

Internal Revenue Service

Department of the Treasury

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Date:

September 6, 2000

Sub 10 =

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This letter responds to your August 23, 2000 request for a supplement to our letter ruling dated May 23, 2000, and designated PLR-101093-00/200033037 (the "Prior Letter Ruling"). The legend abbreviations, Summary of Facts, Proposed Transactions, Representations, and Caveats appearing in the Prior Letter Ruling are incorporated by reference.

The ruling contained in this letter is based upon the facts and representations submitted by the taxpayer and accompanied by a penalty of perjury statement executed by an appropriate party. This office has not verified any of the material submitted in support of the request for a ruling. Verification of this material may be required as a part of the audit process.

Supplemental Facts

The Prior Letter Ruling addressed the federal income tax consequences of a series of transactions that will separate Controlled from Distributing (the "Separation"). In connection with the Separation, Distributing intends to satisfy the active business requirement of § 355(b) of the Internal Revenue Code through its indirect ownership of Sub 5 and Sub 6 (each of which conducts Segment A2 of Business A). Controlled intends to satisfy the active business requirement through its direct ownership of Sub 1, Sub 2, and Sub 3 (each of which conducts Segments A1 of Business A). To further ensure that Distributing and Controlled each will meet the active business requirement, Distributing proposes to complete the following restructuring transactions before the Separation (the "Pre-Separation Restructuring"):

(i) Distributing will contribute some or all of its currently held assets, other than its investment in Sub 4, to Sub 4.

(ii) Sub 4 will contribute to Sub 5 (a) some or all of its currently held assets (excluding its investment in Sub 5, Sub 6, and Sub 7) and (b) all of the assets it receives from Distributing in step (i) above.

(iii) Controlled will contribute to Sub 2 (a) certain currently held assets (excluding

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its investment in Sub 1, Sub 2, and Sub 3), (b) all of the assets it receives from Sub 3 in step (vi) below, (c) all of the assets it receives from Sub 1 in step (iv) below, and (d) any cash received from Distributing in step (iii) of the Proposed Transaction described in the Prior Letter Ruling.

(iv) Sub 1 will distribute to Controlled certain receivables due from Sub 1 affiliates.

(v) Sub 10, a first-tier subsidiary of Sub 3, will issue to Sub 3 its assignable note in the amount of \$ dollars (the "Note"). The Note will have a fixed maturity date of four years and will bear annually payable interest.

(vi) Sub 3 will distribute the Note and possibly some cash to Controlled.

Ruling

Based solely on the information submitted in the original and supplemental requests, we rule that the Pre-Separation Restructuring will have no adverse effect on the Prior Letter Ruling, which will retain full force and effect.

Caveats

We express no opinion on the tax effects of the transactions described above under any other provision of the Code and regulations, or the tax effects of any conditions existing at the time of, or effects resulting from, the transactions that are not specifically covered by the above ruling.

Procedural Statements

This supplemental 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 this supplemental letter to the taxpayer's 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,
Assistant Chief Counsel (Corporate)
By: Wayne T. Murray
Senior Technician/Reviewer, Branch 4