

Internal Revenue Service

Department of the Treasury

Number: **200343005**

Washington, DC 20224

Release Date: 10/24/2003

Index Number: 355.01-00
368.04-00

Person to Contact:

Telephone Number:

Refer Reply To:

CC:CORP:4-PLR-117176-03

Date:

July 16, 2003

h =

Date B =

This letter responds to your February 28, 2003 request that we supplement our letter ruling dated December 16, 1998 (PLR-116429-98)(the "Original Letter Ruling") and supplemental letter rulings dated June 16, 1999 (PLR-105017-99)(the "First Supplemental Letter Ruling") and January 30, 2002 (PLR-147187-01)(the "Second Supplemental Letter Ruling"). The Original Letter Ruling, the First Supplemental Letter Ruling and the Second Supplemental Letter Ruling are together referred to herein as the "Prior Letter Rulings." Capitalized terms not defined in this ruling have the meanings assigned to them in Prior Letter Rulings.

The Prior Letter Rulings address certain federal income tax consequences of a distribution of stock of a controlled corporation and related transactions. Step (vii) of the First Supplemental Letter Ruling provided that "[w]ithin a months of the Distribution, the b most senior executives of Business B and Business C will have been issued stock in Controlled 2 representing in the aggregate a greater than c percent interest. Within d months, this interest will rise to greater than e percent. The total cost to the Business B and Business C executives for their Controlled 2 stock will be approximately f dollars."

Distribution 2 was completed on Date A. Since then, unexpected developments have materially impacted Controlled 2's ability to implement its equity incentive plans as originally anticipated.

Consequently, Controlled 2 senior executives exceeded the d-month period to reach the e percent ownership objective by one month because the senior executives needed their bonuses to finance the stock purchase. In addition, the senior executives

purchased Controlled 2 stock for h dollars by Date B, and are expected to pay considerably more as they exercise additional stock options that they have been granted.

Based solely on the information submitted with the supplemental ruling request, we rule that the facts set forth herein will have no adverse effect on the rulings contained in the Prior Letter Rulings, which remain in full force and effect.

We express no opinion on the tax treatment of the transaction under any other provisions of the Code or regulations, or the tax treatment of any conditions existing at the time of, or effects resulting from, the transaction that are not specifically covered by the Prior Letter Rulings or this supplemental letter ruling.

This ruling is directed only to the taxpayer(s) requesting it. Section 6110(k)(3) of the Code provides that it may not be used or cited as precedent.

A copy of this letter must be attached to any income tax return to which it is relevant.

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

Sincerely,

Richard K. Passales
Senior Counsel, Branch 4
Office of Associate Chief Counsel
(Corporate)

cc: