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PLR-119180-10

Date:

October 06, 2010

LEGEND:

Distributing 1 =

Distributing 2 =

Controlled =

Date 1 =

Date 2 =

Date 3 =

Date 4 =

Date 5 =

Date 6 =

Year 1 =

Year 2 =

Year 3 =

Year 4 =

State A =

State B =

Shareholder 1 =

Shareholder 2 =

Shareholder 3 =

Business A =

Business B =

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 April 30, 2010 request for rulings regarding certain federal income tax consequences of a series of proposed transactions (collectively, the "Proposed Transactions"). The information submitted in that request as well as the correspondence dated September 8, 2010, September 21, 2010 and October 5, 2010 is summarized below.

The rulings contained in this letter are based upon information and representations submitted by the taxpayer and accompanied by a penalty 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. In particular, this office has not reviewed any information pertaining to, and has made no determination regarding: (i) whether the distributions described below satisfy the business purpose requirement of §1.355-2(b) of the Income Tax Regulations (the regulations); (ii) whether the distributions are used principally as a device for the distribution of the earnings and profits of the distributing company or the controlled companies or both (see section 355(a)(1)(B) of the Internal Revenue Code (the Code) and §1.355-2(d) of the regulations); and (iii) whether the distributions are 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 fifty percent (50%) or greater interest in the

distributing company or the controlled companies (see section 355(e) of the Code and §1.355-7 of the regulations).

SUMMARY OF FACTS

Distributing 1, a State A corporation, is the common parent of an affiliated group of corporations that files a consolidated federal income tax return (“the Distributing 1 Group”). Distributing 2, a State B corporation, is a direct, wholly-owned subsidiary of Distributing 1 and a member of the Distributing 1 Group. Controlled, a State A corporation, was a member of the Distributing 1 Group until Date 1, but on that date ceased to be a member.

Distributing 1, a holding company formed in Year 1, has one class of stock outstanding. The following shareholders have filed reports indicating that they own more than five percent of Distributing 1 stock: Shareholder 1 and Shareholder 2. Approximately a other shareholders of record own the remaining Distributing 1 stock (together with Shareholders 1 and 2, the “Distributing 1 Shareholders”).

For over p years, Distributing 2 is engaged in Business A. Controlled has been engaged in Business B since Year 2.

Controlled has two classes of stock currently outstanding: b shares of Class A voting common stock (the “Class A Stock”) and c shares of Class B nonvoting common stock (the “Class B Stock”).

Distributing 2 acquired Controlled in Year 3, and Distributing 2 owned all of the issued and outstanding stock of Controlled until Date 1. On Date 1, Shareholder 3 paid \$d to Controlled for the issuance of e shares of the Class A Stock (representing f percent of Class A Stock) and paid Distributing 2 \$g for a three-year option to acquire additional shares in Controlled (the “Shareholder 3 Option”). Distributing 2 owned the remaining h shares of Class A Stock, representing i percent of Class A stock.

Distributing 2, Shareholder 3 and Controlled entered into a Stockholders’ Agreement as of Date 1 that currently remains in effect (as amended in the manner described below) (the “Year 4 Stockholders’ Agreement”). The Year 4 Stockholders’ Agreement provides that the board of directors for Controlled be comprised of j members, k of whom are designated by Distributing 2, l of whom are designated by Shareholder 3 and m of whom must serve as an executive officer of Controlled and be reasonably acceptable to Distributing 2 and Shareholder 3.

On Date 3, the Year 4 Stockholders’ Agreement was amended to increase the exercise price of the Shareholder 3 Option and to provide that if the Shareholder 3 Option expired unexercised on Date 4, that Controlled would issue shares of nonparticipating preferred stock (the “Preferred Stock”) to Distributing 2. The Shareholder 3 Option was

not exercised, and therefore Distributing 2 was entitled as of such date to be issued y shares of Preferred Stock with a liquidation preference of \$0.

On Date 2, Controlled issued n shares of Class B Stock to certain current and former employees of Controlled. The Class B Stock has the same economic terms as the Class A Stock and is vested, but is nonvoting. The Class B Stock may be converted by Controlled into shares of Class A Stock upon a shareholder vote, and may be redeemed at any time for fair market value. On Date 5, Controlled issued an additional u shares of Class B Stock to certain employees, and on Date 6 Controlled repurchased y shares of Class B Stock from an employee who left the company.

The senior management of Distributing 1, Distributing 2, and Controlled have concluded that a separation of Business A and Business B would enhance the successful operation of both businesses for the following reasons:

(i) Relationship Between the Businesses: Business A and Business B operate in distinct markets, at different lifecycle stages, and require different operational expertise, product focus, and capital requirements. Controlled has aggressive expansion goals, while Distributing 1 and Distributing 2 have a more conservative strategy with respect to growth. Given the fundamental differences between the two businesses and the lack of synergies from their combination, the management of Distributing 1 and Distributing 2 and the management of Controlled have determined that the individual businesses would be more competitive with their respective peers by separating them, thereby enabling their managements to pursue strategies tailored to each without regard for the other.

(ii) Relationship with Suppliers: The separation of Controlled from Distributing 1 and Distributing 2 would allow Controlled to improve the terms of the contracts with current suppliers and possibly provide access to new suppliers. Controlled management believes that certain vendors that currently supply Controlled would do so on more favorable terms if Controlled were not associated with Distributing 1 and Distributing 2.

(iii) Employee Compensation: Controlled has a strong desire to use equity compensation as a means of attracting and retaining employees. Distributing 1 and Distributing 2 have previously limited Controlled's attempts to create an employee equity compensation program because it would be inconsistent with the equity incentives provided to Distributing 1 and Distributing 2 employees. The limits on awarding equity compensation have made it difficult for Controlled management to recruit and retain employees. After the Spin-Offs, Controlled will be able to tailor compensation programs and issue equity-based compensation to its employees which would more directly incentivize the employees of Business B.

(iv) Concentrate on Each Business: Controlled represents a relatively small percentage of the business of Distributing 1 and Distributing 2, and, while a controlled subsidiary, Controlled has been low on the priority list of Distributing 1 and Distributing 2's

management. Business B has never been fully integrated into Distributing 1 and Distributing 2, and Distributing 1 and Distributing 2's management does not have a clear plan for developing and building Business B. Nonetheless, Controlled's management must obtain approval from Distributing 1 and Distributing 2 for its business plans and strategic decisions. Such oversight has prevented the management of Controlled from making and effecting strategic decisions in an efficient manner. Further, the current structure leads to duplication of effort, as all financial review and planning undertaken by the Controlled board of directors has to be repeated through the Distributing 1 and Distributing 2 management process. Separating the businesses will enable Controlled to better chart its own path and achieve its goals more efficiently.

PROPOSED TRANSACTIONS

To implement the above objectives, the following steps will be undertaken:

(i) All of the Preferred Stock will be redeemed or otherwise settled by Controlled (the "Redemption") or distributed together with the Class A Stock in Step (v).

(ii) The charter of Controlled will be amended to provide each share of Class B Stock with s of a vote, including for the election of directors in the manner described below ("Recapitalization 1"). At the same time, the charter of Controlled will also be amended to provide the following:

- a. The board of directors will be expanded to g members, with Distributing 2 appointing the additional r directors and replacing the directors of Controlled that are also officers or directors of Distributing 2.
- b. A new class of stock ("Class C Stock") will be created, and Shareholder 3 will exchange its Class A Stock for Class C Stock ("Recapitalization 2"). The Class C Stock, voting together with the Class B Stock, will have the right to elect l members of the board of directors, with the remaining t directors elected by the holders of the Class A Stock. At any time that Shareholder 3 owns less than q% of Controlled, the Class C Stock (voting together with the Class B Stock) shall only have the right to elect one director (out of the g members), and at any time that Shareholder 3 owns less than x% of Controlled, its right to elect a director shall terminate. At such time, there would no longer be a separate class of directors, and all classes of stock would vote as a single class for the entire board of directors. Each share of Class C Stock will have m vote per share. The terms of the Class C Stock will provide that if it is transferred to a third party (not affiliated with Shareholder 3), such transferred Class C Stock will automatically convert to an equal number of shares of Class A Stock.

(iii) Through a stock split, all of the outstanding Class A Stock, Class B Stock and Class C Stock will be recapitalized to increase the total number of shares of Class A Stock, Class B Stock and Class C Stock in each case to a number determined appropriate

(Recapitalization 3) (“Recapitalization 3”, together with Recapitalization 1 and Recapitalization 2, the “Recapitalizations”).

(iv) Distributing 2, Shareholder 3, and Controlled will amend the Year 4 Stockholders’ Agreement to eliminate Shareholder 3’s current rights to designate directors.

(v) Distributing 2 will distribute to Distributing 1 (i) all of its Class A Stock representing at least 80 percent of the voting power of Controlled’s outstanding stock, and (ii) to the extent not previously redeemed or settled, all of its outstanding Preferred Stock, representing 100 percent of the only nonvoting class of Controlled’s outstanding stock (the Class A Stock together with any Preferred Stock distributed, the “Controlled Stock”) (“Spin-Off 1”).

(vi) Distributing 1 will distribute all of its Controlled Stock to the Distributing 1 Shareholders on a pro rata basis (“Spin-Off 2”, and, together with Spin-Off 1, the “Spin-Offs”). No fractional shares of Controlled will be issued. In lieu thereof, the distribution agent will aggregate all fractional share interests, sell the aggregated shares and remit the proceeds to the shareholders entitled thereto. Neither Distributing 2 nor Distributing 1 will retain any Controlled Stock following the Spin-Offs.

(vii) Immediately following the Spin-Offs, the Year 4 Stockholders’ Agreement will be further amended to add Shareholder 1 as a party with respect to certain provisions and remove Distributing 2.

Following the Spin-Offs, it is possible that the board of Controlled may propose a shareholder vote to convert the Class A Stock, Class B Stock and Class C Stock into a single class of common stock, or propose to convert the Class B Stock into Class A Stock.

REPRESENTATIONS

The Recapitalizations

The following representations have been made with respect to the recapitalizations:

(a) Controlled and the Class B Shareholders will each pay their own expenses, if any, incurred in connection with Recapitalization 1.

(b) The fair market value of the Class B Stock held by the Class B Shareholders immediately following Recapitalization 1 will be approximately equal to the fair market value of the Class B Stock held by the Class B Shareholders immediately before Recapitalization 1.

(c) Controlled and Shareholder 3 will each pay their own expenses, if any, incurred in connection with Recapitalization 2.

- (d) The fair market value of the Class C Stock held by Shareholder 3 immediately following Recapitalization 2 will be approximately equal to the fair market value of the Class A Stock held by Shareholder 3 immediately before Recapitalization 2.
- (e) Distributing 2, Shareholder 3, Controlled, and the Class B Shareholders will each pay their own expenses, if any, incurred in connection with Recapitalization 3.
- (f) The fair market value of the Class A Stock held by Distributing 2 immediately following Recapitalization 3 will be approximately equal to the fair market value of the Class A Stock held by Distributing 2 immediately before Recapitalization 3. The fair market value of the Class B Stock held by the Class B Shareholders immediately following Recapitalization 3 will be approximately equal to the fair market value of the Class B Stock held by the Class B Shareholders immediately before Recapitalization 3. The fair market value of the Class C Stock held by Shareholder 3 immediately following Recapitalization 3 will be approximately equal to the fair market value of the Class C Stock held by Shareholder 3 immediately before Recapitalization 3.
- (g) Controlled is not under the jurisdiction of a court in a Title 11 or similar case within the meaning of section 368(a)(3)(A).
- (h) There is no legally binding obligation to any person to present to the Controlled shareholders a proposal to convert the Class A Stock, Class B Stock and Class C Stock into a single class of stock or a proposal to convert the Class B Stock into Class A Stock following the consummation of the Spin-Offs.
- (i) If a proposal to convert the Class A Stock, Class B Stock and Class C Stock into a single class of common stock is approved by the Controlled board of directors and presented to Controlled shareholders following the consummation of the Spin-Offs, its adoption would be pursuant to a shareholder vote, on a basis to be determined. If a proposal to convert the Class B Stock into Class A Stock is approved by the Controlled board of directors and presented to the Controlled shareholders following the consummation of the Spin-Offs, its adoption would be pursuant to a shareholder vote, on a basis to be determined.

The Spin-Offs

The following representations have been made with respect to the Spin-Offs:

- (a) Distributing 2, Controlled, Distributing 1, and the Distributing 1 Shareholders will each pay their own expenses, if any, incurred in connection with the Spin-Offs.
- (b) No part of the consideration to be distributed in Spin-Off 1 will be received by Distributing 1 as a creditor, employee, or in any capacity other than that of a shareholder of Distributing 2.

(c) No part of the consideration to be distributed in Spin-Off 2 will be received by the Distributing 1 Shareholders as a creditor, employee, or in any capacity other than that of a shareholder of Distributing 1.

(d) Each of Distributing 1, Distributing 2, and Controlled will treat all members of its respective separate affiliated group as defined in section 355(b)(3)(B) as one corporation in determining whether it meets the requirements of section 355(b)(2)(A) regarding the active conduct of a trade or business.

(e) The five years of financial information submitted on behalf of Business A is representative of the present operations of Business A and there have been no substantial operational changes since the date of the last financial statements submitted.

(f) The five years of financial information submitted on behalf of Business B is representative of the present operations of the Business B and there have been no substantial operational changes since the date of the last financial statements submitted.

(g) Except for certain transition services to be provided by Distributing 2 to the Business B for a limited time following the Spin-Offs, Distributing 2 and Controlled will each continue the active conduct of its respective business or businesses, independently and with separate employees.

(h) The Spin-Offs are being carried out for the following corporate business purposes: to permit management of Controlled to expand Business B without the constraints imposed by Distributing 2; to permit equity compensation programs for Controlled employees that are currently limited because of conflict with Distributing 2 programs; and to improve Controlled's access and terms with potential and current suppliers. The Spin-Offs are motivated, in whole or in substantial part, by one or more of these corporate business purposes.

(i) The Spin-Offs are not used principally as a device for the distribution of the earnings and profits of Distributing 1, Distributing 2, or Controlled.

(j) There is no plan or intention by any shareholder who owns 5 percent or more of the stock of Distributing 1, and the management of Distributing 1, to its best knowledge, is not aware of any plan or intention on the part of any particular remaining Distributing 1 Shareholder to sell, exchange, transfer by gift, or otherwise dispose of any stock in either Distributing 1 or Controlled after the Spin-Offs.

(k) There is no plan or intention by Distributing 1, Distributing 2, or Controlled, directly or through any subsidiary corporation, to purchase any of its outstanding stock after the Spin-Offs, other than through stock purchases meeting the requirements of section 4.05(1)(b) of Rev. Proc. 96-30.

(l) There is no plan or intention to liquidate Distributing 1, Distributing 2, or Controlled, to merge any of Distributing 1, Distributing 2, or Controlled with any other corporation, or to sell or otherwise dispose of the assets of any of Distributing 1, Distributing 2, or Controlled after the transaction, except in the ordinary course of business.

(m) Neither Distributing 1 nor Distributing 2 accumulated its receivables or made extraordinary payment of its payables in anticipation of the Spin-Offs.

(n) No intercorporate debt will exist between Distributing 2 and Controlled at the time of, or subsequent to, the Spin-Offs other than any indebtedness that has arisen in the ordinary course of business or which may arise after the conclusion of the Spin-Offs in connection with any transitional services or other intercompany agreements.

(o) No intercorporate debt will exist between Distributing 1 and Controlled at the time of, or subsequent to, the Spin-Offs other than any indebtedness that has arisen in the ordinary course of business or which may arise after the conclusion of the Spin-Offs in connection with any transitional services or other intercompany agreements.

(p) Any indebtedness between Distributing 2 and Controlled after the Spin-Offs will not constitute stock or securities.

(q) Any indebtedness between Distributing 1 and Controlled after the Spin-Offs will not constitute stock or securities.

(r) Payments made in connection with all continuing transactions, other than a services agreement between Distributing 2 and Controlled, will be for fair market value based on terms and conditions arrived at by the parties at arm's length.

(s) None of Distributing 1, Distributing 2, or Controlled is an investment company as defined in sections 368(a)(2)(F)(iii) and (iv) or section 351(e) and Treasury regulation section 1.351-1(c)(1)(ii).

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

(u) For purposes of section 355(d), immediately after the Spin-Offs, no person (determined after applying section 355(d)(7)) will hold stock possessing 50 percent or more of the total combined voting power of all classes of Distributing 2 stock entitled to vote, or 50 percent or more of the total value of shares of all classes of Distributing 2 stock, that was acquired by purchase (as defined in section 355(d)(5) and (8)) during

the five-year period (determined after applying section 355(d)(6)) ending on the date of the Spin-Offs.

(v) For purposes of section 355(d), immediately after the Spin-Offs, no person (determined after applying section 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 section 355(d)(5) and (8)) during the five-year period (determined after applying section 355(d)(6)) ending on the date of the Spin-Offs or (ii) attributable to distributions on Distributing 2 stock that was acquired by purchase (as defined in section 355(d)(5) and (8)) during the five-year period (determined after applying section 355(d)(6)) ending on the date of the Spin-Offs.

(w) The Recapitalizations, the Redemption (if applicable) and Spin-Offs are not part of a plan or series of related transactions (within the meaning of section 355(e)) pursuant to which one or more persons will acquire directly or indirectly stock possessing 50 percent or more of the total combined voting power of all classes of stock of Distributing 1, Distributing 2, or Controlled, or stock possessing 50 percent or more of the total value of all classes of stock of Distributing 1, Distributing 2, or Controlled (other than by reason of acquisitions described in section 355(e)(3)(A)).

(x) Immediately prior to the Spin-Offs, the only outstanding stock of Controlled not held by Distributing 2 will be shares of Class B Stock held by the Class B Shareholders and shares of Class C Stock held by Shareholder 3. The shares of Class C Stock and Class B Stock that Distributing 2 does not own are entitled to vote for only l members out of q members of the board of directors and will constitute approximately w percent of the value of all of the outstanding Controlled common stock.

(y) 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. Further, Distributing 1's excess loss account with respect to the Controlled Corporation stock, if any, will be included in income immediately before the distribution.

(z) Neither Business A nor control of an entity conducting this business will have been acquired during the five-year period ending on the date of the Spin-Offs in a transaction in which gain or loss was recognized (or treated as recognized under proposed Treasury Regulations Section 1.355-3) in whole or in part. Throughout the five-year period ending on the date of the Spin-Offs, Distributing 2 will have been the principal owner of the goodwill and significant assets of Business A and will continue to be the principal owner following the Spin-Offs.

(aa) Prior to Recapitalization 1, neither Business B nor control of an entity conducting this business will have been acquired during the five-year period ending on the date of the Spin-Offs in a transaction in which gain or loss was recognized (or treated as recognized under proposed Treasury Regulations Section 1.355-3) in whole or in part.

Throughout the five-year period ending on the date of the Spin-Offs, Controlled will have been the principal owner of the goodwill and significant assets of Business B and will continue to be the principal owner following the Spin-Offs.

(bb) Immediately after the Spin-Offs (taking into account Section 355(g)(4)), either (i) none of Distributing 1, Distributing 2 or Controlled will be a disqualified investment corporation (within the meaning of Section 355(g)(2)), or (ii) no person will hold a 50% or greater interest (within the meaning of Section 355(g)(3)) in the stock of Distributing 1, Distributing 2 or Controlled that such person did not hold immediately before the Spin-Offs.

(cc) The payment of cash in lieu of fractional shares of Controlled is solely for the purpose of avoiding the expense and inconvenience to Controlled of issuing fractional shares and does not represent separately bargained-for-consideration. The fractional share interests of each Distributing 2 Shareholder will be aggregated, and no Distributing 2 Shareholder of record will receive cash in an amount equal to or greater than the value of one full share of Controlled stock.

RULINGS

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

The Recapitalizations

1. The amendment of Controlled's charter to provide each share of Class B Stock with s of a vote, including for the election of directors, ("Recapitalization 1") will be treated as a reorganization within the meaning of section 368(a)(1)(E); no gain or loss will be recognized by the Class B Shareholders as a result of Recapitalization 1 (section 368(a)(1)(E) and section 354(a)(1)).
2. Recapitalization 2 is a reorganization within the meaning of section 368(a)(1)(E), and no gain or loss will be recognized by Shareholder 3 as a result of Recapitalization 2 (section 368(a)(1)(E) and section 354(a)(1)).
3. The stock split undertaken for the purposes of increasing the number of shares to make the shares readily divisible among Distributing 1 Shareholders after Spin-Off 2 ("Recapitalization 3"), is a reorganization within the meaning of section 368(a)(1)(E); no gain or loss will be recognized by Distributing 2, Shareholder 3, or the Class B Shareholders as a result of Recapitalization 3 (section 368(a)(1)(E) and section 354(a)(1)).

The Spin-Offs

1. No gain or loss will be recognized by (and no amount will otherwise be included in the income of) Distributing 1 upon the receipt of the shares of Controlled Stock as a result of Spin-Off 1 (section 355(a)(1)).
2. No gain or loss will be recognized by Distributing 2 upon the distribution of the shares of Controlled Stock as a result of Spin-Off 1 (section 355(c)).
3. No gain or loss will be recognized by (and no amount will otherwise be included in the income of) the Distributing 1 Shareholders upon the receipt of shares of Controlled Stock as a result of Spin-Off 2 (section 355(a)(1)).
4. No gain or loss will be recognized by Distributing 1 upon the distribution of shares of Controlled Stock as a result of Spin-Off 2 (section 355(c)).
5. The aggregate basis of the Controlled Stock and the Distributing 1 stock in the hands of the Distributing 1 Shareholders will be the same as the basis in the Distributing 1 stock held by the Distributing 1 Shareholders immediately prior to Spin-Off 2, allocated in proportion to the fair market values of Controlled Stock and the Distributing 1 stock (section 358(a)(1) and (b) and Treasury regulation Section 1.358-2(a)(2)).
6. The holding period of the Controlled Stock received by the Distributing 1 Shareholders in Spin-Off 2 will include the holding period of the Distributing 1 stock with respect to which Spin-Off 2 will be made, provided that such Distributing 1 stock is held as a capital asset on the date of Spin-Off 2 (section 1223(1)).
7. As provided in section 312(h), proper allocation of earnings and profits between Distributing 2 and Controlled will be made under Treasury regulation sections 1.312-10(b) and (c).
8. As provided in section 312(h), proper allocation of earnings and profits between Distributing 1 and Controlled will be made under Treasury regulation sections 1.312-10(b) and (c).
9. A Distributing 1 Shareholder that receives cash in lieu of a fractional share of Controlled stock will recognize gain or loss measured by the difference between the amount of cash received and the basis of such fractional share (Section 1001). Provided the fractional share interest is a capital asset in the hands of the recipient Distributing 1 Shareholder, the gain or loss will constitute capital gain or loss subject to the provisions and limitations of Subchapter P of Chapter 1 of the Code (Sections 1221 and 1222).
10. If the Preferred Stock is distributed in Step (v), such stock will be "section 306 stock" within the meaning of section 306(c) of the Code.

CAVEATS

Except as expressly provided herein, no opinion is expressed or implied concerning the tax consequences of any aspect of any transaction or item discussed or referenced in this letter.

In addition, no opinion is expressed regarding: (i) whether the distributions described above satisfy the business purpose requirement of §1.355-2(b) of the Income Tax Regulations (the regulations); (ii) whether the distributions are used principally as a device for the distribution of the earnings and profits of the distributing company or the controlled companies or both (see section 355(a)(1)(B) of the Internal Revenue Code (the Code) and §1.355-2(d) of the regulations); and (iii) whether the distributions are 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 fifty percent (50%) or greater interest in the distributing company or the controlled companies (see section 355(e) of the Code and §1.355-7 of the regulations).

PROCEDURAL MATTERS

The rulings contained in this letter are based upon information and representations submitted by the taxpayer and accompanied by a penalty 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 ruling is directed only to the taxpayer requesting it. Section 6110(k)(3) of the Code provides that it may not be used or cited as precedent.

In accordance with the Power of Attorney on file with this office, a copy of this letter is being sent to your authorized representative.

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 the letter ruling.

Sincerely,

Bruce A. Decker
Assistant Branch Chief, Branch 3
(Corporate)