

Internal Revenue Service

Department of the Treasury
Washington, DC 20224

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Legend

- Corporation =
- Business Line A =
- Business Line B =
- Business Line C =
- Business Line D =
- Company E =
- Company F =
- q =
- r =
- s =
- t =
- Date G =
- Date H =
- Date J =

Date K =

Dear :

This letter responds to your request, dated October 19, 2006, for a ruling under sections 83 and 1032 of the Internal Revenue Code. The facts represented by Corporation are as follows.

Corporation is the common parent of a worldwide group comprised of more than q domestic and foreign affiliates. Corporation is engaged in four lines of business: Business Line A, Business Line B, Business Line C and Business Line D. Corporation anticipates effecting a section 355 spin-off transaction on Date G that will result in Corporation being separated into three public companies: Corporation, Company E and Company F. Company E will be the ultimate parent corporation of the subsidiaries that conduct Business Line A, and Company F will be the ultimate parent corporation of the subsidiaries that conduct Business Line B. Shares of Company E and Company F will be distributed to shareholders of Corporation in the spin off. Business Lines C and D will be retained by Corporation.

After the spin off, the aggregate value of Corporation, Company E and Company F will be approximately equal to the value of Corporation before the spin off. Some of the employees of Corporation and its subsidiaries will continue to work for Corporation or its subsidiaries, and some will work for Company E or Company F or their respective subsidiaries.

Pursuant to a stock incentive plan, corresponding restricted stock awards under the plan and grant letters, Corporation made annual, broad-based grants of restricted stock to certain of its employees and certain employees of its subsidiaries on Date H and Date J. As of Date K, the total number of United States employees holding shares of restricted stock was r. The total number of shares of restricted stock held by United States employees was s. Grants of restricted stock to employees under the restricted stock awards ranged from t to 1000t shares per employee, with an average grant of approximately 6t.

The restricted stock distributed pursuant to the restricted stock awards generally is subject to three-year cliff vesting. However, immediate vesting occurs upon a participant's normal retirement, death, disability or a change in control. The restricted stock vests pro rata with respect to the portion of the three-year term that the participant has completed upon his or her retirement or termination of employment as a result of divestiture or outsourcing. A participant's termination of employment (other than as a result of the above-listed exceptions) before the third anniversary of the applicable grant

date causes restricted stock that is not vested as of such termination of employment to be forfeited.

In connection with the spin off, the employees of Corporation, Company E and Company F will continue to own any shares of restricted stock in pre-spin-off Corporation that they held before the spin off, and will receive shares of restricted stock in Company E and Company F. Following the spin off, the vesting requirements with respect to restricted stock in all three public companies will be as follows: (1) the restricted stock of the company for which the employee works after the spin off (“Employer Stock”) will vest three years after the original grant date, and (2) one-half of the shares of restricted stock in the two companies for which the employee does not work (“Non-Employer Stock”) will vest on the spin-off date, and the other half will vest six months after the spin-off date. Thus, one-half of the Non-Employer Stock received by the employees will be subject to a six-month service requirement, and the employees’ Employer Stock will remain subject to the original three-year service requirement.

Employees of Company E and Company F will receive newly-issued shares of Employer Stock subject to the same three-year service requirement that applies to such employees’ shares of pre-spin-off restricted stock. The service requirement applicable to one-half of the shares of pre-spin-off restricted stock and one-half of the shares of restricted stock of the spun-off company for which they do not work (in each case, Non-Employer Stock) will be reduced to six months.

Corporation represents that none of the employees affected by the ruling request have made a section 83(b) election with respect to the restricted stock of Corporation, Company E or Company F. Corporation further represents that none of the employees affected by the ruling request are outside directors of Corporation or its subsidiaries and that none of the employees affected by the request are “controlling shareholders” within the meaning of Rev. Proc. 2007-3, 2007-1 I.R.B. 108.

Section 83(a) provides that if, in connection with the performance of services, property is transferred to any person other than the person for whom such services are performed, the excess of (1) the fair market value of such property (determined without regard to any restriction other than a restriction that by its terms will never lapse) at the first time the rights of the person having the beneficial interest in such property are transferable or are not subject to a substantial risk of forfeiture, whichever occurs earlier, over (2) the amount (if any) paid for such property, shall be included in the gross income of the person who performed such services in the first taxable year in which the rights of the person having the beneficial interest in such property are transferable or are not subject to a substantial risk of forfeiture, whichever is applicable.

Section 83(g) provides that if property to which section 83(a) applies is exchanged for property subject to restrictions and conditions substantially similar to

those to which the property given in such exchange was subject, and if section 354, 355, 356, or 1036 (or so much of section 1031 as relates to section 1036) applied to such exchange, or if such exchange was pursuant to the exercise of a conversion privilege, (1) such exchange shall be disregarded for purposes of section 83(a), and (2) the property received shall be treated as property to which subsection (a) applies.

Based on the facts represented by Corporation, we rule that:

(1) The distribution of shares of Company E and Company F restricted stock pursuant to the spin-off to the holders of restricted stock granted by Corporation is an exchange of restricted stock in pre-spin-off Corporation for restricted stock in post-spin-off Corporation, Company E and Company F and is disregarded so that the restricted stock that does not vest on the spin-off date remains subject to a substantial risk of forfeiture under section 83.

(2) None of Corporation, Company E or Company F, or the members of the separate affiliated group of which Corporation, Company E or Company F is the parent at the time of the spin off, will recognize gain or loss when the restrictions lapse on the Employer or Non-Employer Stock.

Except as specifically ruled on above, no opinion is expressed as to the Federal tax consequences of the transaction described above under any other provision of the Code. This ruling is directed only to the taxpayer who requested 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.

Sincerely,

William C. Schmidt
Senior Counsel, Executive Compensation Branch
Office of the Division Counsel/Associate Chief
Counsel (Tax Exempt & Government Entities)