

Internal Revenue Service

Department of the Treasury

Index Number: 0351.01-00, 0355.01-00, Washington, DC 20224
0368.06-00

Number: **199913014**
Release Date: 4/2/1999

Person to Contact:

Telephone Number:

Refer Reply To:
CC:DOM:CORP:5-PLR-119338-98
Date:
December 23, 1998

Re:

Distributing =

Controlled =

E =

Dear

This is in reply to a letter from your authorized representative, dated October 6, 1998, requesting that we supplement our letter ruling dated August 12, 1997 (PLR-105126-97) (the "Prior Letter Ruling"). Additional information was submitted in letters dated December 18, December 23, and December 28, 1998. The information submitted for consideration is summarized below. Capitalized terms retain the meaning assigned to them in the Prior Letter Ruling.

On date E, Distributing and Controlled completed the proposed restructuring and distribution transaction described in the Prior Ruling Letter. In its request for a supplemental letter ruling, Controlled described its plan to broaden and expand its employee stock option program (the Employee Options).

The following representations have been made in connection with the proposed transaction:

- (a) The controlled corporation has not issued, and it has no plan or intention to issue, an amount of options to acquire controlled corporation stock that, if treated as exercised at the time of issuance, would cause the persons treated as receiving controlled corporation stock pursuant to the deemed exercise of controlled corporation options to acquire a 50 percent or greater interest in the controlled corporation (as determined under § 355(e)) at the time of such issuance.
- (b) The issuance of controlled corporation options is not part of a plan or series of related transactions (within the meaning of section 355(e)) pursuant to which one or more persons acquired or will acquire directly or indirectly stock possessing 50 percent or more of the total combined voting power of all classes of stock of the controlled corporation, or stock possessing 50 percent or more of the total value of all classes of stock of the controlled corporation.

Based upon the information and representations submitted with the original and supplemental ruling requests, the issuance of the Employee Options will not have an adverse effect on the rulings contained in the Prior Letter Ruling and we reaffirm the rulings set forth in the Prior Letter Ruling.

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(j)(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, copies of this letter are being sent to your authorized representatives.

Sincerely yours,
Assistant Chief Counsel
(Corporate)

By: _____
Charles Whedbee
Senior Technical Reviewer, Branch 5

Refers to Written Determination No.: 9745028