

Internal Revenue Service

Department of the Treasury

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Date:
July 12, 2000

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 Investment Banker 1 =

Investment Banker 2 =

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Date 1 =

Date 2 =

Date 3 =

Date 4 =

This letter responds to your June 8, 2000 request for a letter ruling supplementing our letter ruling issued on Date 1 (the "Prior Letter Ruling")(199943030). The Prior Letter Ruling was supplemented by our letter ruling issued on Date 3(200017035). In the Prior Letter Ruling, we ruled that the pro-rata distributions of all the outstanding common stock of Controlled 1 and Controlled 2 to the stockholders of Distributing 2 qualified as tax-free distributions under § 355 of the Internal Revenue Code (the "Distributions"). Except as noted herein, the legend abbreviations, the summary of the facts, the description of the proposed transactions, the representations, and the caveats appearing in the Prior Letter Ruling are incorporated herein by reference.

In step (xx) of the Prior Letter Ruling's description of the transaction, Distributing 2 proposed the following stock offering by Controlled 1:

Within 1 year after the Second Controlled 1 Distribution, Controlled 1 will consummate a public offering ("Controlled 1 Public Offering") of up to m percent of its total issued and outstanding common stock (determined after giving effect

to the Controlled 1 Public Offering). The Controlled 1 Public Offering is expected to raise approximately \$n.

In step (xxi) of the Prior Letter Ruling's description of the transaction, Distributing 2 proposed the following stock offering by Controlled 2:

Within 1 year after the Second Controlled 2 Distribution, Controlled 2 will consummate a public offering ("Controlled 2 Public Offering") of up to m percent of its total issued and outstanding common stock (determined after giving effect to the Controlled 2 Public Offering). The Controlled 2 Public Offering is expected to raise approximately \$o.

On Date 2, Distributing 2 completed the Distributions of Controlled 1 and Controlled 2 described in the Prior Letter Ruling.

In its request for a supplemental ruling, the taxpayer describes changes in the market conditions adversely affecting the proposed public stock offerings. Investment Banker 1 and Investment Banker 2 analyzed these market conditions and recommended revising the proposed stock offerings. Accordingly, the taxpayer proposes the following revised steps (xx) and (xxi):

- (xx) Within 1 year after the Second Controlled 1 Distribution, Controlled 1 will issue in a public offering s percent of its current issued and outstanding common stock or, if less, an amount of stock that will raise \$n.
- (xxi) On or before Date 4, Controlled 2 will raise \$t of equity capital either through a rights offering of Controlled 2's common stock, with a private equity investor providing a standby commitment to Controlled 2's shareholders, or through a private placement of common stock or convertible preferred stock.

Steps (xx) and (xxi) of the Prior Letter Ruling are deleted and substituted by the revised steps (xx) and (xxi) as set forth above.

Based solely on the information and representations submitted in the original and supplemental requests, we rule that the additional information will have no adverse effect on the Prior Letter Ruling and that the Prior Letter Ruling retains full force and effect.

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.

Each taxpayer affected by the Prior Letter Ruling should attach a copy of that letter and of this supplemental letter to its federal income tax return for the taxable year in which the transactions covered by these letters are completed.

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

Sincerely,
Associate Chief Counsel (Corporate)

By: *Filiz A. Serbes*

Assistant to the Chief, Branch 5