

**Internal Revenue Service**

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**Legend**

Parent =

Distributing 1 =

Distributing 2 =

Distributing 3 =

Distributing 4 =

Distributing 5 =

Controlled 1 =

Controlled 2 =

LLC1 =

LLC2 =

Partnership =

Sub =

Business A =

Business B =

Business C =

Business D =

a =

Dear :

This letter responds to your January 31, 2008 request for rulings on certain federal income tax consequences of a series of proposed transactions. The information submitted in that letter and in later correspondence is summarized below.

The rulings contained in this letter are based on facts and representations submitted by the taxpayer and accompanied by penalty of perjury statements executed by the appropriate party. This office has not verified any of the materials submitted in

support of the request for rulings. Verification of the information, representations, and other data may be required as part of the audit process.

In particular, this office has not reviewed any information pertaining to, and has made no determination regarding, whether Internal Spin 1, Internal Spin 2, Internal Spin 3, Internal Spin 4 and Internal Spin 5 (all defined below): (i) satisfy the business purpose requirement of § 1.355-2(b) of the Income Tax Regulations, (ii) are being used principally as a device for the distribution of the earnings and profits of any of the distributing or the controlled corporations (or any combination thereof) (see § 355(a)(1)(B) of the Internal Revenue Code (the "Code") and § 1.355-2(d)); or (iii) are part of a plan (or series of related transactions) pursuant to which one or more persons will acquire directly or indirectly stock representing a 50-percent or greater interest in any of the distributing or the controlled corporations (see § 355(e) and § 1.355-7).

### **Summary of Facts**

Publicly traded Parent is the common parent of an affiliated group of corporations that files a federal consolidated income tax return (collectively, the "Parent Group"). Parent wholly owns Distributing 4 and Distributing 5. Distributing 4 wholly owns Distributing 3, which wholly owns Distributing 2, which wholly owns Distributing 1. Distributing 1 currently conducts Business A through wholly owned LLC 1, a disregarded entity for federal income tax purposes. Distributing 4 also wholly owns LLC 2, a disregarded entity for federal income tax purposes, which in turn owns a% of Partnership. Partnership conducts Business B. Distributing 5 wholly owns Controlled 2 and Sub. Controlled 2 conducts Business C (which is very similar to Business A), and Sub conducts Business D. All of the above described entities are domestic.

Controlled 1 will be formed as a domestic corporation in order to participate in the proposed transactions described below. Following its formation, Controlled 1 will become a member of the Parent Group. Following the Controlled 1 Contribution (defined below), Controlled 1 will conduct Business A.

Financial documentation and other information has been submitted which indicates that Business A, Business B, Business C, and Business D each has had gross receipts and operating expenses representative of the active conduct of a trade or business for each of the past five years.

### **Proposed Transaction**

Pursuant to its fit and focus plan, management of Parent wishes to combine the Business A and Business C operations of the Parent Group (hereinafter, the "Combination"). Management feels that the Combination will result in various benefits and efficiencies for the Parent Group. In order to effectuate the Combination,

management has therefore proposed the following series of internal transactions (collectively, the “Proposed Transaction”):

- (i) Distributing 4 will contribute LLC2 to Distributing 3.
- (ii) Distributing 3 will contribute LLC2 to Distributing 2.
- (iii) Distributing 2 will contribute LLC2 to Distributing 1.
- (iv) Distributing 1 will contribute LLC1 to Controlled 1 in exchange for all of Controlled 1’s stock and the assumption by Controlled 1 of certain liabilities (the “Controlled 1 Contribution”).
- (v) Distributing 1 will distribute the Controlled 1 stock to Distributing 2 (“Internal Spin 1”).
- (vi) Distributing 2 will distribute the Controlled 1 stock to Distributing 3 (“Internal Spin 2”).
- (vii) An intercompany obligation of LLC1 held by Distributing 3 will be contributed to Controlled 1 (the “Contribution”).
- (viii) Distributing 3 will distribute the Controlled 1 stock to Distributing 4 (“Internal Spin 3”).
- (ix) Distributing 4 will distribute the Controlled 1 stock to Parent (“Internal Spin 4”).
- (x) Distributing 5 will distribute all of its Controlled 2 stock to Parent (“Internal Spin 5”).
- (xi) Controlled 2 will merge into LLC1 (Controlled 1) (the “Merger”).

### **Representations**

The taxpayer has made the following representations regarding the Proposed Transaction:

#### The Controlled 1 Contribution and Internal Spin 1

- (a) Any indebtedness that will exist between Distributing 1 and Controlled 1 after Internal Spin 1 will not constitute stock or securities.

(b) No part of the consideration to be distributed by Distributing 1 will be received by a shareholder as a creditor, employee, or in any capacity other than that of a shareholder of the corporation.

(c) The five years of financial information submitted on behalf of the separate affiliated group of Distributing 1 is representative of the corporations' present operations, and with regard to such corporations, there have been no substantial operational changes since the date of the last financial statements submitted.

(d) The five years of financial information submitted on behalf of Business A is representative of the business's present operations, and with regard to such business, there have been no substantial operational changes since the date of the last financial statements submitted.

(e) The five years of financial information submitted on behalf of Business B is representative of the business's present operations, and with regard to such business, there have been no substantial operational changes since the date of the last financial statements submitted.

(f) Following Internal Spin 1, Distributing 1 and Controlled 1 will each continue, independently and with its separate employees, the active conduct of its respective business.

(g) Internal Spin 1 is being carried out for the following corporate business purpose: fit and focus. Internal Spin 1 is motivated, in whole or in substantial part, by this corporate business purpose.

(h) Internal Spin 1 is not being used principally as a device for the distribution of the earnings and profits of Distributing 1, Controlled 1, or both.

(i) The total adjusted basis and the fair market value of the assets transferred to Controlled 1 by Distributing 1 in the Controlled 1 Contribution each equals or exceeds the sum of (i) the total liabilities assumed (as determined under § 357(d)) by Controlled 1 and (ii) the total amount of money and other property (within the meaning of § 361(b)) received by Distributing 1 (if any) and transferred by it to its creditors and shareholders (if any) in connection with the plan of reorganization. The liabilities assumed (as determined under § 357(d)) in the transaction were incurred in the ordinary course of business and are associated with the assets being transferred.

(j) The total adjusted basis and the fair market value of the assets transferred by Distributing 1 to Controlled 1 in the Controlled 1 Contribution will equal or exceed the sum of: (a) the amount of any liabilities assumed (within the meaning of § 357(d)) by Controlled 1 in the Controlled 1 Contribution, (b) the amount of any liabilities owed to Controlled 1 by Distributing 1 (if any) that are discharged or extinguished in the

Controlled 1 Contribution, and (c) the amount of any cash and the fair market value of any property (other than stock and securities permitted to be received under § 361(a) without the recognition of gain) received by Distributing 1 from Controlled 1 in the Controlled 1 Contribution. The fair market value of the assets of Controlled 1 will exceed the amount of its liabilities immediately after the Controlled 1 Contribution.

(k) Immediately before Internal Spin 1, items of income, gain, loss, deduction, and credit will be taken into account as required by the applicable intercompany transaction regulations (see § 1.1502-13 and § 1.1502-14 as in effect before the publication of T.D. 8597, 1995-2 C.B. 147, and as currently in effect; § 1.1502-13 as published by T.D. 8597). Further, Distributing 1's excess loss account (if any) with respect to its Controlled 1 stock will be included in income immediately before Internal Spin 1 to the extent required by applicable regulations (see § 1.1502-19).

(l) Payments made in connection with all continuing transactions between Distributing 1 and its subsidiaries (on the one hand), and Controlled 1 and its subsidiaries (on the other), will be for cost or for fair market value based on terms and conditions arrived at by the parties bargaining at arm's length.

(m) No two parties to the transaction are investment companies as defined in §§ 368(a)(2)(F)(iii) and (iv).

(n) Internal Spin 1 is not part of a plan or series of related transactions (within the meaning of § 1.355-7) pursuant to which one or more persons will acquire directly or indirectly stock representing a 50-percent or greater interest (within the meaning of § 355(d)(4)) in Distributing 1 or Controlled 1 (including any predecessor or successor of any such corporation).

(o) Neither Distributing 1 nor Controlled 1 is a "disqualified investment corporation" as defined in § 355(g)(2)(A).

(p) For purposes of § 355(d), immediately after Internal Spin 1, no person (determined after applying the aggregation rules of § 355(d)(7)) will hold shares possessing 50% or more of the total combined voting power of all classes of Distributing 1's shares entitled to vote or 50% or more of the total value of all classes of Distributing 1 shares that was acquired by purchase (as defined in § 355(d)(5) and (8)) during the five year period (determined after applying § 355(d)(6)) ending on the date of Internal Spin 1.

(q) For purposes of § 355(d), immediately after Internal Spin 1, no person (determined after applying the aggregation rules of § 355(d)(7)) will hold stock (i) possessing 50% or more of the total combined voting power of all classes of Controlled 1 stock entitled to vote or 50% or more of the total value of shares of all classes of Controlled 1 stock that was acquired by purchase (as defined in § 355(d)(5) and (8))

during the five year period (determined after applying § 355(d)(6)) ending on the date of Internal Spin 1 or (ii) attributable to distributions on Distributing 1 stock or securities that were acquired by purchase (as defined in 355(d)(5) and (8)) during the five-year period (determined after applying 355(d)(6)) ending on the date of Internal Spin 1.

(r) No property will be transferred by Distributing 1 to Controlled 1 for which an investment credit allowed under § 47 has been or will be claimed.

(s) Neither Business A nor Business B nor control of an entity conducting these businesses were acquired during the five-year period ending on the date of Internal Spin 1 in a transaction in which gain or loss was recognized (or treated as recognized) in whole or in part.

(t) At the time of Internal Spin 1, Distributing 1 will not have an excess loss account in the stock of Controlled 1.

### Internal Spin 2

(u) No part of the consideration to be distributed by Distributing 2 will be received by a shareholder as a creditor, employee, or in any capacity other than that of a shareholder of the corporation.

(v) The five years of financial information submitted on behalf of the separate affiliated group of Distributing 2 is representative of the corporations' present operations, and with regard to such corporations, there have been no substantial operational changes since the date of the last financial statements submitted.

(w) The five years of financial information submitted on behalf of Business A is representative of the business's present operations, and with regard to such business, there have been no substantial operational changes since the date of the last financial statements submitted.

(x) The five years of financial information submitted on behalf of Business B is representative of the business's present operations, and with regard to such business, there have been no substantial operational changes since the date of the last financial statements submitted.

(y) Following Internal Spin 2, Distributing 2 and Controlled 1 will each continue, independently and with its separate employees, the active conduct of its respective business.

(z) Internal Spin 2 is being carried out for the following corporate business purpose: fit and focus. Internal Spin 2 is motivated, in whole or in substantial part, by this corporate business purpose.

(aa) Internal Spin 2 is not being used principally as a device for the distribution of the earnings and profits of Distributing 2, Controlled 1, or both.

(bb) No intercorporate debt will exist between Distributing 2 and Controlled 1 at the time of, or subsequent to, Internal Spin 2.

(cc) Immediately before Internal Spin 2, items of income, gain, loss, deduction, and credit will be taken into account as required by the applicable intercompany transaction regulations (see § 1.1502-13 and § 1.1502-14 as in effect before the publication of T.D. 8597, 1995-2 C.B. 147, and as currently in effect; § 1.1502-13 as published by T.D. 8597). Further, Distributing 2's excess loss account, if any, with respect to its Controlled 1 stock will be included in income immediately before Internal Spin 2 to the extent required by applicable regulations (see § 1.1502-19).

(dd) Payments made in connection with all continuing transactions between Distributing 2 and its subsidiaries (on the one hand), and Controlled 1 and its subsidiaries (on the other), will be for cost or for fair market value based on terms and conditions arrived at by the parties bargaining at arm's length.

(ee) No two parties to the transaction are investment companies as defined in §§ 368(a)(2)(F)(iii) and (iv).

(ff) Internal Spin 2 is not part of a plan or series of related transactions (within the meaning of § 1.355-7) pursuant to which one or more persons will acquire directly or indirectly stock representing a 50-percent or greater interest (within the meaning of § 355(d)(4)) in Distributing 2 or Controlled 1 (including any predecessor or successor of any such corporation).

(gg) Neither Distributing 2 nor Controlled 1 is a "disqualified investment corporation" as defined in § 355(g)(2)(A).

(hh) For purposes of § 355(d), immediately after Internal Spin 2, no person (determined after applying the aggregation rules of § 355(d)(7)) will hold shares possessing 50% or more of the total combined voting power of all classes of Distributing 2's shares entitled to vote or 50% or more of the total value of all classes of Distributing 2 shares that was acquired by purchase (as defined in § 355(d)(5) and (8)) during the five year period (determined after applying § 355(d)(6)) ending on the date of Internal Spin 2.

(ii) For purposes of § 355(d), immediately after Internal Spin 2, no person (determined after applying the aggregation rules of § 355(d)(7)) will hold stock (i) possessing 50% or more of the total combined voting power of all classes of Controlled 1 stock entitled to vote or 50% or more of the total value of shares of all classes of

Controlled 1 stock that was acquired by purchase (as defined in § 355(d)(5) and (8)) during the five year period (determined after applying § 355(d)(6)) ending on the date of Internal Spin 2 or (ii) attributable to distributions on Distributing 2 stock or securities that were acquired by purchase (as defined in 355(d)(5) and (8)) during the five-year period (determined after applying 355(d)(6)) ending on the date of Internal Spin 2.

(jj) Neither Business A nor Business B nor control of an entity conducting these businesses were acquired during the five-year period ending on the date of Internal Spin 2 in a transaction in which gain or loss was recognized (or treated as recognized) in whole or in part.

(kk) At the time of Internal Spin 2, Distributing 2 will not have an excess loss account in the stock of Controlled 1.

### The Contribution and Internal Spin 3

(ll) No part of the consideration to be distributed by Distributing 3 will be received by a shareholder as a creditor, employee, or in any capacity other than that of a shareholder of the corporation.

(mm) The five years of financial information submitted on behalf of the separate affiliated group of Distributing 3 is representative of the corporations' present operations, and with regard to such corporations, there have been no substantial operational changes since the date of the last financial statements submitted.

(nn) The five years of financial information submitted on behalf of Business A is representative of the business's present operations, and with regard to such business, there have been no substantial operational changes since the date of the last financial statements submitted.

(oo) The five years of financial information submitted on behalf of Business B is representative of the business's present operations, and with regard to such business, there have been no substantial operational changes since the date of the last financial statements submitted.

(pp) Following Internal Spin 3, Distributing 3 and Controlled 1 will each continue, independently and with its separate employees, the active conduct of its respective business.

(qq) Internal Spin 3 is being carried out for the following corporate business purpose: fit and focus. Internal Spin 3 is motivated, in whole or in substantial part, by this corporate business purpose.

(rr) Internal Spin 3 is not being used principally as a device for the distribution of the earnings and profits of Distributing 3, Controlled 1, or both.

(ss) The total adjusted basis and the fair market value of the asset transferred to Controlled 1 in the Contribution each equals or exceeds the sum of (i) the total liabilities assumed (as determined in § 357(d)) by Controlled 1 and (ii) the total amount of money and other property (within the meaning of § 361(b)) received by Distributing 3 (if any) and transferred by it to its creditors and shareholders (if any) in connection with the plan of reorganization. The liabilities assumed (as determined under § 357(d)) in the transaction were incurred in the ordinary course of business and are associated with the assets being transferred.

(tt) The total adjusted basis and the fair market value of the asset transferred to Controlled 1 in the Contribution will equal or exceed the sum of: (a) the amount of any liabilities assumed (within the meaning of § 357(d)) by Controlled 1 in the Contribution, (b) the amount of any liabilities owed to Controlled 1 by Distributing 3 (if any) that are discharged or extinguished in the Contribution, and (c) the amount of any cash and the fair market value of any property (other than stock and securities permitted to be received under § 361(a) without the recognition of gain) received by Distributing 3 from Controlled 1 in the Contribution. The fair market value of the assets of Controlled 1 will exceed the amount of its liabilities immediately after the Contribution.

(uu) Immediately before Internal Spin 3, items of income, gain, loss, deduction, and credit will be taken into account as required by the applicable intercompany transaction regulations (see § 1.1502-13 and § 1.1502-14 as in effect before the publication of T.D. 8597, 1995-2 C.B. 147, and as currently in effect; § 1.1502-13 as published by T.D. 8597). Further, Distributing 3's excess loss account, if any, with respect to its Controlled 1 stock will be included in income immediately before Internal Spin 3 to the extent required by applicable regulations (see § 1.1502-19).

(vv) Payments made in connection with all continuing transactions between Distributing 3 and its subsidiaries (on the one hand), and Controlled 1 and its subsidiaries (on the other), will be for cost or for fair market value based on terms and conditions arrived at by the parties bargaining at arm's length.

(ww) No two parties to the transaction are investment companies as defined in §§ 368(a)(2)(F)(iii) and (iv).

(xx) Internal Spin 3 is not part of a plan or series of related transactions (within the meaning of § 1.355-7) pursuant to which one or more persons will acquire directly or indirectly stock representing a 50-percent or greater interest (within the meaning of § 355(d)(4)) in Distributing 3 or Controlled 1 (including any predecessor or successor of any such corporation).

(yy) Neither Distributing 3 nor Controlled 1 is a “disqualified investment corporation” as defined in § 355(g)(2)(A).

(zz) For purposes of § 355(d), immediately after Internal Spin 3, no person (determined after applying the aggregation rules of § 355(d)(7)) will hold shares possessing 50% or more of the total combined voting power of all classes of Distributing 3’s shares entitled to vote or 50% or more of the total value of all classes of Distributing 3 shares that was acquired by purchase (as defined in § 355(d)(5) and (8)) during the five year period (determined after applying § 355(d)(6)) ending on the date of Internal Spin 3.

(aaa) For purposes of § 355(d), immediately after Internal Spin 3, no person (determined after applying the aggregation rules of § 355(d)(7)) will hold stock (i) possessing 50% or more of the total combined voting power of all classes of Controlled 1 stock entitled to vote or 50% or more of the total value of shares of all classes of Controlled 1 stock that was acquired by purchase (as defined in § 355(d)(5) and (8)) during the five year period (determined after applying § 355(d)(6)) ending on the date of Internal Spin 3 or (ii) attributable to distributions on Distributing 3 stock or securities that were acquired by purchase (as defined in 355(d)(5) and (8)) during the five-year period (determined after applying 355(d)(6)) ending on the date of Internal Spin 3.

(bbb) No property will be transferred by Distributing 3 to Controlled 1 for which an investment credit allowed under § 47 has been or will be claimed.

(ccc) Neither Business A nor Business B nor control of an entity conducting these businesses were acquired during the five-year period ending on the date of Internal Spin 3 in a transaction in which gain or loss was recognized (or treated as recognized) in whole or in part.

(ddd) At the time of Internal Spin 3, Distributing 3 will not have an excess loss account in the stock of Controlled 1.

#### Internal Spin 4

(eee) No part of the consideration to be distributed by Distributing 4 will be received by a shareholder as a creditor, employee, or in any capacity other than that of a shareholder of the corporation.

(fff) The five years of financial information submitted on behalf of the separate affiliated group of Distributing 4 is representative of the corporations’ present operations, and with regard to such corporations, there have been no substantial operational changes since the date of the last financial statements submitted.

(ggg) The five years of financial information submitted on behalf of Business A is representative of the business's present operations, and with regard to such business, there have been no substantial operational changes since the date of the last financial statements submitted.

(hhh) The five years of financial information submitted on behalf of Business B is representative of the business's present operations, and with regard to such business, there have been no substantial operational changes since the date of the last financial statements submitted.

(iii) Following Internal Spin 4, Distributing 4 and Controlled 1 will each continue, independently and with its separate employees, the active conduct of its respective business.

(jjj) Internal Spin 4 is being carried out for the following corporate business purpose: fit and focus. Internal Spin 4 is motivated, in whole or in substantial part, by this corporate business purpose.

(kkk) Internal Spin 4 is not being used principally as a device for the distribution of the earnings and profits of Distributing 4, Controlled 1, or both.

(lll) Immediately before Internal Spin 4, items of income, gain, loss, deduction, and credit will be taken into account as required by the applicable intercompany transaction regulations (see § 1.1502-13 and § 1.1502-14 as in effect before the publication of T.D. 8597, 1995-2 C.B. 147, and as currently in effect; § 1.1502-13 as published by T.D. 8597). Further, Distributing 4's excess loss account, if any, with respect to its Controlled 1 stock will be included in income immediately before Internal Spin 4 to the extent required by applicable regulations (see § 1.1502-19).

(mmm) Payments made in connection with all continuing transactions between Distributing 4 and its subsidiaries (on the one hand), and Controlled 1 and its subsidiaries (on the other), will be for cost or for fair market value based on terms and conditions arrived at by the parties bargaining at arm's length.

(nnn) No two parties to the transaction are investment companies as defined in §§ 368(a)(2)(F)(iii) and (iv).

(ooo) Internal Spin 4 is not part of a plan or a series of related transactions (within the meaning of § 1.355-7) pursuant to which one or more persons will acquire directly or indirectly stock representing a 50-percent or greater interest (within the meaning of § 355(d)(4)) in Distributing 4 or Controlled 1 (including any predecessor or successor of any such corporation).

(ppp) Neither Distributing 4 nor Controlled 1 is a “disqualified investment corporation” as defined in § 355(g)(2)(A).

(qqq) For purposes of § 355(d), immediately after Internal Spin 4, no person (determined after applying the aggregation rules of § 355(d)(7)) will hold shares possessing 50% or more of the total combined voting power of all classes of Distributing 4’s shares entitled to vote or 50% or more of the total value of all classes of Distributing 4 shares that was acquired by purchase (as defined in § 355(d)(5) and (8)) during the five year period (determined after applying § 355(d)(6)) ending on the date of Internal Spin 4.

(rrr) For purposes of § 355(d), immediately after Internal Spin 4, no person (determined after applying the aggregation rules of § 355(d)(7)) will hold stock (i) possessing 50% or more of the total combined voting power of all classes of Controlled 1 stock entitled to vote or 50% or more of the total value of shares of all classes of Controlled 1 stock that was acquired by purchase (as defined in § 355(d)(5) and (8)) during the five year period (determined after applying § 355(d)(6)) ending on the date of Internal Spin 4 or (ii) attributable to distributions on Distributing 4 stock or securities that were acquired by purchase (as defined in 355(d)(5) and (8)) during the five-year period (determined after applying 355(d)(6)) ending on the date of Internal Spin 4.

(sss) Neither Business A nor Business B nor control of an entity conducting these businesses were acquired during the five-year period ending on the date of Internal Spin 4 in a transaction in which gain or loss was recognized (or treated as recognized) in whole or in part.

(ttt) At the time of Internal Spin 4, Distributing 4 will not have an excess loss account in the stock of Controlled 1.

#### Internal Spin 5

(uuu) Any indebtedness that will exist between Distributing 5 and Controlled 2 after Internal Spin 5 will not constitute stock or securities.

(vvv) No part of the consideration to be distributed by Distributing 5 will be received by a shareholder as a creditor, employee, or in any capacity other than that of a shareholder of the corporation.

(www) The five years of financial information submitted on behalf of the separate affiliated group of Distributing 5 is representative of the corporations’ present operations, and with regard to such corporations, there have been no substantial operational changes since the date of the last financial statements submitted.

(xxx) The five years of financial information submitted on behalf of Business C is representative of the business's present operations, and with regard to such business, there have been no substantial operational changes since the date of the last financial statements submitted.

(yyy) The five years of financial information submitted on behalf of Business D is representative of the business's present operations, and with regard to such business, there have been no substantial operational changes since the date of the last financial statements submitted.

(zzz) Following Internal Spin 5, Distributing 5 and Controlled 2 will each continue, independently and with its separate employees, the active conduct of its respective business. Following the Merger, Controlled 1 will continue to conduct the business formerly conducted by Controlled 2.

(aaaa) Internal Spin 5 is being carried out for the following corporate business purpose: fit and focus. Internal Spin 5 is motivated, in whole or in substantial part, by this corporate business purpose.

(bbbb) Internal Spin 5 is not being used principally as a device for the distribution of the earnings and profits of Distributing 5, Controlled 2, or both.

(cccc) Immediately before Internal Spin 5, items of income, gain, loss, deduction, and credit will be taken into account as required by the applicable intercompany transaction regulations (see § 1.1502-13 and § 1.1502-14 as in effect before the publication of T.D. 8597, 1995-2 C.B. 147, and as currently in effect; § 1.1502-13 as published by T.D. 8597). Further, Distributing 5's excess loss account, if any, with respect to its Controlled 2 stock will be included in income immediately before Internal Spin 5 to the extent required by applicable regulations (see § 1.1502-19).

(dddd) Payments made in connection with all continuing transactions between Distributing 5 and its subsidiaries (on the one hand), and Controlled 2 (and Controlled 2's successor after the Merger) and its subsidiaries (on the other), will be for cost or for fair market value based on terms and conditions arrived at by the parties bargaining at arm's length.

(eeee) No two parties to the transaction are investment companies as defined in §§ 368(a)(2)(F)(iii) and (iv).

(ffff) Internal Spin 5 is not part of a plan or series of related transactions (within the meaning of § 1.355-7) pursuant to which one or more persons will acquire directly or indirectly stock representing a 50-percent or greater interest (within the meaning of § 355(d)(4)) in Distributing 5 or Controlled 2 (including any predecessor or successor of any such corporation).

(gggg) Neither Distributing 5 nor Controlled 2 is a “disqualified investment corporation” as defined in § 355(g)(2)(A).

(hhhh) For purposes of § 355(d), immediately after Internal Spin 5, no person (determined after applying the aggregation rules of § 355(d)(7)) will hold shares possessing 50% or more of the total combined voting power of all classes of Distributing 5’s shares entitled to vote or 50% or more of the total value of all classes of Distributing 5 shares that was acquired by purchase (as defined in § 355(d)(5) and (8)) during the five year period (determined after applying § 355(d)(6)) ending on the date of Internal Spin 5.

(iiii) For purposes of § 355(d), immediately after Internal Spin 5, no person (determined after applying the aggregation rules of § 355(d)(7)) will hold stock (i) possessing 50% or more of the total combined voting power of all classes of Controlled 2 stock entitled to vote or 50% or more of the total value of shares of all classes of Controlled 2 stock that was acquired by purchase (as defined in § 355(d)(5) and (8)) during the five year period (determined after applying § 355(d)(6)) ending on the date of Internal Spin 5 or (ii) attributable to distributions on Distributing 5 stock or securities that were acquired by purchase (as defined in 355(d)(5) and (8)) during the five-year period (determined after applying 355(d)(6)) ending on the date of Internal Spin 5.

(jjjj) Neither Business C nor Business D nor control of an entity conducting these businesses were acquired during the five-year period ending on the date of Internal Spin 5 in a transaction in which gain or loss was recognized (or treated as recognized) in whole or in part.

(kkkk) At the time of Internal Spin 5, Distributing 5 will not have an excess loss account in the stock of Controlled 2.

### **Rulings**

Based solely on the information submitted and the representations set forth above, we rule as follows regarding the Proposed Transaction:

#### **The Controlled 1 Contribution and Internal Spin 1**

(1) The Controlled 1 Contribution, together with Internal Spin 1, will qualify as a reorganization within the meaning of § 368(a)(1)(D). Distributing 1 and Controlled 1 will each be “a party to a reorganization” under § 368(b).

(2) No gain or loss will be recognized by Distributing 1 in the Controlled 1 Contribution (§§ 361(a) and 357(a)).

(3) No gain or loss will be recognized by Controlled 1 in the Controlled 1 Contribution (§ 1032(a)).

(4) Controlled 1's basis in each asset received from Distributing 1 in the Controlled 1 Contribution will equal the basis of that asset in the hands of Distributing 1 immediately before its transfer (§ 362(b)).

(5) Controlled 1's holding period in each asset received from Distributing 1 in the Controlled 1 Contribution will include the period during which Distributing 1 held the asset (§ 1223(2)).

(6) No gain or loss will be recognized by Distributing 1 in Internal Spin 1 (§ 361(c)).

(7) No gain or loss will be recognized by Distributing 2 on its receipt of the Controlled 1 stock in Internal Spin 1 (§ 355(a)).

(8) The aggregate basis of the Controlled 1 stock and the Distributing 1 stock in the hands of Distributing 2 immediately after Internal Spin 1 will be the same as the aggregate basis of the Distributing 1 stock held by Distributing 2 immediately before Internal Spin 1, allocated in proportion to the respective fair market values of the Controlled 1 stock and the Distributing 1 stock in accordance with § 1.358-2(a)(2) (§ 358(a), (b), and (c)).

(9) Distributing 2's holding period in the Controlled 1 stock received in Internal Spin 1 will include the holding period of the Distributing 1 stock on which Internal Spin 1 is being made, provided that the Distributing 1 stock is held as a capital asset on the date of Internal Spin 1 (§ 1223(1)).

(10) Earnings and profits will be allocated between Distributing 1 and Controlled 1 in accordance with § 312(h) and §§ 1.312-10(a) and 1.1502-33.

#### Internal Spin 2

(11) No gain or loss will be recognized by Distributing 2 in Internal Spin 2 (§ 355(c)).

(12) No gain or loss will be recognized by (and no amount will otherwise be included in the income of) Distributing 3 on its receipt of the Controlled 1 stock in Internal Spin 2 (§ 355(a)).

(13) The aggregate basis of the Distributing 2 stock and the Controlled 1 stock held by Distributing 3 after Internal Spin 2 will be the same as the aggregate basis of the Distributing 2 stock held by Distributing 3 immediately before Internal Spin 2, allocated

in proportion to the fair market values of the Distributing 2 and the Controlled 1 stock in accordance with § 1.358-2(a)(2) (§ 358(a), (b), and (c)).

(14) The holding period of the Controlled 1 stock received by Distributing 3 will include the holding period of the Distributing 2 stock with respect to which Internal Spin 2 is being made, provided that the Distributing 2 stock is held as a capital asset on the date of Internal Spin 2 (§ 1223(1)).

(15) Earnings and profits will be allocated between Distributing 2 and Controlled 1 in accordance with § 312(h) and §§ 1.312-10(b) and 1.1502-33.

### The Contribution and Internal Spin 3

(16) The Contribution, together with Internal Spin 3, will qualify as a reorganization within the meaning of § 368(a)(1)(D). Distributing 3 and Controlled 1 will each be "a party to a reorganization" under § 368(b).

(17) No gain or loss will be recognized by Distributing 3 in the Contribution (§§ 361 and 357(a)).

(18) No gain or loss will be recognized by Controlled 1 in the Contribution (§ 1032(a)).

(19) No gain or loss will be recognized by Distributing 3 in Internal Spin 3 (§ 361(c)).

(20) No gain or loss will be recognized by Distributing 4 on its receipt of the Controlled 1 stock in Internal Spin 3 (§ 355(a)).

(21) The aggregate basis of the Controlled 1 stock and the Distributing 3 stock in the hands of Distributing 4 immediately after Internal Spin 3 will be the same as the aggregate basis of the Distributing 3 stock held by Distributing 4 immediately before Internal Spin 3, allocated in proportion to the respective fair market values of the Controlled 1 stock and the Distributing 3 stock in accordance with § 1.358-2(a)(2) (§ 358(a), (b), and (c)).

(22) Distributing 4's holding period in the Controlled 1 stock received in Internal Spin 3 will include the holding period of the Distributing 3 stock on which Internal Spin 3 is being made, provided that the Distributing 3 stock is held as a capital asset on the date of Internal Spin 3 (§ 1223(1)).

(23) Earnings and profits will be allocated between Distributing 3 and Controlled 1 in accordance with § 312(h) and §§ 1.312-10(a) and 1.1502-33.

Internal Spin 4

(24) No gain or loss will be recognized by Distributing 4 in Internal Spin 4 (§ 355(c)).

(25) No gain or loss will be recognized by (and no amount will otherwise be included in the income of) Parent on its receipt of the Controlled 1 stock in Internal Spin 4 (§ 355(a)).

(26) The aggregate basis of the Distributing 4 stock and the Controlled 1 stock held by Parent immediately after Internal Spin 4 will be the same as the aggregate basis of the Distributing 4 stock held by Parent immediately before Internal Spin 4, allocated in proportion to the fair market values of the Distributing 4 and the Controlled 1 stock in accordance with § 1.358-2(a)(2) (§ 358(a), (b), and (c)).

(27) The holding period of the Controlled 1 stock received by Parent will include the holding period of the Distributing 4 stock with respect to which Internal Spin 4 is being made, provided that the Distributing 4 stock is held as a capital asset on the date of Internal Spin 4 (§ 1223(1)).

(28) Earnings and profits will be allocated between Distributing 4 and Controlled 1 in accordance with § 312(h) and §§ 1.312-10(b) and 1.1502-33.

Internal Spin 5

(29) No gain or loss will be recognized by Distributing 5 in Internal Spin 5 (§ 355(c)).

(30) No gain or loss will be recognized by (and no amount will otherwise be included in the income of) Parent on its receipt of the Controlled 2 stock in Internal Spin 5 (§ 355(a)).

(31) The aggregate basis of the Distributing 5 stock and the Controlled 2 stock held by Parent immediately after Internal Spin 4 will be the same as the aggregate basis of the Distributing 5 stock held by Parent immediately before Internal Spin 4, allocated in proportion to the fair market values of the Distributing 5 and the Controlled 2 stock in accordance with § 1.358-2(a)(2) (§ 358(a), (b), and (c)).

(32) The holding period of the Controlled 2 stock received by Parent will include the holding period of the Distributing 5 stock with respect to which Internal Spin 5 is being made, provided that the Distributing 5 stock is held as a capital asset on the date of Internal Spin 5 (§ 1223(1)).

(33) Earnings and profits will be allocated between Distributing 5 and Controlled 2 in accordance with § 312(h) and §§ 1.312-10(b) and 1.1502-33.

### **Caveats**

We express no opinion about the tax treatment of the Proposed Transaction under other provisions of the Code and regulations or the tax treatment of any conditions existing at the time of, or effects resulting from, the Proposed Transaction that are not specifically covered by the above rulings. In particular, we express no opinion regarding:

(i) whether Internal Spin 1, Internal Spin 2, Internal Spin 3, Internal Spin 4, and Internal Spin 5 will satisfy the business purpose requirement of § 1.355-2(b);

(ii) whether Internal Spin 1, Internal Spin 2, Internal Spin 3, Internal Spin 4, and Internal Spin 5 are being used principally as a device for the distribution of any of the earnings and profits of Distributing 1, Distributing 2, Distributing 3, Distributing 4, Distributing 5, Controlled 1, or Controlled 2 (see § 355(a)(1)(B) and § 1.355-2(d));

(iii) whether Internal Spin 1, Internal Spin 2, Internal Spin 3, Internal Spin 4, and Internal Spin 5 are part of a plan (or series of related transactions) pursuant to which one or more persons will acquire directly or indirectly stock representing a 50-percent or greater interest in any of Distributing 1, Distributing 2, Distributing 3, Distributing 4, Distributing 5, Controlled 1, or Controlled 2 (see § 355(e) and § 1.355-7);

(iv) the federal income tax consequences of the contributions described in steps (i) through (iii) above, except as described herein,

(v) the federal income tax treatment of the Merger, and

(vi) the potential application of § 482 to any continuing transactions that may occur between the distributing corporations and their subsidiaries (on the one hand) and the controlled corporations and their subsidiaries (on the other hand) that are based upon the total costs incurred by the provider(s) of such services.

### **Procedural Matters**

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

A copy of this letter must be attached to any income tax return to which it is relevant. Alternatively, any taxpayer filing its return electronically may satisfy this requirement by attaching a statement to the return that provides the date and control number of this letter ruling.

In accordance with a power of attorney on file in this office, a copy of this letter is being sent to your authorized representative.

Sincerely,

*Richard K. Passales*

Richard K. Passales  
Senior Counsel, Branch 4  
Office of Associate Chief Counsel  
(Corporate)

cc: