

Internal Revenue Service

Department of the Treasury
Washington, DC 20224

Number: **201232033**
Release Date: 8/10/2012

Third Party Communication: None
Date of Communication: Not Applicable
Person To Contact:

Index Number: 355.00-00, 355.01-00, 355.01-01, 368.04-00, 368.01-00, 351.00-00

, ID No.

Telephone Number:

Refer Reply To:
CC:CORP:B05
PLR-152838-11
Date:
May 15, 2012

Legend

Parent =

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 =

Sub 20 =

Sub 21 =

Sub 22 =

Sub 23 =

Sub 24 =

Sub 25 =

Sub 26 =

New Sub 1 =

New Sub 2 =

New Sub 3 =

New Sub 4 =

New Sub 5 =

New Sub 6 =

New Sub 7 =

New Sub 8 =

New Sub 9 =

New Sub 10 =

New Sub 11 =

New Sub 12 =

Business A =

Business B =

Business C =

Business D =

Business E =

Business F =

Business G =

Business H =

Business I =

Business J

Country A =

Country B =

Country C =

Country D =

Country E =

State A =

State B =

a =

b =

c =

d =

e =

f =

g =

h =

Date 1 =

Date 2 =

Date 3 =

Date 4 =

Date 5 =

Date 6 =

Date 7 =

Sub 18 Note =

New Sub 6
Note =

Parent Note =

Business A =
 Excluded
 Assets
 Business B =
 Excluded
 Assets
 Carved Out IP =

Dear :

This letter responds to your December 21, 2011 request for rulings on certain federal income tax consequences of a series of proposed transactions. The information submitted in that letter and in subsequent correspondence is summarized below.

The rulings contained in this ruling letter are based on facts and representations submitted by the taxpayer and accompanied by penalties of perjury statements, each executed by the 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 of the distributions described below: (i) satisfies the business purpose requirement of Treas. Reg. § 1.355-2(b); (ii) is used principally as a device for the distribution of the earnings and profits of any party to the distributions (see section 355(a)(1)(B) of the Internal Revenue Code and Treas. Reg. § 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 the distributing corporation or a controlled corporation (see § 355(e)(2)(A)(ii) and Treas. Reg. § 1.355-7).

SUMMARY OF FACTS

Parent is a publicly traded holding company and the common parent of an affiliated group of corporations that files a consolidated federal income tax return. Parent was incorporated under the laws of State A on Date 1. Parent, through its subsidiaries, engages worldwide in Business A and Business B.

Parent directly owns all of the outstanding stock of Sub 1. Sub 1, directly and through its subsidiaries, engages in Business A and Business B. Sub 1 directly

engages in Business C, which is part of Business A, and Business D, which is part of Business B. Sub 1 directly owns all of the stock of Sub 19 and Sub 2.

Sub 2 owns all of the outstanding membership interests of Sub 3 and Sub 4 (each an entity that is disregarded for federal income tax purposes). Sub 2 directly conducts Business E, which is part of Business A.

Sub 19 owns all of the outstanding membership interests of Sub 20, an entity which is disregarded for federal income tax purposes. The assets of Sub 20 consist mainly of intellectual property used by Sub 1 in Business A and Business B. Sub 20 licenses this intellectual property to Sub 1 for arm's length royalties.

Sub 5 was formed under the laws of Country A on Date 2 and is treated as a corporation for federal income tax purposes. Sub 3 owns a percent of the outstanding interests of Sub 5 and Sub 4 owns the remaining b percent of the outstanding interests of Sub 5. Sub 5 owns all of the outstanding membership interests of Sub 6 and Sub 7 (each an entity that is disregarded for federal income tax purposes).

Sub 8 was formed under the laws of Country A on Date 3 and is treated as a corporation for federal income tax purposes. Sub 6 owns a percent of the outstanding interests of Sub 8 and Sub 7 owns the remaining b percent of the outstanding interests of Sub 8. Sub 8 owns all of the outstanding shares of Sub 21, a Country A entity which is disregarded for federal income tax purposes. Sub 21 owns all of the outstanding shares of Sub 22, a Country A entity which is treated as a corporation for federal income tax purposes. Sub 22 owns all of the outstanding shares of Sub 23, a Country A entity which is treated as a corporation for federal income tax purposes. Sub 23 conducts Business F, which is part of Business B, through its Country E subsidiaries which are disregarded for federal income tax purposes.

Sub 5 owns approximately c percent of the outstanding interests of Sub 9 and Sub 8 owns the remaining approximately d percent of the outstanding interests of Sub 9. Sub 9 was formed under the laws of Country B on Date 4 and is treated as a corporation for federal income tax purposes. Sub 9 owns all of the outstanding stock of Sub 10, an entity formed under the laws of Country B which is disregarded for US tax purposes. Sub 10 owns all of the outstanding stock of Sub 11, an entity formed under the laws of Country B which is disregarded for federal income tax purposes. Sub 11 owns all of the outstanding stock of Sub 12, an entity formed under the laws of Country B which is disregarded for federal income tax purposes. Sub 12 owns all of the outstanding stock of Sub 13, an entity formed under the laws of Country B which is disregarded for federal income tax purposes. Sub 13 owns all of the outstanding stock of Sub 14, an entity formed under the laws of Country B which is disregarded for federal income tax purposes.

Sub 14 owns all of the outstanding stock Sub 15, Sub 17 and Sub 24. Sub 15 was formed under the laws of Country A on Date 5 and is treated as a corporation for

federal income tax purposes. Sub 15 owns all of the outstanding interests of Sub 16, a Country C entity which is disregarded for federal income tax purposes. Sub 16 directly conducts Business G, which is part of Business A, and Business H, which is part of Business B. Sub 24 is a Country B entity which is disregarded for federal income tax purposes.

Sub 17 was formed under the laws of Country A on Date 6 and is treated as a corporation for federal income tax purposes. Sub 17 owns all of the outstanding interests of Sub 18. Sub 18 was formed under the laws of Country D on Date 7 and is treated as a corporation for federal income tax purposes. Sub 18 conducts Business I, which is part of Business B, and Business J, which is part of Business A, directly and through its subsidiaries.

The taxpayer has submitted financial information indicating that the Business C, Business D, Business E, Business F, Business G, Business H, Business I, and Business J operations have had gross receipts and operating expenses representing the active conduct of a trade or business for each of the past five years.

PROPOSED TRANSACTION

Distributing has determined that in order to improve the management fit and focus of Business A and Business B and to eliminate inefficiencies inherent in operating the businesses together that it should separate the two businesses. Accordingly, the following steps have been proposed (collectively, the "Proposed Transaction"):

- (i) Sub 16 will contribute the assets associated with Business G to New Sub 1, a newly formed entity organized under the laws of Country C treated as a corporation for federal income tax purposes, in exchange for interests in New Sub 1 and the assumption of certain liabilities ("Contribution 1")
- (ii) Sub 16 will distribute all of the interests in New Sub 1 to Sub 15.
- (iii) Sub 15 will distribute all of the interests in New Sub 1 to Sub 14 ("Distribution 1," and together with Contribution 1, the "Business G Spin-Off").
- (iv) All of the interests in New Sub 1 will be transferred to Sub 9 through a series of contributions, distributions and/or sales among Sub 10, Sub 11, Sub 12, Sub 13, Sub 14 and Sub 24.
- (v) Sub 9 will transfer all of the interests in New Sub 1 to Sub 5 in redemption of a portion of Sub 5's interest in Sub 9 ("Distribution 2").
- (vi) Sub 5 will distribute all of the interests in New Sub 1 pro rata to Sub 3 and Sub 4, and Sub 3 and Sub 4 will distribute all of the interests in New Sub 1 to Sub 2 ("Distribution 3").

- (vii) Sub 2 will distribute all of the interests in New Sub 1 to Sub 1 (“Distribution 4”).
- (viii) Sub 2 will contribute the assets associated with Business E to New Sub 2, a newly formed domestic corporation, in exchange for shares of New Sub 2 and the assumption of certain liabilities (“Contribution 5”).
- (ix) Sub 2 will distribute all of the shares of New Sub 2 to Sub 1 (“Distribution 5,” and together with Contribution 5, the “Business E Spin-Off”).
- (x) Sub 18 will contribute the assets and subsidiaries associated with Business B held by Sub 18 and cash to New Sub 3, a newly formed corporation organized under the laws of Country D, in exchange for shares of New Sub 3 and the assumption of certain liabilities, including potentially a portion of certain liabilities owed by Sub 18 to Sub 25 and/or Sub 26, each a Country D subsidiary indirectly wholly owned by Parent (“Contribution 6,” together with Distribution 6, defined below, the “New Sub 3 Spin-Off”). In order to comply with certain Country D requirements, a certain amount of cash and near-cash property must be transferred to New Sub 3 as part of Contribution 6. In order to ensure that the proper amount of cash and near-cash property is transferred to New Sub 3, this transfer will occur in whole or in part following the final determination of the amount so required, which will occur no later than h days after the transfer of New Sub 3 shares by Sub 18 to New Sub 6, described below.
- (xi) Sub 17 will transfer e percent of the shares of Sub 18 to New Sub 4, a newly formed entity organized under the laws of Country D which is disregarded for federal income tax purposes, in exchange for interests in New Sub 4. Prior to this contribution, the number of outstanding shares of Sub 18 will be increased to g.
- (xii) Sub 17 will transfer the remaining f percent of the shares of Sub 18 to New Sub 5, a newly formed entity organized under the laws of State B which is disregarded for federal income tax purposes, in exchange for interests in New Sub 5.
- (xiii) New Sub 4 will form New Sub 6, an entity organized under the laws of Country D, which is disregarded for federal income tax purposes.
- (xiv) Sub 18 will transfer all of the shares of New Sub 3 to New Sub 6 in exchange for preferred shares of New Sub 6.
- (xv) Sub 18 will purchase the Sub 18 shares held by New Sub 4 for the Sub 18 Note and cancel the purchased shares.

- (xvi) New Sub 6 will redeem the New Sub 6 shares held by Sub 18 for the New Sub 6 Note.
- (xvii) New Sub 6 will be dissolved and all of its property will be distributed to New Sub 4. New Sub 4 will assume all of the liabilities of New Sub 6 including the New Sub 6 Note.
- (xviii) The Sub 18 Note and the New Sub 6 Note will be set-off and cancelled. Following this step, the number of outstanding shares of Sub 18 will be increased to g (Steps 12 through 18 the “New Sub 3 Transaction”).
- (xix) Sub 17 will transfer all the interests of New Sub 5 to Parent for the Parent Note.
- (xx) Sub 17 will distribute the Parent Note to Sub 14.
- (xxi) The Parent Note will be transferred to Sub 9 through a series of contributions, distributions and/or sales among Sub 10, Sub 11, Sub 12, Sub 13, Sub 14 and Sub 24.
- (xxii) Sub 9 will transfer the Parent Note to Sub 5 in redemption of a portion of Sub 5’s interest in Sub 9.
- (xxiii) Sub 5 will distribute the Parent Note pro rata to Sub 3 and Sub 4.
- (xxiv) Sub 3 and Sub 4 will distribute the Parent Note to Sub 2.
- (xxv) Sub 2 will distribute the Parent Note to Sub 1.
- (xxvi) Sub 1 will distribute the Parent Note to Parent, which extinguishes the Parent Note.
- (xxvii) Parent will transfer all of the interests of New Sub 5 to New Sub 7, a newly formed domestic limited liability company which will be disregarded for federal income tax purposes, for which New Sub 7 will issue interests to Sub 1 and Sub 1 will issue additional shares to Parent.
- (xxviii) New Sub 5 will dissolve and transfer all of the shares of Sub 18 to New Sub 7. (Steps (xix), (xx), and (xxi), “Distribution 7”; step (xxii) “Distribution 8”; steps (xxiii) and (xxiv) “Distribution 9”; step (xxv) “Distribution 10; and steps (xx) through (xxviii) collectively the “Deemed Sub 18 Transfers.”)
- (xxix) Sub 1 will form New Sub 8, a newly formed domestic limited liability company, which will be disregarded for federal income tax purposes.
- (xxx) Sub 1 will merge Sub 19 into New Sub 8 (the “Sub 19 Merger”).

- (xxxix) Sub 20 will transfer certain assets connected to Business A to New Sub 9, a newly formed domestic limited liability company which will be disregarded for federal income tax purposes.
- (xxxii) Sub 20 will distribute New Sub 9 to New Sub 8.
- (xxxiii) New Sub 8 will distribute New Sub 9 to Sub 1.
- (xxxiv) Sub 1 will contribute the New Sub 9 interests to New Sub 11, a newly formed domestic limited liability company treated as a corporation for federal income tax purposes (the “New Sub 11 Contribution”). The assets deemed transferred in the New Sub 11 Contribution other than the Business A Excluded Assets are referred to as the “New Sub 9 Assets.”
- (xxxv) Sub 1 will contribute the assets and subsidiaries (other than Sub 2) associated with Business B held by Sub 1, including the interests of New Sub 8, to New Sub 10, a newly formed domestic limited liability company which will be treated as a corporation for federal income tax purposes, in exchange for interests in New Sub 10 and the assumption of certain liabilities (the “New Sub 10 Contribution”). Assumed liabilities will include all or part of an intercompany debt owed by Sub 1 to Parent (the assumed portion, the “New Sub 10 Intercompany Debt”). The assets transferred and deemed transferred in the New Sub 10 Contribution other than the Business B Excluded Assets are referred to as the “Business B Assets.”
- (xxxvi) New Sub 10 will form New Sub 12, a newly formed domestic limited liability company which will be treated as a corporation for federal income tax purposes.
- (xxxvii) Sub 2 will merge into New Sub 12 with New Sub 12 surviving and the Sub 2 shares will be cancelled (the “Sub 2 Merger”).
- (xxxviii) Sub 1 will distribute New Sub 10 to Parent (“Distribution 11”).
- (xxxix) Parent will distribute Sub 1 shares pro rata to its shareholders (“Distribution 12”).

Parent will cause a transfer agent to aggregate and sell on the open market all fractional shares of Sub 1 stock to which holders of Parent stock would otherwise be entitled; such holders will then receive a cash payment in an amount equal to their pro rata share of the total net proceeds of those shares.

In connection with the Proposed Transaction, Parent and Sub 1 and certain of their respective subsidiaries will enter into various agreements including a distribution agreement (the “Distribution Agreement”), one or more tax sharing and indemnification

agreements (the “Tax Sharing and Indemnification Agreement(s)”), one or more employee matters agreements (the “Employee Matters Agreement(s)”), one or more transition services agreements (the “Transition Services Agreements”), and one or more intellectual property license and transfer agreements dealing with the Carved Out IP (the “Carved Out IP Agreements”).

REPRESENTATIONS

The following representations are made by Parent regarding the Proposed Transaction:

Business G Spin-Off

- (a1) Any debt owed by New Sub 1 to Sub 15 after Distribution 1 will not constitute stock or securities
- (a2) No part of the consideration to be distributed by Sub 15 in Distribution 1 will be received by Sub 9 as a creditor, employee or in any capacity other than that of a shareholder of Sub 15.
- (a3) The five years of financial information submitted on behalf of Sub 15 is representative of the corporation’s present operation, and with regard to such corporation, there have been no substantial operational changes since the date of the last financial statements submitted.
- (a4) The five years of financial information submitted for Business G is representative of the business’s present operation, and with regard to such business, there have been no substantial operational changes since the date of the last financial statements submitted.
- (a5) Following the transaction, Sub 15 and New Sub 1 will each continue the active conduct of its business, independently and with its separate employees.
- (a6) Distribution 1 will be carried out for the following corporate business purpose: to facilitate the separation of Business A from Business B. Distribution 1 is motivated, in whole or substantial part, by this corporate business purpose.
- (a7) The transaction is not used principally as a device for the distribution of the earnings and profits of Sub 15, New Sub 1, or both.
- (a8) For purposes of § 355(d), immediately after Distribution 1, 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 Sub 15 stock entitled to vote, or 50 percent or more of the total value of shares of all

- classes of Sub 15 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.
- (a9) For purposes of § 355(d), immediately after Distribution 1, 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 New Sub 1 stock entitled to vote, or 50 percent or more of the total value of shares of all classes of New Sub 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 Distribution 1, or (ii) attributable to distributions on any stock of Sub 15 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.
- (a10) The total adjusted bases of the assets transferred to New Sub 1 by Sub 15 each will equal or exceed the sum of the liabilities assumed by New Sub 1 plus any liabilities to which the transferred assets are subject; and the liabilities assumed in the transaction and the liabilities to which the transferred assets are subject were incurred in the ordinary course of business and are associated with the assets being transferred.
- (a11) The total fair market value of the assets transferred from Sub 15 to New Sub 1 will exceed the sum of (i) the amount of liabilities assumed (within the meaning of § 357(d)) by New Sub 1, (ii) the amount of liabilities owed to New Sub 1 by Sub 15 that are discharged or extinguished, and (iii) the amount of cash 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 Sub 15 in the Business G Spin-Off.
- (a12) The fair market value of the assets of New Sub 1 will exceed the amount of its liabilities immediately after the Business G Spin-Off.
- (a13) The fair market value of the assets of New Sub 1 will exceed its basis in those assets immediately after the Business G Spin-Off.
- (a14) No intercompany debt will exist between Sub 15 and New Sub 1 at the time of, or subsequent to, Distribution 1 except for possible short-term payables arising in the ordinary course of business, including in connection with the parties' transitional services and tax sharing and indemnification agreements.
- (a15) Payments made in connection with all continuing transactions, if any, between Sub 15 and New Sub 1 will be for fair market value based on terms and conditions arrived at by the parties bargaining at arm's length.

- (a16) No party to Distribution 1 is an investment company as defined in § 368(a)(2)(F)(iii) and (iv).
- (a17) Distribution 1 is not part of a plan or series of related transactions (within the meaning of Treas. Reg. § 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 Sub 15 or New Sub 1 (including any predecessor or successor of any such corporation).
- (a18) Immediately after Distribution 1, neither Sub 15 nor New Sub 1 will be a disqualified investment corporation (within the meaning of § 355(g)(2)).
- (a19) The notice requirements of Treas. Reg. § 1.367(b)-1(c) will be satisfied with respect to the Business G Spin-Off.
- (a20) The contribution of Business G to New Sub 1 in exchange for all of the interests in New Sub 1 is not an exchange described in Treas. Reg. §§ 1.367(b)-4(b)(1)(i), -4(b)(2)(i) or -4(b)(3).
- (a21) Sub 15 and New Sub 1 will be controlled foreign corporations, within the meaning of § 957(a), immediately before and after Contribution 1.
- (a22) Sub 2 will be a § 1248 shareholder, within the meaning of Treas. Reg. § 1.367(b)-2(b), with respect to each of Sub 15 and New Sub 1 immediately before and after Contribution 1.
- (a23) Sub 15 and New Sub 1 will not be passive foreign investment companies, within the meaning of § 1297(a), immediately before or after Contribution 1.
- (a24) Sub 15 will not hold any United States real property interests, as defined in § 897(c)(1), immediately before or after Contribution 1.
- (a25) Sub 15 and New Sub 1 will be controlled foreign corporations, within the meaning of § 957(a), immediately before and after Distribution 1.
- (a26) Sub 2 will be a § 1248 shareholder, within the meaning of Treas. Reg. § 1.367(b)-2(b), with respect to each of Sub 15 and New Sub 1 immediately before and after Distribution 1.
- (a27) Sub 15 and New Sub 1 will not be passive foreign investment companies within the meaning of § 1297(a) immediately before or after Distribution 1.
- (a28) New Sub 1 will not hold any United States real property interests, as defined in § 897(c)(1), immediately before or after Distribution 1.

- (a29) The Business G Spin-Off will not constitute a triggering event with respect to any unexpired “gain recognition agreement” within the meaning of Treas. Reg. §§ 1.367(a)-3, -8 and -8T

Distribution 2

- (b1) The fair market value of the New Sub 1 interests and other consideration to be received by Sub 5 will be approximately equal to the fair market value of the Sub 9 interest surrendered by Sub 5 in the exchange.
- (b2) No part of the consideration to be distributed by Sub 9 in Distribution 2 will be received by Sub 5 as a creditor, employee or in any capacity other than that of a shareholder of Sub 9.
- (b3) The five years of financial information submitted on behalf of Sub 9 is representative of the corporation’s present operation, and with regard to such corporation, there have been no substantial operational changes since the date of the last financial statements submitted.
- (b4) The five years of financial information submitted for Business G is representative of the business’s present operation, and with regard to such business, there have been no substantial operational changes since the date of the last financial statements submitted.
- (b5) Following the transaction, Sub 9 and New Sub 1 will each continue the active conduct of its business, independently and with its separate employees.
- (b6) Distribution 2 will be carried out for the following corporate business purpose: to facilitate the separation of Business A from Business B. Distribution 2 is motivated, in whole or substantial part, by this corporate business purpose.
- (b7) The transaction is not used principally as a device for the distribution of the earnings and profits of Sub 9, New Sub 1, or both.
- (b8) For purposes of § 355(d), immediately after Distribution 2, 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 Sub 9 stock entitled to vote, or 50 percent or more of the total value of shares of all classes of Sub 9 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.
- (b8) For purposes of § 355(d), immediately after Distribution 2, 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 New Sub 1 stock

- entitled to vote, or 50 percent or more of the total value of shares of all classes of New Sub 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 Distribution 2, or (ii) attributable to distributions on any stock of Sub 9 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.
- (b9) No intercompany debt will exist between Sub 9 and New Sub 1 at the time of, or subsequent to, Distribution 2.
 - (b10) Payments made in connection with all continuing transactions, if any, between Sub 9 and New Sub 1 will be for fair market value based on terms and conditions arrived at by the parties bargaining at arm's length.
 - (b11) No party to Distribution 2 is an investment company as defined in § 368(a)(2)(F)(iii) and (iv).
 - (b12) Distribution 2 is not part of a plan or series of related transactions (within the meaning of Treas. Reg. § 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 Sub 9 or New Sub 1 (including any predecessor or successor of any such corporation).
 - (b13) Immediately after Distribution 2, neither Sub 9 nor New Sub 1 will be a disqualified investment corporation (within the meaning of § 355(g)(2)).
 - (b14) The notice requirements of Treas. Reg. § 1.367(b)-1(c) will be satisfied with respect to Distribution 2.
 - (b15) Sub 9 and New Sub 1 will be controlled foreign corporations, within the meaning of § 957(a), immediately before and after Distribution 2.
 - (b16) Sub 2 will be a § 1248 shareholder, within the meaning of Treas. Reg. § 1.367(b)-2(b), with respect to each of Sub 9 and New Sub 1 immediately before and after Distribution 2.
 - (b17) Sub 9 and New Sub 1 will not be passive foreign investment companies, within the meaning of § 1297(a), immediately before or after Distribution 2.
 - (b18) Sub 9 and New Sub 1 will not hold any United States real property interest, as defined in § 897(c)(1), immediately before or after Distribution 2.
 - (b19) Distribution 2 will not constitute a triggering event with respect to any unexpired "gain recognition agreement" within the meaning of Treas. Reg. §§ 1.367(a)-3, -8 and -8T.

Distribution 3

- (c1) No part of the consideration to be distributed by Sub 5 in Distribution 3 will be received by Sub 2 as a creditor, employee or in any capacity other than that of a shareholder of Sub 5.
- (c2) The five years of financial information submitted on behalf of Sub 5 is representative of the corporation's present operation, and with regard to such corporation, there have been no substantial operational changes since the date of the last financial statements submitted.
- (c3) The five years of financial information submitted for Business G is representative of the business's present operation, and with regard to such business, there have been no substantial operational changes since the date of the last financial statements submitted.
- (c4) Following the transaction, Sub 5 and New Sub 1 will each continue the active conduct of its business, independently and with its separate employees.
- (c5) Distribution 3 will be carried out for the following corporate business purpose: to facilitate the separation of Business A from Business B. Distribution 3 is motivated, in whole or substantial part, by this corporate business purpose.
- (c6) The transaction is not used principally as a device for the distribution of the earnings and profits of Sub 5, New Sub 1, or both.
- (c7) For purposes of § 355(d), immediately after Distribution 3, 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 Sub 5 stock entitled to vote, or 50 percent or more of the total value of shares of all classes of Sub 5 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 3.
- (c8) For purposes of § 355(d), immediately after Distribution 3, 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 New Sub 1 stock entitled to vote, or 50 percent or more of the total value of shares of all classes of New Sub 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 Distribution 3, or (ii) attributable to distributions on any stock of Sub 5 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 3.

- (c9) No intercompany debt will exist between Sub 5 and New Sub 1 at the time of, or subsequent to, Distribution 3.
- (c10) Payments made in connection with all continuing transactions, if any, between Sub 5 and New Sub 1 will be for fair market value based on terms and conditions arrived at by the parties bargaining at arm's length.
- (c11) No party to Distribution 3 is an investment company as defined in § 368(a)(2)(F)(iii) and (iv).
- (c12) Distribution 3 is not part of a plan or series of related transactions (within the meaning of Treas. Reg. § 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 Sub 5 or New Sub 1 (including any predecessor or successor of any such corporation).
- (c13) Immediately after Distribution 3, neither Sub 5 nor New Sub 1 will be a disqualified investment corporation (within the meaning of § 355(g)(2)).
- (c14) The notice requirements of Treas. Reg. § 1.367(b)-1(c) will be satisfied with respect to Distribution 3.
- (c15) Sub 5 and New Sub 1 will be controlled foreign corporations, within the meaning of § 957(a), immediately before and after Distribution 3.
- (c16) Sub 2 will be a § 1248 shareholder, within the meaning of Treas. Reg. § 1.367(b)-2(b), with respect to each of Sub 5 and New Sub 1 immediately before and after Distribution 3.
- (c17) Sub 5 and New Sub 1 will not be passive foreign investment companies, within the meaning of § 1297(a), immediately before or after Distribution 3.
- (c18) Sub 5 and New Sub 1 will not hold any United States real property interests, as defined in § 897(c)(1), immediately before or after Distribution 3.
- (c19) Distribution 3 will not constitute a triggering event with respect to any unexpired "gain recognition agreement" within the meaning of Treas. Reg. §§ 1.367(a)-3, -8 and -8T.

Distribution 4

- (d1) No part of the consideration to be distributed by Sub 2 in Distribution 4 will be received by Sub 1 as a creditor, employee or in any capacity other than that of a shareholder of Sub 2.

- (d2) The five years of financial information submitted on behalf of Sub 2 is representative of the corporation's present operation, and with regard to such corporation, there have been no substantial operational changes since the date of the last financial statements submitted.
- (d3) The five years of financial information submitted for Business G is representative of the business's present operation, and with regard to such business, there have been no substantial operational changes since the date of the last financial statements submitted.
- (d4) Following the transaction, Sub 2 and New Sub 1 will each continue the active conduct of its business, independently and with its separate employees.
- (d5) Distribution 4 will be carried out for the following corporate business purpose: to facilitate the separation of Business A from Business B. Distribution 4 is motivated, in whole or substantial part, by this corporate business purpose.
- (d6) The transaction is not used principally as a device for the distribution of the earnings and profits of Sub 2, New Sub 1, or both.
- (d7) For purposes of § 355(d), immediately after Distribution 4, 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 Sub 2 stock entitled to vote, or 50 percent or more of the total value of shares of all classes of Sub 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 4.
- (d8) For purposes of § 355(d), immediately after Distribution 4, 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 New Sub 1 stock entitled to vote, or 50 percent or more of the total value of shares of all classes of New Sub 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 Distribution 4, or (ii) attributable to distributions on any stock of Sub 2 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 4.
- (d9) No intercompany debt will exist between Sub 2 and New Sub 1 at the time of, or subsequent to, Distribution 4.
- (d10) Immediately before Distribution 4, items of income, gain, loss, deduction and credit will be taken into account as required by the applicable intercompany transaction regulations (see Treas. Reg. § 1.1502-13 and § 1.1502-14 as in

- effect before the publication of T.D. 8597, 1995-32 I.R.B. 6, and as currently in effect; Treas. Reg. § 1502-13 as published by T.D. 8597). Further, Sub 2's excess loss account, if any, with respect to the New Sub 1 stock will be included in income immediately before Distribution 4 (see Treas. Reg. § 1.1502-19).
- (d11) Payments made in connection with all continuing transactions, if any, between Sub 2 and New Sub 1 will be for fair market value based on terms and conditions arrived at by the parties bargaining at arm's length.
 - (d12) No party to Distribution 4 is an investment company as defined in § 368(a)(2)(F)(iii) and (iv).
 - (d13) Distribution 4 is not part of a plan or series of related transactions (within the meaning of Treas. Reg. § 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 Sub 2 or New Sub 1 (including any predecessor or successor of any such corporation).
 - (d14) Immediately after Distribution 4, neither Sub 2 nor New Sub 1 will be a disqualified investment corporation (within the meaning of § 355(g)(2)).
 - (d15) New Sub 1 will be a controlled foreign corporation, within the meaning of § 957(a), immediately before and after Distribution 4.
 - (d16) Sub 2 and Sub 1 will each be a § 1248 shareholder, within the meaning of Treas. Reg. § 1.367(b)-2(b), with respect to New Sub 1 immediately before Distribution 4, and Sub 1 will be a § 1248 shareholder, within the meaning of Treas. Reg. § 1.367(b)-2(b), with respect to New Sub 1 immediately after Distribution 4.
 - (d17) New Sub 1 will not be a passive foreign investment company, within the meaning of § 1297(a), immediately before or after Distribution 4.
 - (d18) New Sub 1 will not hold any United States real property interests, as defined in § 897(c)(1), immediately before or after Distribution 4.
 - (d19) With regard to Distribution 4, Sub 2 will comply with the reporting procedures established under Treas. Reg. § 1.367(e)-1(d)(2) in order to establish that Sub 1 is a qualified US person for purposes of applying Treas. Reg. § 1.367(e)-1.
 - (d20) With regard to Distribution 4, Sub 2 will comply with the reporting procedures established under Treas. Reg. § 1.367(b)-5(b)(3) in order to establish that

Sub 1 is a corporation for purposes of applying Treas. Reg. § 1.367(b)-5(b)(1)(i).

Business E Spin-Off

- (e1) Any debt owed by New Sub 2 to Sub 2 after Distribution 5 will not constitute stock or securities.
- (e2) No part of the consideration to be distributed by Sub 2 in Distribution 5 will be received by Sub 1 as a creditor, employee or in any capacity other than that of a shareholder of Sub 2.
- (e3) The five years of financial information submitted on behalf of Sub 2 is representative of the corporation's present operation, and with regard to such corporation, there have been no substantial operational changes since the date of the last financial statements submitted.
- (e4) The five years of financial information submitted for Business E is representative of the business's present operation, and with regard to such business, there have been no substantial operational changes since the date of the last financial statements submitted.
- (e5) Following the transaction, Sub 2 and New Sub 2 will each continue the active conduct of its business, independently and with its separate employees.
- (e6) Distribution 5 will be carried out for the following corporate business purpose: to facilitate the separation of Business A from Business B. Distribution 5 is motivated, in whole or substantial part, by this corporate business purpose.
- (e7) The transaction is not used principally as a device for the distribution of the earnings and profits of Sub 2, New Sub 2, or both.
- (e8) For purposes of § 355(d), immediately after the Business E Spin-Off, 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 Sub 2 stock entitled to vote, or 50 percent or more of the total value of shares of all classes of Sub 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 5.
- (e9) For purposes of § 355(d), immediately after the Business E Spin-Off, 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 New Sub 2 stock entitled to vote, or 50 percent or more of the total value of shares of all classes of New Sub 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 Distribution 5, or (ii) attributable to distributions on any stock of Sub 2 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 5.
- (e10) The total adjusted bases of the assets transferred to New Sub 2 by Sub 2 each will equal or exceed the sum of the liabilities assumed by New Sub 2 plus any liabilities to which the transferred assets are subject; and the liabilities assumed in the transaction and the liabilities to which the transferred assets are subject were incurred in the ordinary course of business and are associated with the assets being transferred.
 - (e11) The total fair market value of the assets transferred from Sub 2 to New Sub 2 will exceed the sum of (i) the amount of liabilities assumed (within the meaning of § 357(d)) by New Sub 2, (ii) the amount of liabilities owed to New Sub 2 by Sub 2 that are discharged or extinguished, and (iii) the amount of cash 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 Sub 2 in the Business E Spin-Off.
 - (e12) The fair market value of the assets of New Sub 2 will exceed the amount of its liabilities immediately after the Business E Spin-Off.
 - (e13) The fair market value of the assets of New Sub 2 will exceed its basis in those assets immediately after the Business E Spin-Off.
 - (e14) No intercompany debt will exist between Sub 2 and New Sub 2 at the time of, or subsequent to, Distribution 5 except for possible short-term payables arising in the ordinary course of business, including in connection with the parties' transitional services and tax sharing and indemnification agreements.
 - (e15) Immediately before Distribution 5, items of income, gain, loss, deduction and credit will be taken into account as required by the applicable intercompany transaction regulations (see Treas. Reg. § 1.1502-13 and § 1.1502-14 as in effect before the publication of T.D. 8597, 1995-32 I.R.B. 6, and as currently in effect; Treas. Reg. § 1502-13 as published by T.D. 8597). Further, Sub 2's excess loss account, if any, with respect to the New Sub 2 stock will be included in income immediately before Distribution 5 (see Treas. Reg. § 1.1502-19).
 - (e16) Payments made in connection with all continuing transactions, if any, between Sub 2 and New Sub 2 will be for fair market value based on terms and conditions arrived at by the parties bargaining at arm's length.

- (e17) No party to Distribution 5 is an investment company as defined in § 368(a)(2)(F)(iii) and (iv).
- (e18) Distribution 5 is not part of a plan or series of related transactions (within the meaning of Treas. Reg. § 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 Sub 2 or New Sub 2 (including any predecessor or successor of any such corporation).
- (e16) Immediately after Distribution 5, neither Sub 1 nor New Sub 2 will be a disqualified investment corporation (within the meaning of § 355(g)(2)).

New Sub 3 Spin-Off

- (f1) Any debt owed by New Sub 3 to Sub 18 after the New Sub 3 Transaction will not constitute stock or securities.
- (f2) No part of the consideration to be distributed by Sub 18 in the New Sub 3 Transaction will be received by Sub 17 as a creditor, employee or in any capacity other than that of a shareholder of Sub 18.
- (f3) The five years of financial information submitted on behalf of Sub 18 is representative of the corporation's present operation, and with regard to such corporation, there have been no substantial operational changes since the date of the last financial statements submitted.
- (f4) The five years of financial information submitted for Business I is representative of the business's present operation, and with regard to such business, there have been no substantial operational changes since the date of the last financial statements submitted.
- (f5) Following the transaction, Sub 18 and New Sub 3 will each continue the active conduct of its business, independently and with its separate employees.
- (f6) The New Sub 3 Transaction will be carried out for the following corporate business purpose: to facilitate the separation of Business A from Business B. The New Sub 3 Transaction is motivated, in whole or substantial part, by this corporate business purpose.
- (f7) The transaction is not used principally as a device for the distribution of the earnings and profits of Sub 18, New Sub 3, or both.
- (f8) For purposes of § 355(d), immediately after the New Sub 3 Transaction, 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 Sub 18 stock entitled to vote, or 50 percent or more of the total value of shares of all classes of Sub 18 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 New Sub 3 Transaction.
- (f9) For purposes of § 355(d), immediately after the New Sub 3 Transaction, 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 New Sub 3 stock entitled to vote, or 50 percent or more of the total value of shares of all classes of New Sub 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 New Sub 3 Transaction, or (ii) attributable to distributions on any stock of Sub 18 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 New Sub 3 Transaction.
- (f10) The total adjusted bases of the assets transferred to New Sub 3 by Sub 18 each will equal or exceed the sum of the liabilities assumed by New Sub 3 plus any liabilities to which the transferred assets are subject; and other than any debt owed to Sub 25 and/or Sub 26 assumed by New Sub 3, the liabilities assumed in the transaction and the liabilities to which the transferred assets are subject were incurred in the ordinary course of business and are associated with the assets being transferred.
- (f11) The total fair market value of the assets transferred from Sub 18 to New Sub 3 will exceed the sum of (i) the amount of liabilities assumed (within the meaning of § 357(d)) by New Sub 3, (ii) the amount of liabilities owed to New Sub 3 by Sub 18 that are discharged or extinguished, and (iii) the amount of cash 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 Sub 18 in the New Sub 3 Spin-Off.
- (f12) The fair market value of the assets of New Sub 3 will exceed the amount of its liabilities immediately after the New Sub 3 Spin-Off.
- (f13) The fair market value of the assets of New Sub 3 will exceed its basis in those assets immediately after the Business G Spin-Off.
- (f14) No intercompany debt will exist between Sub 18 and New Sub 3 at the time of, or subsequent to, the New Sub 3 Transaction except for possible short-term payables arising in the ordinary course of business, including in connection with the parties' transitional services and tax sharing and indemnification agreements.

- (f15) Payments made in connection with all continuing transactions, if any, between Sub 18 and New Sub 3 will be for fair market value based on terms and conditions arrived at by the parties bargaining at arm's length.
- (f16) No party to the New Sub 3 Transaction is an investment company as defined in § 368(a)(2)(F)(iii) and (iv).
- (f17) The New Sub 3 Transaction is not part of a plan or series of related transactions (within the meaning of Treas. Reg. § 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 Sub 18 or New Sub 3 (including any predecessor or successor of any such corporation).
- (f18) Immediately after the New Sub 3 Transaction, neither Sub 18 nor New Sub 3 will be a disqualified investment corporation (within the meaning of § 355(g)(2)).
- (f19) The notice requirements of Treas. Reg. § 1.367(b)-1(c) will be satisfied with respect to the New Sub 3 Spin-Off.
- (f20) The contribution of the assets and subsidiaries associated with Business B held by Sub 18 to New Sub 3 in exchange for all of the shares of New Sub 3 is not an exchange described in Treas. Reg. §§ 1.367(b)-4(b)(1)(i), -4(b)(2)(i) or -4(b)(3).
- (f21) Sub 18 and New Sub 3 will be controlled foreign corporations, within the meaning of § 957(a), immediately before and after Contribution 6.
- (f22) Sub 2 will be a § 1248 shareholder, within the meaning of Treas. Reg. § 1.367(b)-2(b), with respect to each of Sub 18 and New Sub 3 immediately before and after Contribution 6.
- (f23) Sub 18 and New Sub 3 will not be passive foreign investment companies, within the meaning of § 1297(a), immediately before or after Contribution 6.
- (f24) Sub 18 will not hold any United States real property interests, as defined in § 897(c)(1), immediately before or after Contribution 6.
- (f25) Sub 18 and New Sub 3 will be controlled foreign corporations, within the meaning of § 957(a), immediately before and after the New Sub 3 Transaction.
- (f26) Sub 2 will be a § 1248 shareholder, within the meaning of Treas. Reg. § 1.367(b)-2(b), with respect to each of Sub 18 and New Sub 3 immediately before and after the New Sub 3 Transaction.

- (f27) Sub 18 and New Sub 3 will not be passive foreign investment companies within the meaning of § 1297(a) immediately before or after the New Sub 3 Transaction.
- (f28) New Sub 3 will not hold any United States real property interests, as defined in § 897(c)(1), immediately before or after the New Sub 3 Transaction.
- (f29) The New Sub 3 Spin-Off will not constitute a triggering event with respect to any unexpired “gain recognition agreement” within the meaning of Treas. Reg. §§ 1.367(a)-3, -8 and -8T.

Distribution 7

- (g1) No part of the consideration to be distributed by Sub 17 in Distribution 7 will be received by Sub 9 as a creditor, employee or in any capacity other than that of a shareholder of Sub 17.
- (g2) The five years of financial information submitted on behalf of Sub 17 is representative of the corporation’s present operation, and with regard to such corporation, there have been no substantial operational changes since the date of the last financial statements submitted.
- (g3) The five years of financial information submitted on behalf of Sub 18 is representative of the corporation’s present operation, and with regard to such corporation, there have been no substantial operational changes since the date of the last financial statements submitted.
- (g4) Following the transaction, Sub 17 and Sub 18 will each continue the active conduct of its business, independently and with its separate employees.
- (g5) Distribution 7 will be carried out for the following corporate business purpose: to facilitate the separation of Business A from Business B. Distribution 7 is motivated, in whole or substantial part, by this corporate business purpose.
- (g6) The transaction is not used principally as a device for the distribution of the earnings and profits of Sub 17, Sub 18, or both.
- (g7) For purposes of § 355(d), immediately after Distribution 7, 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 Sub 17 stock entitled to vote, or 50 percent or more of the total value of shares of all classes of Sub 17 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 7.

- (g8) For purposes of § 355(d), immediately after Distribution 7, 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 Sub 18 stock entitled to vote, or 50 percent or more of the total value of shares of all classes of Sub 18 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 7, or (ii) attributable to distributions on any stock of Sub 17 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 7.
- (g9) No intercompany debt will exist between Sub 17 and Sub 18 at the time of, or subsequent to, Distribution 7.
- (g10) Payments made in connection with all continuing transactions, if any, between Sub 18 and Sub 17 will be for fair market value based on terms and conditions arrived at by the parties bargaining at arm's length.
- (g11) No party to Distribution 7 is an investment company as defined in § 368(a)(2)(F)(iii) and (iv).
- (g12) Distribution 7 is not part of a plan or series of related transactions (within the meaning of Treas. Reg. § 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 Sub 17 or Sub 18 (including any predecessor or successor of any such corporation).
- (g13) Immediately after Distribution 7, neither Sub 17 nor Sub 18 will be a disqualified investment corporation (within the meaning of § 355(g)(2)).
- (g14) The notice requirements of Treas. Reg. § 1.367(b)-1(c) will be satisfied with respect to Distribution 7.
- (g15) Sub 17 and Sub 18 will be controlled foreign corporations, within the meaning of § 957(a), immediately before and after Distribution 7.
- (g16) Sub 2 will be a § 1248 shareholder, within the meaning of Treas. Reg. § 1.367(b)-2(b), with respect to each of Sub 17 and Sub 18 immediately before and after Distribution 7.
- (g17) Sub 17 and Sub 18 will not be passive foreign investment companies, within the meaning of § 1297(a), immediately before or after Distribution 7.
- (g18) Sub 17 and Sub 18 will not hold any United States real property interests, as defined in § 897(c)(1), immediately before or after Distribution 7.

- (g19) Distribution 7 will not constitute a triggering event with respect to any unexpired “gain recognition agreement” within the meaning of Treas. Reg. §§ 1.367(a)-3, -8 and -8T.

Distribution 8

- (h1) The fair market value of the Sub 18 stock and other consideration to be received by Sub 5 will be approximately equal to the fair market value of the Sub 5 interest in Sub 9 surrendered by Sub 5 in the exchange.
- (h2) No part of the consideration to be distributed by Sub 9 in Distribution 8 will be received by Sub 5 as a creditor, employee or in any capacity other than that of a shareholder of Sub 9.
- (h3) The five years of financial information submitted on behalf of Sub 9 is representative of the corporation’s present operation, and with regard to such corporation, there have been no substantial operational changes since the date of the last financial statements submitted.
- (h4) The five years of financial information submitted on behalf of Sub 18 is representative of the corporation’s present operation, and with regard to such corporation, there have been no substantial operational changes since the date of the last financial statements submitted.
- (h5) Following the transaction, Sub 9 and Sub 18 will each continue the active conduct of its business, independently and with its separate employees.
- (h6) Distribution 8 will be carried out for the following corporate business purpose: to facilitate the separation of Business A from Business B. The distribution of the stock of Sub 18 is motivated, in whole or substantial part, by this corporate business purpose.
- (h7) The transaction is not used principally as a device for the distribution of the earnings and profits of Sub 9, Sub 18, or both.
- (h8) For purposes of § 355(d), immediately after Distribution 8, 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 Sub 9 stock entitled to vote, or 50 percent or more of the total value of shares of all classes of Sub 9 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 8.
- (h9) For purposes of § 355(d), immediately after Distribution 8, 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 Sub 18 stock entitled to vote, or 50 percent or more of the total value of shares of all classes of Sub 18 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 8, or (ii) attributable to distributions on any stock of Sub 9 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 8.
- (h10) No intercompany debt will exist between Sub 9 and Sub 18 at the time of, or subsequent to, Distribution 8.
 - (h11) Payments made in connection with all continuing transactions, if any, between Sub 9 and Sub 18 will be for fair market value based on terms and conditions arrived at by the parties bargaining at arm's length.
 - (h12) No party to Distribution 8 is an investment company as defined in § 368(a)(2)(F)(iii) and (iv).
 - (h13) Distribution 8 is not part of a plan or series of related transactions (within the meaning of Treas. Reg. § 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 Sub 9 or Sub 18 (including any predecessor or successor of any such corporation).
 - (h14) Immediately after Distribution 8, neither Sub 9 nor Sub 18 will be a disqualified investment corporation (within the meaning of § 355(g)(2)).
 - (h15) The notice requirements of Treas. Reg. § 1.367(b)-1(c) will be satisfied with respect to Distribution 8.
 - (h16) Sub 9 and Sub 18 will be controlled foreign corporations, within the meaning of § 957(a), immediately before and after Distribution 8.
 - (h17) Sub 2 will be a § 1248 shareholder, within the meaning of Treas. Reg. § 1.367(b)-2(b), with respect to each of Sub 9 and Sub 18 immediately before and after Distribution 8.
 - (h18) Sub 9 and Sub 18 will not be passive foreign investment companies, within the meaning of § 1297(a), immediately before or after Distribution 8.
 - (h19) Sub 9 and Sub 18 will not hold any United States real property interests, as defined in § 897(c)(1), immediately before or after Distribution 8.

- (h20) Distribution 8 will not constitute a triggering event with respect to any unexpired “gain recognition agreement” within the meaning of Treas. Reg. §§ 1.367(a)-3, -8 and -8T.

Distribution 9

- (i1) No part of the consideration to be distributed by Sub 5 in Distribution 9 will be received by Sub 2 as a creditor, employee or in any capacity other than that of a shareholder of Sub 5.
- (i2) The five years of financial information submitted on behalf of Sub 5 is representative of the corporation’s present operation, and with regard to such corporation, there have been no substantial operational changes since the date of the last financial statements submitted.
- (i3) The five years of financial information submitted on behalf of Sub 18 is representative of the corporation’s present operation, and with regard to such corporation, there have been no substantial operational changes since the date of the last financial statements submitted.
- (i4) Following the transaction, Sub 5 and Sub 18 will each continue the active conduct of its business, independently and with its separate employees.
- (i5) Distribution 9 will be carried out for the following corporate business purpose: to facilitate the separation of Business A from Business B. Distribution 9 is motivated, in whole or substantial part, by this corporate business purpose.
- (i6) The transaction is not used principally as a device for the distribution of the earnings and profits of Sub 5, Sub 18, or both.
- (i7) For purposes of § 355(d), immediately after Distribution 9, 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 Sub 5 stock entitled to vote, or 50 percent or more of the total value of shares of all classes of Sub 5 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 9.
- (i8) For purposes of § 355(d), immediately after Distribution 9, 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 Sub 18 stock entitled to vote, or 50 percent or more of the total value of shares of all classes of Sub 18 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 9, or (ii) attributable to

- distributions on any stock of Sub 5 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 9.
- (i9) No intercompany debt will exist between Sub 5 and Sub 18 at the time of, or subsequent to, Distribution 9.
 - (i10) Payments made in connection with all continuing transactions, if any, between Sub 5 and Sub 18 will be for fair market value based on terms and conditions arrived at by the parties bargaining at arm's length.
 - (i11) No party to Distribution 9 is an investment company as defined in § 368(a)(2)(F)(iii) and (iv).
 - (i12) Distribution 9 is not part of a plan or series of related transactions (within the meaning of Treas. Reg. § 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 Sub 5 or Sub 18 (including any predecessor or successor of any such corporation).
 - (i13) Immediately after Distribution 9, neither Sub 5 nor Sub 18 will be a disqualified investment corporation (within the meaning of § 355(g)(2)).
 - (i14) The notice requirements of Treas. Reg. § 1.367(b)-1(c) will be satisfied with respect to Distribution 9.
 - (i15) Sub 5 and Sub 18 will be controlled foreign corporations, within the meaning of § 957(a), immediately before and after Distribution 9.
 - (i16) Sub 2 will be a § 1248 shareholder, within the meaning of Treas. Reg. § 1.367(b)-2(b), with respect to each of Sub 5 and Sub 18 immediately before and after Distribution 9.
 - (i17) Sub 5 and Sub 18 will not be passive foreign investment companies, within the meaning of § 1297(a), immediately before or after Distribution 9.
 - (i18) Sub 5 and Sub 18 will not hold any United States real property interests, as defined in § 897(c)(1), immediately before or after Distribution 9.
 - (i19) Distribution 9 will not constitute a triggering event with respect to any unexpired "gain recognition agreement" within the meaning of Treas. Reg. §§ 1.367(a)-3, -8 and -8T.

Distribution 10

- (j1) No part of the consideration to be distributed by Sub 2 in Distribution 10 will be received by Sub 1 as a creditor, employee or in any capacity other than that of a shareholder of Sub 2.
- (j2) The five years of financial information submitted on behalf of Sub 2 is representative of the corporation's present operation, and with regard to such corporation, there have been no substantial operational changes since the date of the last financial statements submitted.
- (j3) The five years of financial information submitted on behalf of Sub 18 is representative of the corporation's present operation, and with regard to such corporation, there have been no substantial operational changes since the date of the last financial statements submitted.
- (j4) Following the transaction, Sub 2 and Sub 18 will each continue the active conduct of its business, independently and with its separate employees.
- (j5) Distribution 10 will be carried out for the following corporate business purpose: to facilitate the separation of Business A from Business B. Distribution 10 is motivated, in whole or substantial part, by this corporate business purpose.
- (j6) The transaction is not used principally as a device for the distribution of the earnings and profits of Sub 2, Sub 18, or both.
- (j7) For purposes of § 355(d), immediately after Distribution 10, 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 Sub 2 stock entitled to vote, or 50 percent or more of the total value of shares of all classes of Sub 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 10.
- (j8) For purposes of § 355(d), immediately after Distribution 10, 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 Sub 18 stock entitled to vote, or 50 percent or more of the total value of shares of all classes of Sub 18 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 10, or (ii) attributable to distributions on any stock of Sub 2 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 10.

- (j9) No intercompany debt will exist between Sub 2 and Sub 18 at the time of, or subsequent to, Distribution 10.
- (j10) Immediately before Distribution 10, items of income, gain, loss, deduction and credit will be taken into account as required by the applicable intercompany transaction regulations (see Treas. Reg. § 1.1502-13 and § 1.1502-14 as in effect before the publication of T.D. 8597, 1995-32 I.R.B. 6, and as currently in effect; Treas. Reg. § 1502-13 as published by T.D. 8597). Further, Sub 2's excess loss account, if any, with respect to the Sub 18 stock will be included in income immediately before Distribution 10 (see Treas. Reg. § 1.1502-19).
- (j11) Payments made in connection with all continuing transactions, if any, between Sub 2 and Sub 18 will be for fair market value based on terms and conditions arrived at by the parties bargaining at arm's length.
- (j12) No party to Distribution 10 is an investment company as defined in § 368(a)(2)(F)(iii) and (iv).
- (j13) Distribution 10 is not part of a plan or series of related transactions (within the meaning of Treas. Reg. § 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 Sub 2 or Sub 18 (including any predecessor or successor of any such corporation).
- (j14) Immediately after Distribution 10, neither Sub 2 nor Sub 18 will be a disqualified investment corporation (within the meaning of § 355(g)(2)).
- (j15) Sub 18 will be a controlled foreign corporation, within the meaning of § 957(a), immediately before and after Distribution 10.
- (j16) Sub 2 and Sub 1 will each be a § 1248 shareholder, within the meaning of Treas. Reg. § 1.367(b)-2(b), with respect to Sub 18 immediately before Distribution 10, and Sub 1 will be a § 1248 shareholder, within the meaning of Treas. Reg. § 1.367(b)-2(b), with respect to Sub 18 immediately after Distribution 10.
- (j17) Sub 18 will not be a passive foreign investment company, within the meaning of § 1297(a), immediately before or after Distribution 10.
- (j18) Sub 18 will not hold any United States real property interests, as defined in § 897(c)(1), immediately before or after Distribution 10.
- (j19) With regard to Distribution 10, Sub 2 will comply with the reporting procedures established under Treas. Reg. § 1.367(e)-1(d)(2) in order to establish that

Sub 1 is a qualified US person for purposes of applying Treas. Reg. § 1.367(e)-1.

- (j20) With regard to Distribution 10, Sub 2 will comply with the reporting procedures established under Treas. Reg. § 1.367(b)-5(b)(3) in order to establish that Sub 1 is a corporation for purposes of applying Treas. Reg. § 1.367(b)-5(b)(1)(i).

Sub 19 Merger

For purposes of this ruling request, “Sub 1 Unit” means Sub 1 and all of the business entities the assets of which are treated as owned by Sub 1 for US federal income tax purposes and “Sub 19 Unit” means Sub 19 and all of the business entities the assets of which are treated as owned by Sub 19 for U.S. federal income tax purposes

- (k1) New Sub 8 will be a State B single member LLC that is a “disregarded entity” within the meaning of Treas. Reg. § 1.368-2(b)(1)(i)(A).
- (k2) Sub 1 Unit has no plan or intention to sell or otherwise dispose of any of the assets of Sub 19 Unit acquired in the Sub 19 Merger, other than dispositions made in the ordinary course of business, the New Sub 10 Contribution and the New Sub 11 Contribution.
- (k3) All of the proprietary interest in Sub 19 Unit will be preserved (within the meaning of Treas. Reg. § 1.368-1(e)(1)(i) and (ii)).
- (k4) The liabilities of Sub 19 Unit assumed by Sub 1 Unit and the liabilities to which the transferred assets of Sub 19 Unit are subject were incurred by Sub 19 Unit in the ordinary course of its business.
- (k5) Sub 1 Unit, through its ownership of New Sub 11, will continue the historic business of Sub 19 Unit or use a significant portion of Sub 19 Unit’s historic business assets in a business.
- (k6) Except for expenses that are “solely and directly related” (within the meaning of Rev. Rul. 73-54, 1973-1 C.B. 187) to the Sub 19 Merger, all of which will be paid by Sub 1, Sub 19 Unit and Sub 1 Unit will pay their respective expenses, if any, incurred in connection with the Sub 19 Merger.
- (k7) No intercorporate indebtedness exists between Sub 19 Unit and Sub 1 Unit that was issued, acquired or will be settled at a discount.

- (k8) No party to the Sub 19 Merger is an investment company, as defined in § 368(a)(2)(F)(iii) and (iv).
- (k9) No member of Sub 19 Unit is under the jurisdiction of a court in a Title 11 or similar case within the meaning of § 368(a)(3)(A).
- (k10) The total fair market value of the assets of the Sub 19 Unit transferred to Sub 1 Unit will exceed the sum of the amount of the liabilities assumed (within the meaning of § 357(d)) by Sub 1 Unit in the merger plus the amount of liabilities, if any, to which the transferred assets are subject. The fair market value of the assets of Sub 1 Unit will exceed the amount of its liabilities after the Sub 19 Merger.
- (k11) The Sub 19 Merger will be effected pursuant to the laws of State B, under which, as a result of the operation of such laws, the following events will occur simultaneously at the effective time of the Sub 19 Merger: (i) all of the assets and liabilities (except to the extent satisfied or discharged in the transaction) of Sub 19 will become the assets and liabilities of one or more members of Sub 1 Unit and (ii) Sub 19 will cease its separate legal existence for all purposes.

New Sub 11 Contribution

- (l1) No stock or securities will be issued for services rendered to or for the benefit of New Sub 11 in connection with the Proposed Transaction, and no stock or securities will be issued for indebtedness of New Sub 11.
- (l2) The patents or patent applications that are included in the New Sub 9 Assets qualify as “property” within the meaning of § 351.
- (l3) Sub 1 will transfer all substantial rights in such patents or patent applications included in the New Sub 9 Assets within the meaning of § 1235.
- (l4) To the extent any copyrights are included in the New Sub 9 Assets that will be transferred by Sub 1, all rights, title and interests for each copyright, in each medium of exploitation, will be transferred to New Sub 11.
- (l5) Sub 1 will not retain any significant power, right or continuing interest, within the meaning of § 1253(b), in the franchises, trademarks or trade names being transferred which are part of the New Sub 9 Assets.
- (l6) The transfer is not the result of solicitation by a promoter, broker or investment house.

- (17) Sub 1 will not retain any rights in the New Sub 9 Assets transferred to New Sub 11.
- (18) The value of the New Sub 11 interests received in exchange for accounts receivable, if any, will be equal to the net value of the accounts transferred, i.e. the face amount of the accounts receivable previously included in income less the amount of the reserve for bad debts.
- (19) The adjusted basis and the fair market value of the assets to be transferred by Sub 1 to New Sub 11 will each equal or exceed the sum of the liabilities to be assumed by New Sub 11 plus any liabilities to which the transferred assets are subject.
- (110) The total fair market value of the assets transferred from Sub 1 to New Sub 11 will exceed the sum of (i) the amount of liabilities assumed (within the meaning of § 357(d)) by New Sub 11, (ii) the amount of liabilities owed to New Sub 11 by Sub 1 that are discharged or extinguished, and (iii) the amount of cash 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 1 in the New Sub 11 Contribution.
- (111) The fair market value of the assets of New Sub 11 will exceed the amount of its liabilities immediately after the New Sub 11 Contribution.
- (112) The fair market value of the assets of New Sub 11 will exceed its basis in those assets immediately after the New Sub 11 Contribution.
- (113) The liabilities of Sub 1 to be assumed by New Sub 11 were incurred in the ordinary course of business and are associated with the assets to be transferred.
- (114) There is no indebtedness between Sub 1 and New Sub 11 and there will be no indebtedness created in favor of Sub 1 as a result of the New Sub 11 Contribution.
- (115) The transfers and exchanges in the New Sub 11 Contribution will occur under a plan agreed upon before the transaction in which the rights of the parties are defined.
- (116) The exchange in the New Sub 11 Contribution will occur on a single date.
- (117) There is no plan or intention on the part of New Sub 11 to redeem or otherwise reacquire any New Sub 11 interests or indebtedness to be issued in the New Sub 11 Contribution.

- (l18) Taking into account any issuance of additional interests in New Sub 11; any issuance of interests for services; the exercise of any New Sub 11 stock rights, warrants or subscriptions; a public offering of New Sub 11 interests; and the sale, exchange, transfer by gift or other disposition of any of the interests in New Sub 11 to be received in the exchange, Sub 1 will be in “control” of the transferee within the meaning of § 368(c).
- (l19) Sub 1 will receive interests approximately equal to the fair market value of the property transferred to New Sub 11.
- (l20) New Sub 11 will remain in existence and retain and use the property transferred to it in a trade or business.
- (l21) There is no plan or intention by New Sub 11 to dispose of the transferred property other than in the normal course of business operations.
- (l22) Sub 1 and New Sub 11 will pay their own expenses, if any, incurred in connection with the New Sub 11 Contribution.
- (l23) New Sub 11 will not be an investment company within the meaning of § 351(e)(1) and Treas. Reg. § 1.351-1(c)(1)(ii).
- (l24) Sub 1 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 New Sub 11 interests or securities received in the exchange will not be used to satisfy the indebtedness of such debtor.
- (l25) New Sub 11 will not be a “personal service corporation” within the meaning of § 269A.

Sub 2 Merger

- (m1) The fair market value of the New Sub 12 interests deemed received by Sub 1 will be approximately equal to the fair market value of the Sub 2 stock surrendered in the Sub 2 Reorganization, defined below.
- (m2) Other than in the Deemed New Sub 12 Stock Contribution, described below, there is no plan or intention by Sub 1 to sell, exchange or otherwise dispose of interests in New Sub 12 deemed received in the Sub 2 Reorganization.
- (m3) All of the proprietary interest in Sub 2 will be preserved (within the meaning of Treas. Reg. § 1.368-1(e)(1)(i) and (ii)).
- (m4) There is no plan or intention by New Sub 10 to sell, exchange or otherwise dispose of any interests in New Sub 12.

- (m5) Neither New Sub 12 nor any person related to New Sub 12 (within the meaning of Treas. Reg. § 1.368-1(e)(3)) has any plan or intention to reacquire any New Sub 12 interests deemed issued in the Sub 2 Reorganization.
- (m6) New Sub 12 has no plan or intention to sell or otherwise dispose of any of the assets of Sub 2 acquired in the Sub 2 Reorganization, other than dispositions made in the ordinary course of business. Historically, the Parent's affiliated group has sold product lines periodically in the normal course of its business. One or more smaller non-strategic product lines may be disposed of prior to or shortly after the completion of the Proposed Transaction.
- (m7) The liabilities of Sub 2 assumed (as determined under § 357(d)) by New Sub 12 and the liabilities, if any, to which the transferred assets are subject were incurred by Sub 2 in the ordinary course of its business and are associated with the assets transferred.
- (m8) Following the Sub 2 Reorganization, New Sub 12 will continue the historic business of Sub 2 or use a significant portion of Sub 2's historic business assets in a business.
- (m9) At the time of the Sub 2 Reorganization, New Sub 12 will not have outstanding any warrants, options, convertible securities or any other type of right pursuant to which any person could acquire interests in New Sub 12 that, if exercised or converted, would affect Sub 1's acquisition or retention of control of New Sub 12, as defined in § 368(a)(2)(H).
- (m10) Except for expenses that are "solely and directly related" (within the meaning of Rev. Rul. 73-54, 1973-1 C.B. 187) to the Sub 2 Reorganization, all of which will be paid by Sub 1, Sub 2, New Sub 12 and Sub 1 will pay their respective expenses, if any, incurred in connection with the Sub 2 Reorganization.
- (m11) There is no intercorporate indebtedness existing between New Sub 12 and Sub 2 that was issued, acquired, or will be settled at a discount.
- (m12) No party to the Sub 2 Reorganization is an investment company, as defined in § 368(a)(2)(F)(iii) and (iv).
- (m13) The fair market value of the assets of Sub 2 transferred to New Sub 12 will equal or exceed the sum of the liabilities of Sub 2 to be assumed (as determined under § 357(d)) by New Sub 12, plus the amount of liabilities, if any, to which the transferred assets are subject. The fair market value of the assets of Sub 2 will exceed the amount of its liabilities after the Sub 2 Reorganization.

- (m14) The total adjusted basis of the assets of Sub 2 transferred to New Sub 12 will equal or exceed the sum of the liabilities assumed (as determined under § 357(d)) by New Sub 12, plus the amount of liabilities, if any, to which the transferred assets are subject.
- (m15) Sub 2 is not under the jurisdiction of a court in a Title 11 or similar case within the meaning of § 368(a)(3)(A).
- (m16) The Sub 2 Merger will be effected pursuant to the laws of State B, under which, as a result of the operation of such laws, the following events will occur simultaneously at the effective time of the Sub 2 Merger: (i) all of the assets and liabilities (except to the extent satisfied or discharged in the transaction) of Sub 2 will become the assets and liabilities of New Sub 12 and (ii) Sub 2 will cease its separate legal existence for all purposes.
- (m17) To the extent that Sub 2 was the U.S. transferor with respect to any existing gain recognition agreements, Parent will comply with the regulations under Treas. Reg. § 1.367(a)-8.

New Sub 10 Contribution and Distribution 11

- (n1) Any debt owed by New Sub 10 to Sub 1 after Distribution 11 will not constitute stock or securities.
- (n2) No part of the consideration to be distributed by Sub 1 in Distribution 11 will be received by Parent as a creditor, employee or in any capacity other than that of a shareholder of Sub 1.
- (n3) The five years of financial information submitted on behalf of Sub 1 is representative of the corporation's present operation, and with regard to such corporation, there have been no substantial operational changes since the date of the last financial statements submitted.
- (n4) The five years of financial information submitted for Business D is representative of the business's present operation, and with regard to such business, there have been no substantial operational changes since the date of the last financial statements submitted.
- (n5) Following the transaction, Sub 1 and New Sub 10 will each continue the active conduct of its business, independently and with its separate employees.
- (n6) Distribution 11 will be carried out for the following corporate business purposes: to facilitate the separation of Business A from Business B. The

- distribution of the stock of Sub 1 is motivated, in whole or substantial part, by one or more of these corporate business purposes.
- (n7) The transaction is not used principally as a device for the distribution of the earnings and profits of Sub 1, New Sub 10, or both.
 - (n8) For purposes of § 355(d), immediately after Distribution 11, 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 Sub 1 stock entitled to vote, or 50 percent or more of the total value of shares of all classes of Sub 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 Distribution Date.
 - (n9) For purposes of § 355(d), immediately after Distribution 11, no person (determined after applying § 355(d)(7)) will hold interests possessing 50 percent or more of the total combined voting power of all classes of New Sub 10 interests entitled to vote, or 50 percent or more of the total value of interests of all classes of New Sub 10 interests, 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 Distribution Date, or (ii) attributable to distributions on any stock of Sub 1 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 Distribution Date.
 - (n10) The total adjusted bases of the assets transferred to New Sub 10 by Sub 1 each will equal or exceed the sum of the liabilities assumed by New Sub 10 plus any liabilities to which the transferred assets are subject; and other than the New Sub 10 Intercompany Debt, the liabilities assumed in the transaction and the liabilities to which the transferred assets are subject were incurred in the ordinary course of business and are associated with the assets being transferred.
 - (n11) The total fair market value of the assets transferred from Sub 1 to New Sub 10 will exceed the sum of (i) the amount of liabilities assumed (within the meaning of § 357(d)) by New Sub 10, (ii) the amount of liabilities owed to New Sub 10 by Sub 1 that are discharged or extinguished, and (iii) the amount of cash 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 Sub 1 in the New Sub 10 Contribution.
 - (n12) The fair market value of the assets of New Sub 10 will exceed the amount of its liabilities immediately after the New Sub 10 Contribution.

- (n13) The fair market value of the assets of New Sub 10 will exceed its basis in those assets immediately after the New Sub 10 Contribution.
- (n14) No intercompany debt will exist between Sub 1 and New Sub 10 for more than sixty days subsequent to Distribution 11 except for possible short-term payables arising in the ordinary course of business, including in connection with the parties' transitional services and tax sharing and indemnification agreements.
- (n15) Immediately before Distribution 11, items of income, gain, loss, deduction and credit will be taken into account as required by the applicable intercompany transaction regulations (see Treas. Reg. § 1.1502-13 and § 1.1502-14 as in effect before the publication of T.D. 8597, 1995-32 I.R.B. 6, and as currently in effect; Treas. Reg. § 1502-13 as published by T.D. 8597). Further, Sub 1's excess loss account with respect to the New Sub 10 interests, if any, will be included in income immediately before Distribution 11 (see Treas. Reg. § 1.1502-19).
- (n16) Payments made in connection with all continuing transactions, if any, between Sub 1 and New Sub 10 or Parent will be for fair market value based on terms and conditions arrived at by the parties bargaining at arm's length.
- (n17) No party to Distribution 11 is an investment company as defined in § 368(a)(2)(F)(iii) and (iv).
- (n18) Distribution 11 is not part of a plan or series of related transactions (within the meaning of Treas. Reg. § 1.355-7)) pursuant to which one or more persons will acquire directly or indirectly stock representing 50-percent or greater interest (within the meaning of § 355(d)(4)) in Sub 1 or New Sub 10 (including any predecessor or successor of any such corporation).
- (n19) Immediately after Distribution 11, neither Sub 1 nor New Sub 10 will be a disqualified investment corporation (within the meaning of § 355(g)(2)).

Distribution 12

- (o1) Any indebtedness owed by Sub 1 to Parent after Distribution 12 will not constitute stock or securities.
- (o2) Except for distributions of shares of Sub 1 stock to holders of restricted shares of Parent stock, no part of Distribution 12 may be considered compensation for U.S. federal income tax purposes and no part of the consideration to be distributed by Parent in Distribution 12 will be received by

- any shareholder of Parent as a creditor, employee or in any capacity other than that of a shareholder of Parent.
- (o3) The five years of financial information submitted on behalf of Parent is representative of the corporation's present operation, and with regard to such corporation, there have been no substantial operational changes since the date of the last financial statements submitted.
 - (o4) The five years of financial information submitted on behalf of Sub 1 is representative of the corporation's present operation, and with regard to such corporation, there have been no substantial operational changes since the date of the last financial statements submitted.
 - (o5) Following the transaction, Parent and Sub 1 will each continue the active conduct of its business, independently and with its separate employees.
 - (o6) Distribution 12 will be carried out for the following corporate business purposes: to improve the management fit and focus of Business A and Business B and to eliminate inefficiencies inherent in operating the businesses together. The distribution of the stock of Sub 1 is motivated, in whole or substantial part, by one or more of these corporate business purposes.
 - (o7) The transaction is not used principally as a device for the distribution of the earnings and profits of Parent, Sub 1, or both.
 - (o8) For purposes of § 355(d), immediately after Distribution 12, 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 Parent stock entitled to vote, or 50 percent or more of the total value of shares of all classes of Parent 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 Distribution Date.
 - (o9) For purposes of § 355(d), immediately after Distribution 12, 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 Sub 1 stock entitled to vote, or 50 percent or more of the total value of shares of all classes of Sub 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 Distribution Date, or (ii) attributable to distributions on any stock of Parent 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 Distribution Date.

- (o10) No intercompany debt will exist between Parent or its subsidiaries, on one hand, and Sub 1 or its subsidiaries, on the other, for more than sixty days subsequent to Distribution 12 except possibly short-term payables arising in the ordinary course of business, including in connection with the parties' transitional services and tax sharing and indemnification agreements.
- (o11) Immediately before Distribution 12, items of income, gain, loss, deduction and credit will be taken into account as required by the applicable intercompany transaction regulations (see Treas. Reg. § 1.1502-13 and § 1.1502-14 as in effect before the publication of T.D. 8597, 1995-32 I.R.B. 6, and as currently in effect; Treas. Reg. § 1502-13 as published by T.D. 8597). Further, Parent's excess loss account with respect to the Sub 1 stock, if any, will be included in income immediately before Distribution 12 (see Treas. Reg. § 1.1502-19).
- (o12) Payments made in connection with all continuing transactions, if any, between Parent and Sub 1 will be for fair market value based on terms and conditions arrived at by the parties bargaining at arm's length.
- (o13) No party to Distribution 12 is an investment company as defined in § 368(a)(2)(F)(iii) and (iv).
- (o14) Distribution 12 is not part of a plan or series of related transactions (within the meaning of Treas. Reg. § 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 Parent or Sub 1 (including any predecessor or successor of any such corporation).
- (o15) Immediately after Distribution 12, neither Parent nor Sub 1 will be a disqualified investment corporation (within the meaning of § 355(g)(2)).
- (o16) The payment of cash in lieu of fractional shares of Sub 1 stock, if any, is solely for the purpose of avoiding the expense and inconvenience to Sub 1 of issuing and maintaining fractional shares and will not represent separately bargained for consideration. The total cash that will be paid in the transaction to any shareholder in lieu of a fractional share of Sub 1 stock will not exceed one percent of the total consideration that will be distributed in Distribution 12. Any fractional share interests of each Parent shareholder will be aggregated, and it is the intention that no Parent shareholder of record will receive cash in an amount equal to or greater than the value of one full share of Sub 1 stock.

RULINGS

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

Business G Spin-Off

- (1) Contribution 1, followed by Distribution 1, will be a reorganization under § 368(a)(1)(D). New Sub 1 and Sub 15 will each be a “party to a reorganization” under § 368(b). Treas. Reg. § 1.368-2(f).
- (2) No gain or loss will be recognized by Sub 15 on the transfer of all the assets of Business G in exchange for the New Sub 1 interests and the assumption of liabilities by New Sub 1 in Contribution 1. §§ 361(a); 357(a).
- (3) No gain or loss will be recognized by New Sub 1 on the receipt of Business G in exchange for New Sub 1 interests in Contribution 1. § 1032(a).
- (4) The basis of each asset received by New Sub 1 in the contribution will equal the basis of that asset in the hands of Sub 15 immediately before Contribution 1. § 362(b).
- (5) The holding period of each asset received by New Sub 1 in the contribution will include the holding period that Sub 15 had in that asset immediately before Contribution 1. § 1223(2).
- (6) No gain or loss will be recognized by Sub 15 on Distribution 1. § 361(c)(1).
- (7) No gain or loss will be recognized by (and no amount will be included in the income of) Sub 9 upon the receipt of the interests of New Sub 1 in Distribution 1. § 355(a)(1).
- (8) The basis of the Sub 15 shares and the New Sub 1 interests in the hands of Sub 9 immediately after Distribution 1 will be the same as the basis in the Sub 15 shares held immediately before Distribution 1, allocated in proportion to the fair market value of each in the manner described in Treas. Reg. § 1.358-2(a)(2). § 358(a), (b), and (c); Treas. Reg. § 1.358-1(a).
- (9) The holding period of the interests of New Sub 1 received by Sub 9 in Distribution 1 will include the holding period of Sub 9 in the stock of Sub 15 on which the distribution was made, provided that the shares of Sub 15 were held as a capital asset on the date of Distribution 1. § 1223(1).
- (10) As provided in § 312(h), earnings and profits will be allocated between New Sub 1 and Sub 15 in accordance with Treas. Reg. § 1.312-10(a).
- (11) Contribution 1 will be an exchange to which Treas. Reg. §§ 1.367(b)-1(c) and -4(a) apply. No amount will be included in income as a deemed dividend equal to the § 1248 amount under § 367(b) as a result of Contribution 1.

- (12) Distribution 1 will be an exchange to which Treas. Reg. §§ 1.367(b)-1(c), -5(a), -5(c) and -5(f) apply. If Sub 9's post-distribution amount (as defined in Treas. Reg. § 1.367(b)-5(e)(2)) with respect to the stock of Sub 15 or the interests of New Sub 1 is less than its pre-distribution amount (as defined in Treas. Reg. § 1.367(b)-5(e)(1)) with respect to the stock of Sub 15 or the interests of New Sub 1, Sub 9's basis in such stock or interests immediately after the distribution must be reduced by the amount of the difference. However, Sub 9's basis in such stock or interests must not be reduced below zero, and to the extent the foregoing reduction would reduce its basis below zero, Sub 9 must instead include such amounts as a deemed dividend from such corporation. Such income shall not be foreign personal holding income under § 954(c). If Sub 9 reduces the basis in the stock of Sub 15 or the interests of New Sub 1 (or has an inclusion with respect to such stock or interests), Sub 9 must increase its basis in the interests or stock of the other corporation to the extent provided in Treas. Reg. § 1.367(b)-5(c)(4).

Distribution 2

- (13) No gain or loss will be recognized by (and no amount will be included in the income of) Sub 5 on Distribution 2. § 355(a)(1).
- (14) No gain or loss will be recognized by Sub 9 on Distribution 2. § 355(c)(1).
- (15) The basis of the New Sub 1 interests received by Sub 5 in the exchange will be the same as Sub 5's basis in the Sub 9 interests surrendered in the exchange, allocated in the manner described in Treas. Reg. § 1.358-2(a)(2). § 358(a) and (b); Treas. Reg. § 1.358-1(a).
- (16) The holding period of the interests in New Sub 1 received by Sub 5 in Distribution 2 will include the holding period of Sub 5 in the Sub 9 interests surrendered in exchange therefor, provided the interests of Sub 9 were held as a capital asset on the date of Distribution 2. § 1223(1).
- (17) As provided in § 312(h), earnings and profits will be allocated between Sub 9 and New Sub 1 in accordance with Treas. Reg. § 1.312-10(b).
- (18) Distribution 2 will be an exchange to which Treas. Reg. §§ 1.367(b)-1(c), -5(a), -5(d) and -5(f) apply. If Sub 8's or Sub 5's post-distribution amount (as defined in Treas. Reg. § 1.367(b)-5(e)(2)) with respect to the interests of Sub 9 or New Sub 1 is less than Sub 8's or Sub 5's pre-distribution amount (as defined in Treas. Reg. § 1.367(b)-5(e)(1)) with respect to the interests of Sub 9 or New Sub 1, Sub 8 or Sub 5 or both must include such amount as a deemed dividend from such corporation. Such income shall not be foreign personal holding income under § 954(c). Any basis increase provided in Treas. Reg. § 1.367(b)-2(e)(3)(ii) shall apply to a deemed dividend that is

included in income pursuant to Treas. Reg. § 1.367(b)-5(d)(3) only to the extent that such basis increase does not increase the distributee's basis above the fair market value of such interests and does not diminish the distributee's post-distribution amount with respect to such corporation.

Distribution 3

- (19) No gain or loss will be recognized by (and no amount will be included in the income of) Sub 2 on Distribution 3. § 355(a)(1).
- (20) No gain or loss will be recognized by Sub 5 on Distribution 3. § 355(c)(1).
- (21) The basis of the Sub 5 interests and the New Sub 1 interests in the hands of Sub 2 immediately after Distribution 3 will be the same as the basis in Sub 5 interests held immediately before Distribution 3, allocated in proportion to the fair market value of each in the manner described in Treas. Reg. § 1.358-2(a)(2). § 358(a), (b), and (c); Treas. Reg. § 1.358-1(a).
- (22) The holding period of the interests in New Sub 1 received by Sub 2 in Distribution 3 will include the holding period of Sub 2 in the Sub 5 interests on which the distribution was made, provided the interests of Sub 5 were held as a capital asset on the date of Distribution 3. § 1223(1).
- (23) As provided in § 312(h), earnings and profits will be allocated between Sub 5 and New Sub 1 in accordance with Treas. Reg. § 1.312-10(b).
- (24) Distribution 3 will be an exchange to which Treas. Reg. §§ 1.367(b)-1(c), -5(a) and -5(c) apply. If Sub 2's post-distribution amount (as defined in Treas. Reg. § 1.367(b)-5(e)(2)) with respect to the interests of Sub 5 or New Sub 1 is less than its pre-distribution amount (as defined in Treas. Reg. § 1.367(b)-5(e)(1)) with respect to the interests of Sub 5 or New Sub 1, Sub 2's basis in such interests immediately after the distribution must be reduced by the amount of the difference. However, Sub 2's basis in such interests must not be reduced below zero, and to the extent the foregoing reduction would reduce its basis below zero, Sub 2 must instead include such amounts as a deemed dividend from such corporation. If Sub 2 reduces the basis in the interests of Sub 5 or New Sub 1 (or has an inclusion with respect to such stock), Sub 2 must increase its basis in the interests of the other corporation to the extent provided in Treas. Reg. § 1.367(b)-5(c)(4).

Distribution 4

- (25) No gain or loss will be recognized by (and no amount will be included in the income of) Sub 1 on Distribution 4. § 355(a)(1).

- (26) No gain or loss will be recognized by Sub 2 on Distribution 4. § 355(c)(1).
- (27) Section 1248(f)(1) will not apply to the distribution of New Sub 1 interests to Sub 1. Notice 87-64, 1987-2 C.B. 375.
- (28) The basis of the New Sub 1 interests in the hands of Sub 1 immediately after Distribution 4 will be the lesser of the adjusted basis of such interests in the hands of Sub 2 or the substituted basis allocated to New Sub 1's interests in accordance with Treas. Reg. § 1.358-2(a)(2). Notice 87-64, 1987-2 C.B. 375.
- (29) The holding period of the New Sub 1 interests received by Sub 1 will be the greater of the holding period of the New Sub 1 interests in the hands of Sub 2 or the holding period of the New Sub 1 interests in the hands of Sub 1. Notice 87-64, 1987-2 C.B. 375.
- (30) As provided in § 312(h), earnings and profits will be allocated between Sub 2 and New Sub 1 in accordance with Treas. Reg. § 1.312-10(b).
- (31) The earnings and profits of New Sub 1, to the extent attributable to such stock under Treas. Reg. § 1.1248-2 or 1.1248-3 (whichever is applicable), that were accumulated in taxable years of New Sub 1 beginning after December 31, 1962 and during the period in which New Sub 1 was a controlled foreign corporation, are attributable to such stock held by Sub 1. Treas. Reg. § 1.1248-1(a)(1).

Business E Spin-Off

- (32) Contribution 5, followed by Distribution 5, will be a reorganization under § 368(a)(1)(D). New Sub 2 and Sub 2 will each be a "party to a reorganization" under § 368(b). Treas. Reg. § 1.368-2(f).
- (33) No gain or loss will be recognized by Sub 2 on the transfer of all the assets of Business E in exchange for the New Sub 2 shares and the assumption of liabilities in Contribution 5. §§ 361(a); 357(a).
- (34) No gain or loss will be recognized by New Sub 2 on the receipt of Business E in exchange for New Sub 2 shares in Contribution 5. § 1032(a).
- (35) The basis of each asset received by New Sub 2 in the contribution will equal the basis of that asset in the hands of Sub 2 immediately before Contribution 5. § 362(b).
- (36) The holding period of each asset received by New Sub 2 in the contribution will include the holding period that Sub 2 had in that asset immediately before Contribution 5. § 1223(2).

- (37) No gain or loss will be recognized by Sub 2 on the distribution of the stock of New Sub 2 to Sub 1. § 361(c).
- (38) No gain or loss will be recognized by (and no amount will be included in the income of) Sub 1 upon the receipt of the stock of New Sub 2 in Distribution 5. § 355(a)(1).
- (39) The basis of the Sub 2 shares and the New Sub 2 shares in the hands of Sub 1 immediately after Distribution 5 will be the same as the basis in the Sub 2 shares held immediately before Distribution 5, allocated in proportion to the fair market value of each in the manner described in Treas. Reg. § 1.358-2(a)(2). § 358(a), (b), and (c); Treas. Reg. § 1.358-1(a).
- (40) The holding period of the stock of New Sub 2 received by Sub 1 in Distribution 5 will include the holding period of Sub 1 in the stock of Sub 2 on which the distribution was made, provided that the shares of Sub 2 were held as a capital asset on the date of Distribution 5. § 1223(1).
- (41) As provided in § 312(h), earnings and profits will be allocated between New Sub 2 and Sub 2 in accordance with Treas. Reg. §§ 1.312-10(a) and 1.1502-33.

New Sub 3 Spin-Off

- (42) For US federal income tax purposes, the New Sub 3 Transaction will be disregarded and Sub 18 will be treated as having distributed all of the shares of New Sub 3 directly to Sub 17 as a distribution with respect to the Sub 18 common stock (“Distribution 6”).
- (43) Contribution 6, followed by the New Sub 3 Transaction, will be a reorganization under § 368(a)(1)(D). Sub 18 and New Sub 3 will each be a “party to a reorganization” under § 368(b). Treas. Reg. § 1.368-2(f).
- (44) No gain or loss will be recognized by Sub 18 on the transfer of all the assets of Business B conducted by Sub 18 in exchange for the New Sub 3 shares and the assumption of liabilities by New Sub 3 in Contribution 6. §§ 361(a); 357(a).
- (45) No gain or loss will be recognized by New Sub 3 on the receipt of the assets and subsidiaries associated with Business B held by Sub 18 in exchange for New Sub 3 shares in Contribution 6. § 1032(a).
- (46) The basis of each asset received by New Sub 3 in the contribution will equal the basis of that asset in the hands of Sub 18 immediately before Contribution 6. § 362(b).

- (47) The holding period of each asset received by New Sub 3 in the contribution will include the holding period that Sub 18 had in that asset immediately before Contribution 6. § 1223(2).
- (48) No gain or loss will be recognized by Sub 18 on Distribution 6. § 361(c)(1).
- (49) No gain or loss will be recognized by (and no amount will be included in the income of) Sub 17 upon the receipt of the stock of New Sub 3 in Distribution 6. § 355(a)(1).
- (50) The basis of the Sub 18 shares and the New Sub 3 shares in the hands of Sub 17 immediately after Distribution 6 will be the same as the basis in the Sub 18 shares held immediately before Distribution 6, allocated in proportion to the fair market value of each in the manner described in Treas. Reg. § 1.358-2(a)(2). § 358(a), (b), (c); Treas. Reg. § 1.358-1(a).
- (51) The holding period of the stock of New Sub 3 received by Sub 17 in Distribution 6 will include the holding period of Sub 17 in the stock of Sub 18 on which the distribution was made, provided that the shares of Sub 18 were held as a capital asset on the date of Distribution 6. § 1223(1).
- (52) As provided in § 312(h), earnings and profits will be allocated between Sub 18 and New Sub 3 in accordance with Treas. Reg. § 1.312-10(a).
- (53) Contribution 6 will be an exchange to which Treas. Reg. § 1.367(b)-4(a) applies. No amount will be included in income as a deemed dividend equal to the § 1248 amount under § 367(b) as a result of Contribution 6.
- (54) The New Sub 3 Transaction will be an exchange to which Treas. Reg. §§ 1.367(b)-1(c), -5(a), -5(c) and -5(f) apply. If Sub 17's post-distribution amount (as defined in Treas. Reg. § 1.367(b)-5(e)(2)) with respect to the stock of Sub 18 or New Sub 3 is less than its pre-distribution amount (as defined in Treas. Reg. § 1.367(b)-5(e)(1)) with respect to the stock of Sub 18 or New Sub 3, Sub 17's basis in such stock immediately after the distribution must be reduced by the amount of the difference. However, Sub 17's basis in such stock must not be reduced below zero, and to the extent the foregoing reduction would reduce its basis below zero, Sub 17 must instead include such amounts as a deemed dividend from such corporation. Such income shall not be foreign personal holding income under § 954(c). If Sub 17 reduces the basis in the stock of Sub 18 or New Sub 3 (or has an inclusion with respect to such stock), Sub 17 must increase its basis in the stock of the other corporation to the extent provided in Treas. Reg. § 1.367(b)-5(c)(4).

Deemed Sub 18 Transfers

- (55) The transfer of New Sub 5 by Sub 17 to Parent for the Parent Note followed by the series of transfers of the Parent Note to Parent, the extinguishment of the Parent Note, the transfer of New Sub 5 to New Sub 7 and the liquidation of New Sub 5 will be treated as a transfer of Sub 18 by Sub 17 to Sub 9 (in Distribution 7), by Sub 9 to Sub 5 in redemption of a portion of the ownership interest in Sub 9 held by Sub 5 (in Distribution 8), by Sub 5 to Sub 2 (in Distribution 9) and by Sub 2 to Sub 1 (in Distribution 10). Rev. Rul. 83-142, 1983-2 C.B. 68.

Distribution 7

- (56) No gain or loss will be recognized by (and no amount will be included in the income of) Sub 9 on Distribution 7. § 355(a)(1).
- (57) No gain or loss will be recognized by Sub 17 on Distribution 7. § 355(c)(1).
- (58) The basis of the Sub 17 shares and the Sub 18 shares in the hands of Sub 9 immediately after Distribution 7 will be the same as the basis in the Sub 17 shares held immediately before Distribution 7, allocated in proportion to the fair market value of each in the manner described in Treas. Reg. § 1.358-2(a)(2). § 358(a), (b), and (c); Treas. Reg. § 1.358-1(a).
- (59) The holding period of the stock of Sub 18 received by Sub 9 in Distribution 7 will include the holding period of Sub 9 in the stock of Sub 17 on which the distribution was made, provided the shares of Sub 17 were held as a capital asset on the date of Distribution 7. § 1223(1).
- (60) As provided in § 312(h), earnings and profits will be allocated between Sub 17 and Sub 18 in accordance with Treas. Reg. § 1.312-10(b).
- (61) Distribution 7 will be an exchange to which Treas. Reg. §§ 1.367(b)-1(c), -5(a), -5(c) and -5(f) apply. If Sub 9's post-distribution amount (as defined in Treas. Reg. § 1.367(b)-5(e)(2)) with respect to the stock of Sub 18 or Sub 17 is less than its pre-distribution amount (as defined in Treas. Reg. § 1.367(b)-5(e)(1)) with respect to the stock of Sub 18 or Sub 17, Sub 9's basis in such stock immediately after the distribution must be reduced by the amount of the difference. However, Sub 9's basis in such stock must not be reduced below zero, and to the extent the foregoing reduction would reduce its basis below zero, Sub 9 must instead include such amounts as a deemed dividend from such corporation. Such income shall not be foreign personal holding income under § 954(c). If Sub 9 reduces the basis in the stock of Sub 18 or Sub 17 (or has an inclusion with respect to such stock), Sub 9 must increase its basis in the stock of the other corporation to the extent provided in Treas. Reg. § 1.367(b)-5(c)(4).

Distribution 8

- (62) No gain or loss will be recognized by (and no amount will be included in the income of) Sub 5 on Distribution 8. § 355(a)(1).
- (63) No gain or loss will be recognized by Sub 9 on Distribution 8. § 355(c)(1).
- (64) The basis of the Sub 18 shares received by Sub 5 in Distribution 8 will be the same as Sub 5's basis in the Sub 9 interests surrendered in the exchange, allocated in the manner described in Treas. Reg. § 1.358-2(a)(2). § 358(a) and (b); Treas. Reg. § 1.358-1(a).
- (65) The holding period of the stock of Sub 18 received by Sub 5 in Distribution 8 will include the holding period of Sub 5 in the Sub 9 interests surrendered in exchange therefor, provided the interests of Sub 9 were held as a capital asset on the date of Distribution 8. § 1223(1).
- (66) As provided in § 312(h), earnings and profits will be allocated between Sub 9 and Sub 18 in accordance with Treas. Reg. § 1.312-10(b).
- (67) Distribution 8 will be an exchange to which Treas. Reg. §§ 1.367(b)-1(c), -5(a), -5(d) and -5(f) apply. If Sub 8's or Sub 5's post-distribution amount (as defined in Treas. Reg. § 1.367(b)-5(e)(2)) with respect to the interests of Sub 9 or the stock of Sub 18 is less than Sub 8's or Sub 5's pre-distribution amount (as defined in Treas. Reg. § 1.367(b)-5(e)(1)) with respect to the interests of Sub 9 or the stock of Sub 18, Sub 8 or Sub 5 or both must include such amount as a deemed dividend from such corporation. Such income shall not be foreign personal holding income under § 954(c). Any basis increase provided in Treas. Reg. § 1.367(b)-2(e)(3)(ii) shall apply to a deemed dividend that is included in income pursuant to Treas. Reg. § 1.367(b)-5(d)(3) only to the extent that such basis increase does not increase the distributee's basis above the fair market value of such interests or stock and does not diminish the distributee's post-distribution amount with respect to such corporation.

Distribution 9

- (68) No gain or loss will be recognized by (and no amount will be included in the income of) Sub 2 on Distribution 9. § 355(a)(1).
- (69) No gain or loss will be recognized by Sub 5 on Distribution 9. § 355(c)(1).
- (70) The basis of the Sub 5 interests and the Sub 18 shares in the hands of Sub 2 immediately after Distribution 9 will be the same as the basis in the Sub 5 interests held immediately before Distribution 9, allocated in proportion to the

fair market value of each in the manner described in Treas. Reg. § 1.358-2(a)(2). § 358(a), (b), and (c); Treas. Reg. § 1.358-1(a).

- (71) The holding period of the stock of Sub 18 received by Sub 2 in Distribution 9 will include the holding period of Sub 2 in the Sub 5 interests on which the distribution was made, provided the interests of Sub 5 were held as a capital asset on the date of Distribution 9. § 1223(1).
- (72) As provided in § 312(h), earnings and profits will be allocated between Sub 5 and Sub 18 in accordance with Treas. Reg. § 1.312-10(b).
- (73) Distribution 9 will be an exchange to which Treas. Reg. §§ 1.367(b)-1(c), -5(a) and -5(c) apply. If Sub 2's post-distribution amount (as defined in Treas. Reg. § 1.367(b)-5(e)(2)) with respect to the interests of Sub 5 or the stock of Sub 18 is less than its pre-distribution amount (as defined in Treas. Reg. § 1.367(b)-5(e)(1)) with respect to the interests of Sub 5 or the stock of Sub 18, Sub 2's basis in such interests or stock immediately after the distribution must be reduced by the amount of the difference. However, Sub 2's basis in such interests or stock must not be reduced below zero, and to the extent the foregoing reduction would reduce its basis below zero, Sub 2 must instead include such amounts as a deemed dividend from such corporation. If Sub 2 reduces the basis in the interests of Sub 5 or the stock of Sub 18 (or has an inclusion with respect to such interests or stock), Sub 2 must increase its basis in the stock or interests of the other corporation to the extent provided in Treas. Reg. § 1.367(b)-5(c)(4).

Distribution 10

- (74) No gain or loss will be recognized by (and no amount will be included in the income of) Sub 1 on Distribution 10. § 355(a)(1).
- (75) No gain or loss will be recognized by Sub 2 on Distribution 10. § 355(c)(1).
- (76) Section 1248(f)(1) will not apply to Distribution 10. Notice 87-64, 1987-2 C.B. 375.
- (77) The basis of the Sub 18 shares in the hands of Sub 1 immediately after Distribution 10 will be the lesser of the adjusted basis of such shares in the hands of Sub 2 or the substituted basis allocated to Sub 18's shares in accordance with Treas. Reg. § 1.358-2(a)(2). Notice 87-64, 1987-2 C.B. 375.
- (78) The holding period of the Sub 18 shares received by Sub 1 will be the greater of the holding period of the Sub 18 shares in the hands of Sub 2 or the holding period of the Sub 18 shares in the hands of Sub 1. Notice 87-64, 1987-2 C.B. 375.

- (79) As provided in § 312(h), earnings and profits will be allocated between Sub 2 and Sub 18 in accordance with Treas. Reg. § 1.312-10(b).
- (80) The earnings and profits of Sub 18, to the extent attributable to such stock under Treas. Reg. § 1.1248-2 or 1.1248-3 (whichever is applicable), that were accumulated in taxable years of Sub 18 beginning after December 31, 1962, and during the period in which Sub 18 was a controlled foreign corporation are attributable to such stock held by Sub 1. Treas. Reg. § 1.1248-1(a)(1).

Sub 19 Merger

- (81) Provided that the Sub 19 Merger qualifies as a statutory merger under applicable state law, the Sub 19 Merger will qualify as a reorganization under § 368(a)(1)(A) and will not be disqualified by reason of the fact that New Sub 9 is transferred to New Sub 11 and that New Sub 8 is transferred to New Sub 10. § 368(a)(1)(A), (a)(2)(C); Treas. Reg. §§ 1.368-2(b)(1), -2(k)(1); Rev. Rul. 69-617, 1969-2 C.B. 57. Sub 1 and Sub 19 will each be a “party to a reorganization” under § 368(b). Treas. Reg. § 1.368-2(f).
- (82) No gain or loss will be recognized by Sub 19 on the Sub 19 Merger. §§ 361(a); 357(a).
- (83) No gain or loss will be recognized by Sub 1 on the Sub 19 Merger. §§ 1032(a); 354(a).
- (84) The basis of each asset received by Sub 1 Unit in the Sub 19 Merger will equal the basis of that asset in the hands of Sub 19 Unit immediately before the Sub 19 Merger. § 362(b).
- (85) The holding period of each asset received by Sub 1 Unit in the Sub 19 Merger will include the holding period that Sub 19 Unit had in that asset immediately before the Sub 19 Merger. § 1223(2).
- (86) Sub 1 will succeed to and take into account those attributes of Sub 19 Unit described in § 381(c). § 381(a); Treas. Reg. § 1.381(a)-1. These items will be taken into account by Sub 1 subject to the applicable conditions and limitations specified in §§ 381, 382, 383 and 384 and the regulations thereunder.

New Sub 11 Contribution

- (87) No gain or loss will be recognized by Sub 1 on the transfer of the New Sub 9 Assets to New Sub 11 in constructive exchange for additional New Sub 11 interests and the assumption of liabilities by New Sub 11. §§ 351(a); 357(a).

- (88) No gain or loss will be recognized by New Sub 11 on the New Sub 11 Contribution. § 1032.
- (89) The basis of the interests in New Sub 11 in the hands of Sub 1 will be increased by an amount equal to the basis of the transferred assets and decreased by the amount of transferred liabilities assumed by New Sub 11 (including the transferred assets and liabilities in New Sub 9). §§ 358(a)(1), 358(d)(1).
- (90) The holding period of the interests in New Sub 11 constructively received by Sub 1 on the transfer will include the holding period of Sub 1 in the transferred assets immediately prior to the New Sub 11 Contribution, provided that the transferred assets were capital assets or were property described in § 1231. § 1223(1).
- (91) The basis of each New Sub 9 Asset in the hands of New Sub 11 will be equal to the basis of such asset in the hands of Sub 1 immediately prior to the New Sub 11 Contribution. § 362(a)(1).
- (92) The holding period of each New Sub 9 Asset in the hands of New Sub 11 will include the holding period that Sub 1 had in that asset immediately prior to the New Sub 11 Contribution. § 1223(2).

Sub 2 Merger

- (93) For US federal income tax purposes, the Sub 2 Merger will be treated as if Sub 2 transferred substantially all of its assets to New Sub 12 in exchange for New Sub 12 interests with a value equal to the fair market value of Sub 2's assets, and such interests will be treated as having been transferred by Sub 2 to Sub 1 in exchange for Sub 2 stock (the "Sub 2 Reorganization"). Rev. Rul. 70-240, 1970-1 C.B. 81. Sub 1 will be deemed to contribute the New Sub 12 interests deemed received to New Sub 10 to reflect the actual ownership of New Sub 12 (the "Deemed New Sub 12 Stock Contribution"). Cf. Treas. Reg. § 1.368-2(l)(2)(i).
- (94) Provided that the Sub 2 Merger qualifies as a statutory merger under applicable state law, the Sub 2 Reorganization will qualify as a reorganization under § 368(a)(1)(A). § 368(a)(1)(A). Sub 2 and New Sub 12 will each be a "party to a reorganization" under § 368(b). Treas. Reg. § 1.368-2(f).
- (95) No gain or loss will be recognized by Sub 2 upon the transfer of its assets to New Sub 12 in exchange for deemed interests in New Sub 12 and the assumption by New Sub 12 of Sub 2's liabilities. §§ 361(a); 357(a).

- (96) No gain or loss will be recognized by New Sub 12 on the receipt of Sub 2's assets in exchange for deemed interests in New Sub 12. § 1032(a).
- (97) The basis of each asset received by New Sub 12 in the Sub 2 Reorganization will equal the basis of that asset in the hands of Sub 2 immediately before the Sub 2 Reorganization. § 362(b).
- (98) The holding period of each asset received by New Sub 12 in the Sub 2 Reorganization will include the holding period that Sub 2 had in that asset immediately before the Sub 2 Reorganization. § 1223(2).
- (99) No gain or loss will be recognized by Sub 2 on the deemed distribution of New Sub 12 interests to Sub 1. § 361(c).
- (100) No gain or loss will be recognized by Sub 1 upon its deemed exchange of Sub 2 stock for New Sub 12 interests. § 354(a)(1).
- (101) The basis of the New Sub 12 interests deemed received by Sub 1 will be the same as the basis of the Sub 2 stock exchanged by Sub 1. § 358(a)(1).
- (102) The holding period of the New Sub 12 interests deemed received by Sub 1 in the Sub 2 Reorganization will include the holding period of Sub 1 in the Sub 2 stock exchanged therefor, provided that such Sub 2 stock is held by Sub 1 as a capital asset on the date of the Sub 2 Reorganization. § 1223(1).
- (103) New Sub 12 will succeed to and take into account those attributes of Sub 2 described in § 381(c). § 381(a); Treas. Reg. § 1.381(a)-1. These items will be taken into account by New Sub 12 subject to the applicable conditions and limitations specified in §§ 381, 382, 383 and 384 and the regulations thereunder.

New Sub 10 Contribution and Distribution 11

- (104) The transfer by Sub 1 to New Sub 10 of the Business B Assets, solely in exchange for interests in New Sub 10 and the assumption by New Sub 10 of liabilities in the New Sub 10 Contribution, followed by Distribution 11, will be a reorganization under § 368(a)(1)(D). Sub 1 and New Sub 10 will each be a "party to a reorganization" under § 368(b). Treas. Reg. § 1.368-2(f).
- (105) No gain or loss will be recognized by Sub 1 on the transfer of the Business B Assets in exchange for the New Sub 10 interests and the assumption of liabilities by New Sub 10 in the New Sub 10 Contribution. §§ 361(a); 357(a).
- (106) No gain or loss will be recognized by New Sub 10 in the New Sub 10 Contribution. § 1032(a).

- (107) The basis of each Business B Asset received by New Sub 10 in the New Sub 10 Contribution will equal the basis of that asset in the hands of Sub 1 immediately before the New Sub 10 Contribution. § 362(b).
- (108) The holding period of each Business B Asset received by New Sub 10 in the New Sub 10 Contribution will include the holding period that Sub 1 had in that asset immediately before the New Sub 10 Contribution. § 1223(2).
- (109) No gain or loss will be recognized by Sub 1 on the distribution of the interests in New Sub 10 in Distribution 11. § 361(c)(1).
- (110) No gain or loss will be recognized by (and no amount will be included in the income of) Parent upon the receipt of the interests in New Sub 10 in Distribution 11. § 355(a)(1).
- (111) The basis of the Sub 1 shares and the New Sub 10 interests in the hands of Parent immediately after Distribution 11 will be the same as the basis in the Sub 1 shares held immediately before Distribution 11, allocated in proportion to the fair market value of each in the manner described in Treas. Reg. § 1.358-2(a)(2). § 358(a), (b), and (c); Treas. Reg. § 1.358-1(a).
- (112) The holding period of the interests in New Sub 10 received by Parent in Distribution 11 will include the holding period of Parent in the stock of Sub 1 on which the distribution was made, provided that the shares of Sub 1 were held as a capital asset on the date of Distribution 11. § 1223(1).
- (113) As provided in § 312(h), earnings and profits will be allocated between Sub 1 and New Sub 10 in accordance with Treas. Reg. §§ 1.312-10(a) and 1.1502-33.

Distribution 12

- (114) No gain or loss will be recognized by (and no amount will be included in the income of) the shareholders of Parent on Distribution 12. § 355(a)(1).
- (115) No gain or loss will be recognized by Parent on Distribution 12. § 355(c)(1).
- (116) The basis of the Parent shares and the Sub 1 shares in the hands of each Parent shareholder immediately after Distribution 12 will be the same as the basis the shareholder had in the Parent shares held immediately before Distribution 12, allocated in proportion to the fair market value of each in the manner described in Treas. Reg. § 1.358-2(a)(2). § 358(a), (b), and (c); Treas. Reg. § 1.358-1(a).

- (117) The holding period of the stock of Sub 1 received by the Parent shareholders in Distribution 12 will include the holding period of such shareholders in the Parent shares on which the distribution was made, provided the shares of Parent were held as a capital asset on the date of Distribution 12. § 1223(1).
- (118) As provided in § 312(h), earnings and profits will be allocated between Parent and Sub 1 in accordance with Treas. Reg. §§ 1.312-10(b) and 1.1502-33.
- (119) A shareholder who receives cash in lieu of fractional shares of Sub 1 will recognize gain or loss measured by the difference between the basis of the fractional share received, as determined above, and the amount of cash received. § 1001. Any gain or loss will be treated as capital gain or loss, provided the fractional shares of stock would be held as a capital asset on the date of Distribution 12. §§ 1221; 1222.
- (120) Except for purposes of § 355(g), any payments made between Parent and Sub 1, or their affiliates and successors, under the Distribution Agreement, the Tax Sharing and Indemnification Agreement(s), the Employee Matters Agreement(s) and the Transition Services Agreements regarding liabilities, indemnities or other obligations that (a) have arisen or will arise in a taxable period ending on or before Distribution 12 or beginning on or before and ending after Distribution 12 and (b) do not become fixed and ascertainable until after Distribution 12, will be treated as occurring immediately before Distribution 12. See Arrowsmith v. Commissioner, 344 U.S. 6 (1952); Rev. Rul. 83-73, 1983-1 C.B. 84.

CAVEATS

Except as expressly provided herein, no opinion is expressed about the tax treatment of the Proposed Transaction or any other transaction or item mentioned in this letter under other provisions of the code or regulations, or about the tax treatment of any conditions existing at the time of, or effects resulting from, the foregoing that are not specifically covered by the above rulings. In particular, no opinion is expressed regarding:

- (i) whether any of the distributions satisfy the business purpose requirement of Treas. Reg. § 1.355-2(b);
- (ii) whether any of the distributions are used principally as a device for the distribution of the earnings and profits of any distributing or controlled corporation or combination of thereof; or
- (iii) whether any of the distributions is part of a plan (or a series of related transactions) under section 355(e)(2)(A)(ii).

- (iv) Whether any or all of the above-referenced foreign corporations are PFICs within the meaning of section 1297(a). If it is determined that any such corporations are PFICs, no opinion is expressed with respect to the application of sections 1291 through 1298 to the Proposed Transactions. In particular, in a transaction in which gain is not otherwise recognized, regulations under section 1291(f) may require gain recognition notwithstanding any other provisions of the Code.
- (v) And, to the extent not otherwise specifically ruled upon above, any other consequence under section 367 on any internal restructuring transaction in this letter ruling.

Additionally, because no rulings was requested, no opinion is expressed with respect to (i) the deemed transfer of the Business A Excluded Assets held by New Sub 9 or (ii) the deemed transfer of the Business B Excluded assets held by New Sub 8.

PROCEDURAL STATEMENTS

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

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

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,

Isaac W. Zimbalist
Isaac W. Zimbalist
Senior Technician Reviewer, Branch 5
Office of Associate Chief Counsel
(Corporate)

cc: