Internal Revenue Service

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Department of the Treasury
Washington, DC 20224

Third Party Communication: None
Date of Communication: Not Applicable

Person To Contact:
, ID No.

Telephone Number:

Refer Reply To:
CC:CORP:BO1
PLR-119895-04

Date:
September 08, 2004

In Re:

Old Parent =

New Parent =

T =

B =

Agreement =

Date C =

Date D =

Date E =

Date F =

h =

k =

l =

m =
n =

o =

p =

q =

r =

s =

t =

u =

v =

Dear

This letter replies to your authorized representative's letter of March 6, 2004 requesting rulings as to certain federal income tax consequences of a consummated transaction. The following is a summary of the information in your letter and subsequent correspondence.

Summary of Facts

Before the transactions described below, Old Parent was the common parent of a consolidated group and filed on a calendar year basis. It had two classes of common stock, owned approximately h percent (a majority) by public shareholders and approximately k percent by managers of Old Parent. New Parent and T were formed for purposes of the transactions below.

B proposed to finance a buyout of Old Parent's public shareholders. In the negotiations to effect the buyout, B insisted that Old Parent engage in a holding company transaction to avoid dissenters' rights. On Date C, Old Parent, New Parent, and an entity controlled by B executed Agreement, which required that steps (i) through (viii), below (the "Series of Transactions") occur in the form and order described below:

(i) On Date D, when Old Parent owned all of the stock of New Parent and New Parent owned all of the stock of T, T merged into Old Parent in a reverse subsidiary merger. The Old Parent shareholders exchanged their Old Parent stock for identical New Parent stock. Old Parent became a wholly-owned subsidiary of New Parent.

On Date E, the following three steps occurred:

(ii) Certain designated members of Old Parent management exchanged their New Parent common stock for New Parent Series B convertible preference stock.

(iii) The remaining New Parent common stock was reclassified to New Parent Class B mandatorily redeemable common stock.

(iv) Certain designated members of Old Parent management exchanged options to acquire New Parent common stock for options to acquire New Parent Class A common stock.

On Date F, the following four steps occurred:

(v) Partnerships created by B purchased approximately l dollars of newly issued New Parent preference stock from New Parent and approximately m dollars of New Parent preference stock from Old Parent management. Third party investors purchased approximately n dollars of newly issued New Parent Class A common stock.

(vi) Old Parent distributed approximately o dollars to New Parent, of which approximately p dollars of which was to help fund the subsequent redemption and approximately q dollars of which was to pay for New Parent's fees in the transaction.

(vii) Management's Series B convertible preference stock of New Parent automatically converted to Holdings Class A common stock.

(viii) All of the Holdings Class B mandatorily redeemable common stock was redeemed for approximately r dollars.

At the end of the Series of Transactions, New Parent was owned approximately s (a number greater than 50) percent by the partnerships formed by B and the other investors, and approximately t percent by management. The public shareholders were cashed out. Old Parent lost approximately u percent of its net assets and approximately v percent of its gross assets (numbers sufficiently large that an acquiror of Old Parent's remaining assets could not be said to have acquired '"substantially all the assets" of Old Parent within the meaning of § 1.1502-75(b)(2)(ii) of the Income Tax Regulations).

Rulings

Based solely on the information submitted, we rule as follows:

(1) The Series of Transactions resulted in the termination of the Old Parent consolidated group because Old Parent ceased to be the common parent of the group (§ 1.1502-75(d)(1)). The Series of Transactions did not meet the requirements for continuation of the group under § 1.1502-75(d)(2)(ii) (acquisition of common parent's

assets by subsidiaries); § 1.1502-75(d)(3) (reverse acquisition); or Rev. Rul. 82-152, 1982-2 C.B. 205.

(2) The termination of the Old Parent consolidated group occurred on Date D because that was the date in which Old Parent ceased to be the common parent of the consolidated group.

(3) New Parent is not a "successor" to Old Parent for purposes of § 1504(a)(3) of the Internal Revenue Code.

(4) New Parent's earnings and profits as a result of becoming the common parent of the former Old Parent consolidated group do not reflect any of the earnings and profits of the former members of the Old Parent that arose before Date D. (§ 1.1502-33).

Caveats

No opinion is expressed about the tax treatment of the transaction under other provisions of the Code or regulations or the tax treatment of any conditions existing at the time of, or effects resulting from, the proposed transaction that are not specifically covered by the above rulings. In particular, no opinion is expressed about the tax treatment of the reverse subsidiary merger described in step (i), above, the exchanges described in steps (ii) and (iv), above; the distribution from Old Parent to New Parent described in step (vi), above; the reclassifications or conversions of stock in steps (iii) and (vii), above, and the redemptions of stock in step (viii), above.

Procedural Statements

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 involved in the transaction should attach a copy of this ruling letter to the taxpayer's federal income tax return for the taxable year in which the transaction covered by this letter is completed.

Under a power of attorney on file in this office, a copy of this letter is being sent to your authorized representative.

Sincerely,

_____

Victor Penico
Senior Counsel, Branch 1
Office of Associate Chief Counsel
(Corporate)

cc: