

Internal Revenue Service

Department of the Treasury

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Person to Contact:

Telephone Number:

Refer Reply To:

CC:CORP:1-PLR-134197-03

Date:

July 14, 2003

Legend:

Distributing =

Controlled =

\$C =

\$D =

D% =

E% =

Dear

This letter is in response to your letter dated May 29, 2003, requesting a supplemental ruling with respect to our prior letter ruling dated September 30, 2002 (PLR-122488-02) (the "Prior Ruling"). The Prior Ruling addressed the federal income tax consequences of the Distribution and related transactions, and ruled that such transactions constituted a series of transactions described in Sections 355(a) and 368(a)(1)(D). All capitalized terms not defined or modified in this supplemental ruling have the meanings originally assigned to them in the Prior Ruling. The facts and representations set forth in the Prior Ruling are hereby incorporated, except as modified below, for purposes of this supplemental ruling.

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The Prior Ruling contained the following paragraphs:

(ii) In connection with the Contribution and the Distribution (described in step (vi) below), Controlled will declare a dividend to Distributing in the amount of up to \$C.

(iii) Controlled expects to borrow up to \$C through a combination of a note offering and credit facilities (the "Borrowing").

(iv) Shortly after the Borrowing, Controlled will distribute the net proceeds of the Borrowing up to \$C to Distributing to pay the dividend declared in Step (ii) (the "Borrowing Proceeds Distribution"). Within three months of the Borrowing Proceeds Distribution, Distributing will use the cash proceeds to pay its creditors.

(v) At one or more times prior to Step (vi) and in connection with the reorganization, Distributing will transfer shares of Controlled common stock (representing up to D% of the outstanding Controlled common stock) to Investment Banks in exchange for outstanding Distributing debt held by Investment Banks (the "Exchange"). Distributing will not issue new debt in anticipation of the exchange. The Distributing debt held by Investment Banks will have been acquired on the secondary market at least fourteen days prior to the Exchange. Investment Banks subsequently will attempt to resell the shares to the public in an initial public offering (the "IPO"). Investment Banks will be acting for their own accounts in acquiring Distributing debt before the Exchange, exchanging Distributing debt for shares of Controlled common stock, and attempting to sell their Controlled common stock to the public in the IPO.

(w) The Distribution will occur no later than the earlier of (i) six months after the IPO, or (ii) twelve months after receipt of this ruling.

In your current request you have indicated that, contrary to the facts of the Prior Ruling, (1) Controlled will declare a dividend to Distributing in the amount of up to \$D, (2) Controlled expects to borrow approximately \$D through a combination of a note offering and credit facilities, (3) Controlled will distribute the net proceeds of the Borrowing along with cash reserves to pay the dividend, and (4) the Exchange of Distributing's Controlled common stock for outstanding Distributing debt held by Investment Banks will not be consummated. The term "Borrowing Proceeds Distribution" as used in the Prior Ruling and in this supplemental ruling is modified to reflect the fact that the cash used to fund the dividend is expected to come from the Borrowing proceeds as well as Controlled's surplus cash. Distributing will now distribute E% of the Controlled common stock to its shareholders.

Representation (w) in the Prior Ruling is modified by deleting clause (i). As modified, Representation (w) reads as follows: "The Distribution will occur no later than September 30, 2003."

Based upon the facts and information submitted, we hold that the changes from the Prior Ruling, described above, will have no adverse effect on Ruling Numbers 1, 2,

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3, 4, 5, 7, 8, 9, 10, 11, and 12 of the Prior Ruling, and such Rulings remain in full force and effect. However, Ruling Number 6 is withdrawn and is no longer valid.

Except as specifically set forth above, no opinion is expressed concerning the federal tax consequences of the proposed transaction under any other provision of the Code and regulations, or about the tax treatment of any conditions existing at the time of, or effects resulting from, the proposed transaction.

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 transaction covered by this ruling letter is consummated.

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

Sincerely,

Lisa A. Fuller
Assistant Branch Chief, Branch 1
Associate Chief Counsel
(Corporate)

cc: