Prior Letter Rulings, which will remain in full force and effect.

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 Letter Rulings and this supplemental ruling. In particular, no ruling was requested and no opinion is expressed regarding the transfer by Foreign Seller of Target Business assets in exchange for Newco stock and notes.

This supplemental ruling is directed only to the taxpayer requesting it. Section 6110(k)(3) of the Code 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 and an additional representative.

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