

**Internal Revenue Service**

Department of the Treasury

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Washington, DC 20224

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Release Date: 3/3/2000

Person to Contact:

Telephone Number:

Refer Reply To:  
CC:DOM:CORP:4 PLR-114415-99  
Date:  
December 3, 1999

Re:

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We respond to your August 23, 1999 request for a letter ruling supplementing our letter ruling dated April 14, 1999 (the "Prior Letter Ruling")(199940003), as supplemented by a letter ruling dated July 15, 1999 (the "First Supplemental Ruling")(199941027). The legend abbreviations, Summary of Facts, Proposed Transactions, Representations, and Caveats appearing in the Prior Letter Ruling are incorporated by reference.

The terms of the Controlled Class B shares include a limitation on the amount of Class B shares that may be voted in an election of directors by a person (or group of persons acting in concert) beneficially owning ! percent or more of the outstanding Class B shares. The person (or group of persons) may only vote an amount of Class B shares representing a percentage of the outstanding Class B shares that is equal to or less than the percentage of Class A shares beneficially owned by that person (or group of persons).

In addition, Distributing and Controlled have issued, and expect to continue issuing, stock options as compensation to employees, directors, and/or independent contractors (the "Compensatory Options"). The taxpayers represent that the Compensatory Options will contain customary terms and conditions, will be granted in connection with the performance of services for Distributing or Controlled or a person related to the grantor under § 355(d)(7)(A) of the Internal Revenue Code, will not be excessive by reference to the services performed, and, immediately after the Distribution and within six months thereafter, (i) will be nontransferable within the meaning of § 1.83-3(d) of the Income Tax Regulations and (ii) will not have a readily

ascertainable fair market value as defined in § 1.83-7(b).

Based solely on the information submitted in the original and supplemental requests, we rule as follows:

(1) The issuance or exercise of a Compensatory Option is not an acquisition for purposes of § 355(e).

(2) The additional information and representations submitted in this supplemental ruling request will have no adverse effect on the Prior Ruling Letter or the First Supplemental Ruling, both of which retain full force and effect.

This 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 Ruling Letter should attach a copy of that letter and of each supplemental letter to its 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 the taxpayer.

Sincerely yours,

Assistant Chief Counsel (Corporate)

By: *Wayne T. Murray*

Wayne T. Murray  
Senior Technician/Reviewer  
Branch 4