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Person to Contact:

Telephone Number:

Refer Reply To:

CC:CORP:B01- PLR-112915-00

Date:

October 26, 2000

Distributing =

Controlled =

X =

Y =

Z =

Date 1 =

Date 2 =

We respond to your letter dated June 28, 2000, in which you requested a supplemental ruling to PLR 200011017 issued on December 14, 1999 ("Prior Letter Ruling"). Additional information was submitted in a letter dated August 24, 2000.

The Prior Letter Ruling stated that the business purpose for the spin-off was to facilitate substantial borrowing by Controlled, the proceeds of which would be used to fund specific acquisitions. Consistent with the Prior Letter Ruling, the spin-off has facilitated substantial incremental borrowing by Controlled, which had borrowed approximately \$X through Date 1.

As a result of significant changes in Controlled's industry, including the diminished attractiveness of one potential acquisition (as well as a beneficial license transaction that alleviated the need to do another significant acquisition), only \$Y of the borrowed amount has been used to fund acquisitions. The additional incremental borrowing has been used instead primarily to make capital expenditures and fund the working capital needed to support Controlled's rapid growth. Additionally, as a result of Controlled's growth since the spin-off, Controlled's capital needs have far exceeded the

additional borrowing capacity created by the spin-off. Consequently, Controlled has completed a public equity offering of approximately \$Z as of Date 2.

Based solely on the information and representations set forth in the Prior Letter Ruling and this supplemental letter ruling, it is held as follows:

Controlled's use of substantial incremental borrowing resulting from the spin-off to make acquisitions and capital expenditures and fund working capital needs (instead of exclusively to make acquisitions) and Controlled's public equity offering will have no adverse effect on the validity of the rulings contained in the Prior Letter Ruling and those rulings will remain in full force and effect.

No opinion is expressed about the tax treatment of the transactions under other provisions of the Code and 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 supplemental ruling and the rulings set forth in the Prior Letter Ruling. Specifically, no rulings were requested and no opinion is expressed as to the federal income tax consequences of the offering under section 355(e) of the Code.

This ruling supplements the Prior Letter Ruling. Section 6110(k)(3) provides that it may not be used or cited as precedent.

A copy of this supplemental letter should be attached to the federal income tax returns of the taxpayers involved for the taxable year in which the transaction is consummated.

The supplemental rulings contained in this letter are predicated upon the facts and representations submitted by the taxpayer and accompanied by a penalty of perjury statement executed by the appropriate parties. This office has not verified any of the material submitted in support of the request for the supplemental ruling. Verification of the factual information, representations, and other data may be required as part of the audit process.

Pursuant to a power of attorney on file in this office, a copy of this letter has been sent to the taxpayer.

Sincerely yours,
Associate Chief Counsel (Corporate)
By Christopher W. Schoen
Assistant to the Chief, Branch 1