

## Internal Revenue Service

Number: **201601001**

Release Date: 12/31/2015

Index Number: 304.03-00, 312.01-00,  
351.01-00, 355.00-00,  
361.02-02

Department of the Treasury

Washington, DC 20224

Third Party Communication: None

Date of Communication: Not Applicable

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PLR-107781-15

Date:

September 30, 2015

### Legend

Distributing Parent =

FDistributing 3X =

FSub 1 =

DRE 1 =

DRE 2 =

FDRE 1 =

FDRE 2 =

FDistributing 2X =

FSub 2 =

FSub 3 =

FSub 4 =

FSub 5 =

FSub 6 =

FDistributing 1Y =

FSub 7 =

Foreign Partnership =

Business X FPartnership =

Business Y FPartnership =

FSub 8 =

FDRE 3 =

FDRE 4 =

FDRE 5 =

FControlled 1X =

FControlled 2Y =

FControlled 3Y =

SpinCo =

Business X =

Business Y =

Business X(1) =

Business Y(1) =

Business Y(2) =

a =

b =

c =

d =

e =

f =

g =

h =

i =

j =

k =

l =

m =

n =

o =

p =  
q =  
r =  
s =  
t =  
u =  
v =  
w =  
x =  
y =

Dear :

This letter responds to your authorized representatives' letter dated February 27, 2015 requesting rulings on certain federal income tax consequences of a proposed transaction (the "Proposed Transaction"). The information provided in that request and in subsequent correspondence is summarized below.

The rulings contained in this letter are based upon information and representations submitted by the taxpayer and accompanied by a penalties of perjury statement executed by an appropriate party. While this office has not verified any of the material submitted in support of the request for rulings, it is subject to verification on examination.

This letter is issued pursuant to section 6.03 of Rev. Proc. 2015-1, 2015-1 I.R.B. 19, regarding one or more significant issues under sections 351, 355, and 368. The rulings contained in this letter only address one or more discrete legal issues involved in the transaction. This Office expresses no opinion as to the overall tax consequences of the transactions described in this letter or as to any issue not specifically addressed by the rulings below.

## FACTS

Distributing Parent is the common parent of an affiliated group of corporations that file a U.S. consolidated federal income tax return. Distributing Parent and its subsidiaries are engaged in two businesses, Business X and Business Y.

Currently, Distributing Parent wholly owns, indirectly through disregarded entities (“DREs”), FDistributing 3X and FSub 1. Specifically, Distributing Parent owns FDistributing 3X through a chain of DREs — DRE 1, DRE 2, FDRE 1, and FDRE 2, with FDRE 2 directly owning FDistributing 3X. FDistributing 3X wholly owns FDistributing 2X and FSub 2.

FSub 1, through a DRE, wholly owns FSub 3. FSub 3 and FDistributing 2X jointly own FSub 4 (approximately a% by FSub 3 and approximately b% by FDistributing 2X) and FSub 5 (approximately c% vote and d% value by FSub 3; approximately e% vote and f% value by FDistributing 2X). FSub 4 is engaged in Business Y(2) through its affiliates.

FDistributing 2X, through DREs, wholly owns FSub 6. FDistributing 2X, together with FSub 6 and FDistributing 3X, owns FDistributing 1Y (approximately g% vote and h% value by FDistributing 2X; approximately i% vote and j% value by FSub 6; approximately k% vote and l% value by FDistributing 3X).

FDistributing 1Y and FSub 5 jointly own FSub 7 (approximately m% by FDistributing 1Y and approximately n% by FSub 5). FDistributing 1Y, together with FSub 5 (through a wholly owned subsidiary) and FSub 7 (through DREs) own the majority interest in Foreign Partnership. A de minimis amount of Foreign Partnership interests are held by other related entities. The Foreign Partnership is engaged in Business X(1) and Business Y(1) through DREs.

## PROPOSED TRANSACTION

Distributing Parent is entering into the Proposed Transaction in order to distribute Business Y to its public shareholders. The steps of the Proposed Transaction relevant to the significant issues addressed herein are set forth below:

### Global Restructuring

- (i) Distributing Parent will form a new corporation (“SpinCo”).
- (ii) FSub 3 will divide its interest in FSub 5 into two separate blocks, Block 1 (approximately o% vote and p% value) and Block 2 (approximately q% vote and r% value). FSub 3 will sell the Block 1 interest to FDistributing 2X for cash, at fair market value (the “FSub 5 Sale”). As a result of the sale, FDistributing 2X will own a greater than s% of vote and value in FSub 5.

- (iii) Foreign Partnership will form various foreign DREs in order to separate its Business X and Business Y operations (including Business X(1) and Business Y(1)) into the Business X FPartnership and the Business Y FPartnership. Business X FPartnership will initially be a DRE of Business Y FPartnership, and Foreign Partnership will become a DRE of Business X FPartnership (and therefore of Business Y FPartnership). As described below, Business X FPartnership will subsequently transform into a partnership with Foreign Partnership as its DRE.
- (iv) In a series of distributions, FDistributing 3X, FSub 2, FSub 4, and FSub 6 will distribute cash to their respective shareholders (the “First Property Distributions”). Except for FSub 3, the other shareholders in the First Property Distributions will then distribute the cash up the chain to Distributing Parent.
- (v) Distributing Parent will contribute certain entities to SpinCo as part of the SpinCo Contribution (defined later).
- (vi) SpinCo will borrow \$t from third parties (the “Cash Proceeds”), which will be supported by a Distributing Parent guarantee. The guarantee will automatically expire pursuant to its terms upon the completion of the External Distribution (defined below).
- (vii) Business X FPartnership (initially a DRE of Business Y FPartnership) will transform into a partnership for U.S. federal income tax purposes when a subsidiary of FSub3, which is a Business X entity that remains within Distributing Parent’s group, contributes assets to Business X FPartnership in exchange for a newly issued equity interest.
- (viii) FSub 5 will transfer its approximately n% interest in FSub 7 to FDistributing 1Y in exchange for FDistributing 1Y equity of equal value. Following the exchange, FSub 7 will elect to be treated as a DRE for U.S. federal income tax purposes (the transfer together with the election, the “FSub 7 Acquisition”).

#### First Distribution

- (ix) One of Business Y FPartnership’s foreign DREs, FSub 8, which relates to Business X, will elect to be treated as a corporation for U.S. federal income tax purposes (the “FSub 8 Contribution”).
- (x) In a non-pro rata distribution, Business Y FPartnership will distribute various foreign DREs, including the foreign DRE that holds the equity of FSub 8, and equity in Business X FPartnership to FDistributing 1Y (the “Business Y FPartnership Distribution”). The Business Y FPartnership Distribution will

- effectively be a distribution of the Business X operations (including Business X(1)) under Business X FPartnership to FDistributing 1Y.
- (xi) A DRE of FDistributing 1Y will form a new entity that elects to be treated as a corporation for U.S. federal income tax purposes ("FControlled 1X").
  - (xii) FDistributing 1Y will contribute its interest in FControlled 1X and certain foreign DREs that either hold Business X assets or are engaged in the operation of Business X to its foreign DRE, FDRE 3. After the contribution, FDistributing 1Y will own FControlled 1X indirectly through FDRE 3 and its disregarded entities.
  - (xiii) FDistributing 1Y will contribute certain assets to FControlled 1X for new direct equity interest in FControlled 1X. FDRE 3 will contribute the foreign DRE that holds FSub8, among other assets, to FControlled 1X (together with the direct contribution by FDistributing 1Y, the "FControlled 1X Contribution").
  - (xiv) FDistributing 1Y will distribute its direct equity interest in FControlled 1X to FSub 6 in complete redemption of FSub 6's stock in FDistributing 1Y. FDistributing 1Y will also distribute its interest in FDRE 3 to a foreign DRE under FDistributing 2X in partial redemption of FDistributing 2X's indirect interest in FDistributing 1Y (together with the distribution to FSub 6, the "First Distribution"). FDRE 3's only asset will be its interest in FControlled 1X.

#### Second Distribution

- (xv) FDistributing 2X will contribute subsidiaries that relate to Business Y, including its approximately b% of FSub 4, the indirectly owned FDistributing 1Y, as well as a \$u FSub 1 receivable, to newly formed FControlled 2Y, in exchange for FControlled 2Y stock (the "FControlled 2Y Contribution").
- (xvi) FDistributing 2X will distribute all of the stock of FControlled 2Y to FDistributing 3X (the "Second Distribution").

#### Third Distribution

- (xvii) FDistributing 3X will contribute Business Y related assets, including stock of FControlled 2Y, to newly formed FControlled 3Y, in exchange for FControlled 3Y stock, FControlled 3Y notes (the "FControlled 3Y Notes"), and/or FControlled 3Y securities (the "FControlled 3Y Securities") (the "FControlled 3Y Contribution").
- (xviii) FDistributing 3X will use the FControlled 3Y Notes and/or FControlled 3Y Securities to pay off certain FDistributing 3X receivables held by lower-tier

entities (the “FDistributing 3X Internal Creditors”) that will be indirectly contributed to FControlled 3Y in the FControlled 3Y Contribution (the “FDistributing 3X Internal Debt Exchange”).

- (xix) FDistributing 3X will distribute all of the stock of FControlled 3Y to an existing foreign DRE, FDRE 2, of Distributing Parent (the “Third Distribution”).

External Distribution

- (xx) FDRE 2 will contribute assets, including FControlled 3Y, to a newly formed foreign DRE, FDRE 4.
- (xxi) For foreign law purposes, FDRE 2 will transfer FDRE 4 to FDRE 1 for a note that FDRE 2 will transfer back to FDRE 1. FDRE1 will contribute FDRE 4 to newly formed FDRE 5.
- (xxii) For foreign law purposes, Distributing Parent will contribute its indirect interest in FControlled 3Y to SpinCo using the following structure:
  - a. FDRE 1 will transfer FDRE 5 to SpinCo in exchange for a note of equal value.
  - b. FDRE 1 will distribute the SpinCo note to DRE 2.
  - c. DRE 2 will distribute the SpinCo note to DRE 1.
  - d. DRE 1 will distribute the SpinCo note to Distributing Parent.
  - e. Distributing Parent will contribute the SpinCo note back to SpinCo.
- (xxiii) Distributing Parent will contribute Business Y assets and liabilities and cash to SpinCo in exchange for SpinCo stock, SpinCo financial instruments (the “SpinCo Instruments”), and the Cash Proceeds (together with Distributing Parent’s contribution of FControlled 3Y, the “SpinCo Contribution”).
- (xxiv) Following the SpinCo Contribution, and within y months following the date of the External Distribution, Distributing Parent will transfer the Cash Proceeds to (i) satisfy any Distributing Parent indebtedness existing at the time of receipt of the Cash Proceeds or subsequently incurred during the y-month period in the ordinary course of business, (ii) redeem Distributing Parent stock, and/or (iii) make distributions to Distributing Parent shareholders (the “Cash Proceeds Purge”).
- (xxv) Distributing Parent will exchange the SpinCo Instruments for the DP Internal Debt, the DP External Debt, and the Investment Bank Debt (as defined below). More specifically:



- a. Prior to the External Distribution, Distributing Parent will use a portion of the SpinCo Instruments received (the “SpinCo Internal Debt Instruments”) to pay off certain Distributing Parent receivables (the “DP Internal Debt”) held by lower-tier entities (the “DP Internal Creditors”) that will be indirectly contributed to SpinCo in the SpinCo Contribution (the “DP Internal Debt Exchange”). The SpinCo Internal Debt Instruments will consist of notes (the “SpinCo Internal Notes”) and/or securities (the “SpinCo Internal Securities”). The amount of SpinCo Internal Notes in relation to the amount of SpinCo Internal Securities remains to be determined.
  - b. Distributing Parent will also use a portion of the SpinCo Instruments received (the “SpinCo External Debt Instruments”) to pay off certain external debt (the “DP External Debt”), by entering into a debt-for-debt swap arrangement with targeted existing Distributing Parent debt holders (the “DP Direct Debt Exchange”).
  - c. One or more investment banks (the “Investment Banks”), acting as principals for their own account, will purchase a portion of the Distributing Parent external debt (such acquisition, the “Investment Bank Tender,” and such debt, the “Investment Bank Debt”). Distributing Parent will enter into an exchange agreement with the Investment Banks (the “Investment Bank Debt Exchange Agreement”) no sooner than five days after the Investment Bank Tender. Pursuant to the Investment Bank Debt Exchange Agreement, the Investment Banks will exchange the Investment Bank Debt for a portion of the SpinCo Instruments (the “Investment Bank Debt Exchange”). The exchange will occur at least 14 days after the Investment Bank Tender.
- (xxvi) Distributing Parent will distribute all the SpinCo stock to its shareholders (except that any Distributing Parent stock owned by its direct and indirect subsidiaries that will become subsidiaries of SpinCo after the SpinCo Contribution will be redeemed in exchange for SpinCo stock of equal value) (the “External Distribution”).

Following the External Distribution, Distributing Parent may use a portion of the SpinCo Instruments to engage in the Investment Bank Debt Exchange. The exchange period will not exceed w months from the date of the External Distribution.

Pursuant to the Proposed Transaction, Distributing Parent will contribute approximately x % of its assets, by fair market value, to SpinCo; Distributing Parent will also allocate approximately y % of its external debt to SpinCo. Distributing Parent’s use of the SpinCo External Debt Instruments issued by SpinCo in the DP Direct Debt Exchange will not result in a change in payment expectations pursuant to § 1.1001-3(e)(4)(iv).

After taking into account all amounts due from Distributing Parent to SpinCo and from SpinCo to Distributing Parent pursuant to various separation agreements (offset by any cash Distributing Parent will transfer to SpinCo in the SpinCo Contribution, the total amount that Distributing Parent owes to SpinCo may be less than the total amount that SpinCo owes to Distributing Parent (the “Net Excess”).

Moreover, in connection with the SpinCo Contribution, Distributing Parent and SpinCo will each receive certain royalty-free licenses to use the house trademarks, patents, and other intangible property rights currently owned by Distributing Parent and its subsidiaries (whether legal and/or economic ownership of such rights remain in Distributing Parent or its subsidiaries following the External Distribution or instead are transferred to SpinCo or its subsidiaries as part of the External Distribution), for the purposes of enabling Distributing Parent and SpinCo to further their respective businesses (collectively, the “Intellectual Property Rights”).

## REPRESENTATIONS

The taxpayer has made the following representations in connection with the Proposed Transaction:

### Global Restructuring

- (a) FDistributing 1Y has owned more than 33⅓% of Foreign Partnership capital as well as Foreign Partnership profits from the Business X(1) and Business Y(1) operations throughout the five-year period preceding the Proposed Transaction.

### First Distribution

- (b) After the First Distribution, FDistributing 1Y will own more than 33⅓% of Business Y FPartnership capital as well as Business Y FPartnership profits from Business Y(1) operations.
- (c) After the First Distribution, FControlled 1X will own more than 33⅓% of Business X FPartnership capital as well as Business X FPartnership profits from the Business X(1) operations.

### Second Distribution

- (d) After the Second Distribution, the FDistributing 2X separate affiliated group (within the meaning of § 355(b)(3), “SAG”) will own more than 33⅓% of Business X FPartnership capital as well as Business X FPartnership profits from the Business X(1) operations.

### Third Distribution

- (e) After the Third Distribution, the FDistributing 3X SAG will own more than 33⅓% of Business X FPartnership capital as well as Business X FPartnership profits from the Business X(1) operations.

- (f) The FControlled 3Y Securities issued to FDistributing 3X, if any, in connection with the FControlled 3Y Contribution will qualify as “securities” for U.S. federal income tax purposes.
- (g) The FControlled 3Y Notes issued to FDistributing 3X, if any, in connection with the FControlled 3Y Contribution will qualify as indebtedness for U.S. federal income tax purposes.
- (h) None of the receivables involved in the FDistributing 3X Internal Debt Exchange were issued in anticipation of the Proposed Transaction.
- (i) The total adjusted bases of the assets transferred by FDistributing 3X to FControlled 3Y in the FControlled 3Y Contribution will equal or exceed the sum of (i) the liabilities assumed by FControlled 3Y (as determined under § 357(d)) and (ii) the fair market value of other property (within the meaning of § 361(b)) received by FDistributing 3X and transferred by it to its creditors in the Third Distribution.

#### External Distribution

- (j) After the External Distribution, the Distributing Parent SAG will own more than 33⅓% of Business X FPartnership capital as well as Business X FPartnership profits from Business X(1) operations.
- (k) After the External Distribution, the SpinCo SAG will own more than 33⅓% of Business Y FPartnership capital as well as Business Y FPartnership profits from Business Y(1) operations.
- (l) The SpinCo Internal Securities issued by SpinCo to Distributing Parent, if any, in connection with the SpinCo Contribution will qualify as “securities” for U.S. federal income tax purposes.
- (m) The SpinCo Internal Notes issued by SpinCo to Distributing Parent, if any, in connection with the SpinCo Contribution will qualify as indebtedness for U.S. federal income tax purposes.
- (n) The DP Internal Debt, DP External Debt, and Investment Bank Debt was not issued in anticipation of the Proposed Transaction.
- (o) The total adjusted bases of the assets transferred by Distributing Parent to SpinCo in the SpinCo Contribution will equal or exceed the sum of (i) the liabilities assumed by SpinCo (as determined under § 357(d)) and (ii) the total amount of money and the fair market value of other property (within the meaning of § 361(b)) received by Distributing Parent and transferred by it to its creditors in the External Distribution.

- (p) The exchange period for Distributing Parent's use of the SpinCo Instruments following the External Distribution is for the principal purpose of allowing the Investment Banks sufficient time to efficiently acquire Distributing Parent debt for the Investment Bank Debt Exchange.
- (q) Distributing Parent's use of the SpinCo Instruments after the External Distribution shall, in no event, exceed w months following the External Distribution, by which time the SpinCo Instruments will be distributed to Distributing Parent's creditors (including the Investment Banks) and/or shareholders, or otherwise disposed of.

### RULINGS

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

1. The distributions made by FDistributing 2X and FDistributing 3X in the First Property Distributions will each be treated as a distribution of property to which § 301 applies by reason of § 356(b).
2. Provided the Second Distribution qualifies as a distribution under § 355, earnings and profits (if any) of FDistributing 2X will be allocated between FDistributing 2X and FControlled 2Y, in accordance with § 312(h) and § 1.312-10(a), and after decreasing FDistributing 2X's earnings and profits by reason of the First Property Distributions.
3. Provided the Third Distribution qualifies as a distribution under § 355, earnings and profits (if any) of FDistributing 3X will be allocated between FDistributing 3X and FControlled 3Y, in accordance with § 312(h) and § 1.312-10(a), and after decreasing FDistributing 3X's earnings and profits by reason of the First Property Distributions.
4. The Business Y FPartnership Distribution and the First Distribution will not preclude the FSub7 Acquisition from satisfying the continuity of business enterprise requirement under § 1.368-1(d).
5. The Business Y FPartnership Distribution, FControlled 1X Contribution, and the First Distribution will not preclude the FSub 8 Contribution from satisfying the control requirement of § 351(a).
6. The FDistributing 3X Internal Creditors will be treated as creditors for purposes of § 361(b)(3) and (c)(3).
7. The transfer of FDRE 5 to SpinCo in exchange for a SpinCo note will be treated, together with the related transfers of the SpinCo note, as if, for U.S. federal

income tax purposes, Distributing Parent contributed FDRE 5 to SpinCo under § 361.

8. Section 355(a)(3)(B) will not treat as “other property” any part of the SpinCo stock issued by SpinCo to Distributing Parent pursuant to the SpinCo Contribution in exchange for the Intellectual Property Rights.
9. The DP Internal Creditors will be treated as creditors for purposes of § 361(b)(3) and (c)(3).
10. The involvement of the Investment Banks in the Investment Bank Tender and the Investment Bank Debt Exchange will not preclude the application of § 361(c)(3) to the Investment Bank Debt Exchange.
11. The SpinCo External Debt Instruments will constitute “securities” for purposes of §§ 355 and 361.
12. Distributing Parent’s completion of the Investment Bank Debt Exchange, and, if necessary, any distribution of the SpinCo Instruments to Distributing Parent’s creditors (other than the Investment Banks) and/or Distributing Parent’s shareholders following the date of the External Distribution, will not preclude (i) the SpinCo Contribution, (ii) the External Distribution, or (iii) the Investment Bank Debt Exchange, from qualifying under §§ 355 and 361.
13. The Cash Proceeds Purge will be treated as being distributed pursuant to the External Distribution plan of reorganization for purposes of § 361(b) and (c).
14. The interest in the Business Y FPartnership held by each of FDistributing 1Y and the SpinCo SAG will be treated as a “significant interest” within the meaning of Rev. Rul. 2007-42, 2007-2 C.B. 44.
15. The interest in the Business X FPartnership held by each of FControlled 1X, the FDistributing 2X SAG, the FDistributing 3X SAG, and the Distributing Parent SAG will be treated as a “significant interest” within the meaning of Rev. Rul. 2007-42, 2007-2 C.B. 44.
16. With respect to the First Distribution, the relative fair market value of the gross assets of Business Y(1) (as compared to the fair market value of all the gross assets of FDistributing 1Y), and the relative fair market value of the gross assets of Business X(1) (as compared to the fair market value of all the gross assets of FControlled 1X), will not prevent Business Y(1) or Business X(1) from respectively qualifying as an active trade or business for purposes of § 355(b).
17. With respect to the Second Distribution, the relative fair market value of the gross assets of Business X(1) (as compared to the fair market value of all the gross

- assets of FDistributing 2X), and the relative fair market value of the gross assets of Business Y(2) (as compared to the fair market value of all the gross assets of FControlled 2Y), will not prevent Business X(1) or Business Y(2) from respectively qualifying as an active trade or business for purposes of § 355(b).
18. With respect to the Third Distribution, the relative fair market value of the gross assets of Business X(1) (as compared to the fair market value of all the gross assets of FDistributing 3X), and the relative fair market value of the gross assets of Business Y(2) (as compared to the fair market value of all the gross assets of FControlled 3Y), will not prevent Business X(1) or Business Y(2) from respectively qualifying as an active trade or business for purposes of § 355(b).
  19. With respect to the External Distribution, the relative fair market value of the gross assets of Business X(1) (as compared to the fair market value of all the gross assets of Distributing Parent), and the relative fair market value of the gross assets of Business Y(1) (as compared to the fair market value of all the gross assets of SpinCo), will not prevent Business X(1) or Business Y(1) from respectively qualifying as an active trade or business for purposes of § 355(b).
  20. Except for purposes of § 355(g), payments from Distributing Parent, or any of its affiliates, to SpinCo, or any of its affiliates, or vice versa, under any of the continuing relationships regarding liabilities, indemnities, or other obligations that (i) have arisen or will arise for a taxable period ending on or before the External Distribution, and (ii) will not become fixed and ascertainable until after the External Distribution, will be treated as occurring immediately before the External Distribution. See Arrowsmith v. Commissioner, 344 U.S. 6 (1952); Rev. Rul. 83-73, 1983-1 C.B. 84.
  21. Provided that the Net Excess, if any, is used within y months from the date of receipt and in the same manner as the Cash Proceeds Purge, the Net Excess will be treated as being distributed pursuant to the External Distribution plan of reorganization for purposes of §§ 357(a) and 361(a), (b).

### CAVEATS

Except as expressly provided herein, no opinion is expressed or implied concerning the tax treatment of the Proposed Transaction under any provision of the Code and regulations or the tax treatment of any condition existing at the time of, or effects resulting from the Proposed Transaction that is not specifically covered by the above rulings.

Temporary or final regulations pertaining to one or more of the issues addressed in this ruling have not yet been adopted. Therefore, this ruling will be modified or revoked by the adoption of temporary or final regulations, to the extent the regulations are

inconsistent with any conclusion in the letter ruling. See section 11.04 of Rev. Proc. 2015-1, 2015-1 I.R.B. 1, 59. However, when the criteria in section 11.06 of Rev. Proc. 2015-1, 2015-1 I.R.B. 1, 60 are satisfied, a ruling is not revoked or modified retroactively except in rare or unusual circumstances.

In particular, no opinion is expressed regarding:

- (i) The tax treatment of the FSub 5 Sale; or
- (ii) Whether the transfer of Intellectual Property Rights in the SpinCo Contribution constitutes transfers of property (see Rev. Rul. 69-156, 1969-1 C.B. 101).

Moreover, no opinion is expressed as to whether any of the transactions constitute direct or indirect repatriations of untaxed foreign earnings and profits resulting in an income inclusion to a domestic corporation, including under section 956.

#### PROCEDURAL STATEMENTS

This letter is directed only to the taxpayer 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)