

Internal Revenue Service

Department of the Treasury

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Washington, DC 20224

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Refer Reply To:

CC:CORP:2-PLR-120721-01

Date:

April 20, 2001

Legend:

Distributing 2 =

Distributing 1 =

Controlled =

Sub A =

Sub D =

LLC =

x =

y =

z =

Service A =

Agreement 1 =

Agreement 2 =

City U =

Dear:

We respond to your letter dated April 6, 2001, requesting a supplemental ruling to PLR 100247-00, a ruling letter issued on June 7, 2000 ("Prior Ruling Letter"). In the Prior Ruling Letter we ruled that the Controlled Group could separate from the

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Distributing Group under §§ 351, 355 and 368(a)(1)(D) of the Internal Revenue Code.

The Prior Ruling addresses certain federal income tax consequences of a proposed transaction intended to separate Controlled and its affiliated entities (the “Controlled Group”) from Distributing 2 and its affiliated entities (the “Distributing Group”). The Prior Ruling Letter held, in part, that (i) the transfer by Distributing 1 to Controlled of the stock of certain Distributing 1 subsidiaries, including Sub A, and certain other assets, including the right to use certain distribution facilities located in City U and certain associated assets and leases (collectively, the “City U Assets”), in exchange for the constructive issuance of additional Controlled stock, cash and the assumption by Controlled of certain liabilities; (ii) the subsequent transfer by Controlled of the City U Assets and certain other assets to Sub A in exchange for the constructive issuance of additional Sub A stock and Sub A’s assumption of certain liabilities (collectively (i) and (ii) are hereinafter “the Contributions”); and (iii) the distribution of the more than 80% of the stock of Controlled from Distributing 1 to Distributing 2, followed by the distribution of such Controlled stock to Distributing 2’s shareholders (collectively, the “Distributions”), were tax-free under sections 351, 355, and 368(a)(1)(D). The Distributions were effected on Date A.

At the time of the Distributions, Distributing 1 and Sub A still had a business relationship due to Distributing 1 and Sub A entering into Agreement 1. In addition, prior to the Distributing Group’s acquisition of LLC (the predecessor of Sub D) on Date B, the Controlled Group had entered into Agreement 2 with LLC to provide Service A. Upon the acquisition of LLC by the Distributing Group, Agreement 2 was assigned to and assumed by Sub D.

Due to certain business circumstances and market conditions that were unforeseen at the time the Distributions were effected, the Distributing Group and the Controlled Group desire to terminate Agreement 1 and Agreement 2 in order to accelerate a more complete separation of their existing business relations (the “Separation”).

In order to accelerate the separation, the Distributing Group and Controlled Group will undertake various measures, including:

- (1) Agreement 1 and Agreement 2 will be terminated and the parties will waive or otherwise resolve all claims thereunder.
- (2) The Distributing Group will acquire certain assets, including the City U assets, currently used by the Controlled Group to provide Service A to Distributing 1 under Agreement 1 and to Sub D under Agreement 2 (the “Purchase”).

Based upon the information and representations submitted with the original and supplemental ruling requests, we rule that the Separation, including the Purchase, will have no adverse effect on the Prior Letter Ruling and the Prior Letter Ruling remains in

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full force and effect.

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

The rulings contained in this letter are based upon information and representations submitted by the taxpayer and accompanied by a penalty of perjury statement executed by an appropriate party. While this office has not verified any of the material submitted in support of the request for rulings, it is subject to verification on examination.

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

Sincerely,
Assistant Chief Counsel (Corporate)
By: Lewis K Brickates
Assistant to Chief, Branch 2