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Legend

Distributing 1 =

Distributing 2 =

Distributing 3 =

Controlled 1 =

Controlled 2 =

Controlled 3 =

Sub 1 =

Sub 2 =

Sub 3 =

Sub 4 =

Sub 5 =

Sub 6 =

Sub 7 =

Sub 8 =

Sub 9 =

Sub 10 =

Sub 11 =

Sub 12 =

Sub 13 =

Sub 14 =

Sub 15 =

Sub 16 =

Sub 17 =

Sub 18 =

Sub 19 =

Shareholder A =

Shareholder B =

Business 1 =

Business 2 =

Business 3 =

Business 4 =

State A =

State B =

Country A =

Date 1 =

Date 2 =

Date 3 =

Date 4 =

Date 5 =

a =

b =

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f =

g =

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i =

Dear

This letter responds to a request for rulings dated June 30, 2006, regarding certain U. S. Federal income tax consequences of a series of proposed transactions. The information submitted in that request and letters dated July 27, August 28, September 29, October 2, October 31, November 14, November 21, December 13, December 19, and December 22, 2006, is summarized below.

The rulings contained in this letter are based upon 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 material submitted in support of the request for rulings. Verification of the information, representations, and other data may be required as part of the audit process.

In particular, this office has not reviewed any information pertaining to, and has made no determination regarding whether the transaction described below satisfies the

business purpose requirement of § 1.355-2(b) of the Income Tax Regulations, whether the transaction is used principally as a device for the distribution of the earnings and profits of any distributing corporation or any controlled corporation or both (see § 355(a)(1)(B) of the Internal Revenue Code and § 1.355-2(d)), or whether the transaction is part of a plan (or series of related transactions) pursuant to which one or more persons will acquire directly or indirectly stock representing a 50-percent or greater interest in any distributing corporation or any controlled corporation (see § 355(e)(2)(A)(ii) and § 1.355-7).

Distributing 3, a State A corporation, is the common parent of an affiliated group of corporations that files a U.S. consolidated Federal income tax return (the “Distributing 3 Group”). Distributing 3 and members of the Distributing 3 group also directly and indirectly own entities organized under the laws of Country A. Distributing 3 and its affiliates engage in four separate lines of business: Business 1, Business 2, Business 3, and Business 4. Distributing 3’s principal place of business is located in State B.

Shareholder A and Shareholder B (collectively the “Shareholders”) own approximately a percent and b percent, respectively, of the voting common stock of Distributing 3 and approximately c percent and d percent of the non-voting common stock of Distributing 3. Distributing 3 is a holding company that does not directly engage in any business activity. Among other subsidiaries, Distributing 3 wholly owns the stock of Distributing 1, Sub 1, Sub 2, Sub 3, Sub 4, Sub 5, Sub 6, and Controlled 3, each of which is a State B corporation, except for Sub 1, which is a Country A corporation. Distributing 1 is engaged in Business 1. Sub 1, Sub 2, and Sub 3 are engaged in Business 2. Sub 4 and Sub 5 are engaged in Business 4. Controlled 3 is engaged in Business 4.

Distributing 1 wholly owns: (i) Distributing 2 and Sub 7, each a Country A corporation; (ii) Sub 8, a State A corporation, and Sub 9, a State B corporation; and (iii) Controlled 1, a State B limited liability company that is disregarded as an entity separate from its owner for U.S. Federal tax purposes pursuant to § 301.7701-3 (a “Disregarded Entity”). Distributing 2, Sub 7, Sub 8, Sub 9 and Controlled 1 are each engaged in Business 1.

Distributing 2 wholly owns Sub 10 and Sub 11, each a Country A corporation. In addition, Distributing 2 is the sole limited partner in several Country A limited partnerships (the “Limited Partnerships”) of which Sub 1 is the general partner. Sub 10 and Sub 11 are engaged Business 1. One of the Limited Partnerships is engaged in Business 2 along with Sub 1. The remaining Limited Partnerships hold assets used in Business 1.

Sub 2 wholly owns the stock of Sub 12, a State B corporation, which in turn wholly owns the stock of Sub 13, a State B corporation. Sub 12 is engaged in Business 2. Sub 13 is currently not engaged in any business activity, but is anticipated to be engaged in Business 3.

Sub 6 wholly owns Sub 14, Sub 15, and Sub 16. Sub 14 and Sub 16 are each State B limited liability companies, while Sub 15 is a State B corporation. Sub 14, Sub 15, and Sub 16 are each engaged in Business 3. Sub 6 is not engaged in any business activity. Sub 6 also owns all the stock of Sub 19, a State B corporation. Sub 19 has not been engaged in an active trade or business for each of the past five years within the meaning of § 355(b) of the Code and the regulations thereunder.

Among other subsidiaries, Controlled 3 wholly owns Sub 17, a Country A corporation. Controlled 3 and its direct and indirect subsidiaries are engaged in Business 3.

Distributing 3 has supplied information indicating that each of Distributing 1, Distributing 2, Distributing 3, Controlled 1, Controlled 2, and Controlled 3 either directly or through its separate affiliated group (as defined in § 355(b)(3)(B)) (“SAG”) has had gross receipts and operating expenses representative of the active conduct of a trade or business for each of the past five years.

Distributing 3 and its subsidiaries propose undertaking several transactions to separate the “core” assets (those directly related to the operation of Business 1) and the “non-core” assets (those not directly related to the operation of Business 1) held by Distributing 1 and Distributing 2 in order to facilitate a proposed financing of Business 1. In addition, certain transactions are proposed to facilitate the public offering of less than 50 percent of the stock of Controlled 3.

All distributions intended to qualify under § 355 were neither (i) made pursuant to an agreement which was binding on May 17, 2006, and at all times thereafter, (ii) described in a ruling request submitted to the Internal Revenue Service on or before May 17, 2006; nor (iii) described on or before May 17, 2006, in a public announcement or in a filing with the Securities and Exchange Commission.

The Proposed Transactions

To achieve these business objectives, Parent has proposed the following series of transactions, some of which have been completed (the “Proposed Transactions”):

The Sub 9 Merger

(i) Sub 9 will merge with and into Distributing 1 (the “Sub 9 Merger”) in accordance with the corporate law of State B. The Sub 9 Merger will allow Distributing 1 to directly own certain core assets held by Sub 9 that are critical to operating Business 1.

The Controlled 1 Election, Controlled 1 Contribution, and Controlled 1 Distribution

- (ii) Distributing 1 will elect under § 301.7701-3(c) to have Controlled 1 treated as a corporation for Federal tax purposes (the “Controlled 1 Election”).
- (iii) Distributing 1 will contribute to Controlled 1 the stock of Sub 8 and certain land parcels (including land parcels formerly held by Sub 9) located in State B that are considered non-core assets of Distributing 1 (the “Controlled 1 Contribution”).
- (iv) On or before Date 3, Distributing 1 will distribute the stock of Controlled 1 to Distributing 3 (the “Controlled 1 Distribution”).

The Sub 7 Transaction

- (v) Distributing 1 will transfer all of its stock in Distributing 2 and all of its stock in Sub 7 to Sub 18, a newly formed Country A entity, in exchange for all of the outstanding stock of Sub 18. Sub 18 will be treated as a Disregarded Entity.
- (vi) Sub 18 will further contribute the stock of Sub 7 to Distributing 2 in exchange for additional shares of Distributing 2 stock.
- (vii) Sub 7 will liquidate into Distributing 2 (collectively with step (vi), referred to as the “Sub 7 Transaction”).

The Controlled 2 Contribution, Controlled 2 Distribution, and Second Controlled 2 Distribution

- (viii) Distributing 1 will contribute cash to Controlled 2, a newly formed Country A corporation, in exchange for all the outstanding stock of Controlled 2. The amount of cash contributed will be no greater than the amount needed to meet minimal capitalization requirements in Country A.
- (ix) Distributing 1 will transfer some of its Sub 18 stock to Controlled 2. The transferred Sub 18 stock will equal the percentage of Sub 18 stock outstanding that results from dividing the fair market value of the Distributing 2 non-core assets by the total fair market value of Distributing 2 (including its core and non-core assets). In exchange, Distributing 1 will receive additional stock of Controlled 2.
- (x) Distributing 2 will transfer its non-core assets (including those previously held by Sub 7 and the stock of Sub 11), to Controlled 2 in exchange for Controlled 2 stock.
- (xi) Controlled 2 will redeem the shares received by Distributing 2 in step (x) by distributing a promissory note (the “Note”) to Distributing 2 in redemption of the shares. The Controlled 2 stock redeemed in this step may be retired or cancelled in an unrelated transaction.
- (xii) Distributing 2 will distribute the Note to Sub 18.

(xiii) The Sub 18 stock owned by Controlled 2 will be redeemed or purchased by Sub 18 in exchange for the Note, and Controlled 2 will cancel the Note. The Sub 18 shares redeemed or purchased in this step may be retired or cancelled in an unrelated transaction.

(xiv) Distributing 1 will transfer all of its Controlled 2 stock to Distributing 3 in exchange for shares of Distributing 3 preferred stock redeemable at any time at the sole option of Distributing 3.

(xv) Immediately after step (xiv), Distributing 3 will redeem the shares of Distributing 3 redeemable preferred stock received by Distributing 1 in step (xiv) by distributing a promissory note (the "Second Note") to Distributing 1 in full payment of the Distributing 3 redeemable preferred stock.

(xvi) Immediately after step (xv), Distributing 1 will distribute the Second Note to Distributing 3.

The Controlled 3 and Related Transactions

(xvii) Sub 3 will distribute to Distributing 3 certain assets related to Business 2 and Business 3 (the "Sub 3 Distribution").

(xviii) Distributing 3 will contribute the Business 3 assets previously held by Sub 3 to Controlled 3 and Controlled 3 will further contribute these assets to Sub 17 (the contribution of the Business 3 assets by Controlled 3 to Sub 17 may be referred to as the "Sub 17 Contribution").

(xix) Distributing 3 will contribute the Business 2 assets previously held by Sub 3 to Sub 2 (the "Sub 2 Contribution").

(xx) Sub 14 will merge into Sub 13 in a state law statutory merger (the "Sub 13 Merger"). After the merger, Sub 12 will hold approximately e percent of the stock of Sub 13 and Sub 6 will own the remaining f percent.

(xxi) Sub 12 will distribute all of its Sub 13 stock to Sub 2, and Sub 2 will distribute the Sub 13 stock to Distributing 3 (the "Sub 13 Distributions").

(xxii) Sub 6 will distribute all of its Sub 13 stock, the stock of Sub 15, and the stock of Sub 16 to Distributing 3 (the "Sub 6 Distribution").

(xxiii) Sub 16 will merge into Sub 15 in a state law statutory merger (the "Sub 15 Merger").

(xxiv) Distributing 3 will transfer the stock of Sub 13 and Sub 15 to Controlled 3 (the “Sub 13/Sub 15 Transfer”).

(xxv) Controlled 3 will declare a dividend to Distributing 3 of approximately \$g before step (xxvii) below (the “Controlled 3 Dividend”). The amount of the dividend will be greater than or equal to the combined fair market value of the Sub 13 stock, the Sub 15 stock, and other assets contributed by Distributing 3 to Controlled 3.

(xxvi) On or before Date 3, Distributing 3 will distribute the Controlled 3 stock to Shareholder A and Shareholder B (the “Controlled 3 Distribution”).

(xxvii) After the Controlled 3 Distribution, Controlled 3 is expected to issue shares of its common stock in an initial public offering totaling h percent of its outstanding shares of common stock immediately after such offering (the “Controlled 3 IPO”). Subject to market conditions, the IPO is expected to occur between Date 1 and Date 2.

(xxviii) Immediately after the Controlled 3 IPO, Controlled 3 intends to distribute the Controlled 3 Dividend to Distributing 3, to be used by Distributing 3 to pay down part of its outstanding debt obligations.

The Elections

(xxix) Prior to Date 3, Distributing 3 will make an election pursuant to § 1504(d) to include Distributing 2 as a member of its consolidated group for Federal income tax filing purposes (the “Distributing 2 Election”).

(xxx) On Date 4, Distributing 3 will file an election to be treated as a Subchapter S Corporation as that term is defined in § 1362(a) for the tax year ending Date 5.

Representations

The Sub 9 Merger

Distributing 3 makes the following representations regarding the Sub 9 Merger:

- (1) On the date that Sub 9 adopts its plan of merger, and at all times until the Sub 9 Merger, Distributing 1 will be the owner of 100 percent of the single outstanding class of Sub 9 stock.
- (2) No shares of Sub 9 stock will have been redeemed during the 3 years preceding the adoption of the plan of merger for the Sub 9 Merger.
- (3) All distributions from Sub 9 to Distributing 1 pursuant to the plan of merger will be made within a single taxable year of Sub 9.

- (4) As soon as the first liquidating distribution has been made, Sub 9 will cease to be a going concern and its activities will be limited to winding up its affairs, paying its debts, and distributing its remaining assets to Distributing 1.
- (5) Sub 9 will retain no assets following the final liquidating distribution.
- (6) Sub 9 will not have acquired assets in any nontaxable transaction at any time, except for acquisitions occurring more than 3 years prior to the date of adoption of the plan of merger.
- (7) Except for the transfer by Distributing 1 to Controlled 1 of approximately $\frac{1}{2}$ percent (by value) of the assets of Sub 9, no assets of Sub 9 have been, or will be, disposed of by either Sub 9 or Distributing 1 except for dispositions in the ordinary course of business and dispositions occurring more than 3 years prior to adoption of the plan of merger.
- (8) Except for the transfer by Distributing 1 to Controlled 1 of approximately $\frac{1}{2}$ percent (by value) of the assets of Sub 9, the liquidation of Sub 9 will not be preceded or followed by the reincorporation in, or transfer or sale to, a recipient corporation (Recipient) of any of the businesses or assets of Sub 9, if persons holding, directly or indirectly, more than 20 percent in value of the Sub 9 stock also hold, directly or indirectly, more than 20 percent in value of the stock in Recipient after the Sub 9 Merger. For purposes of this representation, ownership will be determined by application of the constructive ownership rules of § 318(a) as modified by § 304(c)(3) following completion of the Sub 9 Merger.
- (9) Prior to adoption of the plan of Merger, no assets of Sub 9 will have been distributed in kind, transferred, or sold to Distributing 1, except for (i) transactions occurring in the normal course of business and (ii) transactions occurring more than 3 years prior to adoption of the plan of Merger.
- (10) The fair market value of the assets of Sub 9 will exceed its liabilities both at the date of the adoption of the plan of merger for the Sub 9 Merger and immediately prior to the Sub 9 Merger.
- (11) Sub 9 will report all earned income represented by assets that will be distributed to its shareholders such as receivables being reported on a cash basis, unfinished construction contracts, commissions due, etc.
- (12) There is no intercompany debt existing between Distributing 1 and Sub 9 and none has been cancelled, forgiven, or discounted, except for transactions that occurred more than 3 years prior to the date of adoption of the plan of Merger.
- (13) Distributing 1 is not an organization that is exempt from U.S. Federal income tax under § 501 or any other provision of the Code.

(14) All other transactions undertaken contemporaneously with, in anticipation of, in conjunction with, or in any way related to, the Sub 9 Merger have been fully disclosed.

The Controlled 1 Election, Controlled 1 Contribution, and Controlled 1 Distribution

Distributing 3 makes the following representations regarding the Controlled 1 Election, Controlled 1 Contribution, and Controlled 1 Distribution:

(15) The indebtedness owed by Controlled 1 to Distributing 1, if any, after the Controlled 1 Distribution will not constitute stock or securities.

(16) No part of the consideration distributed by Distributing 1 will be received by Distributing 3 as a creditor, employee, or in any capacity other than that of a shareholder of Distributing 1.

(17) The five years of financial information submitted on behalf of the Business 1 activities conducted by Distributing 1 is representative of the present operations of the business, and there have been no substantial operational changes in the business since the date of the last financial statements submitted.

(18) The five years of financial information submitted on behalf of the Business 1 activities to be conducted by Controlled 1 after the Distribution are representative of the present operations of the business, and there have been no substantial operational changes in the business since the date of the last financial statements submitted.

(19) Following the Controlled 1 Distribution, Distributing 1 and Controlled 1 each will continue the active conduct of its business, independently and with its separate employees.

(20) The Controlled 1 Distribution will be carried out for the following corporate business purpose: to facilitate the financing of significant capital improvements relating to Business 1, by separating the Distributing 1 core assets from the Distributing 1 non-core assets. The Controlled 1 Distribution is motivated, in whole or substantial part, by this corporate business purpose.

(21) The Controlled 1 Election, Controlled 1 Contribution, and Controlled 1 Distribution will not be used principally as a device for the distribution of the earnings and profits of Distributing 1 or Controlled 1 or both.

(22) The total adjusted basis and the fair market value of the assets actually or deemed transferred to Controlled 1 in the Controlled 1 Contribution and as a result of the Controlled 1 Election each will equal or exceed the sum of: (i) the total liabilities to be actually or deemed assumed (within the meaning of § 357(d)) by Controlled 1 and (ii) the total amount of any money and the fair market value of any other property

actually or deemed received, by Distributing 1 from Controlled 1 and transferred to Distributing 1's creditors in connection with the reorganization.

(23) The liabilities to be actually or deemed assumed (as determined under § 357(d)) by Controlled 1 in the Controlled 1 Contribution and as a result of the Controlled 1 Election were incurred in the ordinary course of business and are associated with the assets being actually or deemed transferred.

(24) The total fair market value of the assets actually or deemed transferred to Controlled 1 in the Controlled 1 Contribution and as a result of the Controlled 1 Election will exceed the sum of: (i) any liabilities actually or deemed assumed (within the meaning of § 357(d)) by Controlled 1 in connection with the exchanges, (ii) the amount of any liabilities owed to Controlled 1 by Distributing 1 that are actually or deemed discharged or extinguished in connection with the exchanges, and (iii) the amount of any money and the fair market value of any other property (other than stock permitted to be received under § 361(a) without the recognition of gain) actually or deemed received by Distributing 1 in connection with the exchanges. The fair market value of the assets of Controlled 1 will exceed the amount of its liabilities immediately after the exchanges.

(25) No intercorporate debt will exist between Distributing 1 and its subsidiaries, and Controlled 1 and its subsidiaries, at the time of, or after, the Controlled 1 Distribution.

(26) Immediately after the Controlled 1 Distribution, items of income, gain, loss, deduction, and credit will be taken into account as required by the applicable intercompany transaction regulations. Further, any excess loss account of a member in the stock of another member that was required to be taken into account by § 1.1502-19 was included in income immediately before the Controlled 1 Distribution. Finally, at the time of the Controlled 1 Distribution, Distributing 1 will not have an excess loss account in the stock of Controlled 1.

(27) Payments made in connection with all continuing transactions, if any, between Distributing 1 and its subsidiaries, and Controlled 1 and its subsidiaries, will be for fair market value based on terms and conditions arrived at by the parties bargaining at arm's length.

(28) No two parties to the Controlled 1 Election, Controlled 1 Contribution, and Controlled 1 Distribution are investment companies as defined in § 368(a)(2)(F)(iii) and (iv).

(29) For purposes of § 355(d), immediately after the Controlled 1 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 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 § 355(d)(5) and (8)) during the five-

year period (determined after applying § 355(d)(6)) ending on the date of the Controlled 1 Distribution.

(30) For purposes of § 355(d), immediately after the Controlled 1 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 1 stock entitled to vote, or 50 percent or more of the total value of shares of all classes of Controlled 1 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 Controlled 1 Distribution or (ii) attributable to distributions on Distributing 1 stock or securities that were 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 Controlled 1 Distribution.

(31) The Controlled 1 Distribution is not part of a plan or series of related transactions (within the meaning of § 1.355-7) pursuant to which one or more persons will acquire directly or indirectly stock representing a 50-percent or greater interest (within the meaning of § 355(d)(4)) in Distributing 1 or Controlled 1 (including any predecessor or successor of any such corporation).

The Sub 7 Transaction

Distributing 3 makes the following representations regarding the Sub 7 Transaction:

(32) The fair market value of the Distributing 2 stock and other consideration to be received by Distributing 1 will be approximately equal to the fair market value of the Sub 7 stock surrendered in the exchange.

(33) At least 40 percent of the proprietary interests in Sub 7 will be exchanged for Distributing 2 stock and will be preserved (within the meaning of § 1.368-1(e)).

(34) Distributing 2 acquired at least 90 percent of the fair market value of the net assets and at least 70 percent of the fair market value of the gross assets held by Sub 7 immediately prior to the Sub 7 Transaction. For purposes of this representation, amounts paid by Sub 7 to dissenters, amounts paid by Sub 7 to shareholders who receive cash or other property, amounts used by Sub 7 to pay its reorganization expenses, and all redemptions and distributions (except for regular, normal dividends) made by Sub 7 immediately preceding the transfer will be included as assets of Sub 7 held immediately prior to the Sub 7 Transaction.

(35) After the transaction, Distributing 1 will be in control of Distributing 2 within the meaning of § 368(a)(2)(H).

(36) Distributing 2 has no plan or intention to redeem or to cause any other party to acquire any of its outstanding stock.

- (37) Except for the Controlled 2 Contribution, Distributing 2 has no plan or intention to sell or otherwise dispose of any of the assets of Sub 7 acquired in the Sub 7 Transaction, except for dispositions made in the ordinary course of business.
- (38) The liabilities of Sub 7 assumed by Distributing 2 were incurred by Sub 7 in the ordinary course of business and are associated with the assets transferred.
- (39) Following the Sub 7 Transaction, Distributing 2 will continue the historic businesses of Sub 7 or use a significant portion of Sub 7's historic business assets in a business.
- (40) At the time of the Sub 7 Transaction, Distributing 2 did not have outstanding any warrants, options, convertible securities, or any other type of right pursuant to which any person could acquire stock in Distributing 2 that, if exercised or converted, would affect Distributing 1's acquisition or retention of control of Distributing 2, as defined in § 368(a)(2)(H)
- (41) Each party paid its own expenses, if any, incurred in connection with the Sub 7 Transaction.
- (42) There was no intercorporate indebtedness existing between Distributing 2 and Sub 7 that was issued, acquired, or settled at a discount.
- (43) No two parties to the transaction are investment companies as defined in § 368(a)(2)(F)(iii) and (iv).
- (44) The fair market value of the assets of Sub 7 that were transferred to Distributing 2 equaled or exceeded the assets' aggregate adjusted basis.
- (45) The fair market value of the assets of Sub 7 that were transferred to Distributing 2 exceeded the amount of the Sub 7 liabilities immediately before the Sub 7 Transaction (including any liabilities cancelled, extinguished, or assumed in connection with the transaction).
- (46) The fair market of Distributing 2's assets exceeded the amount of Distributing 2's liabilities immediately after the Sub 7 Transaction.
- (47) Sub 7 is not under the jurisdiction of a court in a Title 11 or similar case within the meaning of § 368(a)(3)(A).

The Controlled 2 Contribution, Controlled 2 Distribution, and Second Controlled 2 Distribution

Distributing 3 makes the following representations regarding the Controlled 2 Contribution, Controlled 2 Distribution, and Second Controlled 2 Distribution (steps (viii) through (xvi)), treating steps (viii) through (xvi) as if: (i) Distributing 2 had formed Controlled 2; (ii) Distributing 2 had transferred its non-core assets to Controlled 2 in exchange for Controlled 2 common stock (the "Controlled 2 Contribution"); (iii) Distributing 2 had distributed the Controlled 2 stock to Distributing 1 (the "Controlled 2 Distribution"); and (iv) Distributing 1 had distributed the Controlled 2 stock to Distributing 3 (the "Second Controlled 2 Distribution").

(48) The indebtedness owed by Controlled 2 to Distributing 2, if any, after the Controlled 2 Distribution will not constitute stock or securities.

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

(50) The five years of financial information submitted on behalf of the businesses conducted by Sub 11 (a member of the Controlled 2 SAG) and by Distributing 2 is representative of the present operations of each business, and there have been no substantial operational changes in either business since the date of the last financial statements submitted. Sub 11 is, and immediately after the Controlled 2 Distribution will be, affiliated with Controlled 2 in a manner that satisfies § 1504(a), without regard to § 1504(b).

(51) Following the Controlled 2 Distribution, Distributing 2 and the Controlled 2 SAG will each continue the active conduct of their respective businesses, independently and with their separate employees.

(52) The Controlled 2 Distribution will be carried out for the following corporate business purposes: to facilitate the financing of significant capital improvements relating to Business 1, by separating the Distributing 2 core assets from the Distributing 2 non-core assets. The Controlled 2 Distribution is motivated, in whole or substantial part, by this corporate business purpose.

(53) The Controlled 2 Contribution and the Controlled 2 Distribution will not be used principally as a device for the distribution of the earnings and profits of Distributing 2 or Controlled 2 or both.

(54) The total adjusted basis and the fair market value of the Distributing 2 assets transferred to Controlled 2 in the Controlled 2 Contribution each will equal or exceed the sum of: (i) the total liabilities to be assumed (within the meaning of § 357(d)) by Controlled 2 and (ii) the total amount of any money and the fair market value of any other property received by Distributing 2 from Controlled 2 and transferred to Distributing 2's creditors in connection with the reorganization.

(55) The liabilities to be assumed (as determined under § 357(d)) by Controlled 2 in the Controlled 2 Contribution were incurred in the ordinary course of business and are associated with the assets being transferred.

(56) The total fair market value of the assets transferred to Controlled 2 in the Controlled 2 Contribution will exceed the sum of: (i) any liabilities assumed (within the meaning of § 357(d)) by Controlled 2 in connection with the exchange, (ii) the amount of any liabilities owed to Controlled 2 by Distributing 2 that are discharged or extinguished in connection with the exchange, and (iii) the amount of any money and the fair market value of any other property (other than stock permitted to be received under § 361(a) without the recognition of gain) received by Distributing 2 in connection with the exchange. The fair market value of the assets of Controlled 2 will exceed the amount of its liabilities immediately after the exchange.

(57) No intercorporate debt will exist between Distributing 2 and its subsidiaries, and Controlled 2 and its subsidiaries, at the time of, or after, the Controlled 2 Distribution.

(58) Immediately after the Controlled 2 Distribution, Distributing 2 will not join in the filing of a consolidated federal income tax return.

(59) Payments made in connection with all continuing transactions, if any, between Distributing 2 and its subsidiaries, and Controlled 2 and its subsidiaries, will be for fair market value based on terms and conditions arrived at by the parties bargaining at arm's length.

(60) No two parties to the Controlled 2 Contribution and Controlled 2 Distribution are investment companies as defined in §§ 368(a)(2)(F)(iii) and (iv).

(61) For purposes of § 355(d), immediately after the Controlled 2 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 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 §§ 355(d)(5) and (8)) during the five-year period (determined after applying § 355(d)(6)) ending on the date of the Controlled 2 Distribution.

(62) For purposes of § 355(d), immediately after the Controlled 2 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 2 stock entitled to vote, or 50 percent or more of the total value of shares of all classes of Controlled 2 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 Controlled 2 Distribution or (ii) attributable to distributions on Distributing 2 stock or securities that were 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 Controlled 2 Distribution.

(63) The Controlled 2 Distribution is not part of a plan or series of related transactions (within the meaning of § 1.355-7) pursuant to which one or more persons will acquire directly or indirectly stock representing a 50-percent or greater interest (within the meaning of § 355(d)(4)) in Distributing 2 or Controlled 2 (including any predecessor or successor of any such corporation).

(64) Distributing 2's deemed transfer of its non-core assets to Controlled 2 in exchange for all the stock of Controlled 2 in the Controlled 2 Contribution is not an exchange described in § 1.367(b)-4(b)(1)(i), -4(b)(2)(i), or -4(b)(3).

(65) Distributing 2 and Controlled 2 will be controlled foreign corporations, within the meaning of § 957(a), immediately before and after the Controlled 2 Distribution.

(66) Distributing 1 will be a § 1248 shareholder, within the meaning of § 1.367(b)-2(b), with respect to each of Distributing 2 and Controlled 2 immediately before and after the Controlled 2 Distribution.

(67) Distributing 2 and Controlled 2 will not be passive foreign investment companies ("PFICs") within the meaning of § 1297(a) immediately before or after the Controlled 2 Distribution.

(68) Controlled 2 will not hold any United States real property interests, as defined in § 897(c)(1), immediately before or after the Controlled 2 Distribution.

(69) The indebtedness owed by Controlled 2 to Distributing 1, if any, after the Second Controlled 2 Distribution will not constitute stock or securities.

(70) No part of the consideration distributed by Distributing 1 will be received by Distributing 3 as a creditor, employee, or in any capacity other than that of a shareholder of Distributing 1.

(71) Following the Second Controlled 2 Distribution, Distributing 1 and the Controlled 2 SAG will each continue the active conduct of their respective businesses, independently and with their separate employees.

(72) The Second Controlled 2 Distribution will be carried out for the following corporate business purpose: to facilitate the financing of significant capital improvements relating to Business 1, by separating the Distributing 2 core assets from the Distributing 2 non-core assets. The Second Controlled 2 Distribution is motivated, in whole or substantial part, by this corporate business purpose.

(73) The Second Controlled 2 Distribution will not be used principally as a device for the distribution of the earnings and profits of Distributing 1 or Controlled 2 or both.

(74) Distributing 1 will not transfer any assets to Controlled 2, and Controlled 2 will not assume any Distributing 1 liabilities in connection with the Controlled 2 Distribution.

(75) No intercorporate debt will exist between Distributing 1 and its subsidiaries, and Controlled 2 and its subsidiaries, at the time of, or after, the Second Controlled 2 Distribution.

(76) Payments made in connection with all continuing transactions, if any, between Distributing 1 and its subsidiaries, and Controlled 2 and its subsidiaries, will be for fair market value based on terms and conditions arrived at by the parties bargaining at arm's length.

(77) For purposes of § 355(d), immediately after the Second Controlled 2 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 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 § 355(d)(5) and (8)) during the five-year period (determined after applying § 355(d)(6)) ending on the date of the Second Controlled 2 Distribution.

(78) For purposes of § 355(d), immediately after the Second Controlled 2 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 2 stock entitled to vote, or 50 percent or more of the total value of shares of all classes of Controlled 2 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 Second Controlled 2 Distribution or (ii) attributable to distributions on Distributing 1 stock or securities that were 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 Second Controlled 2 Distribution.

(79) The Second Controlled 2 Distribution is not part of a plan or series of related transactions (within the meaning of § 1.355-7) pursuant to which one or more persons will acquire directly or indirectly stock representing a 50-percent or greater interest (within the meaning of § 355(d)(4)) in Distributing 1 or Controlled 2 (including any predecessor or successor of any such corporation).

(80) Controlled 2 will be a controlled foreign corporation, within the meaning of § 957(a), immediately before and after the Second Controlled 2 Distribution.

(81) Each of Distributing 3 and Distributing 1 will be a § 1248 shareholder, within the meaning of § 1.367(b)-2(b), with respect to Controlled 2 immediately before the Second

Controlled 2 Distribution, and Distributing 3 will be a § 1248 shareholder with respect to Controlled 2 immediately thereafter.

(82) Controlled 2 will not be a PFIC immediately before or after the Second Controlled 2 Distribution.

(83) With regard to the Second Controlled 2 Distribution, Distributing 1 will comply with the identification and certification provisions under § 1.367(e)-1(d)(2) in order to establish that Distributing 3 is a qualifying U.S. person for purposes of applying § 1.367(e)-1.

(84) With regard to the Second Controlled 2 Distribution, Distributing 1 will comply with the reporting procedures established under § 1.367(b)-5(b)(3) in order to establish that Distributing 3 is a corporation for purposes of applying § 1.367(b)-5(b)(1)(i).

The Controlled 3 and Related Transactions

Distributing 3 makes the following representations regarding the Controlled 3 and Related Transactions:

(85) The aggregate fair market value of the assets comprising the Sub 17 Contribution will equal or exceed the aggregate adjusted basis of such assets immediately after the Sub 17 Contribution.

(86) The total fair market value of the assets transferred to Sub 17 by Controlled 3 will exceed the sum of: (i) the amount of liabilities assumed (as determined under § 357(d)) by Sub 17 in connection with the exchange, (ii) the amount of liabilities owed to Sub 17 by Controlled 3 that are discharged or extinguished in connection with the exchange, and (iii) the amount of any money and the fair market value of any other property (other than stock permitted to be received under § 351(a) without the recognition of gain) received by Controlled 3 in connection with the Sub 17 Contribution. The fair market value of the assets of Sub 17 will exceed the amount of its liabilities immediately after the exchange.

(87) No stock or securities will be issued for services rendered to or for the benefit of Sub 17 in connection with the Sub 17 Contribution.

(88) No stock or securities will be issued for indebtedness of Sub 17 that is not evidenced by a security or for the interest on indebtedness of Sub 17 that accrued on or after the beginning of the holding period of Controlled 3 for the debt.

(89) The transfer is not the result of the solicitation by a promoter, broker, or investment house.

(90) Controlled 3 will not retain any rights in the property transferred to Sub 17.

(91) The adjusted basis and the fair market value of the property transferred by Controlled 3 to Sub 17 will, in each instance, equal or exceed the sum of the liabilities, if any, to be assumed (within the meaning of § 357(d)) by Sub 17.

(92) The liabilities, if any, to be assumed (within the meaning of § 357(d)) by Sub 17 were incurred in the ordinary course of business and are associated with the property to be transferred.

(93) At the time of the Sub 17 Contribution, there will be no intercorporate debt existing between Controlled 3 and its subsidiaries, and Sub 17, and its subsidiaries, and no indebtedness will be created in favor of Controlled 3 and its subsidiaries, as a result of the transaction.

(94) The transfers and exchanges will occur pursuant to a plan agreed upon before the Sub 17 Contribution in which the rights of the parties are defined.

(95) All exchanges in connection with the Sub 17 Contribution will occur on approximately the same date.

(96) Controlled 3 has no plan or intention to sell or otherwise dispose of any of the stock of Sub 17 to be received in the Sub 17 Contribution.

(97) There is no plan or intention on the part of Sub 17 to redeem or otherwise reacquire any stock or indebtedness to be issued in the Sub 17 Contribution.

(98) Taking into account any issuance of additional shares of Sub 17 stock; any issuance of stock for services; the exercise of any Sub 17 stock rights, warrants, or subscriptions; a public offering of Sub 17 stock; and the sale, exchange, transfer by gift, or other disposition of any of the stock of Sub 17, Controlled 3 will be in "control" of Sub 17 within the meaning of § 368(c).

(99) Sub 17 will remain in existence and retain and use the property transferred to it in a trade or business.

(100) There is no plan or intention by Sub 17 to dispose of any of the property received in the Sub 17 Contribution from Controlled 3.

(101) Each of Controlled 3 and Sub 17 will pay its own expenses, if any, incurred in connection with the Sub 17 Contribution.

(102) Sub 17 is not and will not be an investment company within the meaning of § 351(e)(1) and § 1.351-1(c)(1)(ii).

(103) Controlled 3 is not under the jurisdiction of a court in a Title 11 or similar case (within the meaning of § 368(a)(3)(A)) and the stock received in the exchange will not be used to satisfy the indebtedness of such debtor.

(104) Sub 17 is not and will not be a “personal service corporation” within the meaning of § 269A.

(105) The aggregate fair market value of the assets transferred by Distributing 3 to Sub 2 (the “Sub 2 Contribution”) will equal or exceed the aggregate adjusted basis of such assets immediately after the Sub 2 Contribution.

(106) The total fair market value of the assets transferred to Sub 2 by Distributing 3 will exceed the sum of: (i) the amount of liabilities assumed (as determined under § 357(d)) by Sub 2 in connection with the exchange, (ii) the amount of liabilities owed to Sub 2 by Distributing 3 that are discharged or extinguished in connection with the exchange, and (iii) the amount of any money and the fair market value of any other property (other than stock permitted to be received under § 351(a) without the recognition of gain) received by Distributing 3 in connection with the Sub 2 Contribution. The fair market value of the assets of Sub 2 will exceed the amount of its liabilities immediately after the exchange.

(107) No stock or securities will be issued for services rendered to or for the benefit of Sub 2 in connection with the Sub 2 Contribution.

(108) No stock or securities will be issued for indebtedness of Sub 2 that is not evidenced by a security or for the interest on indebtedness of Sub 2 that accrued on or after the beginning of the holding period of Distributing 3 for the debt.

(109) The transfer is not the result of the solicitation by a promoter, broker, or investment house.

(110) Distributing 3 will not retain any rights in the property transferred to Sub 2.

(111) The adjusted basis and the fair market value of property transferred by Distributing 3 to Sub 2 will, in each instance, equal or exceed the sum of the liabilities, if any, to be assumed (within the meaning of § 357(d)) by Sub 2.

(112) The liabilities, if any, to be assumed (within the meaning of § 357(d)) by Sub 2 were incurred in the ordinary course of business and are associated with the property to be transferred.

(113) At the time of the Sub 2 Contribution, there will be no intercorporate debt existing between Distributing 3 and its subsidiaries, and Sub 2 and its subsidiaries, and no indebtedness will be created in favor of Distributing 3 and its subsidiaries, as a result of the transaction.

(114) The transfers and exchanges will occur pursuant to a plan agreed upon before the Sub 2 Contribution in which the rights of the parties are defined.

(115) All exchanges in connection with the Sub 2 Contribution will occur on approximately the same date.

(116) Distributing 3 has no plan or intention to sell or otherwise dispose of any of the stock of Sub 2 to be received in the Sub 2 Contribution.

(117) There is no plan or intention on the part of Sub 2 to redeem or otherwise reacquire any stock or indebtedness to be issued in the Sub 2 Contribution.

(118) Taking into account any issuance of additional shares of Sub 2 stock; any issuance of stock for services; the exercise of any Sub 2 stock rights, warrants, or subscriptions; a public offering of Sub 2 stock; and the sale, exchange, transfer by gift, or other disposition of any of the stock of Sub 2 to be received in the exchange, Distributing 3 will be in "control" of Sub 2 within the meaning of § 368(c).

(119) Sub 2 will remain in existence and retain and use the property transferred to it in a trade or business.

(120) There is no plan or intention by Sub 2 to dispose of any of the property received in the Sub 2 Contribution from Distributing 3.

(121) Each of Distributing 3 and Sub 2 will pay its own expenses, if any, incurred in connection with the Sub 2 Contribution.

(122) Sub 2 is not and will not be an investment company within the meaning of § 351(e)(1) and § 1.351-1(c)(1)(ii).

(123) Distributing 3 is not under the jurisdiction of a court in a Title 11 or similar case (within the meaning of § 368(a)(3)(A)) and the stock received in the exchange will not be used to satisfy the indebtedness of such debtor.

(124) Sub 2 is not and will not be a "personal service corporation" within the meaning of § 269A.

(125) The aggregate fair market value of the assets of Sub 14 transferred by Sub 6 to Sub 13 will equal or exceed the aggregate adjusted basis of such assets immediately after the Sub 13 Merger.

(126) The total fair market value of the assets transferred to Sub 13 by Sub 6 will exceed the sum of: (i) the amount of liabilities assumed (as determined under § 357(d)) by Sub 13 in connection with the exchange, (ii) the amount of liabilities owed to Sub 13 by Sub 6 that are discharged or extinguished in connection with the exchange, and (iii) the amount of any money and the fair market value of any other property (other than stock permitted to be received under § 351(a) without the recognition of gain) received by Sub 6 in connection with the Sub 13 Merger. The fair market value of the assets of Sub 13 will exceed the amount of its liabilities immediately after the exchange.

(127) No stock or securities will be issued for services rendered to or for the benefit of Sub 13 in connection with the Sub 13 Merger.

(128) No stock or securities will be issued for indebtedness of Sub 13 that is not evidenced by a security or for the interest on indebtedness of Sub 13 that accrued on or after the beginning of the holding period of Sub 6 for the debt.

(129) The transfer is not the result of the solicitation by a promoter, broker, or investment house.

(130) Sub 6 will not retain any rights in the property transferred to Sub 13.

(131) The adjusted basis and the fair market value of property transferred by Sub 6 to Sub 13 will, in each instance, equal or exceed the sum of the liabilities, if any, to be assumed (within the meaning of § 357(d)) by Sub 13.

(132) The liabilities, if any, to be assumed (within the meaning of § 357(d)) by Sub 13 were incurred in the ordinary course of business and are associated with the property of Sub 14 to be transferred.

(133) At the time of the Sub 13 Merger, there will be no intercorporate debt existing between Sub 6 and its subsidiaries, and Sub 13 and its subsidiaries, and no indebtedness will be created in favor of Sub 6 and its subsidiaries, as a result of the transaction.

(134) The transfers and exchanges will occur pursuant to a plan agreed upon before the Sub 13 Merger in which the rights of the parties are defined.

(135) All exchanges in connection with the Sub 13 Merger will occur on approximately the same date.

(136) Except as provided in step (xxii), above, Sub 6 has no plan or intention to sell or otherwise dispose of any of the stock of Sub 13 to be received in the Sub 13 Merger.

(137) There is no plan or intention on the part of Sub 13 to redeem or otherwise reacquire any stock or indebtedness to be issued in the Sub 13 Merger.

(138) Taking into account any issuance of additional shares of Sub 13 stock; any issuance of stock for services; the exercise of any Sub 13 stock rights, warrants, or subscriptions; a public offering of Sub 13 stock; and the sale, exchange, transfer by gift, or other disposition of any of the stock of Sub 13 to be received in the exchange, Sub 6 will be in "control" of Sub 13 within the meaning of § 368(c), immediately before the Sub 6 Distribution.

(139) Sub 6 will receive stock in Sub 13 approximately equal to the fair market value of the assets of Sub 14 transferred by Sub 6 to Sub 13.

(140) Sub 13 will remain in existence and retain and use the property transferred to it in a trade or business.

(141) There is no plan or intention by Sub 13 to dispose of any of the property received in the Sub 13 Merger from Sub 6.

(142) Each of Sub 6, Sub 13, and Sub 14 will pay its own expenses, if any, incurred in connection with the Sub 13 Merger.

(143) Sub 13 is not and will not be an investment company within the meaning of § 351(e)(1) and § 1.351-1(c)(1)(ii).

(144) Sub 6 is not under the jurisdiction of a court in a Title 11 or similar case (within the meaning of § 368(a)(3)(A)) and the stock received in the exchange will not be used to satisfy the indebtedness of such debtor.

(145) Sub 13 is not and will not be a "personal service corporation" within the meaning of § 269A.

(146) The aggregate fair market value of the assets of Sub 16 transferred by Distributing 3 to Sub 15 will equal or exceed the aggregate adjusted basis of such assets immediately after the Sub 15 Merger.

(147) The total fair market value of the assets transferred to Sub 15 by Distributing 3 will exceed the sum of: (i) the amount of liabilities assumed (as determined under § 357(d)) by Sub 15 in connection with the exchange, (ii) the amount of liabilities owed to Sub 15 by Distributing 3 that are discharged or extinguished in connection with the exchange, and (iii) the amount of any money and the fair market value of any other property (other than stock permitted to be received under § 351(a) without the recognition of gain) received by Distributing 3 in connection with the Sub 15 Merger. The fair market value of the assets of Sub 15 will exceed the amount of its liabilities immediately after the exchange.

(148) No stock or securities will be issued for services rendered to or for the benefit of Sub 15 in connection with the Sub 15 Merger.

(149) No stock or securities will be issued for indebtedness of Sub 15 that is not evidenced by a security or for the interest on indebtedness of Sub 15 that accrued on or after the beginning of the holding period of Distributing 3 for the debt.

(150) The transfer is not the result of the solicitation by a promoter, broker, or investment house.

(151) Distributing 3 will not retain any rights in the property transferred to Sub 15.

(152) The adjusted basis and the fair market value of property transferred by Distributing 3 to Sub 15 will, in each instance, equal or exceed the sum of the liabilities, if any, to be assumed (within the meaning of § 357(d)) by Sub 15.

(153) The liabilities, if any, to be assumed (within the meaning of § 357(d)) by Sub 15 were incurred in the ordinary course of business and are associated with the property of Sub 16 to be transferred.

(154) At the time of the Sub 15 Merger, there will be no intercorporate debt existing between Distributing 3 and its subsidiaries, and Sub 15 and its subsidiaries, and no indebtedness will be created in favor of Distributing 3 and its subsidiaries as a result of the transaction.

(155) The transfers and exchanges will occur pursuant to a plan agreed upon before the Sub 15 Merger in which the rights of the parties are defined.

(156) All exchanges in connection with the Sub 15 Merger will occur on approximately the same date.

(157) Except as provided in step (xxiv), above, Distributing 3 has no plan or intention to sell or otherwise dispose of any of the stock of Sub 15.

(158) There is no plan or intention on the part of Sub 15 to redeem or otherwise reacquire any stock or indebtedness to be issued in the Sub 15 Merger.

(159) Taking into account any issuance of additional shares of Sub 15 stock; any issuance of stock for services; the exercise of any Sub 15 stock rights, warrants, or subscriptions; a public offering of Sub 15 stock; and the sale, exchange, transfer by gift, or other disposition of any of the stock of Sub 15, Distributing 3 will be in "control" of Sub 15 within the meaning of § 368(c), immediately before the Sub 13/Sub 15 Transfer.

(160) Sub 15 will remain in existence and retain and use the property transferred to it in a trade or business.

(161) There is no plan or intention by Sub 15 to dispose of any of the property received in the Sub 15 Merger from Distributing 3.

(162) Each of Distributing 3, Sub 15, and Sub 16 will pay its own expenses, if any, incurred in connection with the Sub 15 Merger.

(163) Sub 15 is not and will not be an investment company within the meaning of § 351(e)(1) and § 1.351-1(c)(1)(ii).

(164) Distributing 3 is not under the jurisdiction of a court in a Title 11 or similar case (within the meaning of § 368(a)(3)(A)) and the stock received in the exchange will not be used to satisfy the indebtedness of such debtor.

(165) Sub 15 is not and will not be a "personal service corporation" within the meaning of § 269A.

(166) The indebtedness owed by Controlled 3 to Distributing 3, if any, after the Controlled 3 Distribution will not constitute stock or securities.

(167) No part of the consideration distributed by Distributing 3 will be received by the Shareholders as creditors, employees, or in any capacity other than that of shareholders of Distributing 3.

(168) The five years of financial information submitted on behalf of the businesses conducted by Controlled 3 (and any members of the Controlled 3 SAG) and by Distributing 1, Distributing 2, Controlled 1, and Controlled 2 (all members of the Distributing 3 SAG) is representative of the present operations of each business, and there have been no substantial operational changes in any business since the date of the last financial statements submitted. Distributing 1, Distributing 2, Controlled 1, and Controlled 2 are, and immediately after the Controlled 3 Distribution will be, affiliated with Distributing 3 in a manner that satisfies § 1504(a), without regard to § 1504(b).

(169) Following the Controlled 3 Distribution, the Distributing 3 SAG and the Controlled 3 SAG will each continue the active conduct of their respective businesses, independently and with their separate employees.

(170) The Controlled 3 Distribution will be carried out for the following corporate business purposes: to facilitate the public offering of h percent of the outstanding shares of Controlled 3 common stock existing immediately after the IPO to fund the Controlled 3 Dividend, and to invest in growing Business 3. The Controlled 3 Distribution is motivated, in whole or substantial part, by this corporate business purpose.

(171) The Controlled 3 Distribution will not be used principally as a device for the distribution of the earnings and profits of Distributing 3 or Controlled 3 or both.

(172) No intercorporate debt will exist between Distributing 3 and its subsidiaries, and (including assets deemed contributed in the Controlled 1 Election) Controlled 3 and its subsidiaries, at the time of, or after, the Controlled 3 Distribution.

(173) Immediately after the Controlled 3 Distribution, items of income, gain, loss, deduction, and credit will be taken into account as required by the applicable intercompany transaction regulations. Further, any excess loss account of a member in the stock of another member that was required to be taken into account by § 1.1502-19 (including any caused by the Controlled 3 Dividend) will be included in income immediately before the Controlled 3 Distribution. Finally, at the time of the Controlled 3 Distribution, Distributing 3 will not have an excess loss account in the stock of Controlled 3 (except for any caused by the Controlled 3 Dividend).

(174) Payments made in connection with all continuing transactions, if any, between Distributing 3, and its subsidiaries, and Controlled 3, and its subsidiaries, will be for fair

market value based on terms and conditions arrived at by the parties bargaining at arm's length.

(175) For purposes of § 355(d), immediately after the Controlled 3 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 3 stock entitled to vote, or 50 percent or more of the total value of shares of all classes of Distributing 3 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 Controlled 3 Distribution.

(176) For purposes of § 355(d), immediately after the Controlled 3 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 3 stock entitled to vote, or 50 percent or more of the total value of shares of all classes of Controlled 3 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 Controlled 3 Distribution or (ii) attributable to distributions on Distributing 3 stock or securities that were 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 Controlled 3 Distribution.

(177) The Controlled 3 Distribution is not part of a plan or series of related transactions (within the meaning of § 1.355-7) pursuant to which one or more persons will acquire directly or indirectly stock representing a 50-percent or greater interest (within the meaning of § 355(d)(4)) in Distributing 3 or Controlled 3 (including any predecessor or successor of any such corporation).

The Elections

Distributing 3 makes the following representations regarding the Elections:

(178) Distributing 2 will not be a United States real property interest, as defined in § 897(c)(1), immediately before or after the Distributing 2 Election.

(179) Distributing 1 will include Distributing 2's "all earnings and profits amount" as a dividend to the extent required under § 1.367(b)-2(f) and -2(i).

(180) Distributing 2 is maintained solely for the purpose of complying with the laws of Country A as to title and operation of property in Country A in connection with the Country A portion of Business 1.

Rulings

Based solely on the information submitted, we rule as follows with respect to the Proposed Transactions:

The Sub 9 Merger

1. The merger of Sub 9 with and into Distributing 1 pursuant to State B law will be treated as a complete liquidation under § 332 (§ 332(b) and §1.332-2(d)).
2. No gain or loss will be recognized by Distributing 1 on its receipt of Sub 9 assets and the assumption of liabilities (§ 332(a)).
3. No gain or loss will be recognized by Sub 9 on the distribution of its assets to, and assumption of liabilities by, Distributing 1 (§§ 336(d)(3) and 337(a)).
4. The basis Distributing 1 has in each asset received from Sub 9 will equal the basis of that asset in the hands of Sub 9 immediately prior to the merger (§ 334(b)(1)).
5. The holding period Distributing 1 has in each asset received in the merger will include the period during which that asset was held by Sub 9 (§ 1223(2)).
6. Distributing 1 will succeed to and take into account the items of Sub 9 described in § 381(c), subject to the conditions and limitations specified in §§ 381, 382, 383, and 384 and the regulations thereunder (§§ 381(a) and 1.381(a)-1).
7. Except to the extent the earnings and profits of Sub 9 are reflected in the earnings and profits of Distributing 1, Distributing 1 will succeed to and take into account the earnings and profits, or deficit in earnings and profits, of Sub 9 as of the date of the merger (§§ 381(c)(2)(A), 1.381(c)(2)-1, and 1.1502-33(a)(2)). Any deficit in the earnings and profits of Distributing 1 or Sub 9 will be used only to offset earnings and profits accumulated after the date of the Sub 9 Merger (§ 381(c)(2)(B)).

The Controlled 1 Election, Controlled 1 Contribution, and Controlled 1 Distribution

8. The Controlled 1 Contribution (including assets deemed contributed in the Controlled 1 Election) followed by the Controlled 1 Distribution, will be a reorganization within the meaning of § 368(a)(1)(D). Distributing 1 and Controlled 1 will each be a “party to a reorganization” within the meaning of § 368(b).
9. No gain or loss will be recognized by Distributing 1 upon the Controlled 1 Election or the Controlled 1 Contribution (§§ 361(a) and 357(a)).
10. No gain or loss will be recognized by Controlled 1 upon the Controlled 1 Election or the Controlled 1 Contribution (§ 1032(a)).
11. The basis Controlled 1 has in each asset received in the Controlled 1 Contribution (including assets deemed contributed in the Controlled 1 Election) will

equal the basis of that asset in the hands of Distributing 1 immediately before its transfer (§ 362(b)).

12. The holding period Controlled 1 has in each Distributing 1 asset received in the Controlled 1 Contribution (including assets deemed contributed in the Controlled 1 Election) will include the period during which that asset was held by Distributing 1 (§ 1223(2)).

13. No gain or loss will be recognized by Distributing 1 upon the Controlled 1 Distribution (§ 361(c)).

14. Distributing 3 will recognize no gain or loss (and no amount will be included in the income of Distributing 3) upon receipt of the Controlled 1 stock with respect to Distributing 3's Distributing 1 stock (§ 355(a)(1)).

15. The aggregate basis of the Distributing 1 stock and the Controlled 1 stock in the hands of Distributing 3 after the Controlled 1 Distribution will equal the aggregate basis of the Distributing 1 stock held by Distributing 3 immediately before the Controlled 1 Distribution, allocated between the stock of Distributing 1 and Controlled 1 in proportion to the fair market value of each immediately following the Controlled 1 Distribution in accordance with § 1.358-2(a)(2) (§ 358(a)(1), (b), and (c)).

16. The holding period of the Controlled 1 stock received by Distributing 3 in the Controlled 1 Distribution will include the holding period of the Distributing 1 stock on which the Controlled 1 Distribution is made, provided the Distributing 1 stock was held as a capital asset on the date of the Controlled 1 Distribution (§ 1223(1)).

17. Earnings and profits will be allocated between Distributing 1 and Controlled 1 in accordance with § 312(h) and §§ 1.312-10(a) and 1.1502-33(f)(2)

The Sub 7 Transaction

18. For U.S. Federal income tax purposes, the transfers and exchanges described in steps (vi) and (vii), above, will be treated as the acquisition by Distributing 2 of all the assets of Sub 7 solely in exchange for Distributing 2 common stock and the assumption by Distributing 2 of the liabilities of Sub 7, followed by the distribution of Distributing 2 common stock in liquidation of Sub 7 (see Rev. Rul. 67-274, 1967-2 C.B. 141).

19. The acquisition by Distributing 2 of all the assets of Sub 7 solely in exchange for Distributing 2 common stock and the assumption of Sub 7's liabilities, followed by the distribution by Sub 7 to its shareholders of the Distributing 2 common stock, in complete liquidation, will constitute a reorganization within the meaning of § 368(a)(1)(D). Distributing 2 and Sub 7 will each be "a party to a reorganization" within the meaning of § 368(b).

20. No gain or loss will be recognized by Distributing 2 upon the receipt of the Sub 7 assets in exchange for Distributing 2 common stock (§ 1032(a)).
21. The basis of each asset of Sub 7 in the hands of Distributing 2 will be the same as the basis of each such asset in the hands of Sub 7 immediately before the transaction (§ 362(b)).
22. The holding period of the assets of Sub 7 in the hands of Distributing 2 will include the period during which the assets were held by Sub 7 (§ 1223(2)).
23. No gain or loss will be recognized by Sub 7 upon the transfer of all of its assets to Distributing 2 in exchange for Distributing 2 stock and the assumption by Distributing 2 of Sub 7's liabilities (§§ 361(a) and 357(a)).
24. No gain or loss will be recognized by Sub 7 on its distribution of Distributing 2 stock in exchange for Distributing 1's Sub 7 stock (§ 361(c)(1)).
25. No gain or loss will be recognized by Distributing 1 upon the receipt of Distributing 2 stock in exchange for its Sub 7 stock (§ 354(a)(1)).
26. Distributing 1's basis in the Distributing 2 stock received will be the same as the basis of the share or shares (or allocable portions thereof) of Sub 7 common stock exchanged therefor, allocated in the manner described in § 1.358-2(a)(2)(iii).
27. The holding period of the Distributing 2 common stock to be received by Distributing 1 will include the period during which the Sub 7 stock transferred in exchange therefor was held, provided the Sub 7 stock was held as a capital asset on the date of the Sub 7 Transaction (§ 1223(1)).
28. Distributing 2 will succeed to and take into account the items of Sub 7 described in § 381(c), subject to the provisions and limitations specified in §§ 381, 382, 383, and 384, and the regulations thereunder. The tax year of Sub 7 ended on the effective date of the Sub 7 Transaction (§§ 381(a), 1.381(a)-1, and 1.381(b)-1).
29. As provided by § 381(c)(2) and § 1.381(c)(2)-1, Distributing 2 will succeed to and take into account the earnings and profits, or deficit in earnings and profits, of Sub 7 as of the date of transfer. Any deficit in the earnings or profits of either Sub 7 or Distributing 2 will be used only to offset earnings and profits accumulated after the date of transfer (§ 381(c)(2)(B)).

The Controlled 2 Contribution, Controlled 2 Distribution, and Second Controlled 2 Distribution

30. For U.S. Federal income tax purposes, the transfers and exchanges described in steps (viii) through (xiii), above, will be disregarded and treated instead as if: (i) Distributing 2 had formed Controlled 2, (ii) Distributing 2 had transferred the Distributing 2 non-core assets to Controlled 2 in exchange for Controlled 2 common stock, and (iii)

Distributing 2 had distributed all of its Controlled 2 stock to Distributing 1 (Rev. Rul. 83-142, 1983-2 C.B. 68; Rev. Rul. 77-191, 1977-1 C.B. 94; Rev. Rul. 62-138, 1962-2 C.B. 95; and Rev. Rul. 57-311, 1957-2 C.B. 243).

31. The Controlled 2 Contribution, followed by the Controlled 2 Distribution, will be a reorganization within the meaning of § 368(a)(1)(D). Distributing 2 and Controlled 2 will each be a “party to the reorganization” within the meaning of § 368(b).

32. No gain or loss will be recognized by Distributing 2 upon the Controlled 2 Contribution (§§ 361(a) and 357(a)).

33. No gain or loss will be recognized by Controlled 2 upon the Controlled 2 Contribution (§ 1032(a)).

34. The basis Controlled 2 has in each Distributing 2 asset received in the Controlled 2 Contribution will equal the basis of that asset in the hands of Distributing 2 immediately before its transfer (§ 362(b)).

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

36. No gain or loss will be recognized by Distributing 2 upon the Controlled 2 Distribution (§ 361(c)).

37. Distributing 1 will recognize no gain or loss (and no amount will be included in the income of Distributing 1) upon receipt of the Controlled 2 stock with respect to Distributing 1's Distributing 2 stock (§ 355(a)(1)).

38. The aggregate basis of the Distributing 2 stock and the Controlled 2 stock in the hands of Distributing 1 after the Controlled 2 Distribution will equal the aggregate basis of the Distributing 2 stock held by Distributing 1 immediately before the Controlled 2 Distribution, allocated between the stock of Distributing 2 and Controlled 2 in proportion to the fair market value of each immediately following the Controlled 2 Distribution in accordance with § 1.358-2(a)(2) (§ 358(a)(1), (b), and (c)).

39. The holding period of the Controlled 2 stock received by Distributing 1 in the Controlled 2 Distribution will include the holding period of the Distributing 2 stock on which the Controlled 2 Distribution is made, provided the Distributing 2 stock was held as a capital asset on the date of the Controlled 2 Distribution (§ 1223(1)).

40. Earnings and profits will be allocated between Distributing 2 and Controlled 2 in accordance with § 312(h) and § 1.312-10(a).

41. Distributing 2's deemed transfer of its non-core assets to Controlled 2 in the Controlled 2 Contribution will be an exchange to which §§ 1.367(b)-1(c) and -4(a) apply.

42. The transfer of the Controlled 2 stock by Distributing 2 in the Controlled 2 Distribution will be a distribution to which §§ 1.367(b)-1(c), 1.367(b)-5(a), 1.367(b)-5(c), and 1.367(b)-5(f) apply. If Distributing 1's postdistribution amount (as defined in § 1.367(b)-5(e)(2)) with respect to Distributing 2 or Controlled 2 is less than its predistribution amount (as defined in § 1.367(b)-5(e)(1)) with respect to Distributing 2 or Controlled 2, Distributing 1's basis in such stock immediately after the distribution must be reduced by the amount of the difference. However, Distributing 1's basis in such stock must not be reduced below zero, and to the extent the foregoing reduction would reduce its basis below zero, Distributing 1 must instead include such amount in income as a deemed dividend from such corporation. If Distributing 1 reduces the basis in the stock of Distributing 2 or Controlled 2 (or has an inclusion with respect to such stock), Distributing 1 must increase its basis in the stock of the other corporation to the extent provided in § 1.367(b)-5(c)(4).

43. For U.S. Federal income tax purposes, the transfers and exchanges described in steps (xiv) through (xvi), above, will be disregarded and treated instead as if Distributing 1 had distributed all of its stock of Controlled 2 to Distributing 3 (Rev. Rul. 83-142; Rev. Rul. 62-138).

44. No gain or loss will be recognized by Distributing 1 upon the Second Controlled 2 Distribution (§ 355(c)(1)).

45. Distributing 3 will recognize no gain or loss (and no amount will be included in the income of Distributing 3) upon receipt of the Controlled 2 stock with respect to Distributing 3's Distributing 1 stock (§ 355(a)(1)).

46. The aggregate basis of the Distributing 1 stock and the Controlled 2 stock in the hands of Distributing 3 after the Second Controlled 2 Distribution will equal the aggregate basis of the Distributing 1 stock held by Distributing 3 immediately before the Second Controlled 2 Distribution, allocated between the stock of Distributing 1 and Controlled 2 in proportion to the fair market value of each immediately following the Second Controlled 2 Distribution, in accordance with § 1.358-2(a)(2) (§ 358(a)(1), (b), and (c)).

47. The holding period of the Controlled 2 stock received by Distributing 3 in the Second Controlled 2 Distribution will include the holding period of the Distributing 1 stock on which the Second Controlled 2 Distribution is made, provided the Distributing 1 stock was held as a capital asset on the date of the Second Controlled 2 Distribution (§ 1223(1)).

48. Earnings and profits will be allocated between Distributing 1 and Controlled 2 in accordance with § 312(h) and § 1.312-10(b).

The Controlled 3 and Related Transactions

49. The Sub 3 Distribution will be treated as a distribution of property to which §§ 301 and 311(b) apply.
50. The Sub 17 contribution solely in constructive exchange for additional shares of Sub 17 stock and the assumption of liabilities, if any, will constitute an exchange within the meaning of § 351. Controlled 3 will not recognize any gain or loss in the Sub 17 Contribution (§§ 351(a) and 357(a)).
51. Sub 17 will not recognize any gain or loss in the Sub 17 Contribution (§ 1032).
52. Sub 17's basis in the property transferred by Controlled 3 to Sub 17 will be the same as the basis of such property in the hands of Controlled 3 immediately before the transfer (§ 362(a)).
53. The basis of the common stock of Sub 17 in the hands of Controlled 3 after the Sub 17 Contribution will be increased by an amount equal to the basis of the property transferred to Sub 17 in the exchange (§ 358(a)(1)).
54. The holding period of each asset to be received by Sub 17 will include the period during which that asset was held by Controlled 3 before the exchange (§ 1223(2)).
55. The Sub 2 Contribution solely in constructive exchange for additional shares of Sub 2 stock and the assumption of liabilities, if any, will constitute an exchange within the meaning of § 351. Distributing 3 will not recognize any gain or loss on the Sub 2 Contribution (§§ 351(a) and 357(a)).
56. Sub 2 will not recognize any gain or loss in the Sub 2 Contribution (§ 1032).
57. Sub 2's basis in the property transferred by Distributing 3 to Sub 2 will be the same as the basis of such property in the hands of Distributing 3 immediately before the transfer (§ 362(a)).
58. The basis of the common stock of Sub 2 in the hands of Distributing 3 after the Sub 2 Contribution will be increased by an amount equal to the basis of the property transferred to Sub 2 in the exchange (§ 358(a)(1)).
59. The holding period of each asset to be received by Sub 2 will include the period during which that asset was held by Distributing 3 before the exchange (§ 1223(2)).
60. For U. S. Federal income tax purposes, the Sub 13 Merger will be treated as a transfer of assets held by Sub 6 to Sub 13 solely in exchange for additional shares of Sub 13 stock. Sub 6 will not recognize any gain or loss in the Sub 13 Merger (§§ 351(a) and 357(a)).
61. Sub 13 will not recognize any gain or loss in the Sub 13 Merger (§ 1032).

62. Sub 13's basis in the property transferred by Sub 6 to Sub 13 will be the same as the basis of such property in the hands of Sub 6 immediately before the transfer (§ 362(a)).
63. The basis of the stock of Sub 13 received by Sub 6 in the Sub 13 Merger will be the same as the basis of the property transferred by Sub 6 in the exchange (§ 358(a)(1)).
64. The holding period of the Sub 13 common stock to be received by Sub 6 will include the period during which the Sub 6 assets transferred in exchange therefor were held, provided the Sub 6 assets were held as capital assets on the date of the Sub 13 Merger (§ 1223(1)).
65. The holding period of each Sub 6 asset to be received by Sub 13 will include the period during which that asset was held by Sub 6 before the Merger (§ 1223(2)).
66. The Sub 13 Distributions and the Sub 6 Distribution will each be treated as a distribution of property to which §§ 301 and 311(b) apply.
67. For U.S. Federal income tax purposes, the Sub 15 Merger will be treated as a transfer by Distributing 3 of the assets held by Sub 16 to Sub 15 solely in constructive exchange for additional shares of Sub 15 stock. Distributing 3 will not recognize any gain or loss in the Sub 15 Merger (§§ 351(a) and 357(a)).
68. Sub 15 will not recognize any gain or loss in the Sub 15 Merger (§ 1032).
69. Sub 15's basis in the property transferred by Distributing 3 to Sub 15 will be the same as the basis of such property in the hands of Distributing 3 immediately before the transfer (§ 362(a)).
70. The basis of the common stock of Sub 15 in the hands of Distributing 3 after the Sub 15 Merger will be increased by an amount equal to the basis of the property transferred to Sub 15 in the exchange (§ 358(a)(1)).
71. The holding period of the Sub 16 assets to be received by Sub 15 will include the period during which such assets were held by Distributing 3 before the Sub 15 Merger (§ 1223(2)).
72. For U. S. Federal income tax purposes, Distributing 3's (i) transfer of the Business 3 assets to Controlled 3 described in Step (xviii), above, and (ii) the Sub13/Sub15 Transfer described in Step (xxiv), above, shall be deemed received by Controlled 3 in exchange for a portion of the Controlled 3 Dividend described in Step (xxviii), above, equal to the sum of the fair market values of the Business 3 assets, the Sub 13 stock, and the Sub 15 stock. Distributing 3 will recognize gain or loss measured by the difference between its bases in the Business 3 assets, the Sub 13 stock, and the Sub 15 stock and the fair market value of the Business 3 assets, the Sub 13 stock, and

the Sub 15 stock (§ 1001). The amount received by Distributing 3 in the Controlled 3 Dividend that is greater than the sum of the fair market values of the Business 3 assets, the Sub 13 stock, and the Sub 15 stock shall be a distribution to which § 301 applies.

73. No gain or loss will be recognized by Distributing 3 upon the Controlled 3 Distribution (§ 355(c)(1)).

74. The Shareholders will recognize no gain or loss (and no amount will be included in the income of the Shareholders) upon receipt of the Controlled 3 stock with respect to the Shareholders' Distributing 3 stock (§ 355(a)(1)).

75. The aggregate basis of the Distributing 3 stock and the Controlled 3 stock in the hands of the Shareholders after the Controlled 3 Distribution will equal the aggregate basis of the Distributing 3 stock held by the Shareholders immediately before the Controlled 3 Distribution, allocated between the stock of Distributing 3 and Controlled 3 in proportion to the fair market value of each immediately following the Controlled 3 Transaction in accordance with § 1.358-2(a)(2) (§ 358(a)(1), (b), and (c)).

76. The holding period of the Controlled 3 stock received by the Shareholders in the Controlled 3 Distribution will include the holding period of the Distributing 3 stock on which the Controlled 3 Distribution is made, provided the Distributing 3 stock was held as a capital asset on the date of the Controlled 3 Distribution (§ 1223(1)).

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

The Elections

78. Distributing 3 may elect to treat Distributing 2 as a domestic corporation for U.S. Federal income tax purposes (§ 1504(d)).

No opinion is expressed about the U. S. Federal tax treatment of the Proposed Transaction under other provisions of the Code or Regulations or the tax treatment of any conditions existing at the time of, or effects resulting from, the Proposed Transactions that are not specifically covered by the above ruling. In particular, no opinion is expressed regarding: (i) whether the Controlled 1 Distribution, the Controlled 2 Distribution, or the Controlled 3 Distribution each satisfies the business purpose requirement of § 1.355-2(b); (ii) whether the proposed transaction is used principally as a device for the distribution of the earnings and profits of any distributing corporation or any controlled corporation, or both a distributing corporation and a controlled corporation (see § 355(a)(1)(B) and § 1.355-2(d)); and (iii) whether the proposed transaction is part of a plan (or series of related transactions) under § 355(e)(2)(A)(ii). In addition, no opinion is expressed regarding the following:

(1) The consequences under § 1248(f) and Notice 87-64 of the Second Controlled 2 Distribution.

- (2) The adjustments to earnings and profits or deficits in earnings and profits, if any, in any of the transactions to which § 367(a) or (b) applies.
- (3) To the extent not otherwise specifically ruled upon above, any other consequences under § 367 on any internal restructuring transaction in this ruling letter.
- (4) The application of § 1503(d) to any dual resident corporation that is involved in a putative triggering event in connection with any of the transactions described above.
- (5) Whether any or all of the above-referenced foreign corporations are PFICs within the meaning of § 1297(a). If it is determined that any such corporations are PFICs, no opinion is expressed with respect to the application of §§ 1291 through 1298 to the proposed transactions. In particular, in a transaction in which gain is not otherwise recognized, regulations under § 1291(f) may require gain recognition notwithstanding any other provisions of the Code.

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.

Under a power of attorney on file in 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,

Ken Cohen
Senior Technician Reviewer, Branch 3
Office of Associate Chief Counsel (Corporate)