

**Internal Revenue Service**

Department of the Treasury

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Person to Contact:

Telephone Number:

Refer Reply To:

CC:DOM:CORP:4 PLR-120915-98

Date:

February 4, 1999

Re:

Dear

We respond to your October 30, 1998 request for a letter ruling supplementing our letter ruling dated September 30, 1998 and modified November 10, 1998 (collectively, the "Prior Letter Ruling"). The legend abbreviations, Summary of Facts, Completed Transactions, Representations, and Caveats appearing in the Prior Letter Ruling are incorporated by reference.

The Proposed Transactions will not be undertaken as described in the Prior Letter Ruling. Instead, Parent has caused Sub 1 to adopt a plan of liquidation under which Sub 1 has distributed the stock of Sub 2 to Parent in a distribution intended to qualify under § 332 of the Internal Revenue Code. In addition, as soon as practical following receipt of this supplemental letter ruling, Parent will undertake the following transactions:

(vii) Sub 3 will liquidate or merge into Sub 2 in a transaction intended to qualify under § 332.

(viii) Sub 2 will liquidate or merge into Parent in a transaction intended to qualify under § 332.

(ix) Parent will adopt a plan of partial liquidation under which it will distribute at least 80 percent of the Net Proceeds to its shareholders. The distribution (or distributions) may be pro rata or may be implemented through one or more redemptions. The redemption (or redemptions) will be implemented through a merger, a separate agreement with one or more shareholders, a self-tender offer, or some combination thereof.

Based solely on the information and representations submitted in the original

and supplemental requests, Rulings (1) and (2) of the Prior Ruling Letter are modified to read as follows:

(1) Provided (i) Parent and Purchaser 2 have made a valid § 338(h)(10) election for all of the subsidiaries involved in Sale 2 and (ii) § 332 applies to the liquidations of Sub 1, Sub 2, and Sub 3, the distribution described in step (ix) above will be treated as a distribution in partial liquidation under § 302(e)(1) provided the distribution is made in the taxable year in which the plan is adopted or in the next succeeding year (§ 1.346-1(a)(2) of the Income Tax Regulations). A partial liquidation under § 302(e)(1) will be treated as an exchange under §§ 302(b)(4) and 302(a) to the extent distributions are made to shareholders who are not corporations.

(2) The maximum amount considered distributed in partial liquidation will equal the Net Proceeds. Net Proceeds will not include (i) any assets received by Parent attributable to indebtedness canceled upon the liquidation of Sub 1, Sub 2, or Sub 3 (Rev. Rul. 77-375, 1977-2 C.B. 106) or (ii) any earned or accrued investment earnings on the temporary investment of the Segregated Proceeds (Rev. Rul. 71-250, 1971-1 C.B. 112). Further, Net Proceeds will be reduced by any loss on the temporary investments (Rev. Rul. 76-279, 1976-2 C.B. 99).

We further rule that the above changes do not affect Ruling (3) of the Prior Ruling Letter, and that ruling remains in full force and effect. No opinion is given on whether the liquidations of Sub 1, Sub 2, and Sub 3 will qualify under § 332.

This letter is directed only to the taxpayer who requested it. Section 6110(k)(3) provides that it may not be used or cited as precedent.

Copies of this letter and the Prior Ruling Letter should be attached to the federal income tax return of the taxpayer involved for the taxable year in which the transaction covered by this letter is consummated.

Sincerely yours,

Assistant Chief Counsel (Corporate)

By \_\_\_\_\_  
Wayne T. Murray  
Senior Technician/Reviewer  
Branch 4