

**Internal Revenue Service**

Department of the Treasury

Number: **200118044**  
Release Date: 5/4/2001  
Index Number: 0355.00-00

Washington, DC 20224

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CC:CORP:4-PLR-115079-00

Date:

February 5, 2001

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Date A =

This letter responds to your August 4, 2000 request that we further supplement our letter ruling dated March 30, 1999 (PLR-121425-98) (the "Original Letter Ruling"), as supplemented by our letter rulings dated April 28, 1999 (PLR-107269-99), July 5, 2000 (PLR-102442-00), July 20, 2000 (PLR-102440-00), August 2, 2000 (PLR-104655-00) and September 22, 2000 (PLR-105635-00) (together, the "Prior Letter Rulings"). Capitalized terms not defined in this letter retain the meanings assigned them in the Prior Letter Rulings.

The Prior Letter Rulings address certain federal income tax consequences of the Distributions by Distributing 2 of the stock of Controlled A and Controlled B and related transactions.

**Facts**

To meet capital needs that have developed since the Distributions (which were completed more than 18 month ago), the management of Controlled A has determined that Controlled A should offer to the public a dollars of its common stock (the "Stock Offering"). Based on its Date A trading price, the Controlled A stock has appreciated more than 100 percent since it was distributed. The stock issued in the Stock Offering will represent less than 20 percent of the Controlled A stock outstanding immediately after the Stock Offering.

**Representations**

Controlled A makes the following representations:

(a) There was no agreement, understanding, arrangement, or substantial negotiations concerning the Stock Offering at the time of the Distributions or within six months thereafter.

(b) At the time of the Distributions, Controlled A had sufficient capital to meet its needs.

(c) Apart from the Stock Offering and the issuance of compensatory stock and

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options, Controlled A has no plan or intention to engage in any transaction with respect to its stock.

Distributing 2 reaffirms the following representations that appear in the Original Ruling Letter:

(fff) The Distributions are carried out for the following business purposes: to enable each Controlled Corporation (i) to attract, motivate, and retain key management and other employees by adopting separate ESOPs and providing compensation packages that include other equity incentives tied directly and exclusively to the stock of the Controlled Corporation and (ii) to solve operational problems inherent in the current corporate structure and enhance the Controlled Corporation's performance and earnings by permitting its management to focus attention on smaller, strategically aligned markets and adopt strategies and pursue objectives that are appropriate to the unique characteristics and needs of local communities within those markets. The Distributions are motivated, in whole or substantial part, by one or more of these corporate business purposes.

(ppp) Neither Distribution is part of a "plan (or series of related transactions)" pursuant to which one or more persons will acquire directly or indirectly stock possessing 50 percent or more of the total combined voting power of all classes of stock of the Distributing Corporation or either Controlled Corporation entitled to vote, or stock possessing 50 percent or more of the total value of all classes of stock of the Distributing Corporation or either Controlled Corporation, within the meaning of § 355(e).

### **Rulings**

Based solely on the information submitted in the original and supplemental ruling requests and the representations set forth above, we rule as follows:

(1) The Stock Offering by Controlled A will not be considered part of a plan (or series of related transactions) that includes the Distributions, within the meaning of § 355(e).

(2) The Stock Offering and the additional information and representations contained in the supplemental ruling request will not adversely affect the Prior Letter Rulings, and the Prior Letter Rulings retain full force and effect.

### **Caveats**

We express no opinion about the tax treatment of the transactions described above under any provisions of the Code or regulations or the tax treatment of any condition existing at the time of, or effect resulting from, the transactions that is not specifically covered by the above rulings.

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### **Procedural Matters**

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

Each taxpayer affected by the Prior Letter Rulings should attach copies of those letters and this supplemental letter to the taxpayer's federal income tax return for the taxable year in which the transactions covered by these letters are completed.

Under a power of attorney on file in this office, a copy of this supplemental letter will be forwarded to each of your authorized representatives.

Sincerely,  
Associate Chief Counsel (Corporate)  
By: Wayne T. Murray  
Senior Technician/Reviewer  
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