199944041

Internal Revenue Service

Department of the Treasury

Index Number: 0351.01-00, 0355.01-00, 0368.04-00

Washington, DC 20224

Person to Contact:

Telephone Number:

Refer Reply To:
CC:DOM:CORP:5-PLR-110713-99

Date:
July 20, 1999

Distributing 2 =

Controlled 2 =

A =

F =

K =

L =

M =

N =

O =

P =

T =

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U =

V =

This is in reply to your letter dated June 10, 1999, requesting that we supplement our letter ruling dated August 3, 1998 (PLR-102459-98, the "Prior Letter Ruling"). Certain information in the Prior Letter Ruling was corrected in a private letter ruling dated August 18, 1998. Your supplemental ruling request was revised in a letter dated July 14, 1999. The information submitted for consideration is summarized below. The legended terms used in the Prior Letter Ruling are used herein, where appropriate, and retain the meaning assigned to them in the Prior Letter Ruling.

In step (xii) of the Prior Letter Ruling's description of the transaction, Distributing 2 proposed the following stock offering, which was intended to raise $F for Distributing 2's capital needs:

> Within K months of the distribution of Controlled 2, Distributing 2 will offer to the public new shares of Distributing 2 common stock representing approximately N percent of its stock (the "Offering"). Subject to advice from Distributing 2's investment bankers, A may sell approximately N percent of the Distributing 2 shares in connection with the Offering. To the extent that A sells Distributing 2 shares in connection with the Offering, A will dispose of an equal percentage of shares of Controlled 2 stock within the K month period following the date of the Second Distribution or within the P month period following the Offering, whichever date is later.

On date L, Distributing 2 completed the proposed restructuring transactions and the distribution of Controlled 2 described in the Prior Letter Ruling. On date O, Distributing 2 increased its number of outstanding shares through a stock split. On date M, Distributing 2 completed an offering of T percent of Distributing 2 shares (T is approximately 50 percent of N). In connection with the offering, A sold N percent of the Distributing 2 shares on date M.

Distributing 2 represented that the price per share of the date M stock offering was substantially greater than the expected price per share of the proposed stock offering in the Prior Letter Ruling. As a result, the offering of the reduced number of Distributing 2 shares raised a substantial amount of cash for Distributing 2. In addition,

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Distributing 2 demonstrated that its improved profitability and reduced expansion opportunities since the distribution of Controlled 2 will allow Distributing 2 to satisfy its capital needs with the proceeds of the date M stock offering.

Therefore, Distributing 2 proposes the following revised step (xii) for the Prior Ruling Letter:

> Within K months of the date of the distribution of the Controlled 2 stock, Distributing 2 will offer to the public U post split adjusted shares of Distributing 2 common stock, representing approximately T percent of its stock, in exchange for cash estimated to result in proceeds of at least $V to Distributing 2 (the "Offering"). Subject to advice from Distributing 2's investment bankers, A may sell approximately N percent of the Distributing 2 shares in connection with the Offering. To the extent that A sells Distributing 2 shares in connection with the Offering, A will dispose of an equal percentage of shares of Controlled 2 stock within the K month period following the date of the Second Distribution or within the P month period following the Offering, whichever date is later.

Based upon the information and representations submitted with the original and supplemental ruling requests, and provided A disposes of N percent of the shares of Controlled 2 stock within the K month period following the date of the Second Distribution or within the P month period following the Offering, whichever date is later, we hold as follows with respect to the revised step (xii) of the transaction:

> The rulings in the Prior Letter Ruling will not be affected, and each of the rulings in the Prior Letter Ruling is reaffirmed.

No opinion is expressed concerning the federal income tax treatment of the proposed transactions under other provisions of the Code or Regulations or about the tax treatment of any conditions existing at the time of, or effects resulting from, the transactions that are not specifically covered by the above rulings.

This supplemental letter ruling is directed only to the taxpayer who requested 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 supplemental letter ruling is consummated.

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

Sincerely yours,

Assistant Chief Counsel (Corporate)

By: Debra Carlisle

Debra Carlisle
Chief, Branch 5