Internal Revenue Service

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Washington, DC 20224

Person to Contact:

Telephone Number:

Refer Reply To:
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Date:
May 9, 2000

Distributing =

Controlled =

Union =

Date p =

Date pp =

Date q =

Date r =

Date s =

This responds to your January 4, 2000 request that we supplement our letter ruling of January 12, 1999 (the "Prior Letter Ruling") and supplemental letter ruling of April 28, 1999 (together, the "Prior Letter Rulings"). Capitalized terms retain the meanings originally assigned them. The information provided in this request and in later correspondence is summarized below.

The Prior Letter Ruling addresses a proposed transaction in which Controlled would sell stock in an initial public offering, and Distributing would distribute the remaining Controlled stock to holders of Distributing Class C Common Stock. As part of the transaction, Distributing and Controlled agreed to an allocation of retirement benefit liabilities using assumptions based on then-available information (the "Assumptions"). To the extent this allocation were later found to be inaccurate, a "true-up" payment would be made by one corporation to the other. The IPO was completed on Date k, and the Controlled stock was distributed on Date p.

Shortly after the Spin-Off, Distributing and Controlled each entered into negotiations with Union on a new labor contract. The resulting bargaining agreement, which applies to both Distributing and Controlled and was ratified by the Union membership on Date pp, affects the Assumptions by:

(i) Extending to Date r the date by which a Controlled employee who retires will still be considered a Distributing employee for payment of certain retirement benefits;

(ii) Increasing the pension benefits available to Controlled employees; and

(iii) Legally obligating Distributing to guarantee, through Date q, the payment of lay-off and retirement benefits to certain former Distributing employees now employed by Controlled in the event Controlled is unable to make such payments because of financial distress.

As a result partly of these changes, partly of an unexpected increase in the number of Controlled employees retiring by Date r, and partly for other reasons, the “true-up” payment will be made by Controlled to Distributing and will be significantly larger than originally thought. Accordingly, to avoid adversely affecting Controlled’s ability to compete within its industry, Distributing and Controlled have proposed to defer (at a reasonable rate of interest) part or all of the “true-up” payment to a date no later than Date s.

Consistent with this proposal, Distributing wishes to amend representation (k) of the Prior Letter Ruling to read as follows:

(k) Except for an obligation to make a “true-up” payment for certain retirement benefit liabilities, no intercorporate debt will exist between Distributing and Controlled at the time of, or after, the Distribution, other than payables and receivables arising in the ordinary course of business.

Based solely on the information submitted and the representations set forth above, we rule that the above changes will have no effect on the rulings issued in the Prior Letter Rulings.

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

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 copies of the Prior Letter

Rulings and 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 T. Murray
Senior Technician/Reviewer
Branch 4