

## Internal Revenue Service

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CC:CORP:B02

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Date:

March 10, 2014

### Legend

Distributing =

Controlled =

Sub 1 =

Sub 2 =

Country A =

Country B =

Professional  
Services  
Agreement =

Business A =

Business B =

Segment 1 =

Segment 2 =

Date 1 =

Date 2 =

Date 3 =

Date 4 =

Date 5 =

Date 6 =

Date 7 =

a =

b =

c =

d =

e =

f =

g =

h =

i =

j =

k =

l =

Dear :

This letter responds to your representative's August 22, 2013 letter requesting rulings on certain federal income tax consequences of the proposed transaction. The material information submitted in that letter and subsequent correspondence is summarized below.

The rulings contained in this letter are based on facts and representations submitted by the taxpayer and accompanied by a penalties of perjury statement executed by an appropriate party. This office has not verified any of the materials submitted in support of the request for rulings. Verification of the facts, representations, and other information 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: (i) whether the distribution described below satisfies the business purpose requirement of § 1.355-2(b) of the Income Tax Regulations; (ii) whether the distribution is used principally as a device for the distribution of the earnings and profits of the distributing corporation ("Distributing") or the controlled corporation ("Controlled") or both (see § 355(a)(1)(B) of the Internal Revenue Code ("Code") and § 1.355-2(d)); and (iii) whether the distribution is part of a plan (or a 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 Distributing or Controlled (see § 355(e) and § 1.355-7).

#### FACTS

Distributing is a publicly traded corporation and the common parent of an affiliated group of corporations that file a consolidated federal income tax return. Distributing also has foreign subsidiaries. Distributing has one class of common stock outstanding. As of Date 1, Distributing has a shares of common stock issued and outstanding. Distributing has no preferred stock outstanding.

Distributing and the members of its separate affiliated group ("SAG") as defined in § 355(b)(3)(B) (the "Distributing SAG"), are engaged in Business A. Business A is composed of Segment 1 and Segment 2, and Distributing believes each segment independently qualifies as an active trade or business. The Distributing SAG has also been engaged in Business B. Financial information has been submitted indicating that each of Business A (including each of Segment 1 and Segment 2) and Business B has had gross receipts and operating expenses representing the active conduct of a trade or business for each of the past five years.

Under Distributing's stock benefit plan, Distributing has issued compensatory stock options, restricted stock units ("RSUs"), and performance-based stock awards to employees and directors of Distributing and its subsidiaries.

Controlled is a domestic corporation, and was a wholly owned subsidiary of Distributing prior to Controlled's IPO (as described below). Controlled wholly owns Sub 1, a corporation organized under the laws of Country A, and Sub 2, a corporation organized under the laws of Country B. Both Sub 1 and Sub 2 are members of Controlled's SAG (the "Controlled SAG"). Following the Contribution (as described below), the Controlled SAG has been engaged in Business B.

Effective Date 2, Distributing contributed its Business B assets to Controlled (the "Contribution"). In connection with the Contribution, certain Distributing subsidiaries sold assets relating to the conduct of Business B to Controlled subsidiaries. The Controlled subsidiaries paid \$ b, in total, to Distributing subsidiaries, in the form of promissory notes.

Under Controlled's stock benefit plan, Controlled's Board of Directors granted stock options (the "Controlled Stock Options") to employees and directors of Controlled and Distributing. The exercisability of Controlled Stock Options is subject to the terms of applicable lock-up agreements. Pursuant to these agreements, certain holders of Controlled Stock Options cannot exercise their options for a period ending the earlier of c days after the IPO or the Distribution (as described below), and certain holders who acquire Controlled common stock through the exercise of an option cannot, except to a limited extent in the case of a broker-assisted cashless exercise, dispose of their shares for a period ending d days after the IPO (as described below).

On Date 3, Controlled undertook a stock split, and intends to report the transaction under § 368(a)(1)(E).

On Date 4, Controlled issued shares of its common stock in an initial public offering (the "IPO"), representing less than 20 percent of the outstanding shares of Controlled. Following the IPO, Controlled was owned e percent by Distributing and f percent by the public.

Prior to Date 5, certain Controlled employees exercised a limited number of employee stock options. After the exercise of these options, Distributing owned approximately g percent of Controlled common stock. As of Date 6, Controlled has h shares of common stock outstanding.

At the time of the Contribution, Distributing and Controlled entered into a separation agreement (the "Separation Agreement"). Pursuant to the Separation Agreement, Distributing has an obligation to purchase from Controlled, and Controlled has an obligation to sell to Distributing, such number of shares of Controlled stock as necessary to prevent Distributing's ownership percentage of Controlled stock from falling below i percent after the IPO and before the Distribution (as described below). Distributing will pay a price that is representative of fair market value.

Presently, a majority of Controlled's board of directors are persons that are not directors, officers, employees, or principal shareholders of Distributing. However, to accommodate Controlled's business needs, two of Distributing's directors also serve on Controlled's board.

Controlled has a balance due to Distributing under an intercompany payable attributable to cash advances made by Distributing to Controlled and obligations between the parties arising in connection with the Continuing Arrangements (as described below) (the "Intercompany Debt"). As of Date 7, the balance of the Intercompany Debt was approximately \$j.

### PROPOSED TRANSACTION

For what are proposed as valid business reasons, Distributing proposes the following transaction (the "Proposed Transaction"):

- (1) Within k months following the IPO of Controlled, Distributing will distribute all the Controlled stock it owns, pro rata, to the Distributing shareholders (the "Distribution") except for Controlled shares that may be retained by Distributing as described below. No fractional shares of Controlled stock will be distributed in the Distribution. Instead, the distribution agent will aggregate all fractional shares into whole shares and sell the whole shares in the open market at prevailing market prices. The distribution agent will then distribute the aggregate cash proceeds of the sales, net of brokerage fees and other costs, pro rata to each Distributing shareholder who would otherwise have been entitled to receive a fractional share of Controlled in the Distribution.
- (2) In connection with the Distribution, Distributing will make a cash distribution to holders of Distributing RSUs, payable either at the time of the Distribution or at the time of settlement of the holders' RSUs. The amount of cash per RSU is expected to approximate the trading price (on a specified date or during a specified period on or around the time of the Distribution) of the amount of shares of Controlled stock that would have been distributed to the Distributing RSU holders if they had been shareholders of record with respect to that RSU on the date of the Distribution.

Distributing expects that there would only be a small number, if any, of shares of Controlled stock to be retained following the Distribution (the "Retained Shares"). The Retained Shares will have been acquired by Distributing pursuant to the Separation Agreement; stock so acquired will be subject to the restrictions of SEC Rule 144. However, because the Controlled Stock Options are subject to lock-up agreements, it is not expected that Distributing will be required to purchase Controlled stock under the Separation Agreement. Nevertheless, if Distributing owns restricted Controlled stock, Distributing will retain the stock following the Distribution. Immediately upon expiration

of the transfer restrictions, Distributing will then distribute the Retained Shares to its shareholders of record as of the date of the Distribution. The purpose of the retention is to avoid the inconvenience to Distributing shareholders of owning restricted shares.

In connection with the Contribution and the Proposed Transaction, Distributing and Controlled have entered into certain agreements and arrangements including a shared services agreement (the "Shared Services Agreement"), a professional services agreement (the "Professional Services Agreement"), a tax sharing agreement (the "Tax Sharing Agreement"), an employee benefits agreement and an intellectual property agreement (collectively, and with the Separation Agreement, the "Continuing Arrangements"). The parties intend for the Shared Services Agreement to last up to 12 months following the Proposed Transaction, but it may be extended if necessitated by unforeseen circumstances.

Distributing is considering potential further corporate restructuring following the Proposed Transaction but has not developed any specific plans or entered into any agreements.

## REPRESENTATIONS

Distributing makes the following representations for the Proposed Transaction:

### The Contribution

- (a) No stock was deemed issued for services rendered to or for the benefit of Controlled in connection with the Contribution, and no stock was deemed issued for indebtedness of Controlled in the Contribution that was not evidenced by a security or for interest on indebtedness of Controlled which accrued on or after the beginning of the holding period of Distributing for the debt.
- (b) Distributing was deemed to receive stock approximately equal to the fair market value of the property transferred to Controlled in the Contribution.
- (c) The value of the stock deemed to be received in exchange for accounts receivable was equal to the net value of the accounts transferred, i.e. the face amount of the accounts receivable previously included in income less the amount of the reserve for bad debts.
- (d) None of the stock transferred in the Contribution was "section 306 stock" within the meaning of § 306(c).
- (e) Distributing did not retain any rights in the property transferred to Controlled in the Contribution.

- (f) The patents and any patent applications transferred to Controlled qualified as “property” within the meaning of § 351. Distributing transferred all substantial rights in such patents or patent applications within the meaning of § 1235.
- (g) All rights, title and interests for each copyright, in each medium of exploitation, were transferred to Controlled.
- (h) Distributing did not retain any significant power, right, or continuing interest, within the meaning of § 1253(b), in the franchises, trademarks, or trade names being transferred.
- (i) Any “technical know-how” that Distributing was deemed to transfer to Controlled in exchange for stock is “property” within the meaning of Rev. Rul. 64-56, 1964-1 C.B. 133, and as such is afforded substantial legal protection against unauthorized disclosure and use under U.S. law. Any services to be performed in connection with the transfer of the “technical know-how” are merely ancillary and subsidiary to the property transfer within the meaning of Rev. Rul. 64-56 or Distributing will be compensated by a fee negotiated at arm's length (in consideration other than stock or securities of Controlled unless such stock or securities are identified) for any other services to be performed on behalf of Controlled. Such “technical know-how” is secret in that it is known only by Distributing and its affiliates and those employees who require such “technical know-how” for use in the conduct of the activities to which it is related and adequate safeguards have been taken to guard the secret against unauthorized disclosure. Such “technical know-how” is original, unique and novel.
- (j) Except for indebtedness arising in the ordinary course of business, there was no indebtedness between Controlled and Distributing at the time of the Contribution, and no indebtedness was created in favor of Distributing as a result of the Contribution.
- (k) Taking into account (i) any issuance of additional shares of Controlled stock; (ii) any issuance of stock for services; (iii) the exercise of any Controlled stock rights, warrants, or subscriptions; (iv) the public offering of Controlled stock; and (v) the sale, exchange, transfer by gift or other disposition of any stock of Controlled deemed received in the exchange, Distributing was in “control” of Controlled within the meaning of § 368(c) after the Contribution.
- (l) There was and is no plan or intention on the part of Controlled to redeem or otherwise reacquire any stock deemed issued in the Contribution.
- (m) Controlled will remain in existence and retain and use the property transferred to it in a trade or business.

- (n) There was and is no plan or intention by Controlled to dispose of the property transferred other than in the normal course of business operations.
- (o) The liabilities of Distributing assumed by Controlled (within the meaning of § 357(d)) were incurred in the ordinary course of business and are associated with the assets transferred.
- (p) The total fair market value of the assets transferred to Controlled in the Contribution exceeded the sum of (i) the amount of any liabilities assumed (within the meaning of § 357(d)) by Controlled in connection with the exchange, (ii) the amount of any liabilities owed to Controlled by Distributing that were discharged or extinguished in connection with the exchange, and (iii) the amount of any cash and the fair market value of any other property (other than stock permitted to be received under § 351(a) without the recognition of gain) received by Distributing in connection with the exchange. The fair market value of the assets of Controlled exceeded the amount of its liabilities immediately after the exchange.
- (q) The total adjusted basis of the property transferred to Controlled by Distributing in the Contribution equaled or exceeded the sum of the total liabilities assumed (within the meaning of § 357(d)) by Controlled.
- (r) The aggregate fair market value of the property transferred by Distributing to Controlled in the Contribution equaled or exceeded Distributing's basis in such property.
- (s) Any debt relating to any stock being transferred that is being assumed (or to which such stock is subject) was incurred to acquire such stock and was incurred when such stock was acquired, and Distributing transferred all of any such stock for which the acquisition indebtedness being assumed (or to which such stock is subject) was incurred.
- (t) The Contribution occurred under a plan agreed upon before the transaction in which the rights of the parties were defined. All deemed exchanges occurred on approximately the same date. No stock was issued pursuant to the meaningless gesture doctrine.
- (u) Each of the parties to the Contribution has paid or will pay its own expenses, if any, incurred in connection with the Contribution.
- (v) The Contribution was not the result of the solicitation by a promoter, broker, or investment house.
- (w) Controlled is not an investment company within the meaning of § 351(e)(1) and § 1.351-1(c)(1)(ii).



- (x) Controlled is not a “personal service corporation” within the meaning of § 269A.
- (y) Distributing was not and will not be under the jurisdiction of a court in a Title 11 or similar case (within the meaning of § 368(a)(3)(A)), and the stock or securities received in the exchange was not used to satisfy the indebtedness of such debtor.

#### The Distribution

- (z) No part of the consideration to be distributed by Distributing in the Distribution will be received by a shareholder of Distributing as a creditor, employee, or in any capacity other than that of a shareholder of Distributing.
- (aa) Distributing will treat all members of the Distributing SAG as one corporation in determining whether it meets the requirements of § 355(b)(2)(A) regarding the active conduct of a trade or business.
- (bb) Controlled will treat all members of the Controlled SAG as one corporation in determining whether it meets the requirements of § 355(b)(2)(A) regarding the active conduct of a trade or business.
- (cc) No intercorporate debt will exist between Distributing (or any member of the Distributing SAG) and Controlled (or any member of the Controlled SAG) at the time of, or subsequent to, the Distribution, other than debt arising in connection with the Continuing Arrangements and intercompany loans or other obligations that may arise in the ordinary course of business. Any indebtedness owed by Controlled (or any member of the Controlled SAG) to Distributing (or any member of the Distributing SAG) after the Distribution will not constitute stock or securities.
- (dd) The five years of financial information submitted by Distributing with respect to Business A (including each of Segment 1 and Segment 2) and Business B is representative of their present business operations, and with regard to each of Business A and Business B, there has been no substantial operational change since the date of the last financial statements submitted.
- (ee) Neither Business A nor control of an entity conducting Business A will have been acquired during the five-year period ending on the date of the Distribution in a transaction in which gain or loss was recognized (or treated as recognized) in whole or in part, except in connection with transfers between members of the affiliated group (as defined in § 1504(a), determined without regard to § 1504(b)) of which Distributing was the

parent, or in connection with the expansion of an existing five-year trade or business.

- (ff) Neither Business B nor control of an entity conducting Business B will have been acquired during the five-year period ending on the date of the Distribution in a transaction in which gain or loss was recognized (or treated as recognized) in whole or in part, except in connection with transfers between members of the affiliated group (as defined in § 1504(a), determined without regard to § 1504(b)) of which Distributing was the parent, or in connection with the expansion of an existing five-year trade or business.
- (gg) Following the Distribution, Distributing will continue the active conduct of Business A, independently and with its separate employees, except as provided pursuant to the Continuing Arrangements.
- (hh) Following the Distribution, Controlled will continue the active conduct of Business B, independently and with its separate employees, except as provided pursuant to the Continuing Arrangements.
- (ii) The Distribution is carried out to achieve the following corporate business purposes: (i) increase the stock value of Distributing and Controlled by clarifying valuation of the two businesses; (ii) allow Controlled to separately pursue business strategies that best suit its long-term interests; (iii) create opportunities to more efficiently develop and finance ongoing operations and future acquisitions for both Distributing and Controlled; (iv) give Controlled independent access to the capital markets; (v) give Controlled greater flexibility to pursue strategic opportunities and increase its visibility in the marketplace; and (vi) permit Distributing and Controlled to independently motivate their employees with equity compensation tied solely to the business with which each employee group is associated. The Distribution is motivated, in whole or substantial part, by one or more of these corporate business purposes.
- (jj) The Distribution is not being used principally as a device for the distribution of the earnings and profits of Distributing or Controlled or both.
- (kk) For purposes of § 355(d), immediately after the Distribution, no person (determined after applying § 355(d)(7)) will hold stock possessing 50 percent or more of the total combined voting power of all classes of Distributing stock entitled to vote, or 50 percent or more of the total value of shares of all classes of Distributing 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 the Distribution.

- (ll) For purposes of § 355(d), immediately after the Distribution, no person (determined after applying § 355(d)(7)) will hold stock possessing 50 percent or more of the total combined voting power of all classes of Controlled stock entitled to vote, or 50 percent or more of the total value of shares of all classes of Controlled stock, that was either (i) 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 the Distribution, or (ii) attributable to distributions on Distributing stock or securities 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 the Distribution.
- (mm) No investment tax credit (determined under § 46) has been or will be claimed with respect to any of the property being transferred between Distributing and Controlled.
- (nn) Distributing will neither accumulate its receivables nor make extraordinary payment of its payables in anticipation of the Distribution.
- (oo) No indebtedness has been or will be cancelled in connection with the Proposed Transaction.
- (pp) Immediately before the Distribution, 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 in T.D. 8597). Further, any excess loss account of a member in the stock of another member that is required to be taken into account by § 1.1502-19 will be included in income as appropriate. At the time of the Distribution, neither Distributing nor any member of Distributing's consolidated group will have an excess loss account in the stock of Controlled or in the stock of any subsidiary of Controlled.
- (qq) Apart from payments for certain services that may be rendered under the Shared Services Agreement or the Professional Services Agreement, payments made in connection with all continuing transactions between Distributing (or any of its subsidiaries) and Controlled (or any of its subsidiaries), will be for fair market value based on terms and conditions arrived at by the parties bargaining at arm's length.
- (rr) Immediately after the transaction (as defined in § 355(g)(4)), either (i) no person will hold a 50-percent or greater interest (within the meaning of § 355(g)(3)) in Distributing or Controlled, (ii) if any person holds a 50-percent or greater interest (within the meaning of § 355(g)(3)) in any

disqualified investment corporation (within the meaning of § 355(g)(2)), such person will have held such interest in such corporation (directly or through attribution) immediately before the Proposed Transaction, or (iii) neither Distributing nor Controlled will be a disqualified investment corporation (within the meaning of § 355(g)(2)).

- (ss) The Distribution 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 or Controlled (including any predecessor or successor of either corporation).

- (tt) The receipt by Distributing shareholders of cash in lieu of fractional shares of Controlled stock, if any, will be solely for the purpose of avoiding the expense and inconvenience to Controlled of issuing fractional shares and does not represent separately bargained-for consideration. It is intended that the total cash that will be paid in the Distribution to Distributing shareholders in lieu of fractional shares of Controlled stock will not exceed one percent of the total consideration that will be distributed in the Distribution. Any fractional share interests of each Distributing shareholder of record will be aggregated, and it is intended that no Distributing shareholder of record will receive cash in an amount equal to or greater than the value of one full share of Controlled stock. Neither Controlled nor Distributing is aware of any overall plan (within the meaning of § 355(e)) to acquire an ownership interest in Controlled through the purchase of bundled Controlled shares sold in connection with the issuance of cash in lieu of fractional shares.
- (uu) The Distribution of Controlled stock to the Distributing shareholders in the Distribution will be with respect to their ownership of Distributing stock.
- (vv) Any money, property, or stock contributed by Distributing to Controlled in the Contribution will be deemed exchanged solely for stock of Controlled.
- (ww) The Retained Shares, if any, are retained to avoid inconvenience to Distributing shareholders for holding restricted shares. The Retained Shares will be distributed to Distributing shareholders of record as of the date of the Distribution immediately after the expiration of the transfer restrictions.
- (xx) The retention of the Retained Shares, if any, by Distributing following the Distribution will not be pursuant to a plan having as one of its principal purposes the avoidance of federal income tax within the meaning of § 355(a)(1)(D)(ii).
- (yy) Distributing will vote the Retained Shares in proportion to the votes cast by Controlled's other shareholders and will grant Controlled a proxy with respect to such Retained Shares requiring such manner of voting.

#### RULINGS

Based solely on the information submitted and the representations set forth above, and provided that (i) the distribution of Controlled stock to Distributing's shareholders in the Distribution is with respect to their ownership of Distributing stock, (ii) any money, property, or stock contributed by Distributing to Controlled in the Contribution is exchanged (or deemed exchanged) solely for stock or securities in Controlled, and (iii) any other transfer of stock, money, or property between Distributing,

Controlled, or any Distributing shareholder and any person related to Distributing, Controlled, or any Distributing shareholder is respected as a separate transaction, we rule as follows:

#### The Contribution

- (1) No gain or loss will be recognized by Distributing on its transfer of Business B assets to Controlled in the Contribution. Sections 351(a) and 357(a).
- (2) No gain or loss will be recognized by Controlled on its deemed issuance of stock in exchange for the Business B assets in the Contribution. Section 1032(a).
- (3) Controlled's basis in each asset received in the Contribution will equal the basis of that asset in the hands of Distributing immediately before the Contribution. Section 362(a).
- (4) Controlled's holding period in each asset received in the Contribution will include the period during which that asset was held by Distributing. Section 1223(2).
- (5) Distributing's basis in its Controlled stock will be the same as the property contributed, decreased by the amount of any liabilities assumed by Controlled (within the meaning of § 357(d)). Sections 358(a) and (d).
- (6) Distributing's holding period in its Controlled stock will include the holding period of the property it exchanged, provided that Distributing held such property as a capital asset on the date of the Contribution. Section 1223(1).

#### The Distribution

- (7) Distributing will recognize no gain or loss on the Distribution. Section 355(c).
- (8) Distributing's shareholders will not recognize any gain or loss (and will not otherwise include any amount in income) upon their receipt of Controlled stock in the Distribution. Section 355(a)(1).
- (9) Immediately after the Distribution, Distributing shareholders' basis in the Distributing stock and the Controlled stock received in the Distribution (including any fractional share interest in Controlled stock to which the Distributing shareholder may be entitled) will equal their basis in the Distributing stock with respect to which the Distribution is made, allocated in proportion to the fair market value of the Distributing and Controlled stock immediately after the Distribution in accordance with § 1.358-2(a)(2). Section 358.

- (10) The holding period of the Controlled stock received by each Distributing shareholder (including any fractional share interest in Controlled stock to which the shareholder may be entitled) will include the holding period of the Distributing stock on which the Distribution was made, provided the Distributing stock is held as a capital asset on the date of Distribution. Section 1223(1).
- (11) Earnings and profits will be allocated between Distributing and Controlled in accordance with § 312(h) and §§ 1.312-10(b) and 1.1502-33(e)(3).
- (12) The receipt by a Distributing shareholder of cash in lieu of fractional shares of Controlled stock will be treated for federal income tax purposes as if the fractional shares had been distributed to such Distributing shareholder in the Distribution and then had been disposed of by such shareholder for the amount of such cash in a sale or exchange pursuant to which gain or loss is recognized under § 1001. The gain or loss, if any, (determined using the basis allocated to the fractional shares in ruling (9) and the holding period attributed to the fractional shares in ruling (10)), will be treated as capital gain or loss, provided the stock is a capital asset in the hands of the selling shareholder. Sections 1221 and 1222.
- (13) Following the Distribution, Controlled will not be a successor of Distributing for purposes of § 1504(a)(3). Therefore, Controlled and its direct and indirect subsidiaries that are “includible corporations” under § 1504(b) and satisfy the ownership requirements of § 1504(a)(2) will be members of an affiliated group of corporations entitled to file a consolidated federal income tax return with Controlled as the common parent.
- (14) Any payments made between Distributing and Controlled under the Separation Agreement and the Tax Sharing Agreement that (i) have arisen or will arise for a taxable period ending on or before the Distribution or for a taxable period beginning before and ending after the Distribution and (ii) will not have become fixed and ascertainable until after the Distribution, will be treated as if occurring immediately before the Distribution (*see Arrowsmith v. Commissioner*, 344 U.S. 6 (1952); Rev. Rul. 83-73, 1983-1 C.B. 84).

#### CAVEATS

Except as specifically provided herein, we express no opinion concerning the tax consequences of any aspect of any matter or item discussed or referenced in this letter. Moreover, no opinion is expressed about the tax treatment of the transaction or of any other matter under other provisions of the Code or regulations or about the tax treatment of any conditions existing at the time of, or effects resulting from, the Proposed Transaction not specifically covered by the above rulings. In particular, no opinion is expressed regarding:

- (i) Whether the Distribution satisfies the business purpose requirement of § 1.355-2(b);
- (ii) Whether the Distribution is used principally as a device for the distribution of the earnings and profits of Distributing or Controlled or both (see § 355(a)(1)(B) and § 1.355-2(d)); and
- (iii) Whether the Distribution is 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 Distributing or Controlled (see § 355(e) and § 1.355-7).

#### PROCEDURAL STATEMENTS

This letter is directed only to the taxpayers who requested it. Section 6110(k)(3) of the Code provides that this letter 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, taxpayers filing their returns electronically may satisfy this requirement by attaching a statement to their return that provides the date and control number of this ruling letter.

Pursuant to the power of attorney on file in this matter, a copy of this letter is being sent to your authorized representatives.

Sincerely,

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Gerald B. Fleming  
Senior Technician Reviewer, Branch 2  
Office of Associate Chief Counsel (Corporate)