

Internal Revenue Service

Index Numbers: 332.00-00, 351.00-00,
355.01-00, 367.40-00, 368.04-00

Department of the Treasury

200001041

Washington, DC 20224

Person to Contact:

Telephone Number:

Refer Reply To:

CC:DOM:CORP:Br4 PLR-114744-99

Date:

October 6, 1999

Dear :

This letter responds to your August 31, 1999 request for a supplement to our prior letter ruling dated August 20, 1999 (the "Prior Letter Ruling"). The legend abbreviations, factual summary, and representations appearing in the Prior Letter Ruling are incorporated by reference into this letter.

Pursuant to your request, the Prior Letter Ruling has been modified as follows:

(A) The following step has been added to the **Proposed Transaction**:

(xiv) In a reverse stock split (the "Reverse Stock Split") Distributing will issue one share of new common stock ("New Distributing Common Stock") for each m shares of outstanding Distributing common stock ("Old Distributing Common Stock"). No fractional shares will be issued in the Reverse Stock Split. Instead, an exchange agent will sell shares of New Distributing Common Stock equivalent to the aggregate of fractional share interests and pay the cash proceeds of the sale, without interest, to the persons otherwise entitled to the fractional shares.

(B) The following representation has been added:

Reverse Stock Split Representation

(ggg) The payment of cash in lieu of fractional shares of New Distributing Common Stock in the Reverse Stock Split is solely for the purpose of avoiding the expense and inconvenience to Distributing of issuing fractional shares and does not represent separately bargained-for consideration. The total cash consideration that will be paid to the Distributing shareholders instead of issuing fractional shares of

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New Distributing Common Stock in the Reverse Stock Split will not exceed one percent of the total consideration that will be issued in the Reverse Stock Split to the Distributing shareholders in exchange for their shares of Old Distributing Common Stock. The fractional share interests of each Distributing shareholder will be aggregated, and no Distributing shareholder will receive cash in an amount equal to or greater than the value of one full share of New Distributing Common Stock.

The above changes have no effect on the rulings contained in the Prior Letter Ruling, and those rulings retain full force and effect. In addition, the following ruling is added to the Prior Letter Ruling:

(24) If a shareholder of Distributing receives cash as a result of a sale by an exchange agent of a fractional share of New Distributing Common Stock, the shareholder will recognize gain or loss measured by the difference between the basis of the fractional share interest and the amount of cash received. If the fractional share qualifies as a capital asset in the hands of the shareholder, the gain or loss will be capital gain or loss subject to the provisions and limitations of Subchapter P of Chapter 1 of the Code (§§ 1221 and 1222).

No opinion is expressed about the tax treatment of the above changes under any other provisions of the Code or Federal Income Tax Regulations.

The caveats contained in the Prior Letter Ruling remain unchanged, and the following new caveat is added:

(x) whether the Reverse Stock Split qualifies for non-recognition treatment under § 368(a).

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

Copies of this supplemental letter and the Prior Letter Ruling must be attached to the federal income tax return of each taxpayer involved for the taxable year in which the Proposed Transaction is completed.

PLR-114744-99

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Pursuant to a power of attorney on file in this office, a copy of this letter is being sent to each of your authorized representatives.

Sincerely,

Assistant Chief Counsel (Corporate)

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

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