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LEGEND

Parent =

S1 =

S2 =

S3 =

S4 =

S5 =

S6 =

S7 =

S8 =

S9 =

Distributing 1 =

Distributing 2 =

Partnership =

Business A =

Business B =

Business C =

a =

b =

State A =

State B =

State C =

State D =

Dear :

This letter responds to your October 11, 2007, letter requesting rulings as to the federal income tax consequences of a series of proposed transactions. The information submitted in that request and in later correspondence is summarized below.

The rulings contained in this letter are based on facts and representations submitted by the taxpayer and accompanied by a penalty of perjury statement executed by an appropriate party. This office has not verified any of the materials 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 any distribution described below: (i) satisfies the business purpose requirement of § 1.355-2(b) of the Income Tax Regulations; (ii) is used principally as a device for the distribution of the earnings and profits of a distributing or controlled corporation or both (*see* § 355(a)(1)(B) of the Internal Revenue Code and § 1.355-2(d)); or (iii) 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 a distributing or controlled corporation (*see* § 355(e) and § 1.355-7).

SUMMARY OF FACTS

Parent is a publicly traded domestic corporation and the common parent of an affiliated group of corporations that files a consolidated federal income tax return. Parent owns all of the outstanding stock of S1 and S2, each of which is a domestic corporation.

S1 owns all of the outstanding stock of S3 and S4, each of which is a domestic corporation, and a% of the outstanding interests in Partnership, a domestic limited partnership. S3 owns the remaining b% of the outstanding interests in Partnership.

S2 owns all of the outstanding stock of S5, S7, S8, and Distributing 2, each of which is a domestic corporation. S2 also owns all of the outstanding interests in S6, a domestic limited liability company that is disregarded as an entity separate from its owner for federal tax purposes.

Distributing 2 owns all of the outstanding stock of Distributing 1, a domestic corporation. Distributing 1 owns all of the outstanding interests in S9, a domestic limited liability company that is disregarded as an entity separate from its owner for federal tax purposes. Distributing 1 is engaged directly in Business A and Business B. In addition, Distributing 1 is engaged in Business C, directly and through its ownership of all of the outstanding interests in S9. Parent has submitted financial information indicating that each of Business A, Business B, and Business C has had gross receipts and operating expenses representing the active conduct of a trade or business for each of the past five years.

The management of Parent has determined that the Parent group can increase efficiency and achieve savings by consolidating the businesses of several of the entities described above in a single company.

PROPOSED TRANSACTIONS

To accomplish the stated business purpose, the following series of transactions have been proposed (the "Proposed Transactions"):

(i) S3 will merge with and into S1 under State A and State B law, with S1 surviving (the "Liquidation").

(ii) Under State C and State B law, S7 will transfer all of its assets to S1 in constructive exchange for S1 stock and S1’s assumption of S7’s liabilities, followed by S7’s constructive distribution of S1 stock to S2 in complete dissolution of S7 (“Merger 1”).

(iii) Under State C and State B law, S8 will transfer all of its assets to S1 in constructive exchange for S1 stock and S1’s assumption of S8’s liabilities, followed by S8’s constructive distribution of S1 stock to S2 in complete dissolution of S8 (“Merger 2”).

(iv) Distributing 1 will form a new domestic corporation ("Controlled") under State A law and transfer thereto all of its Business C assets (including all of the equity interests in S9) in exchange for all of the Controlled stock and the assumption by Controlled of liabilities related to Business C (the "Contribution").

(v) Distributing 1 will distribute all of its stock in Controlled to Distributing 2 ("Distribution 1").

(vi) Distributing 2 will distribute all of its stock in Controlled to S2 ("Distribution 2").

(vii) Under State A and State B law, Controlled will transfer all of its assets to S1 in constructive exchange for S1 stock and S1's assumption of Controlled's liabilities, followed by Controlled's constructive distribution of S1 stock to S2 in complete dissolution of Controlled ("Merger 3").

(viii) Parent will transfer all of the stock of S2 to S1 in constructive exchange solely for S1 voting common stock.

(ix) S2 will convert under State A law from a corporation to a limited liability company that will be disregarded as an entity separate from its owner, S1, for federal tax purposes under § 301.7701-3(b)(1)(ii) (together with step (viii), the "Combination").

(x) S9 will elect to be treated as a corporation for federal tax purposes, with S1 becoming the sole shareholder of the new corporation (the "S9 Incorporation").

(xi) S6 will elect to be treated as a corporation for federal tax purposes, with S1 becoming the sole shareholder of the new corporation (the "S6 Incorporation").

(xii) Under State D law, S4 will transfer all of its assets to S5 in constructive exchange for S5 stock and S5's assumption of S4's liabilities, followed by S4's constructive distribution of S5 stock to S1 in complete dissolution of S4 ("Merger 4").

REPRESENTATIONS

The Liquidation

The following representations are made with respect to the Liquidation described above in step (i):

(1a) S1, on the date of adoption of the plan of liquidation, and at all times until the final liquidating distribution is completed, will own 100 percent of the single outstanding class of S3 stock.

(1b) No shares of S3 stock will have been redeemed during the three years preceding the adoption of the plan of complete liquidation of S3.

(1c) All distributions from S3 to S1 pursuant to the plan of complete liquidation will be made within a single taxable year of S3.

(1d) As soon as the first liquidating distribution has been made, S3 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 S1.

(1e) S3 will retain no assets following the final liquidating distribution.

(1f) S3 will not have acquired assets in any nontaxable transaction at any time, except for acquisitions occurring more than three years prior to the date of adoption of the plan of liquidation.

(1g) No assets of S3 have been, or will be, disposed of by either S3 or S1, except for dispositions in the ordinary course of business and dispositions occurring more than three years prior to adoption of the plan of liquidation.

(1h) The liquidation of S3 will not be preceded or followed by the reincorporation, transfer, or sale of all or a part of the business assets of S3 to another corporation that (i) is the alter ego of S3 and (ii) directly or indirectly, will be owned more than 20 percent in value by persons holding directly or indirectly more than 20 percent in value of the stock of S3. 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).

(1i) Prior to the adoption of the plan of liquidation, no assets of S3 will have been distributed in kind, transferred, or sold to S1, except for (i) transactions occurring in the normal course of business and (ii) transactions occurring more than three years prior to adoption of the plan of liquidation.

(1j) S3 will report all earned income represented by assets that will be distributed to S1, such as receivables being reported on a cash basis, unfinished construction contracts, commissions due, etc.

(1k) The fair market value of the assets of S3 will exceed its liabilities both at the date of adoption of the plan of complete liquidation and immediately prior to the time the first liquidating distribution is made.

(1l) There is no intercorporate debt existing between S1 and S3 and none has been cancelled, forgiven, or discounted, except for transactions that occurred more than three years prior to the date of adoption of the plan of liquidation.

(1m) S1 is not an organization that is exempt from federal income tax under § 501 or any other provision of the Code.

(1n) All other transactions undertaken contemporaneously with, in anticipation of, in conjunction with, or in any way related to, the Liquidation have been fully disclosed.

Merger 1

The following representations are made with respect to Merger 1 described above in step (ii):

(2a) Merger 1 will be effected pursuant to the laws of State C and State B. As a result of the operation of such laws, all of the assets and liabilities of S7 will become the assets and liabilities of S1.

(2b) The fair market value of the S1 stock constructively received by S2 in Merger 1 will be approximately equal to the fair market value of the S7 stock surrendered in the exchange.

(2c) At least 40 percent of the proprietary interest in S7 will be exchanged constructively for S1 stock and will be preserved (within the meaning of § 1.368-1(e)).

(2d) Except as described herein, neither S1 nor any person related (within the meaning of § 1.368-1(e)(4)) to S1 has any plan or intention to redeem or otherwise acquire any shares of the S1 stock constructively issued in Merger 1 at any time after or in connection with Merger 1 or has any plan or intention to cause any other person or entity to acquire any such stock.

(2e) S1 has no plan or intention to sell or otherwise dispose of any of the assets of S7 acquired in Merger 1, except for dispositions made in the ordinary course of business or transfers described in § 368(a)(2)(C) or § 1.368-2(k).

(2f) The liabilities of S7 assumed (within the meaning of § 357(d)) by S1 will have been incurred by S7 in the ordinary course of business and will be associated with the assets being transferred.

(2g) Following Merger 1, S1 will continue the historic business of S7 or use a significant portion of S7's historic business assets in a business (within the meaning of § 1.368-1(d)).

(2h) Except for expenses that are "solely and directly related" (within the meaning of Rev. Rul. 73-54, 1973-1 C.B. 187) to Merger 1, all of which will be paid by S1, each party will pay its respective expenses, if any, incurred in connection with Merger 1.

(2i) At the time of Merger 1, there will be no intercorporate indebtedness existing between S1 and S7 that was issued, acquired, or will be settled at a discount.

(2j) No two parties to Merger 1 are investment companies as defined in § 368(a)(2)(F)(iii) and (iv).

(2k) S7 is not under the jurisdiction of a court in a title 11 or similar case within the meaning of § 368(a)(3)(A).

(2l) The total fair market value of the assets transferred to S1 by S7 will exceed the sum of (i) the amount of liabilities assumed (as determined under § 357(d)) by S1 in connection with Merger 1, (ii) the amount of liabilities owed to S1 by S7 that are discharged or extinguished in connection with Merger 1, 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 S7 in connection with Merger 1. The fair market value of the assets of S1 will exceed the amount of S1's liabilities immediately after Merger 1.

Merger 2

The following representations are made with respect to Merger 2 described above in step (iii):

(3a) Merger 2 will be effected pursuant to the laws of State C and State B. As a result of the operation of such laws, all of the assets and liabilities of S8 will become the assets and liabilities of S1.

(3b) The fair market value of the S1 stock constructively received by S2 in Merger 2 will be approximately equal to the fair market value of the S8 stock surrendered in the exchange.

(3c) At least 40 percent of the proprietary interest in S8 will be exchanged constructively for S1 stock and will be preserved (within the meaning of § 1.368-1(e)).

(3d) Except as described herein, neither S1 nor any person related (within the meaning of § 1.368-1(e)(4)) to S1 has any plan or intention to redeem or otherwise acquire any shares of the S1 stock constructively issued in Merger 2 at any time after or in connection with Merger 2 or has any plan or intention to cause any other person or entity to acquire any such stock.

(3e) S1 has no plan or intention to sell or otherwise dispose of any of the assets of S8 acquired in Merger 2, except for dispositions made in the ordinary course of business or transfers described in § 368(a)(2)(C) or § 1.368-2(k).

(3f) The liabilities of S8 assumed (within the meaning of § 357(d)) by S1 will have been incurred by S8 in the ordinary course of business and will be associated with the assets being transferred.

(3g) Following Merger 2, S1 will continue the historic business of S8 or use a significant portion of S8's historic business assets in a business (within the meaning of § 1.368-1(d)).

(3h) Except for expenses that are “solely and directly related” (within the meaning of Rev. Rul. 73-54, 1973-1 C.B. 187) to Merger 2, all of which will be paid by S1, each party will pay its respective expenses, if any, incurred in connection with Merger 2.

(3i) At the time of Merger 2, there will be no intercorporate indebtedness existing between S1 and S8 that was issued, acquired, or will be settled at a discount.

(3j) No two parties to Merger 2 are investment companies as defined in § 368(a)(2)(F)(iii) and (iv).

(3k) S8 is not under the jurisdiction of a court in a title 11 or similar case within the meaning of § 368(a)(3)(A).

(3l) The total fair market value of the assets transferred to S1 by S8 will exceed the sum of (i) the amount of liabilities assumed (as determined under § 357(d)) by S1 in connection with Merger 2, (ii) the amount of liabilities owed to S1 by S8 that are discharged or extinguished in connection with Merger 2, 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 S8 in connection with Merger 2. The fair market value of the assets of S1 will exceed the amount of S1's liabilities immediately after Merger 2.

The Contribution and Distribution 1

The following representations are made with respect to the Contribution and Distribution 1 described above in steps (iv-v):

(4a) No part of the consideration to be distributed by Distributing 1 will be received by a shareholder as a creditor, employee, or in any capacity other than that of a shareholder of Distributing 1.

(4b) In Distribution 1, Distributing 1 will distribute 100 percent of the equity interests in Controlled to Distributing 2.

(4c) Except for expenses that are "solely and directly related" (within the meaning of Rev. Rul. 73-54, 1973-1 C.B. 187) to Distribution 1, all of which will be paid by S1, each party will pay its respective expenses, if any, incurred in connection with Distribution 1.

(4d) The five years of financial information submitted on behalf of Business C of Distributing 1 is representative of its present operations, and with regard to such business, there have been no substantial operational changes since the date of the last financial statements submitted. Neither this business nor control of an entity conducting this business was acquired during the five-year period ending on the date of Distribution 1 in a transaction in which gain or loss was recognized in whole or in part, except in connection with transfers between members of the affiliated group (as defined in § 1504(a), determined without regard to § 1504(b)) of which Parent was the parent.

(4e) The five years of financial information submitted on behalf of Business A and Business B of Distributing 1 is representative of their present operations, and with regard to such businesses, there have been no substantial operational changes since the date of the last financial statements submitted. Neither these businesses nor control of an entity conducting these businesses was acquired during the five-year period ending on the date of Distribution 1 in a transaction in which gain or loss was recognized in whole or in part, except in connection with transfers between members of the affiliated group (as defined in § 1504(a), determined without regard to § 1504(b)) of which Parent was the parent.

(4f) Following Distribution 1, the Distributing 1 separate affiliated group ("SAG") (within the meaning of § 355(b)(3)(B)) will continue the active conduct of Business A and Business B, independently and with their separate employees.

(4g) Following the Proposed Transactions, the S1 SAG will continue the active conduct of its combined business, including Business C, independently and with its separate employees.

(4h) Distribution 1 is not being used principally as a device for the distribution of the earnings and profits of Distributing 1 or Controlled or both.

(4i) The total adjusted basis and the fair market value of the assets transferred to Controlled by Distributing 1 each will equal or exceed the sum of the liabilities assumed (within the meaning of § 357(d)) by Controlled.

(4j) The total fair market value of the assets transferred to Controlled in the Contribution will exceed the sum of (i) the amount of any liabilities assumed (as determined under § 357(d)) by Controlled in the exchange, (ii) the amount of any liabilities owed to Controlled by Distributing 1 that are discharged or extinguished in connection with the exchange, and (iii) the amount of cash and the fair market value of any other property (other than stock and securities permitted to be received under § 361(a) without recognition of gain) received by Distributing 1 in the exchange. The fair market value of the assets of Controlled will exceed the amount of Controlled's liabilities immediately after the Contribution.

(4k) The total fair market value of the assets transferred to Controlled by Distributing 1 in the Contribution will equal or exceed the aggregate adjusted basis of the transferred assets.

(4l) The liabilities assumed (within the meaning of § 357(d)) by Controlled in the Contribution will have been incurred in the ordinary course of business and will be associated with the assets being transferred.

(4m) Distribution 1 is being carried out for the following corporate business purposes: to implement changes in management of the Distributing 1 business and to facilitate the consolidation of companies described herein, and to avoid an unnecessary, material increase in (i) state taxes on dividends and (ii) state capital stock and franchise taxes. Distribution 1 is motivated, in whole or substantial part, by these corporate business purposes. These corporate business purposes cannot be achieved through a nontaxable transaction that would not involve the distribution of Controlled and that would be neither impractical nor unduly expensive.

(4n) No intercorporate debt will exist between Distributing 1 and Controlled at the time of, or subsequent to, Distribution 1.

(4o) Payments made in connection with all continuing transactions, if any, between Distributing 1 and Controlled or S1 will be for fair market value based on terms and conditions arrived at by the parties bargaining at arm's length.

(4p) No two parties to the transaction are investment companies as defined in § 368(a)(2)(F)(iii) and (iv).

(4q) For purposes of § 355(d), immediately after Distribution 1, no person (determined after applying the aggregation rules of § 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 Distribution 1.

(4r) For purposes of § 355(d), immediately after Distribution 1, no person (determined after applying the aggregation rules of § 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 Distribution 1 or (ii) attributable to distributions on 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 Distribution 1.

(4s) Distribution 1 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 either Distributing 1 or Controlled (including any predecessor or successor of Distributing 1 or Controlled).

(4t) Immediately after Distribution 1, either (i) no person will hold a 50-percent or greater interest (within the meaning of § 355(g)) in the stock of Distributing 1 or Controlled, who did not hold such an interest immediately before Distribution 1 or (ii) neither Distributing 1 nor Controlled will be a disqualified investment corporation (within the meaning of § 355(g)(2)).

(4u) Immediately before Distribution 1, items of income, gain, loss, deduction, and credit will be taken into account as required by the applicable intercompany transaction regulations.

(4v) At the time of Distribution 1, no member of the group will have an excess loss account in the Controlled stock or in the stock of any Controlled subsidiary.

Distribution 2

The following representations are made with respect to Distribution 2 described above in step (vi):

(5a) No part of the consideration to be distributed by Distributing 2 will be received by a shareholder as a creditor, employee, or in any capacity other than that of a shareholder of Distributing 2.

(5b) In Distribution 2, Distributing 2 will distribute 100 percent of the equity interests in Controlled to S2.

(5c) Except for expenses that are "solely and directly related" (within the meaning of Rev. Rul. 73-54, 1973-1 C.B. 187) to Distribution 2, all of which will be paid by S1, each party will pay its respective expenses, if any, incurred in connection with Distribution 2.

(5d) The five years of financial information submitted on behalf of Business C of Distributing 1 is representative of its present operations, and with regard to such business, there have been no substantial operational changes since the date of the last financial statements submitted. Neither this business nor control of an entity conducting this business was acquired during the five-year period ending on the date of Distribution 2 in a transaction in which gain or loss was recognized in whole or in part, except in connection with transfers between members of the affiliated group (as defined in § 1504(a), determined without regard to § 1504(b)) of which Parent was the parent.

(5e) The five years of financial information submitted on behalf of Business A and Business B of Distributing 1 (a member of the Distributing 2 SAG) is representative of their present operations, and with regard to such businesses, there have been no substantial operational changes since the date of the last financial statements submitted. Neither these businesses nor control of an entity conducting these businesses was acquired during the five-year period ending on the date of Distribution 2 in a transaction in which gain or loss was recognized in whole or in part, except in connection with transfers between members of the affiliated group (as defined in § 1504(a), determined without regard to § 1504(b)) of which Parent was the parent.

(5f) Following Distribution 2, the Distributing 2 SAG will continue the active conduct of Business A and Business B, independently and with their separate employees.

(5g) Following the Proposed Transactions, the S1 SAG will continue the active conduct of its combined business, including Business C, independently and with its separate employees.

(5h) Distribution 2 is not being used principally as a device for the distribution of the earnings and profits of Distributing 2 or Controlled or both.

(5i) Distribution 2 is being carried out for the following corporate business purposes: to implement changes in management of the Distributing 1 business and to facilitate the consolidation of companies described herein, and to avoid an unnecessary, material increase in (i) state taxes on dividends and (ii) state capital stock and franchise taxes. Distribution 2 is motivated, in whole or substantial part, by these corporate business purposes. These corporate business purposes cannot be achieved through a nontaxable transaction that would not involve the distribution of Controlled and that would be neither impractical nor unduly expensive.

(5j) No intercorporate debt will exist between Distributing 2 and Controlled at the time of, or subsequent to, Distribution 2.

(5k) Payments made in connection with all continuing transactions, if any, between Distributing 2 and Controlled or S1 will be for fair market value based on terms and conditions arrived at by the parties bargaining at arm's length.

(5l) For purposes of § 355(d), immediately after Distribution 2, no person (determined after applying the aggregation rules of § 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 Distribution 2.

(5m) For purposes of § 355(d), immediately after Distribution 2, no person (determined after applying the aggregation rules of § 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 Distribution 2 or (ii) attributable to distributions on 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 Distribution 2.

(5n) Distribution 2 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 either Distributing 2 or Controlled (including any predecessor or successor of Distributing 2 or Controlled).

(5o) Immediately after Distribution 2, either (i) no person will hold a 50-percent or greater interest (within the meaning of § 355(g)) in the stock of Distributing 2 or Controlled, who did not hold such an interest immediately before Distribution 2 or (ii) neither Distributing 2 nor Controlled will be a disqualified investment corporation (within the meaning of § 355(g)(2)).

(5p) Immediately before Distribution 2, items of income, gain, loss, deduction, and credit will be taken into account as required by the applicable intercompany transaction regulations.

(5q) At the time of Distribution 2, no member of the group will have an excess loss account in the Controlled stock or in the stock of any Controlled subsidiary.

Merger 3

The following representations are made with respect to Merger 3 described above in step (vii):

(6a) Merger 3 will be effected pursuant to the laws of State A and State B. As a result of the operation of such laws, all of the assets and liabilities of Controlled will become the assets and liabilities of S1.

(6b) The fair market value of the S1 stock constructively received by S2 in Merger 3 will be approximately equal to the fair market value of the Controlled stock surrendered in the exchange.

(6c) At least 40 percent of the proprietary interest in Controlled will be exchanged constructively for S1 stock and will be preserved (within the meaning of § 1.368-1(e)).

(6d) Except as described herein, neither S1 nor any person related (within the meaning of § 1.368-1(e)(4)) to S1 has any plan or intention to redeem or otherwise acquire any shares of the S1 stock constructively issued in Merger 3 at any time after or in connection with Merger 3 or has any plan or intention to cause any other person or entity to acquire any such stock.

(6e) S1 has no plan or intention to sell or otherwise dispose of any of the assets of Controlled acquired in Merger 3, except for dispositions made in the ordinary course of business or transfers described in § 368(a)(2)(C) or § 1.368-2(k).

(6f) The liabilities of Controlled assumed (within the meaning of § 357(d)) by S1 will have been incurred by Controlled in the ordinary course of business and will be associated with the assets transferred.

(6g) Following Merger 3, S1 will continue the historic business of Controlled or use a significant portion of Controlled's historic business assets in a business (within the meaning of § 1.368-1(d)).

(6h) Except for expenses that are “solely and directly related” (within the meaning of Rev. Rul. 73-54, 1973-1 C.B. 187) to Merger 3, all of which will be paid by S1, each party will pay its respective expenses, if any, incurred in connection with Merger 3.

(6i) At the time of Merger 3, there will be no intercorporate indebtedness existing between S1 and Controlled that was issued, acquired, or will be settled at a discount.

(6j) No two parties to Merger 3 are investment companies as defined in § 368(a)(2)(F)(iii) and (iv).

(6k) Controlled is not under the jurisdiction of a court in a title 11 or similar case within the meaning of § 368(a)(3)(A).

(6l) The total fair market value of the assets transferred to S1 by Controlled will exceed the sum of (i) the amount of liabilities assumed (as determined under § 357(d)) by S1 in connection with Merger 3, (ii) the amount of liabilities owed to S1 by Controlled that are discharged or extinguished in connection with Merger 3, 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 without the recognition of gain) received by Controlled in connection with Merger 3. The fair market value of the assets of S1 will exceed the amount of S1's liabilities immediately after Merger 3.

The Combination

The following representations are made with respect to the Combination described above in steps (viii)-(ix):

(7a) The fair market value of the stock of S1 constructively received by Parent in the Combination will be approximately equal to the fair market value of the stock of S2 deemed to be surrendered in the Combination.

(7b) At least 40 percent of the proprietary interest in S2 will be exchanged constructively for S1 common stock and will be preserved (within the meaning of § 1.368-1(e)).

(7c) S1 will acquire 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 S2 immediately prior to the Combination. For purposes of this representation, amounts paid by S2 to dissenters, amounts paid by S2 to shareholders who receive cash or other property, amounts used by S2 to pay its reorganization expenses, and all redemptions and distributions (except for regular, normal dividends) made by S2 immediately preceding the transfer will be included as assets of S2 held immediately prior to the Combination.

(7d) After the Combination, Parent will be in control of S1 within the meaning of § 368(a)(2)(H).

(7e) Neither S1 nor any person related to S1 (within the meaning of § 1.368-1(e)(4)) has any plan or intention to reacquire any of its stock constructively issued in the Combination.

(7f) S1 has no plan or intention to sell or otherwise dispose of any of the assets of S7, S8, Distributing 1, Distributing 2, or Controlled, except for dispositions made in the ordinary course of business or transfers described in § 368(a)(2)(C) or § 1.368-2(k).

(7g) The liabilities of S2 to be assumed (within the meaning of § 357(d)) by S1 will have been incurred by S2 in the ordinary course of business and will be associated with the assets being transferred.

(7h) Following the Combination, S1 will continue the historic businesses of S7, S8, Distributing 1, Distributing 2, and Controlled (such businesses, in the aggregate, constituting at least 33 1/3 percent of the total value of S2 at the time of the Combination) or use a significant portion of S2's direct and indirect historic business assets in a business (within the meaning of § 1.368-1(d)).

(7i) At the time of the Combination, S1 will not have outstanding any warrants, options, convertible securities, or any other type of right pursuant to which any person could acquire stock in S1 that, if exercised or converted, would affect Parent's acquisition or retention of control of S1, as defined in § 368(a)(2)(H).

(7j) Except for expenses that are "solely and directly related" (within the meaning of Rev. Rul. 73-54, 1973-1 C.B. 187) to the Combination, all of which will be paid by S1, each party will pay its respective expenses, if any, incurred in connection with the Combination.

(7k) At the time of the Combination, there will be no intercorporate indebtedness existing between S1 and S2 that was issued, acquired, or will be settled at a discount.

(7l) No two parties to the Combination are investment companies as defined in § 368(a)(2)(F)(iii) and (iv).

(7m) The fair market value of the assets of S2 transferred to S1 will exceed the sum of the liabilities of S2 assumed (as determined under § 357(d)) by S1.

(7n) S2 is not under the jurisdiction of a court in a title 11 or similar case within the meaning of § 368(a)(3)(A).

RULINGS

The Liquidation

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

1. No gain or loss will be recognized by S1 on the receipt of all of the assets and assumption of the liabilities of S3 in the Liquidation (§ 332(a)).

2. No gain or loss will be recognized by S3 on the distribution of its assets and liabilities to S1 in the Liquidation (§ 337(a)).

3. S1's basis in each asset received from S3 in the Liquidation will equal the basis of such asset in the hands of S3 immediately before the Liquidation (§ 334(b)(1)).

4. S1's holding period in each asset received from S3 in the Liquidation will include the period during which that asset was held by S3 (§ 1223(2)).

5. S1 will succeed to and take into account the items of S3 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).

6. Except to the extent S3's earnings and profits are reflected in S1's earnings and profits, S1 will succeed to and take into account the earnings and profits, or deficit in earnings and profits, of S3 as of the date of the Liquidation (§ 381(c)(2)(A), §§ 1.381(c)(2)-1 and 1.1502-33(a)(2)). Any deficit in the earnings and profits of S3 can be used only to offset earnings and profits accumulated after the date of the Liquidation (§ 381(c)(2)(B)).

Merger 1

Based solely on the information submitted and the representations set forth above, we rule as follows on Merger 1:

7. Provided Merger 1 qualifies as a statutory merger in accordance with applicable state law, Merger 1, as described above, will qualify as a reorganization under § 368(a)(1)(A). S7 and S1 each will be a "party to a reorganization" within the meaning of § 368(b).

8. No gain or loss will be recognized by S7 on the transfer of all of its assets to S1 in exchange constructively for S1 stock and S1's assumption of S7's liabilities in Merger 1 (§§ 357(a) and 361(a)).

9. No gain or loss will be recognized by S1 on its receipt of all of S7's assets in exchange constructively for S1 stock and S1's assumption of S7's liabilities in Merger 1 (§ 1032(a)).

10. No gain or loss will be recognized by S7 on its constructive distribution of the S1 stock constructively received in Merger 1 (§ 361(c)).

11. The basis of each asset received by S1 in Merger 1 will equal the basis of that asset in the hands of S7 immediately before Merger 1 (§ 362(b)).

12. The holding period of each asset received by S1 in Merger 1 will include the period during which S7 held such asset (§ 1223(2)).

13. No gain or loss will be recognized by S2 on the constructive exchange of its S7 stock for S1 stock in Merger 1 (§ 354(a)(1)).

14. The basis of the S1 stock constructively received by S2 will be the same as the basis of the S7 stock surrendered in exchange therefor (§ 358(a)(1)).

15. The holding period of the S1 stock constructively received by S2 in Merger 1 will include the holding period of the S7 stock surrendered in exchange therefor (§ 1223(1)).

Merger 2

Based solely on the information submitted and the representations set forth above, we rule as follows on Merger 2:

16. Provided Merger 2 qualifies as a statutory merger in accordance with applicable state law, Merger 2, as described above, will qualify as a reorganization under § 368(a)(1)(A). S8 and S1 each will be a "party to a reorganization" within the meaning of § 368(b).

17. No gain or loss will be recognized by S8 on the transfer of all of its assets to S1 in exchange constructively for S1 stock and S1's assumption of S8's liabilities in Merger 2 (§§ 357(a) and 361(a)).

18. No gain or loss will be recognized by S1 on its receipt of all of S8's assets in exchange constructively for S1 stock and S1's assumption of S8's liabilities in Merger 2 (§ 1032(a)).

19. No gain or loss will be recognized by S8 on its constructive distribution of the S1 stock constructively received in Merger 2 (§ 361(c)).

20. The basis of each asset received by S1 in Merger 2 will equal the basis of that asset in the hands of S8 immediately before Merger 2 (§ 362(b)).

21. The holding period of each asset received by S1 in Merger 2 will include the period during which S8 held such asset (§ 1223(2)).

22. No gain or loss will be recognized by S2 on the constructive exchange of its S8 stock for S1 stock in Merger 2 (§ 354(a)(1)).

23. The basis of the S1 stock constructively received by S2 will be the same as the basis of the S8 stock surrendered in exchange therefor (§ 358(a)(1)).

24. The holding period of the S1 stock constructively received by S2 in Merger 2 will include the holding period of the S8 stock surrendered in exchange therefor (§ 1223(1)).

The Contribution and Distribution 1

Based solely on the information submitted and the representations set forth above, we rule as follows on the Contribution and Distribution 1:

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

26. No gain or loss will be recognized by Distributing 1 on the Contribution (§§ 357(a) and 361(a)).

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

28. The basis of each asset received by Controlled in the Contribution will equal the basis of that asset in the hands of Distributing 1 immediately before the Contribution (§ 362(b)).

29. The holding period of each asset received by Controlled in the Contribution will include the period during which Distributing 1 held the asset (§ 1223(2)).

30. No gain or loss will be recognized by (and no amount otherwise will be included in the income of) Distributing 2 as a result of Distribution 1 (§ 355(a)(1)).

31. No gain or loss will be recognized by Distributing 1 as a result of Distribution 1 (§ 361(c)(1)).

32. The aggregate basis of the Distributing 1 shares and the Controlled shares in the hands of Distributing 2 after Distribution 1 will be the same as the basis of the Distributing 1 shares in the hands of Distributing 2 immediately before Distribution 1 (§ 358(a) and § 1.358-1(a)). Such basis will be allocated between the Distributing 1 shares and the Controlled shares in proportion to the fair market value of each in accordance with § 1.358-2(a)(2) (§§ 358(b)(2) and 358(c)).

33. The holding period of the Controlled shares received by Distributing 2 in Distribution 1 will include the holding period of the Distributing 1 shares with respect to which Distribution 1 will be made, provided that such Distributing 1 shares are held as capital assets on the date of Distribution 1 (§ 1223(1)).

34. As provided in § 312(h), proper allocation of earnings and profits between Distributing 1 and Controlled will be made under §§ 1.312-10(a) and 1.1502-33(e)(3).

Distribution 2

Based solely on the information submitted and the representations set forth above, we rule as follows on Distribution 2:

35. No gain or loss will be recognized by (and no amount otherwise will be included in the income of) S2 as a result of Distribution 2 (§ 355(a)(1)).

36. No gain or loss will be recognized by Distributing 2 as a result of Distribution 2 (§ 355(c)).

37. The aggregate basis of the Distributing 2 shares and the Controlled shares in the hands of S2 after Distribution 2 will be the same as the basis of the Distributing 2 shares in the hands of S2 immediately before Distribution 2 (§ 358(a) and § 1.358-1(a)). Such basis will be allocated between the Distributing 2 shares and the Controlled shares in proportion to the fair market value of each in accordance with § 1.358-2(a)(2) (§§ 358(b)(2) and 358(c)).

38. The holding period of the Controlled shares received by S2 in Distribution 2 will include the holding period of the Distributing 2 shares with respect to which Distribution 2 will be made, provided that such Distributing 2 shares are held as capital assets on the date of Distribution 2 (§ 1223(1)).

39. As provided in § 312(h), proper allocation of earnings and profits between Distributing 2 and Controlled will be made under §§ 1.312-10(b) and 1.1502-33(e)(3).

Merger 3

Based solely on the information submitted and the representations set forth above, we rule as follows on Merger 3:

40. Provided Merger 3 qualifies as a statutory merger in accordance with applicable state law, Merger 3, as described above, will qualify as a reorganization under § 368(a)(1)(A). Merger 3 will not be disqualified by reason of the S9 Incorporation (§ 368(a)(2)(C)). Controlled and S1 each will be a "party to a reorganization" within the meaning of § 368(b).

41. No gain or loss will be recognized by Controlled on the transfer of all of its assets to S1 in exchange constructively for S1 stock and S1's assumption of Controlled's liabilities in Merger 3 (§§ 357(a) and 361(a)).

42. No gain or loss will be recognized by S1 on its receipt of all of Controlled's assets in exchange constructively for S1 stock and S1's assumption of Controlled's liabilities in Merger 3 (§ 1032(a)).

43. No gain or loss will be recognized by Controlled on its constructive distribution of the S1 stock constructively received in Merger 3 (§ 361(c)).

44. The basis of each asset received by S1 in Merger 3 will equal the basis of that asset in the hands of Controlled immediately before Merger 3 (§ 362(b)).

45. The holding period of each asset received by S1 in Merger 3 will include the period during which Controlled held such asset (§ 1223(2)).

46. No gain or loss will be recognized by S2 on the constructive exchange of its Controlled stock for S1 stock in Merger 3 (§ 354(a)(1)).

47. The basis of the S1 stock constructively received by S2 will be the same as the basis of the Controlled stock surrendered in exchange therefor (§ 358(a)(1)).

48. The holding period of the S1 stock constructively received by S2 in Merger 3 will include the holding period of the Controlled stock surrendered in exchange therefor (§ 1223(1)).

The Combination

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

49. For federal income tax purposes, the transfer by Parent of all of the stock of S2 to S1 followed by S2's conversion to a limited liability company will be treated as the transfer by S2 of all of its assets to S1 solely in constructive exchange for S1 common stock and S1's assumption of the liabilities of S2, followed by S2's constructive distribution of S1 stock to Parent in complete liquidation of S2 (Rev. Rul. 67-274, 1967-2 C.B. 141).

50. The transfer by S2 of all of its assets to S1 in constructive exchange for S1 common stock and S1's assumption of S2's liabilities, followed by S2's constructive distribution of S1 stock to Parent in complete liquidation of S2, will qualify as a reorganization under § 368(a)(1)(D). The Combination will not be disqualified by reason of the S6 Incorporation (§ 1.368-2(k)). S2 and S1 each will be a "party to a reorganization" within the meaning of § 368(b).

51. No gain or loss will be recognized by S2 on the transfer of all of its assets to S1 in exchange constructively for S1 stock and S1's assumption of S2's liabilities in the Combination (§§ 357(a) and 361(a)).

52. No gain or loss will be recognized by S1 on its receipt of all of S2's assets in exchange constructively for S1 stock and S1's assumption of S2's liabilities in the Combination (§ 1032(a)).

53. No gain or loss will be recognized by S2 on its constructive distribution of the S1 stock constructively received in the Combination (§ 361(c)).

54. The basis of each asset received by S1 in the Combination will equal the basis of that asset in the hands of S2 immediately before the Combination (§ 362(b)).

55. The holding period of each asset received by S1 in the Combination will include the period during which S2 held such asset (§ 1223(2)).

56. No gain or loss will be recognized by Parent on the deemed exchange of its S2 stock constructively for S1 stock in the Combination (§ 354(a)(1)).

57. The basis of the S1 stock constructively received by Parent will be the same as the basis of the S2 stock deemed to be surrendered in exchange therefor (§ 358(a)(1)).

58. The holding period of the S1 stock constructively received by Parent in the Combination will include the holding period of the S2 stock deemed to be surrendered in exchange therefor (§ 1223(1)).

CAVEATS

No opinion was requested, and therefore no opinion was expressed, as to the federal income tax treatment of steps (x) - (xii). In addition, no opinion is expressed about the tax treatment of the Proposed Transactions under other provisions of the Code or regulations or on 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 rulings. In particular, no opinion is expressed regarding: (i) whether Distribution 1 and Distribution 2 satisfy the business purpose requirement of § 1.355-2(b); (ii) whether the Proposed Transactions are used principally as a device for the distribution of the earnings and profits of any distributing corporation or controlled corporation or both (*see* § 355(a)(1)(B) and § 1.355-2(d)); and (iii) whether any distribution described above and any acquisition or acquisitions are part of a plan (or series of related transactions) under § 355(e).

PROCEDURAL STATEMENTS

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

A copy of this ruling letter should be attached to the federal income tax return of each taxpayer involved for the taxable year in which the transaction covered by this ruling letter is consummated. 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.

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,

Gerald B. Fleming
Senior Technician Reviewer, Branch 2
(Corporate)