

**Internal Revenue Service**

Department of the Treasury

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This responds to your May 14, 2001 request that we supplement our letter ruling dated June 16, 1997 (PLR-253457-96) (the "Prior Letter Ruling"). An earlier supplemental letter ruling (PLR-116822-97) was issued on December 27, 1997. Capitalized terms not defined in this ruling have the meanings originally assigned them in the Prior Letter Ruling.

The Prior Letter Ruling addresses certain federal income tax consequences of certain distributions of stock of controlled corporations (the "Distributions") and related transactions. The Distributions were undertaken in part to establish an Employee Stock Ownership Plan for the employees of Controlled I (the "Controlled I ESOP"). The Prior Letter Ruling contains a representation provided by Distributing regarding the amount of Controlled I common stock that would be issued to the Controlled I ESOP.

Due to circumstances not anticipated at the time of the Distributions, it has been determined that the formula for determining the amount of Controlled I common stock to be issued to the Controlled I ESOP should be modified. Consequently, transaction step (xx) of the Prior Letter Ruling will be changed to read as follows:

(xx) As soon as possible after the Controlled I Distribution, Controlled I will establish, solely for its Business I employees, an ESOP that satisfies the requirements of §§ 401(a) and 4975(e)(7) (the "Controlled I ESOP"). If within five years of the transaction, the Controlled I ESOP has not acquired shares representing at least h percent of the total number of shares of Controlled I common stock outstanding immediately after the Controlled I Distribution, Controlled I will issue to the Controlled I ESOP, in exchange for a debt obligation, sufficient Controlled I common stock to increase the amount of Controlled I common stock acquired by the Controlled I ESOP to that level.

Based on the information and representations submitted with the original and supplemental requests, we reaffirm the rulings and caveats set forth in the Prior Letter Ruling.

This supplement 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 the transaction should attach a copy of this supplemental letter to the taxpayer's federal income tax return, as appropriate, for the taxable year in which the transaction is consummated. Pursuant to a power of attorney on file in this office, a copy of this letter is being sent to the taxpayer.

Sincerely,

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