

Internal Revenue Service

Department of the Treasury
Washington, DC 20224

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Person To Contact:

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Telephone Number:

Refer Reply To:

CC:CORP:B02 – PLR-146445-03

Date:

February 02, 2004

Legend

h =

i =

g =

Date 2 =

Building =

Dear

This letter responds to a letter dated August 1, 2003, requesting a supplement to our letter ruling dated November 9, 2000 (PLR 200107008) (the “Prior Letter Ruling”). The information submitted for consideration is summarized below. Defined terms retain the meanings assigned to them in the Prior Letter Ruling.

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.

The Prior Letter Ruling addresses the Federal income tax consequences of the distribution of Controlled stock. The Prior Letter Ruling provided, in part, that Distributing was to transfer Corporations A, B, C, and D and its general partnership interest in Partnership 1 to Controlled in exchange for all of Controlled’s stock. Controlled would acquire (at fair market value) from Corporation E the interest in LLC 1 owned by Corporation E and would transfer that interest to Corporation D. Controlled

was also to transfer its general partnership interest in Partnership 1 to Corporation D. The stock of Controlled would then be transferred pro rata to Distributing's shareholders.

In connection with the Prior Letter Ruling request, the taxpayer stated that Controlled and Distributing would share certain services for a transition period after the distribution. One of the shared services was described in the "Intercompany Shared Services Agreement." This agreement has an original term of h and a renewal provision for up to an additional i. The taxpayer also stated in the submission that Controlled would lease (Lease) Building for h years, corresponding to the initial term of the Intercompany Shared Services Agreement. The Lease agreement did not have a renewal provision.

The taxpayer has represented that Distributing distributed Controlled stock to its shareholders on Date 2 as described in the Prior Letter Ruling request and in accordance with the terms of the Prior Letter Ruling. The taxpayer represents that since the separation, Controlled and Distributing, both publicly held corporations, have operated independently under separate management. The shared services, other than those described in the Intercompany Shared Services Agreement and the Lease, have been concluded.

Because of unexpected circumstances, Controlled and Distributing have extended the Intercompany Shared Services Agreement per the renewal provision incorporated in that agreement. Controlled and Distributing want to extend the Lease of Building for an additional g. Furthermore, Controlled wishes to continue to lease the first floor of Building for the time the Intercompany Shared Services Agreement is extended. Controlled has demonstrated a significant need to retain its physical presence in the first floor of Building while the Intercompany Shared Services Agreement continues.

The taxpayers seeks a supplemental ruling that the extension of the Lease of Building for g and the lease of the first floor of Building for an additional i, corresponding to the term of the Intercompany Shared Services Agreement, will not effect the prior rulings.

Based upon the information and representations provided with the original and supplemental ruling requests, we rule that the continuation of the lease of Building for g and the lease of the first floor of Building for an additional i, corresponding to the term of the Intercompany Shared Services Agreement, will not have an adverse effect on the rulings contained in the Prior 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.

In accordance with the Power of Attorney on file with this office, a copy of this letter is being sent to your authorized representative.

Sincerely,

Marlene P. Oppenheim

Marlene P. Oppenheim
Senior Counsel
Office of Associate Chief Counsel
(Corporate)