

Internal Revenue Service

Department of the Treasury

Index Numbers: 355.01-00, 368.04-00

Washington, DC 20224

Number: **200032014**
Release Date: 8/11/2000

Person to Contact:

Telephone Number:

Refer Reply To:
CC:DOM:CORP:Br4 PLR-103750-00
Date:
May 8, 2000

Distributing =

Old Controlled =

Sub 1 =

Sub 2 =

FSub 3 =

FSub 4 =

FSub 5 =

FSub 6 =

FSub 7 =

FSub 8 =

FSub 9 =

FSub 10 =

FSub 11 =

FSub 12 =

FSub 13 =

Sub 14 =

FSub 15 =

FSub 17 =

FSub18	=
FSub 19	=
FSub 20	=
Sub 21	=
FSub 22	=
FSub 23	=
FSub 24	=
Sub 25	=
Sub 26	=
Sub 27	=
Sub 28	=
FSub 29	=
FSub 30	=
FSub 31	=
FSub 32	=
Controlled	=
New FSub 1	=
Country 1	=
Country 2	=
Country 3	=
Country 4	=
Country 5	=

Country 6 =
Country 7 =
Country 8 =
Country 9 =
Country 10 =
Country 11 =
Country 12 =
Country 13 =
Country 14 =
Country 15 =
State 1 =
Location 1 =
Location 2 =
Consultant =
Business X =
Business Y =
Corp Z =
Investor 1 =
Investor 2 =
Investor 3 =
Date 1 =
Date 2 =
Date 3 =

Date 4 =

Date 5 =

Date 6 =

Date 7 =

Date 8 =

Date 9 =

Date 10 =

Date 11 =

Date 12 =

Date 13 =

Date 14 =

Date 15 =

Date 16 =

Date 17 =

Date 18 =

Date 19 =

a =

b =

c =

cc =

d =

e =

f =

g =
h =
i =
j =
k =
l =
m =
n =
o =
p =
q =

This letter responds to your September 23, 1999 request for rulings on certain federal income tax consequences of a proposed (and partially undertaken) transaction. The information submitted in that letter and in later correspondence is summarized below.

The rulings 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 ruling request. Verification of the facts, information, and other data in this ruling letter may be required as part of the audit process.

Facts

Publicly traded Distributing is the common parent of a corporate group whose includible affiliates join in filing a consolidated return. Before the Transaction (defined below), Distributing wholly owned Old Controlled and FSub 1. Before the Transaction and currently, Distributing wholly owned and owns FSub 2, FSub 3, FSub 4, FSub 5, FSub 6, FSub 7, FSub 8, FSub 9, FSub 10, FSub 11, FSub 12, FSub 13, and FSub 14. FSub 14 wholly owns FSub 15, FSub 16, and FSub 17. FSub 17 wholly owns FSub 18 and FSub 19. Old Controlled wholly owns FSub 32. Distributing acquired the stock of Old Controlled in a series of transactions that culminated on Date 1 (the "Acquisition Transactions"). Distributing represents that no gain or loss was recognized in any Acquisition Transaction.

Distributing and Old Controlled are domestic corporations. Each FSub is a foreign entity, as follows: FSub 1 (Country 1 private limited company), FSub 2 (Country 2 corporation), FSub 3 (Country 3 corporation), FSub 4 (Country 4 private limited company), FSub 5 (Country 5 private company), FSub 6 (Country 6 nonpublic stock corporation), FSub 7 (Country 7 private limited company), FSub 8 (Country 8 private limited company), FSub 9 (Country 9 corporation), FSub 10 (Country 10 private limited company), FSub 11 (Country 11 private limited company), FSub 12 (Country 12 limited liability company), FSub 13 (Country 13 corporation), FSub 14 (Country 14 private limited company), FSub 15 (Country 10 private limited company), FSub 16 (Country 14 private unlimited company), FSub 17 (Country 15 private limited company), FSub 18 (Country 15 private limited company), FSub 19 (Country 15 private limited company), and FSub 32 (Country 4 limited liability company).

Distributing directly conducts Business X, and Old Controlled directly conducts Business Y. The remaining subsidiaries provide sales and distribution support for these businesses. Financial information has been submitted which indicates that Business X and Business Y each has had gross receipts and operating expenses representing the active conduct of a trade or business for each of the last five years.

Both Distributing and Old Controlled (or Controlled (defined below)) have issued, and expect to continue issuing, stock options as compensation to employees and directors (the "Compensatory Options").

The operation of Business X and Business Y within the same affiliated group creates managerial, systemic, and other problems that prevent each business from fully focusing on its particular needs. Consultant has advised Distributing that separating these businesses from one another would significantly ease these problems (the "Separation").

The Transaction

To accomplish the Separation, Distributing has proposed (and partially undertaken) the following series of steps (collectively, the "Transaction"):

On Date 2:

- (i) Distributing contributed its FSub 1 stock to Old Controlled (the "Stock Contribution").
- (ii) FSub 1 issued additional stock to Old Controlled in exchange for a.

On Date 3:

- (iii) FSub 1 formed FSub 24 as a private limited company in Country 1. FSub 24 issued all its stock to FSub 1 in exchange for b. It is expected that FSub 24 will elect

under § 301.7701-3(c) of the Procedure and Administration Regulations to be disregarded as an entity separate from FSub 1.

On Date 4:

(iv) FSub 18 formed FSub 23 as a private limited company in Country 15. FSub 18 transferred c to FSub 23 in consideration for issuance of all the FSub 23 stock to FSub 1. It is expected that FSub 23 will elect under § 301.7701-3(c) to be disregarded as an entity separate from FSub 1.

On Date 5:

(v) Old Controlled declared a dividend of cc dollars payable to Distributing after Date 19 (the "First Payment").

On Date 6:

(vi) Old Controlled formed FSub 20 as a Country 2 corporation. FSub 2 transferred d to FSub 20 in consideration for issuance of all the FSub 20 stock to Old Controlled.

On Date 7:

(vii) FSub 18 formed FSub 26 as a private company in Country 5. FSub 18 transferred e to FSub 26 in consideration for issuance of all the FSub 26 stock to FSub 23. It is expected that FSub 26 will elect under § 301.7701-3(c) to be disregarded as an entity separate from FSub 23.

On Date 8:

(viii) FSub 18 formed FSub 25 as a private limited company in Country 4. FSub 18 transferred f to FSub 25 in consideration for issuance of all the FSub 25 stock to FSub 23. It is expected that FSub 25 will elect under § 301.7701-3(c) to be disregarded as an entity separate from FSub 23.

On Date 9:

(ix) FSub 18 formed FSub 28 as a private limited company in Country 7. FSub 18 transferred g to FSub 28 in consideration for issuance of all the FSub 28 stock to FSub 23. It is expected that FSub 28 will elect under § 301.7701-3(c) to be disregarded as an entity separate from FSub 23.

(x) FSub 18 formed FSub 22 as a corporation in Country 9. FSub 18 transferred h to FSub 22 in consideration for issuance of all the FSub 22 stock to Old Controlled.

On Date 10:

(xi) FSub 1 changed its name to New FSub 1.

On Date 11:

(xii) Old Controlled merged into newly formed Controlled, a State 1 corporation (the "Reincorporation").

(xiii) Controlled formed FSub 21 as a Country 3 corporation. Controlled purchased i and transferred them to FSub 21 in exchange for all the stock of FSub 21.

On Date 12:

(xiv) Distributing's counsel in Country 10 formed FSub 30 as a private limited company in Country 10. Distributing's counsel transferred j to FSub 30 in consideration for issuance of all the FSub 30 stock to FSub 23. It is expected that FSub 30 will elect under § 301.7701-3(c) to be disregarded as an entity separate from FSub 23.

On Date 13:

(xv) FSub 18 formed FSub 31 as a private limited company in Country 11. FSub 18 transferred k to FSub 31 in consideration for issuance of all the FSub 31 stock to FSub 23. It is expected that FSub 31 will elect under § 301.7701-3(c) to be disregarded as an entity separate from FSub 23.

On Date 14:

(xvi) FSub 18 formed FSub 29 as a private limited company in Country 8. FSub 18 transferred l to FSub 29 in consideration for issuance of all the FSub 29 stock to FSub 23. It is expected that FSub 29 will elect under § 301.7701-3(c) to be disregarded as an entity separate from FSub 23.

On Date 15:

(xvii) FSub 18 formed FSub 27 as a nonpublic stock corporation in Country 6. FSub 18 transferred m to FSub 27 in consideration for issuance of all the FSub 27 stock to FSub 23. It is expected that FSub 27 will elect under § 301.7701-3(c) to be disregarded as an entity separate from FSub 23.

(xviii) FSub 18 transferred n to FSub 23.

On Date 16:

(xix) New FSub 1 amended its articles of incorporation so that Controlled,

the sole shareholder of New FSub 1, became liable without limitation for New FSub 1's obligations.

(xx) New FSub 1 issued additional stock to Controlled in exchange for Controlled's obligation to pay b.

On Date 17:

(xxi) Distributing transferred inventory and assigned certain contract rights to Controlled in exchange for Controlled's (a) assumption of certain liabilities and (b) agreement to pay Distributing cash (the cash payment hereafter referred to as the "Second Payment") equal to the book value of the net assets transferred (together with the Stock Contribution in step (i) and the First Payment in step (v), the "Contribution"). Distributing also granted Controlled royalty-free, nonexclusive licenses to use certain intellectual property (the "Licenses"). Distributing has not decided on the extent to which it will transfer the First Payment and the Second Payment (together, the "Payments") to creditors in connection with the reorganization.

(xxii) FSub 20 assumed certain liabilities of FSub 2 related to Business Y, such as accrued payroll and obligations under a distributor rebate program. Concurrently, FSub 2 transferred to FSub 20 all of its rights in certain Business Y machinery and equipment. The parties settled in cash the difference between the fair market value of the transferred assets and the amount of the assumed liabilities. Because the assumed liabilities exceeded the value of the transferred assets, the required cash payment was made by FSub 2 to FSub 20.

(xxiii) FSub 25 assumed certain liabilities of FSub 4 related to Business Y, such as accrued payroll, obligations under a distributor rebate program, and other accrued marketing expenses. Concurrently, FSub 4 transferred to FSub 25 all of its rights in certain Business Y machinery, equipment, furniture, and fixtures, and all of its rights in a leasehold and leasehold improvements to property in Location 1. The parties settled in cash the difference between the fair market value of the transferred assets and the amount of the assumed liabilities. Because the value of the transferred assets exceeded the assumed liabilities, the required cash payment was made by FSub 25 to FSub 4.

(xxiv) FSub 26 assumed certain liabilities of FSub 5 related to Business Y, such as accrued payroll, obligations under a distributor rebate program, and other accrued marketing expenses. Concurrently, FSub 5 transferred to FSub 26 all of its rights in certain Business Y machinery and equipment. The parties agreed to settle in cash the difference between the fair market value of the transferred assets and the amount of the assumed liabilities. Because the assumed liabilities exceeded the value of the transferred assets, the required cash payment will be made by FSub 5 to FSub 26.

(xxv) FSub 27 assumed certain liabilities of FSub 6 related to Business Y, such as accrued payroll and obligations under a distributor rebate program. Concurrently, FSub 6 transferred to FSub 27 certain Business Y machinery, equipment, and current assets. The parties agreed to settle in cash the difference between the fair market value of the transferred assets and the amount of the assumed liabilities. Because the assumed liabilities exceeded the value of the transferred assets, the required cash payment will be made by FSub 6 to FSub 27.

(xxvi) FSub 23 assumed certain liabilities of FSub 18 related to Business Y, such as accrued compensation, obligations under a distributor rebate program, accrued promotion rebates, accrued price promotions, and other accrued marketing expenses. Concurrently, FSub 18 transferred to FSub 23 all of its rights in certain Business Y machinery and equipment. The parties agreed to settle in cash the difference between the fair market value of the transferred assets and the amount of the assumed liabilities. Because the assumed liabilities exceeded the value of the transferred assets, the required cash payment will be made by FSub 18 to FSub 23.

(xxvii) FSub 18 transferred all of its rights in Business Y inventories to FSub 24 in exchange for FSub 24's (a) agreement to pay cash and (b) assumption of certain Business Y liabilities.

(xxviii) FSub 23 assumed certain liabilities of FSub 19 related to Business Y, such as accrued promotion rebates and other accrued marketing expenses. Concurrently, FSub 19 transferred to FSub 23 all of its rights in certain Business Y machinery and equipment. The parties settled in cash the difference between the fair market value of the transferred assets and the amount of the assumed liabilities. Because the assumed liabilities exceeded the value of the transferred assets, the required cash payment was made by FSub 19 to FSub 23.

(xxix) FSub 28 assumed certain liabilities of FSub 7 related to Business Y, such as accrued payroll, obligations under a distributor rebate program, and other accrued marketing expenses. Concurrently, FSub 7 transferred to FSub 28 all of its rights in certain Business Y machinery and equipment. The parties settled in cash the difference between the fair market value of the transferred assets and the amount of the assumed liabilities. Because the assumed liabilities exceeded the value of the transferred assets, the required cash payment was made by FSub 7 to FSub 28.

(xxx) FSub 29 assumed certain liabilities of FSub 8 related to Business Y, such as accrued payroll, obligations under a distributor rebate program, and other accrued marketing expenses. FSub 8 paid FSub 29 cash equal to the amount of the assumed liabilities.

(xxxi) FSub 22 assumed accrued payroll obligations of FSub 9 related to Business Y in exchange for cash equal to the amount of the assumed obligations.

(xxxii) Controlled assumed certain liabilities of FSub 15 related to Business Y, such as accrued compensation and obligations under a distributor rebate program. Concurrently, FSub 15 transferred to Controlled all of its rights in certain Business Y inventory and other current assets. The parties settled in cash the difference between the fair market value of the transferred assets and the amount of the assumed liabilities. Because the assumed liabilities exceeded the value of the transferred assets, the required cash payment was made by FSub 15 to Controlled.

(xxxiii) Controlled assumed FSub 16's obligations to provide technical services for products sold under warranty. In exchange, FSub 16 paid Controlled cash equal to the amount of its reserve for these obligations.

(xxxiv) FSub 30 assumed certain liabilities of FSub 10 related to Business Y, such as accrued payroll and obligations under a distributor rebate program. FSub 10 paid FSub 30 cash equal to the amount of the assumed liabilities.

(xxxv) FSub 31 assumed certain liabilities of FSub 11 related to Business Y, such as accrued payroll, obligations under a distributor rebate program, and other accrued marketing expenses. Concurrently, FSub 11 transferred to FSub 31 all of its rights in certain Business Y machinery and equipment. The parties settled in cash the difference between the fair market value of the transferred assets and the amount of the assumed liabilities. Because the value of the transferred assets exceeded the assumed liabilities, the required cash payment was made by FSub 31 to FSub 11.

(xxxvi) FSub 23 assumed FSub 12's obligations for its Business Y accrued payroll and related expenses. Concurrently, FSub 12 transferred to FSub 23 certain Business Y machinery and equipment. The parties settled in cash the difference between the fair market value of the transferred assets and the amount of the assumed liabilities. Because the assumed liabilities exceeded the value of the transferred assets, the required cash payment was made by FSub 12 to FSub 23.

(xxxvii) FSub 23 assumed FSub 13's obligations for accrued payroll and related expenses in exchange for cash equal to the amount of the assumed obligations.

On Date 18:

(xxxviii) FSub 18 transferred o to FSub 28.

(xxxix) Controlled issued new shares of its common stock to public investors, Investor 1, Investor 2, and Investor 3. The stock issued was approximately p percent of the total number of Controlled common shares that will be outstanding immediately after the Transaction.

On Date 19:

(xxxx) Distributing will distribute its Controlled stock pro rata to the Distributing shareholders (the "Distribution"). The Distributing shareholders will receive only Controlled stock in the Distribution.

Distributing and Controlled have also entered into an Employee Matters Agreement, a Tax Sharing Agreement, a Master Transitional Services Agreement, a Master Confidential Disclosure Agreement, a Real Estate Matters Agreement, a Master Technology and License Agreement, a Master Patent Ownership and License Agreement, a Master Trademark Ownership and License Agreement, and an Indemnification and Insurance Matters Agreement as part of the Transaction (collectively, the "Agreements").

Contribution and Distribution Representations

The taxpayer has made the following representations regarding the Contribution and the Distribution:

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

(b) The five years of financial information submitted on behalf of the businesses conducted by Distributing and Controlled represents the present operations of each business, and there have been no substantial operational changes to either business since the date of the last submitted financial statements.

(c) Except for facilities and shared services provided by Distributing to Controlled on an arm's-length basis for a limited transitional period after the Transaction, Distributing and Controlled will each continue the active conduct of its business, independently and with its separate employees.

(d) The Distribution is being carried out to resolve managerial, systemic, and other problems that have arisen from operating Business X and Business Y within a single affiliated group. The Distribution is motivated, in whole or substantial part, by this corporate business purpose and other business reasons.

(e) There is no plan or intention by the shareholders or security holders of Distributing to sell, exchange, transfer by gift, or otherwise dispose of any stock in, or securities of, either Distributing or Controlled after the Transaction.

(f) There is no plan or intention by either Distributing or Controlled, directly or through any subsidiary corporation, to purchase any of its outstanding stock after the Transaction, other than through stock purchases meeting the requirements of section 4.05(1)(b) of Rev. Proc. 96-30, 1996-1 C.B. 696, 705.

(g) Apart from an expected sale by Distributing to Corp Z of a facility in Location 2 (the "Facility"), there is no plan or intention to liquidate either Distributing or Controlled, to merge either corporation with any other corporation, or to sell or otherwise dispose of the assets of either corporation after the Transaction, except in the ordinary course of business. The Facility comprises less than q percent of Distributing's total assets.

(h) 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 of the Income Tax Regulations as in effect before the publication of T.D. 8597, 1995-2 C.B. 147, and as currently in effect; § 1.1502-13 as published by T.D. 8597). Further, any excess loss account Distributing may have in the Controlled stock will be included in income immediately before the Distribution (see § 1.1502-19).

(i) No two parties to the Transaction are investment companies as defined in § 368(a)(2)(F)(iii) and (iv) of the Internal Revenue Code.

(j) The Distribution is not part of a plan or series of related transactions (within the meaning of § 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 either Distributing or Controlled entitled to vote, or stock possessing 50 percent or more of the total value of all classes of stock of either Distributing or Controlled.

(k) 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.

(l) 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 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.

(m) The total adjusted basis and fair market value of the assets transferred to Controlled by Distributing each equals or exceeds the liabilities assumed (within the meaning of § 357(d)) by Controlled.

(n) The liabilities of Distributing assumed (within the meaning of § 357(d)) by Controlled were incurred in the ordinary course of business and are associated with the assets being transferred.

(o) To the extent any transfer in the Transaction is an early disposition of property for which an investment credit has been (or will be) claimed under § 46, the income tax liability for the taxable year in which the investment credit property (including any building to which § 47(d) applies) is transferred will be adjusted pursuant to § 50(a)(1) or (a)(2) (or § 47, as in effect before amendment by Public Law 101-508, Title 11, 104 Stat. 1388, 536 (1990), if applicable) to reflect the early disposition of the property.

(p) No debt will exist between Distributing and Controlled at the time of, or after, the Distribution, except for debt that may arise (i) in the ordinary course of business or (ii) from the leasing of certain facilities and provision of certain services by Distributing to Controlled after the Distribution. None of this debt will be stock or securities for purposes of § 355.

(q) Payments made in all continuing transactions between Distributing and Controlled will be for fair market value based on terms and conditions arrived at by the parties bargaining at arm's length.

(r) The Compensatory Options issued or to be issued by Distributing or Controlled (i) contain or will contain customary terms and conditions, (ii) were or will be granted in connection with the performance of services for Distributing or Controlled or a person related to the grantor under § 355(d)(7)(A), (iii) were not or will not be excessive by reference to the services performed, (iv) will not be transferable within the meaning of § 1.83-3(d) immediately after the Distribution or within six months thereafter, and (v) will not have a readily ascertainable fair market value as defined in § 1.83-7(b) immediately after the Distribution and within six months thereafter.

Reorganization Representation

(s) To the best of Distributing's knowledge and belief, the Reincorporation described in step (xii) will qualify as a reorganization under § 368(a)(1)(F).

Rulings

Based solely on the information submitted and the representations made, we rule as follows on the Transaction:

(1) The Contribution, followed by the Distribution, will be a reorganization under § 368(a)(1)(D). Distributing and Controlled each will be a "party to a reorganization" under § 368(b).

(2) The gain, if any, realized by Distributing on its transfer of assets to Controlled in exchange for Controlled stock, the Payments, and the assumption by Controlled of certain liabilities, will be recognized only to the extent that the Payments are not transferred to creditors of Distributing in connection with the reorganization (§ 361(b)(1)(B) and (b)(3); § 357(a)).

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

(4) The basis of assets received by Controlled in the Contribution will equal the basis of those assets in the hands of Distributing, increased by any gain recognized by Distributing on the Contribution (§ 362(b)).

(5) The holding period of each asset received by Controlled in the Contribution will include the period during which that asset was held by Distributing (§ 1223(2)).

(6) No gain or loss will be recognized by Distributing on the Distribution (§ 361(c)(1)).

(7) No gain or loss will be recognized by (and no amount will otherwise be included in the income of) the Distributing shareholders on their receipt of Controlled stock in the Distribution (§ 355(a)(1)).

(8) The aggregate basis of the Controlled stock and the Distributing stock in the hands of each Distributing shareholder after the Distribution will equal the shareholder's basis in the Distributing stock immediately before the Distribution, allocated between the Controlled stock and the Distributing stock in proportion to the fair market value of each in accordance with § 1.358-2(a)(2) (§§ 358(a), (b)(2), and (c)).

(9) The holding period of the Controlled stock received by each Distributing shareholder will include the holding period of the Distributing stock on which the Distribution is made, provided the stock is held as a capital asset on the date of the Distribution (§ 1223(1)).

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

(11) The issuance or exercise of a Compensatory Option will not be treated as an acquisition for purposes of § 355(e).

Caveats

No opinion is expressed about the tax treatment of the Transaction under any other provision of the Code or regulations, or the tax treatment of any conditions

existing at the time of, or effects resulting from, the Transaction that are not specifically covered by the above rulings. In particular, no opinion is expressed regarding:

- (i) Whether gain or loss was recognized, in whole or part, by any party to the Acquisition Transactions;
- (ii) The tax consequences of the stock issuances described in steps (ii) and (xx);
- (iii) The tax consequences of the formations described in steps (iii), (iv), (vi), (vii), (viii), (ix), (x), (xiii), (xiv), (xv), (xvi), and (xvii);
- (iv) The validity of disregarded entity elections described in steps (iii), (iv), (vii), (viii), (ix), (xiv), (xv), (xvi), and (xvii);
- (v) The tax consequences of the Reincorporation described in step (xii);
- (vi) The tax consequences of the transfers described in steps (xviii) and (xxxviii);
- (vii) The tax consequences of amending the FSub 1 articles of incorporation described in step (xix);
- (viii) The tax consequences of Distributing's grant of the Licenses to Controlled, as described in step (xxi), including whether the Licenses are "assets" (see Rev. Rul. 69-156, 1969-1 C.B. 101);
- (ix) The tax consequences of the asset transfers and liability assumptions described in steps (xxii) through (xxxvii); and
- (x) The tax consequences of any payment made under any Agreement.

Temporary or final regulations pertaining to one or more issues addressed in this ruling letter have yet to be adopted. Therefore, this letter may be revoked or modified by the issuance of such temporary or final regulations (or a notice with respect to their future issuance). See section 12.04 of Rev. Proc. 2000-1, 2001-1 I.R.B. 4, 46, which discusses the revocation and modification of ruling letters. However, when the criteria in section 12.05 of Rev. Proc. 2000-1 are satisfied, a ruling will not be revoked or modified retroactively, except in rare or unusual circumstances.

Procedural Statements

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

Each taxpayer affected by the Transaction should attach a copy of this ruling letter to its, his, or her federal tax return for the taxable year in which the Transaction

is completed.

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

Sincerely,
Assistant Chief Counsel (Corporate)
By: Wayne T. Murray
Senior Technician/Reviewer
Branch 4