

Internal Revenue Service

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Department of the Treasury

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Washington, DC 20224

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Refer Reply To:

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Date:

April 28, 1999

Distributing =

Controlled =

Date k =

i =

l =

m =

n =

o =

Trust =

This responds to your April 8, 1999 request that we supplement our letter ruling of January 12, 1999 (the "Prior Letter Ruling"). Capitalized terms retain the meanings originally assigned them.

The Prior Letter Ruling addressed a proposed transaction in which Controlled

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would offer to sell j percent of its common stock in an initial public offering ("IPO"), and Distributing would distribute the remaining Controlled stock to holders of Distributing Class C Common Stock. The proposed IPO was completed on Date k and resulted in the public buying l percent of the Controlled common stock, leaving Distributing with m percent.

When the Prior Letter Ruling was issued, Distributing intended to distribute all of its post-IPO Controlled common stock to the holders of Class C Common Stock. Distributing now proposes to distribute n percent of the Controlled stock to these shareholders and contribute o percent to Trust, a voluntary employees' beneficiary association. Distributing previously organized Trust to provide health care and life insurance benefits for Distributing's retirees and their dependents.

As a result of this change, Distributing now wishes to modify step (viii) of the transaction as originally proposed and add new step (ix), to read as follows:

(viii) Distributing will distribute n percent of the Controlled common stock pro rata to the holders of Distributing Class C Common Stock (the "Distribution").

(ix) Immediately after the Distribution and on the same date, Distributing will contribute o percent of the Controlled common stock to Trust (the "VEBA Contribution").

Distributing withdraws representation (a) from the Prior Letter Ruling and adds representations (q) and (r) as follows:

(q) Trust is a tax-exempt entity qualifying under § 501(c)(9) of the Internal Revenue Code. The assets of Trust are used solely to provide health care and life insurance benefits for Distributing's retirees and their dependents, and Distributing has no ownership interest in such assets.

(r) Distributing will make the VEBA Contribution immediately after the Distribution.

Based solely on the information submitted and the representations set forth above, we rule that (i) the VEBA Contribution will have no effect on the rulings issued in the Prior Letter Ruling (as amended hereinafter by this supplemental ruling) and (ii) the Prior Letter Ruling (as amended) remains in full force and effect.

In addition, rulings (8) through (11) of the Prior Letter Ruling are withdrawn and replaced with rulings (8) and (9), to read as follows:

(8) The aggregate basis of the Distributing stock and the Controlled stock held by each shareholder immediately after the Distribution will equal the aggregate basis of

the shareholder's Distributing stock held immediately before the Distribution, allocated in proportion to the fair market value of each in accordance with §1.358-2(a)(2) (§358(b)(2)).

(9) The holding period of Controlled stock received by a Distributing shareholder in the Distribution will include the holding period of the Distributing stock on which the Distribution is made, provided the Distributing stock is held as a capital asset on the date of the Distribution (§1223(1)).

Rulings (12) and (13) of the Prior Letter Ruling are renumbered as rulings (10) and (11).

We express no opinion about the tax treatment of the transaction under other provisions of the Code or regulations, or the tax effects of any condition existing at the time of, or effect resulting from, the transaction that is not specifically covered by the above ruling. In particular, we express no opinion on the treatment of the transaction under the Employment Retirement Income Security Act of 1974 or analogous provisions of the Code (including, without limitation, the treatment of the VEBA Contribution under the prohibited transaction rules and the deductibility of the VEBA Contribution).

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

Each taxpayer involved in this transaction should attach a copy of the Prior Letter Ruling and of this supplemental ruling to the taxpayer's federal income tax return for the taxable year in which the transaction is completed.

In accordance with the power of attorney on file in this office, the taxpayer and two authorized representatives each will receive a copy of this letter.

Sincerely,

Assistant Chief Counsel (Corporate)

By: Wayne J. Murray

Wayne T. Murray
Senior Technician/Reviewer
Branch 4