



Sub 1 =

Sub 2 =

FSub 1 =

FSub 2 =

FSub 3 =

FSub 4 =

FSub 5 =

FSub 6 =

FSub 7 =

New LLC =

Shareholder 1 =

Shareholder 2 =

Business A =

Business B =

Business C =

Business D	=
Country A	=
Country B	=
State A	=
State B	=
State C	=
State D	=
State E	=
Bank	=
\$R	=
\$S	=
\$T	=
\$U	=
\$V	=
\$W	=
\$X	=
\$Y	=
\$Z	=
Q%	=
Date 1	=
Date 2	=
Year 1	=

Year 2 =

Year 3 =

Dear :

This letter responds to your November 1, 2012 letter requesting rulings on certain federal income tax consequences of the Restructuring (defined below). The material information provided in that letter and in subsequent correspondence is summarized below.

The rulings contained in this letter are based upon information and representations submitted by the taxpayer and are accompanied by a penalty of perjury statement executed by an appropriate party. While this office has not verified any of the material submitted in support of the request for rulings, it is subject to verification on examination. Moreover, this office has not reviewed any information pertaining to, and has made no determinations regarding, whether any distribution occurring as part of the transactions and for which qualification under section 355 of the Internal Revenue Code (the "Code") is sought will (i) satisfy the business purpose requirement of § 1.355-2(b) of the Income Tax Regulations (the "regulations"); (ii) is used principally as a device for the distribution of earnings and profits of the distributing corporation, any of the controlled corporations, or both (see section 355(a)(1)(B) and § 1.355-2(d)); and (iii) is part of a plan (or series or 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 any of the controlled corporations (see section 355(e) and § 1.355-7).

### **Summary of Facts**

Foreign Distributee, an entity organized in Country A and treated as a corporation for U.S. federal tax purposes, owned, Q% of the issued and outstanding shares of Distributing, a corporation organized under the laws of State A. Distributing was the common parent of an affiliated group of corporations that joined in the filing of a consolidated tax return for U.S. federal income tax purposes (the "Distributing Consolidated Group"). Distributing had intercompany indebtedness of approximately \$X (the "Note") owed to Foreign Distributee.

Distributing owned, throughout the five-year period ending on the date of the Restructuring, Q% of the issued and outstanding shares of the following entities, each of which was a member of the Distributing Consolidated Group: (i) Controlled 1, a corporation organized under the laws of State B; (ii) Controlled 2, a corporation organized under the laws of State C; (iii) Sub 2, a corporation organized under the laws

of State D; (iv) Controlled 3, a corporation organized under the laws of State A; (v) Controlled 4, a corporation organized under the laws of State A; (vi) Controlled 5, a corporation organized under the laws of State B; (vii) Controlled 6, a corporation organized under the laws of State E. Together, these corporations, with the exception of Sub 2, will be referred to herein as the “Controlled Corporations.” Additionally, Distributing owned throughout the five-year period ending on the date of the Restructuring Q% of the issued and outstanding shares of Sub 1, a corporation organized under the laws of State A and a member of the Distributing Consolidated Group.

Foreign Distributee also owned, and following the Restructuring, continues to own (with the exception of FSub 2, which, as described below, merged out of existence as part of the Restructuring) Q% of the issued and outstanding shares of the following entities: (i) FSub 1, an entity organized in Country A and treated as a corporation for U.S. federal tax purposes; (ii) FSub 3, an entity organized in Country A and treated as a corporation for U.S. federal tax purposes; (iii) FSub 6, an entity organized in Country B and treated as a corporation for U.S. federal tax purposes ; (iv) FSub 7, an entity organized in Country A and treated as a corporation for U.S. federal tax purposes; and (v) FSub 2, an entity organized in Country A and treated as a corporation for U.S. federal tax purposes. FSub 3 owned, and following the Restructuring, continues to own Q% of the issued and outstanding stock of FSub4, an entity organized in Country A and treated as a corporation for U.S. federal tax purposes, which in turn owned, and following the Restructuring, continues to own Q% of the issued and outstanding shares of FSub 5, an entity organized in Country A and treated as a corporation for U.S. federal tax purposes.

FSub 1, FSub 4, FSub 6, and FSub 7 will be collectively referred to herein as the “BU Headquarters.”

As part of the Restructuring, Distributing paid a portion of the Note to Foreign Distributee with dividend distributions totaling \$W from the Controlled 1, Controlled 2, Controlled 3, Controlled 5, Controlled 6, and Sub 1. At the time of the Restructuring, Foreign Distributee had a cash pooling arrangement with Bank. The cash pooling arrangement was set up as an account with Bank listing Foreign Distributee as the principal customer and each of the members of the Distributing Consolidated Group as customers. Intercompany payables and receivables were created to make transfers from the cash pool from the Foreign Distributee to a member of the BU Headquarters and from a member of the BU Headquarters to a member of the Distributing Consolidated Group as needed. At the time of the Restructuring, Controlled 1, 2, 3, 5, and 6 had sufficient cash from the cash pool to make the dividend distributions without creating a borrowing from their respective BU Headquarters. However, Sub 1 had to borrow \$Y from FSub 7, its BU Headquarters, as it did not have sufficient cash on hand to make the dividend distribution to Distributing.

For each of the past five years ending on the date of the distribution: (i) Sub 1 has been directly and actively engaged in the Business D; (ii) each of Controlled 1 and Controlled 2 has been directly and actively engaged in the Business A; (iii) each of Controlled 3, Controlled 4, and Controlled 5 has been directly and actively engaged in the Business B; and (iv) Controlled 6 has been directly and actively engaged in the Business C. The taxpayer has submitted financial information indicating that: (i) the Business D conducted by Sub 1 has had gross receipts and operating expenses representative of the active conduct of a trade or business of each of the past five years; (ii) the Business A conducted by each of Controlled 1 and Controlled 2 has had gross receipts and operating expenses representative of the active conduct of a trade or business for each of the past five years; (iii) the Business B conducted by each of the Controlled 3, Controlled 4, and Controlled 5 has had gross receipts and operating expenses representative of the active conduct of a trade or business for each of the past five years; and (iv) the Business C conducted by Controlled 6 has had gross receipts and operating expenses representative of the active conduct of a trade or business for each of the past five years.

Distributing, together with Sub 1, have operated independently of the Controlled Corporations since engaging in the Restructuring except for the sharing of one employee, who is responsible for coordinating certain services (such as workers compensation, healthcare, and the tax filing for the Year 1 taxable year of the Distributing Consolidated Group) on behalf of Sub 1 and each of the Controlled Corporations. Thus, any other continuing relationships between Distributing, Sub 1, and the Controlled Corporations have been based on terms and conditions arrived at by the parties bargaining at arms' length. Following the Year 2 calendar year, all continuing relationships between Distributing, Sub 1, and the Controlled Corporations will be based on terms and conditions arrived at by the parties bargaining at arms' length.

The Restructuring was motivated in whole or substantial part by the following corporate business purposes: (i) eliminating the risks inherent in having joint and several liability between the different business units; (ii) enabling each of the BU Headquarters to obtain greater access to capital under better terms from (a) third party banks (the "Bank Syndicate") with whom Foreign Distributee and certain US subsidiaries were parties to a credit facility arrangement, (b) potential other banks, and (c) Foreign Distributee's ultimate shareholders, Shareholder 1 and Shareholder 2; (iii) changing the manner of evaluating management with respect to capital, thereby incentivizing management to use capital more efficiently; and (iv) aligning the U.S. legal structure with the global operations of Foreign Distributee, thereby clarifying and aligning responsibilities in the respective business units, and improving and simplifying intercompany accounting and reporting functions, including with respect to the movement of capital.

### **The Restructuring**

For what are represented above to be valid business reasons, the following Restructuring was undertaken pursuant to a single integrated plan to align each business unit under its respective holding company.

1. Sub 2 sold its assets to an unrelated third party (the "Asset Sale").
2. Distributing formed a new limited liability company ("New LLC") that is treated as a disregarded entity for U.S. federal tax purposes.
3. Sub 2 merged with and into New LLC, with New LLC surviving (the "Sub 2 Merger").
4. Distributing contributed New LLC to Controlled 1 (the "New LLC Contribution").
5. FSub 7 loaned \$Y to Sub 1 (the "Sub 1 New Debt Issuance") in order for Sub 1 to distribute dividends totaling \$Z to Distributing. As a result, an intercompany account between these two entities was increased to reflect the borrowing.
6. Controlled 1 distributed \$R in a dividend to Distributing; Controlled 2 distributed \$S in a dividend to Distributing; Controlled 3 distributed \$T in a dividend to Distributing; Controlled 5 distributed \$U in a dividend to Distributing; Controlled 6 distributed \$V in a dividend to Distributing. The dividend distributions from the Controlled 1, 2, 3, 5, and 6 and Sub 1 totaled \$W (the "Operating Subsidiary Distributions.>").
7. Distributing used the cash from the Operating Subsidiary Distributions to repay a portion of the Note to Foreign Distributee (the "Debt Repayment").
8. Distributing distributed Q% of the issued and outstanding stock of Controlled 1 to Foreign Distributee (the "Controlled 1 Distribution").
9. Distributing distributed Q% of the issued and outstanding stock of Controlled 2 to Foreign Distributee (the "Controlled 2 Distribution").
10. Distributing distributed Q% of the issued and outstanding stock of Controlled 3 to Foreign Distributee (the "Controlled 3 Distribution").
11. Distributing distributed Q% of the issued and outstanding stock of Controlled 4 to Foreign Distributee (the "Controlled 4 Distribution").
12. Distributing distributed Q% of the issued and outstanding stock of Controlled 5 to Foreign Distributee (the "Controlled 5 Distribution").

13. Distributing distributed Q% of the issued and outstanding stock of Controlled 6 to Foreign Distributee (the "Controlled 6 Distribution").
14. Each of the BU Headquarters, FSub 2, FSub 3, and FSub 5 filed a check-the-box election to be treated as a disregarded entity for U.S. federal tax purposes (the "CTB Elections").
15. Foreign Distributee sold Q% of the issued and outstanding stock of Controlled 1 and Controlled 2 to FSub2 in exchange for fair market value consideration (the "FSub 2 Sale").
16. FSub 2 will merge with and into FSub1, with FSub1 surviving (the "FSub 2 Merger").
17. Foreign Distributee sold Q% of the issued and outstanding stock of Controlled 3, Controlled 4, and Controlled 5 to FSub 5 in exchange for fair market value consideration (the "FSub 5 Sale").
18. Foreign Distributee sold Q% of the issued and outstanding stock of Controlled 6 to FSub 6 in exchange for fair market value consideration (the "FSub 6 Sale").
19. Foreign Distributee sold Q% of the issued and outstanding stock of Distributing to FSub 7 in exchange for fair market value consideration (the "FSub 7 Sale").

### **Representations**

The Taxpayer has made the following representations with respect to the Restructuring:

#### **Sub 2 Merger**

- (1a) Distributing, on the date of adoption of the plan of merger, and at all times until the Sub 2 Merger was completed, owned Q% of the issued and outstanding shares in Sub 2.
- (1b) No shares of Sub 2 were redeemed during the three years preceding the Sub 2 Merger.
- (1c) The Sub 2 Merger occurred on a single date, Date 1, pursuant to which Sub 2 ceased its separate legal existence for all purposes.
- (1d) Sub 2 did not acquire assets or shares in any nontaxable transaction at any time, except for acquisitions occurring more than three years prior to the effective date of the Sub 2 Merger.

(1e) Other than pursuant to the Sub 2 Merger, no assets of Sub 2 were transferred to Distributing or disposed of by Sub 2 or Distributing other than in connection with: (i) the Asset Sale to an unrelated third party; (ii) dispositions in the ordinary course of business; and (iii) dispositions occurring more than three years prior to the Sub 2 Merger.

(1f) Except as otherwise described in the New LLC Contribution, the Sub 2 Merger was not preceded by, and will not be followed by, the reincorporation in, or transfer or sale to, a recipient corporation of the business or business assets of Sub 2 (other than cash and certain pension liabilities) if persons that held, directly or indirectly, more than 20 percent in value of the Sub 2 shares also held, directly or indirectly, more than 20 percent in value of the shares in the recipient corporation. For purposes of this representation, ownership is determined by application of the constructive ownership rules of section 318(a) as modified by section 304(c)(3).

(1g) Sub 2 will report all earned income represented by assets that were transferred to New LLC such as receivables being reported on a cash basis, unfinished construction contracts, and commissions due.

(1h) The fair market value of the assets of Sub 2 exceeded its liabilities on the date of the adoption of the plan of merger, and at all times until the Sub 2 Merger was completed.

(1i) At the time of the Sub 2 Merger, there was no intercorporate debt existing between Distributing, New LLC, and Sub 2, and none was cancelled, forgiven, or settled at a discount in contemplation or in connection with the Sub 2 Merger.

(1j) Distributing is not an organization that is exempt from U.S. federal income tax under section 501 or any other provision of the Code.

(1k) All other transactions undertaken contemporaneously with, in anticipation of, in conjunction with, or in any way related to, the Sub 2 Merger have been fully disclosed.

(1l) Sub 2 and Distributing adopted a plan of merger and the Sub 2 Merger occurred pursuant to that plan.

(1m) Immediately prior to the Sub 2 Merger, Sub 2 was properly treated as a corporation for U.S. federal tax purposes.

(1n) At the time of the Sub 2 Merger, there was no intercompany item, within the meaning of § 1.1502-13(b), with respect to the stock of Sub 2.

(1o) Sub 2 was neither a regulated investment company nor a real estate investment trust subject to section 332(c).

### **New LLC Contribution**

(2a) No shares of Controlled 1 were deemed to be issued for services rendered to or for the benefit of Controlled 1 in connection with the New LLC Contribution, and no shares of Controlled 1 were deemed to be issued for indebtedness of Controlled 1.

(2b) The New LLC Contribution was not the result of the solicitation by a promoter, broker, or investment house.

(2c) Distributing did not retain any rights in the New LLC interests transferred to Controlled 1 in the New LLC Contribution.

(2d) As consideration for the New LLC Contribution, Distributing was deemed to receive solely Controlled 1 stock that was equal to the fair market value of the interests in New LLC transferred.

(2e) Except as described in the steps of the Restructuring, at the time of the New LLC Contribution, there was no plan or intention to sell, transfer, or otherwise dispose of any of the shares of Controlled 1.

(2f) At all times relevant to the New LLC Contribution, the fair market value of the New LLC interests transferred by Distributing to Controlled 1 was equal to or greater than the adjusted basis of such shares in the hands of Distributing.

(2g) In connection with the New LLC Contribution, the total adjusted basis of the assets transferred to Controlled 1 by Distributing equaled or exceeded the sum of the liabilities assumed (as determined under section 357(d)) by Controlled 1 plus any liabilities to which the transferred assets were subject.

(2h) The liabilities assumed, if any, (as determined under section 357(d)) by Controlled 1 were incurred in the ordinary course of business and were associated with the assets transferred.

(2i) There was no indebtedness between Distributing and Controlled 1, and there was no indebtedness created in favor of Distributing as a result of the New LLC Contribution.

(2j) The New LLC Contribution occurred under a plan agreed upon before the transactions in which the rights of the parties were defined.

(2k) Immediately before and after the New LLC Contribution, Distributing held Q% of the issued and outstanding shares of Controlled 1.

(2l) There was no plan or intention for Controlled 1 to issue any additional shares.

(2m) There was no plan or intention on the part of Controlled 1 to redeem or otherwise reacquire any of its shares.

(2n) Controlled 1 did not have any outstanding warrants, options, convertible securities, or any other type of right pursuant to which any person could acquire an equity interest in Controlled 1.

(2o) Controlled 1 will remain in existence and retain and use the property transferred to it in a trade or business.

(2p) There was no plan or intention by Controlled 1 to dispose of the New LLC interests other than in the normal course of business operations.

(2q) Neither Distributing nor Controlled 1 paid any expense incurred in connection with the New LLC Contribution other than their own. To the extent that Distributing paid or will pay the expenses of Controlled 1 incurred in connection with the Restructuring, Distributing charged or will charge out such expenses to Controlled 1.

(2r) At all times relevant to the New LLC Contribution, Controlled 1 was not an investment company within the meaning of section 351(e)(1) and § 1.351-1(c)(1)(ii).

(2s) Neither Distributing nor Controlled 1 are under the jurisdiction of a court in a title 11 or similar case (within the meaning of section 368(a)(3)(A)).

(2t) Controlled 1 is not a "personal service corporation" within the meaning of section 269A of the Code.

(2u) The New LLC Contribution was undertaken as part of the overall Restructuring with a purpose to functionally align each business unit.

### **Operating Subsidiary Distributions**

(3a) The Operating Subsidiary Distributions were made with respect to each of the Controlled Corporation's and Sub 1's stock, and no part of the Operating Subsidiary Distributions were received by Distributing as a creditor, employee, or in any capacity other than as a shareholder.

(3b) At the time of the Operating Subsidiary Distributions, each of the Controlled Corporations and Sub 1 had only one class of common stock outstanding, all of which was wholly owned by Distributing. The common stockholders had a right to dividends declared by the board of directors.

(3c) No shares of stock were surrendered, cancelled, or redeemed in the Operating Subsidiary Distributions. Furthermore, each of the Controlled Corporations and Sub 1 had no plan or intention to issue, redeem, or exchange additional shares of its stock.

(3d) Distributing made a corresponding negative basis adjustment to the basis of each of the Controlled Corporation's and Sub 1's stock in the amount that each respective Controlled Corporation distributed in the Operating Subsidiary Distributions.

(3e) None of the Controlled Corporations or Sub 1 made a distribution to Distributing in excess of Distributing's adjusted basis in each of the Controlled Corporations or Sub 1.

### **355 Representations**

Distributing was the distributing corporation for the Controlled 1, Controlled 2, Controlled 3, Controlled 4, Controlled 5, and Controlled 6 Distributions. For each of these distributions, Distributing is relying on Sub 1 for purposes of satisfying the active trade or business requirement of section 355 (b). The following representations apply to each of the Controlled 1, Controlled 2, Controlled 3, Controlled 4, Controlled 5, and Controlled 6 Distributions.

(4a) The five years of financial information submitted for the Business D operations conducted by Distributing, through Sub 1, its direct subsidiary, is representative of the present operations and there have been no substantial operational changes since the date of the last financial statements submitted.

(4b) Following the Controlled 1, Controlled 2, Controlled 3, Controlled 4, Controlled 5, and Controlled 6 Distributions, Distributing, through its separate affiliated group ("SAG"), has continued and will continue the active conduct of the Business D, independently and with its separate employees or employees of its SAG.

(4c) Distributing did not acquire either the Business D conducted by Distributing through Sub 1 or control of any entity conducting this business during the five-year period ending on the date of the Controlled 1, Controlled 2, Controlled 3, Controlled 4, Controlled 5, and Controlled 6 Distributions in a transaction in which gain or loss was recognized or treated as recognized in whole or in part. Throughout the five-year period ending on the date of the Controlled 1, Controlled 2, Controlled 3, Controlled 4, Controlled 5, and Controlled 6 Distributions, the Distributing SAG was the principal owner of the goodwill and significant assets of the Business D as conducted by Sub 1 and has continued and will continue to be the principal owner of its share of the Business D following the Controlled 1, Controlled 2, Controlled 3, Controlled 4, Controlled 5, and Controlled 6 Distributions.

(4d) For purposes of section 355(d), immediately after the Controlled 1, Controlled 2, Controlled 3, Controlled 4, Controlled 5, and Controlled 6 Distributions, no person (determined after applying the aggregation rules of section 355(d)(7)) held stock possessing 50 percent or more of the total combined voting power of all classes of Distributing stock entitled to vote or 50 percent or more of the total value of shares of all classes of Distributing stock that was acquired by purchase (as defined in section 355(d)(5) and (8)) during the five-year period (determined after applying section 355(d)(6)) ending on the date of the Controlled 1, Controlled 2, Controlled 3, Controlled 4, Controlled 5, and Controlled 6 Distributions.

(4e) Immediately after the Controlled 1, Controlled 2, Controlled 3, Controlled 4, Controlled 5, and Controlled 6 Distributions (taking into account section 355(g)(4)), Distributing was not a disqualified investment corporation (within the meaning of section 355(g)(2)).

(4f) Distributing was not at any time during the five-year period ending on the date of the Controlled 1, Controlled 2, Controlled 3, Controlled 4, Controlled 5, and Controlled 6 Distributions a United States real property holding corporation, as defined under section 897(c) and § 1.897-2(b).

(4g) Prior to Foreign Distributee's disposition of its shares of Distributing as part of the Controlled 1, Controlled 2, Controlled 3, Controlled 4, Controlled 5, and Controlled 6 Distributions, Distributing and Foreign Distributee complied with any applicable notice and filing requirements set forth in sections 897 and 1445, and the regulations thereunder.

(4h) Immediately after the Controlled 1, Controlled 2, Controlled 3, Controlled 4, Controlled 5, and Controlled 6 Distributions, the fair market value of Distributing's assets exceeded its liabilities.

(4i) Immediately after the Controlled 1, Controlled 2, Controlled 3, Controlled 4, Controlled 5, and Controlled 6 Distributions, the fair market value of Sub 1's assets exceeded its liabilities.

### **Controlled 1 Distribution**

(5a) Any indebtedness owed by Controlled 1 to Distributing after the Controlled 1 Distribution did not constitute stock or securities.

(5b) No part of the consideration distributed by Distributing in the Controlled 1 Distribution was received by Foreign Distributee as a creditor, employee, or in any capacity other than that of a shareholder of Distributing.

(5c) The five years of financial information submitted for the Business A conducted by Controlled 1 is representative of the present operations and there have been no substantial operational changes since the date of the last financial statements submitted.

(5d) Following the Controlled 1 Distribution, Controlled 1 will continue the active conduct of the Business A independently and with its separate employees.

(5e) Controlled 1 did not acquire either the Business A that it directly conducts or control of any entity conducting this business during the five-year period ending on the date of the Controlled 1 Distribution in a transaction in which gain or loss was recognized or treated as recognized in whole or in part. Throughout the five-year period ending on the date of the Controlled 1 Distribution, Controlled 1 was the principal owner of its share of the goodwill and significant assets of the Business A and continues to be the principal owner of its share of the Business A goodwill and assets following the Controlled 1 Distribution.

(5f) The Controlled 1 Distribution was carried out for the following corporate business purposes: (i) to align the Business A conducted in the U.S. with Foreign Distributee's holding company structure that is responsible for the operations of the Business A conducted globally, thereby reducing inefficiencies and improving and simplifying intercompany accounting and reporting functions, (ii) to eliminate the risks inherent in having a joint and several liability between the different business units, (iii) to enable each business unit headquarters to obtain greater access to capital under better terms from the Bank Syndicate and Foreign Distributee's ultimate shareholders, Shareholder 1 and Shareholder 2, and (iv) to change the manner of evaluating management with respect to capital, thereby incentivizing management to use capital more efficiently (the "Controlled 1 Distribution Business Purpose"). The distribution of the stock of Controlled 1 was motivated, in whole or substantial part, by one or more of these corporate business purposes.

(5g) The Controlled 1 Distribution was not used principally as a device for distributing the earnings and profits of Distributing or Controlled 1 or both.

(5h) Except as described in the Restructuring, there was no plan or intention to liquidate either Distributing or Controlled 1, to merge either corporation with any other corporation, or to sell or otherwise dispose of the assets of either corporation after the Controlled 1 Distribution, except in the ordinary course of business.

(5i) For purposes of section 355(d), immediately after the Controlled 1 Distribution, no person (determined after applying the aggregation rules of section 355(d)(7)) held stock possessing 50 percent or more of the total combined voting power of all classes of Controlled 1 stock entitled to vote or 50 percent or more of the total value of shares of all classes of Controlled 1 stock that was either (i) acquired by purchase (as defined in

section 355(d)(5) and (8)) during the five-year period (determined after applying section 355(d)(6)) ending on the date of the Controlled 1 Distribution or (ii) attributable to distributions on Distributing's stock or securities that were acquired by purchase (as defined in section 355(d)(5) and (8)) during the five-year period (determined after applying section 355(d)(6)) ending on the date of the Controlled 1 Distribution.

(5j) No intercorporate debt existed between Distributing and Controlled 1 at the time of or subsequent to the Controlled 1 Distribution, except that Distributing and Controlled 1 may owe each other amounts payable for transitional services or amounts arising in the ordinary course of business. The intercorporate debt arising from transitional services represented final settlement balances has been settled.

(5k) Immediately before the Controlled 1 Distribution, items of income, gain, loss, deduction, and credit were taken into account as required by the applicable intercompany transaction regulations (see §§ 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; § 1.1502-13 as published by T.D. 8597). Further, Distributing's excess loss account, if any, with respect to Controlled 1 was included in income immediately before the Controlled 1 Distribution (See § 1.1502-19).

(5l) Except for certain services provided by Distributing's controller which are provided at cost and will end by Date 2, payments made in connection with all continuing transactions (if any) following the Restructuring between Distributing and Controlled 1 have been and will continue to be for fair market value based on terms and conditions arrived at by the parties bargaining at arm's length.

(5m) The steps that comprised the Restructuring, including the New LLC Contribution and Controlled 1 Distribution, were undertaken pursuant to a prearranged overall plan and were adopted and approved by the board of directors of Distributing and its appropriate affiliates.

(5n) Except as otherwise described in the Restructuring, the Controlled 1 Distribution was not part of a plan or series of related transactions (within the meaning of § 1.355-7) pursuant to which one or more persons will acquire directly or indirectly stock representing a 50-percent or greater interest (within the meaning of section 355(d)(4)) in Distributing or Controlled 1 (including any predecessor or successor to any such corporation).

(5o) Immediately after the Controlled 1 Distribution (taking into account section 355(g)(4)), neither Distributing nor Controlled 1 was a disqualified investment corporation (within the meaning of section 355(g)(2)).

(5p) Distributing and Controlled 1 each paid its own expenses, if any, incurred in connection with the Controlled 1 Distribution.

**Controlled 2 Distribution**

(6a) Any indebtedness owed by Controlled 2 to Distributing after the Controlled 2 Distribution did not constitute stock or securities.

(6b) No part of the consideration distributed by Distributing in the Controlled 2 Distribution was received by Foreign Distributee as a creditor, employee, or in any capacity other than that of a shareholder of Distributing.

(6c) The five years of financial information submitted for the Business A conducted by Controlled 2 is representative of the present operations and there have been no substantial operational changes since the date of the last financial statements submitted.

(6d) Following the Controlled 2 Distribution, Controlled 2 will continue the active conduct of the Business A independently and with its separate employees.

(6e) Controlled 2 did not acquire either the Business A that it directly conducts or control of any entity conducting this business during the five-year period ending on the date of the Controlled 2 Distribution in a transaction in which gain or loss was recognized or treated as recognized in whole or in part. Throughout the five-year period ending on the date of the Controlled 2 Distribution, Controlled 2 was the principal owner of its share of the goodwill and significant assets of the Business A and continues to be the principal owner of its share of the Business A goodwill and assets following the Controlled 2 Distribution.

(6f) The Controlled 2 Distribution was carried out for the following corporate business purposes: (i) to align the Business A conducted in the U.S. with Foreign Distributee's holding company structure that is responsible for the operations of the Business A conducted globally, thereby reducing inefficiencies and improving and simplifying intercompany accounting and reporting functions, (ii) to eliminate the risks inherent in having a joint and several liability between the different business units, (iii) to enable each business unit headquarters to obtain greater access to capital under better terms from the Bank Syndicate and Foreign Distributee's ultimate shareholders, Shareholder 1 and Shareholder 2, and (iv) to change the manner of evaluating management with respect to capital, thereby incentivizing management to use capital more efficiently (the "Controlled 2 Distribution Business Purpose"). The distribution of the stock of Controlled 2 was motivated, in whole or substantial part, by one or more of these corporate business purposes.

(6g) The Controlled 2 Distribution was not used principally as a device for distributing the earnings and profits of Distributing or Controlled 2 or both.

(6h) Except as described in the Restructuring, there was no plan or intention to liquidate either Distributing or Controlled 2, to merge either corporation with any other corporation, or to sell or otherwise dispose of the assets of either corporation after the Controlled 2 Distribution, except in the ordinary course of business.

(6i) For purposes of section 355(d), immediately after the Controlled 2 Distribution, no person (determined after applying the aggregation rules of section 355(d)(7)) held stock possessing 50 percent or more of the total combined voting power of all classes of Controlled 2 stock entitled to vote or 50 percent or more of the total value of shares of all classes of Controlled 2 stock that was either (i) acquired by purchase (as defined in section 355(d)(5) and (8)) during the five-year period (determined after applying section 355(d)(6)) ending on the date of the Controlled 2 Distribution or (ii) attributable to distributions on Distributing's stock or securities that were acquired by purchase (as defined in section 355(d)(5) and (8)) during the five-year period (determined after applying section 355(d)(6)) ending on the date of the Controlled 2 Distribution.

(6j) No intercorporate debt existed between Distributing and Controlled 2 at the time of or subsequent to the Controlled 2 Distribution, except that Distributing and Controlled 2 may owe each other amounts payable for transitional services or amounts arising in the ordinary course of business. The intercorporate debt arising from transitional services represented final settlement balances and has been settled.

(6k) Immediately before the Controlled 2 Distribution, items of income, gain, loss, deduction, and credit were taken into account as required by the applicable intercompany transaction regulations (see §§ 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; § 1.1502-13 as published by T.D. 8597). Further, Distributing's excess loss account, if any, with respect to Controlled 2 was included in income immediately before the Controlled 2 Distribution (See § 1.1502-19).

(6l) Except for certain services provided by Distributing's controller which are provided at cost and will end by Date 2, payments made in connection with all continuing transactions (if any) following the Restructuring between Distributing and Controlled 2 have been and will continue to be for fair market value based on terms and conditions arrived at by the parties bargaining at arm's length.

(6m) Except as otherwise described in the Restructuring, the Controlled 2 Distribution was not part of a plan or series of related transactions (within the meaning of § 1.355-7) pursuant to which one or more persons will acquire directly or indirectly stock representing a 50-percent or greater interest (within the meaning of section 355(d)(4)) in Distributing or Controlled 2 (including any predecessor or successor to any such corporation).

(6n) Immediately after the Controlled 2 Distribution (taking into account section 355(g)(4)), neither Distributing nor Controlled 2 was a disqualified investment corporation (within the meaning of section 355(g)(2)).

(6o) Distributing and Controlled 2 each paid its own expenses, if any, incurred in connection with the Controlled 2 Distribution.

### **Controlled 3 Distribution**

(7a) Any indebtedness owed by Controlled 3 to Distributing after the Controlled 3 Distribution did not constitute stock or securities.

(7b) No part of the consideration distributed by Distributing in the Controlled 3 Distribution was received by Foreign Distributee as a creditor, employee, or in any capacity other than that of a shareholder of Distributing.

(7c) The five years of financial information submitted for the Business B conducted by Controlled 3 is representative of the present operations and there have been no substantial operational changes since the date of the last financial statements submitted.

(7d) Following the Controlled 3 Distribution, Controlled 3 will continue the active conduct of the Business B independently and with its separate employees.

(7e) Controlled 3 did not acquire either the Business B that it directly conducts or control of any entity conducting this business during the five-year period ending on the date of the Controlled 3 Distribution in a transaction in which gain or loss was recognized or treated as recognized in whole or in part. Throughout the five-year period ending on the date of the Controlled 3 Distribution, Controlled 3 was the principal owner of its share of the goodwill and significant assets of the Business B and continues to be the principal owner of its share of the Business B goodwill and assets following the Controlled 3 Distribution.

(7f) The Controlled 3 Distribution was carried out for the following corporate business purposes: (i) to align the Business B conducted in the U.S. with Foreign Distributee's holding company structure that is responsible for the operations of the Business B conducted globally, thereby reducing inefficiencies and improving and simplifying intercompany accounting and reporting functions, (ii) to eliminate the risks inherent in having a joint and several liability between the different business units, (iii) to enable each business unit headquarters to obtain greater access to capital under better terms from the Bank Syndicate and Foreign Distributee's ultimate shareholders, Shareholder 1 and Shareholder 2, and (iv) to change the manner of evaluating management with respect to capital, thereby incentivizing management to use capital more efficiently (the "Controlled 3 Distribution Business Purpose"). The distribution of the stock of

Controlled 3 was motivated, in whole or substantial part, by one or more of these corporate business purposes.

(7g) The Controlled 3 Distribution was not used principally as a device for distributing the earnings and profits of Distributing or Controlled 3 or both.

(7h) Except as described in the Restructuring, there was no plan or intention to liquidate either Distributing or Controlled 3, to merge either corporation with any other corporation, or to sell or otherwise dispose of the assets of either corporation after the Controlled 3 Distribution, except in the ordinary course of business.

(7i) For purposes of section 355(d), immediately after the Controlled 3 Distribution, no person (determined after applying the aggregation rules of section 355(d)(7)) held stock possessing 50 percent or more of the total combined voting power of all classes of Controlled 3 stock entitled to vote or 50 percent or more of the total value of shares of all classes of Controlled 3 stock that was either (i) acquired by purchase (as defined in section 355(d)(5) and (8)) during the five-year period (determined after applying section 355(d)(6)) ending on the date of the Controlled 3 Distribution or (ii) attributable to distributions on Distributing's stock or securities that were acquired by purchase (as defined in section 355(d)(5) and (8)) during the five-year period (determined after applying section 355(d)(6)) ending on the date of the Controlled 3 Distribution.

(7j) No intercorporate debt existed between Distributing and Controlled 3 at the time of or subsequent to the Controlled 3 Distribution, except that Distributing and Controlled 3 may owe each other amounts payable for transitional services or amounts arising in the ordinary course of business. The intercorporate debt arising from transitional services represented final settlement balances and has been settled.

(7k) Immediately before the Controlled 3 Distribution, items of income, gain, loss, deduction, and credit were taken into account as required by the applicable intercompany transaction regulations (see §§ 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; § 1.1502-13 as published by T.D. 8597). Further, Distributing's excess loss account, if any, with respect to Controlled 3 was included in income immediately before the Controlled 3 Distribution (See § 1.1502-19).

(7l) Except for certain services provided by Distributing's controller which are provided at cost and will end by Date 2, payments made in connection with all continuing transactions (if any) following the Restructuring between Distributing and Controlled 3 have been and will continue to be for fair market value based on terms and conditions arrived at by the parties bargaining at arm's length.

(7m) Except as otherwise described in the Restructuring, the Controlled 3 Distribution was not part of a plan or series of related transactions (within the meaning of § 1.355-7)

pursuant to which one or more persons will acquire directly or indirectly stock representing a 50-percent or greater interest (within the meaning of section 355(d)(4)) in Distributing or Controlled 3 (including any predecessor or successor to any such corporation).

(7n) Immediately after the Controlled 3 Distribution (taking into account section 355(g)(4)), neither Distributing nor Controlled 3 was a disqualified investment corporation (within the meaning of section 355(g)(2)).

(7o) Distributing and Controlled 3 each paid its own expenses, if any, incurred in connection with the Controlled 3 Distribution.

#### **Controlled 4 Distribution**

(8a) Any indebtedness owed by Controlled 4 to Distributing after the Controlled 4 Distribution did not constitute stock or securities.

(8b) No part of the consideration distributed by Distributing in the Controlled 4 Distribution was received by Foreign Distributee as a creditor, employee, or in any capacity other than that of a shareholder of Distributing.

(8c) The five years of financial information submitted for the Business B conducted by Controlled 4 is representative of the present operations and there have been no substantial operational changes since the date of the last financial statements submitted.

(8d) Following the Controlled 4 Distribution, Controlled 4 will continue the active conduct of the Business B independently and with its separate employees.

(8e) Controlled 4 did not acquire either the Business B that it directly conducts or control of any entity conducting this business during the five-year period ending on the date of the Controlled 4 Distribution in a transaction in which gain or loss was recognized or treated as recognized in whole or in part. Throughout the five-year period ending on the date of the Controlled 4 Distribution, Controlled 4 was the principal owner of its share of the goodwill and significant assets of the Business B and continues to be the principal owner of its share of the Business B goodwill and assets following the Controlled 4 Distribution.

(8f) The Controlled 4 Distribution was carried out for the following corporate business purposes: (i) to align the Business B conducted in the U.S. with Foreign Distributee's holding company structure that is responsible for the operations of the Business B conducted globally, thereby reducing inefficiencies and improving and simplifying intercompany accounting and reporting functions, (ii) to eliminate the risks inherent in having a joint and several liability between the different business units, (iii) to enable

each business unit headquarters to obtain greater access to capital under better terms from the Bank Syndicate and Foreign Distributee's ultimate shareholders, Shareholder 1 and Shareholder 2, and (iv) to change the manner of evaluating management with respect to capital, thereby incentivizing management to use capital more efficiently (the "Controlled 4 Distribution Business Purpose"). The distribution of the stock of Controlled 4 was motivated, in whole or substantial part, by one or more of these corporate business purposes.

(8g) The Controlled 4 Distribution was not used principally as a device for distributing the earnings and profits of Distributing or Controlled 4 or both.

(8h) Except as described in the Restructuring, there was no plan or intention to liquidate either Distributing or Controlled 4, to merge either corporation with any other corporation, or to sell or otherwise dispose of the assets of either corporation after the Controlled 4 Distribution, except in the ordinary course of business.

(8i) For purposes of section 355(d), immediately after the Controlled 4 Distribution, no person (determined after applying the aggregation rules of section 355(d)(7)) held stock possessing 50 percent or more of the total combined voting power of all classes of Controlled 4 stock entitled to vote or 50 percent or more of the total value of shares of all classes of Controlled 4 stock that was either (i) acquired by purchase (as defined in section 355(d)(5) and (8)) during the five-year period (determined after applying section 355(d)(6)) ending on the date of the Controlled 4 Distribution or (ii) attributable to distributions on Distributing's stock or securities that were acquired by purchase (as defined in section 355(d)(5) and (8)) during the five-year period (determined after applying section 355(d)(6)) ending on the date of the Controlled 4 Distribution.

(8j) No intercorporate debt existed between Distributing and Controlled 4 at the time of or subsequent to the Controlled 4 Distribution, except that Distributing and Controlled 4 may owe each other amounts payable for transitional services or amounts arising in the ordinary course of business. The intercorporate debt arising from transitional services represented final settlement balances and has been settled.

(8k) Immediately before the Controlled 4 Distribution, items of income, gain, loss, deduction, and credit were taken into account as required by the applicable intercompany transaction regulations (see §§ 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; § 1.1502-13 as published by T.D. 8597). Further, Distributing's excess loss account, if any, with respect to Controlled 4 was included in income immediately before the Controlled 4 Distribution (See § 1.1502-19).

(8l) Except for certain services provided by Distributing's controller which are provided at cost and will end by Date 2, payments made in connection with all continuing transactions (if any) following the Restructuring between Distributing and Controlled 4

have been and will continue to be for fair market value based on terms and conditions arrived at by the parties bargaining at arm's length.

(8m) Except as otherwise described in the Restructuring, the Controlled 4 Distribution was not part of a plan or series of related transactions (within the meaning of § 1.355-7) pursuant to which one or more persons will acquire directly or indirectly stock representing a 50-percent or greater interest (within the meaning of section 355(d)(4)) in Distributing or Controlled 4 (including any predecessor or successor to any such corporation).

(8n) Immediately after the Controlled 4 Distribution (taking into account section 355(g)(4)), neither Distributing nor Controlled 4 was a disqualified investment corporation (within the meaning of section 355(g)(2)).

(8o) Distributing and Controlled 4 each paid its own expenses, if any, incurred in connection with the Controlled 4 Distribution.

### **Controlled 5 Distribution**

(9a) Any indebtedness owed by Controlled 5 to Distributing after the Controlled 5 Distribution did not constitute stock or securities.

(9b) No part of the consideration distributed by Distributing in the Controlled 5 Distribution was received by Foreign Distributee as a creditor, employee, or in any capacity other than that of a shareholder of Distributing.

(9c) The five years of financial information submitted for the Business B conducted by Controlled 5 is representative of the present operations and there have been no substantial operational changes since the date of the last financial statements submitted.

(9d) Following the Controlled 5 Distribution, Controlled 5 will continue the active conduct of the Business B independently and with its separate employees.

(9e) Controlled 5 did not acquire either the Business B that it directly conducts or control of any entity conducting this business during the five-year period ending on the date of the Controlled 5 Distribution in a transaction in which gain or loss was recognized or treated as recognized in whole or in part. Throughout the five-year period ending on the date of the Controlled 5 Distribution, Controlled 5 was the principal owner of its share of the goodwill and significant assets of the Business B and continues to be the principal owner of its share of the Business B goodwill and assets following the Controlled 5 Distribution.

(9f) The Controlled 5 Distribution was carried out for the following corporate business purposes: (i) to align the Business B conducted in the U.S. with Foreign Distributee's holding company structure that is responsible for the operations of the Business B conducted globally, thereby reducing inefficiencies and improving and simplifying intercompany accounting and reporting functions, (ii) to eliminate the risks inherent in having a joint and several liability between the different business units, (iii) to enable each business unit headquarters to obtain greater access to capital under better terms from the Bank Syndicate and Foreign Distributee's ultimate shareholders, Shareholder 1 and Shareholder 2, and (iv) to change the manner of evaluating management with respect to capital, thereby incentivizing management to use capital more efficiently (the "Controlled 5 Distribution Business Purpose"). The distribution of the stock of Controlled 5 was motivated, in whole or substantial part, by one or more of these corporate business purposes.

(9g) The Controlled 5 Distribution was not used principally as a device for distributing the earnings and profits of Distributing or Controlled 5 or both.

(9h) Except as described in the Restructuring, there was no plan or intention to liquidate either Distributing or Controlled 5, to merge either corporation with any other corporation, or to sell or otherwise dispose of the assets of either corporation after the Controlled 5 Distribution, except in the ordinary course of business.

(9i) For purposes of section 355(d), immediately after the Controlled 5 Distribution, no person (determined after applying the aggregation rules of section 355(d)(7)) held stock possessing 50 percent or more of the total combined voting power of all classes of Controlled 2 stock entitled to vote or 50 percent or more of the total value of shares of all classes of Controlled 5 stock that was either (i) acquired by purchase (as defined in section 355(d)(5) and (8)) during the five-year period (determined after applying section 355(d)(6)) ending on the date of the Controlled 5 Distribution or (ii) attributable to distributions on Distributing's stock or securities that were acquired by purchase (as defined in section 355(d)(5) and (8)) during the five-year period (determined after applying section 355(d)(6)) ending on the date of the Controlled 5 Distribution.

(9j) No intercorporate debt existed between Distributing and Controlled 5 at the time of or subsequent to the Controlled 5 Distribution, except that Distributing and Controlled 5 may owe each other amounts payable for transitional services or amounts arising in the ordinary course of business. The intercorporate debt arising from transitional services represented final settlement balances has been settled.

(9k) Immediately before the Controlled 5 Distribution, items of income, gain, loss, deduction, and credit were taken into account as required by the applicable intercompany transaction regulations (see §§ 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; § 1.1502-13 as published by T.D. 8597). Further, Distributing's excess loss account, if

any, with respect to Controlled 5 was included in income immediately before the Controlled 5 Distribution (See § 1.1502-19).

(9l) Except for certain services provided by Distributing's controller which are provided at cost and will end by Date 2, payments made in connection with all continuing transactions (if any) following the Restructuring between Distributing and Controlled 5 have been and will continue to be for fair market value based on terms and conditions arrived at by the parties bargaining at arm's length.

(9m) Except as otherwise described in the Restructuring, the Controlled 5 Distribution was not part of a plan or series of related transactions (within the meaning of § 1.355-7) pursuant to which one or more persons will acquire directly or indirectly stock representing a 50-percent or greater interest (within the meaning of section 355(d)(4)) in Distributing or Controlled 5 (including any predecessor or successor to any such corporation).

(9n) Immediately after the Controlled 5 Distribution (taking into account section 355(g)(4)), neither Distributing nor Controlled 5 was a disqualified investment corporation (within the meaning of section 355(g)(2)).

(9o) Distributing and Controlled 5 each paid its own expenses, if any, incurred in connection with the Controlled 5 Distribution.

### **Controlled 6 Distribution**

(10a) Any indebtedness owed by Controlled 6 to Distributing after the Controlled 6 Distribution did not constitute stock or securities.

(10b) No part of the consideration distributed by Distributing in the Controlled 6 Distribution was received by Foreign Distributee as a creditor, employee, or in any capacity other than that of a shareholder of Distributing.

(10c) The five years of financial information submitted for the Business C conducted by Controlled 6 is representative of the present operations and there have been no substantial operational changes since the date of the last financial statements submitted.

(10d) Following the Controlled 6 Distribution, Controlled 6 will continue the active conduct of the Business C independently and with its separate employees.

(10e) Controlled 6 did not acquire either the Business C that it directly conducts or control of any entity conducting this business during the five-year period ending on the date of the Controlled 6 Distribution in a transaction in which gain or loss was recognized or treated as recognized in whole or in part. Throughout the five-year period

ending on the date of the Controlled 6 Distribution, Controlled 6 was the principal owner of its share of the goodwill and significant assets of the Business C and continues to be the principal owner of its share of the Business C goodwill and assets following the Controlled 6 Distribution.

(10f) The Controlled 6 Distribution was carried out for the following corporate business purposes: (i) to align the Business C conducted in the U.S. with Foreign Distributee's holding company structure that is responsible for the operations of the Business C conducted globally, thereby reducing inefficiencies and improving and simplifying intercompany accounting and reporting functions, (ii) to eliminate the risks inherent in having a joint and several liability between the different business units, (iii) to enable each business unit headquarters to obtain greater access to capital under better terms from the Bank Syndicate and Foreign Distributee's ultimate shareholders, Shareholder 1 and Shareholder 2, and (iv) to change the manner of evaluating management with respect to capital, thereby incentivizing management to use capital more efficiently (the "Controlled 6 Distribution Business Purpose"). The distribution of the stock of Controlled 6 was motivated, in whole or substantial part, by one or more of these corporate business purposes.

(10g) The Controlled 6 Distribution was not used principally as a device for distributing the earnings and profits of Distributing or Controlled 6 or both.

(10h) Except as described in the Restructuring, there was no plan or intention to liquidate either Distributing or Controlled 6, to merge either corporation with any other corporation, or to sell or otherwise dispose of the assets of either corporation after the Controlled 6 Distribution, except in the ordinary course of business.

(10i) For purposes of section 355(d), immediately after the Controlled 6 Distribution, no person (determined after applying the aggregation rules of section 355(d)(7)) held stock possessing 50 percent or more of the total combined voting power of all classes of Controlled 6 stock entitled to vote or 50 percent or more of the total value of shares of all classes of Controlled 6 stock that was either (i) acquired by purchase (as defined in section 355(d)(5) and (8)) during the five-year period (determined after applying section 355(d)(6)) ending on the date of the Controlled 6 Distribution or (ii) attributable to distributions on Distributing's stock or securities that were acquired by purchase (as defined in section 355(d)(5) and (8)) during the five-year period (determined after applying section 355(d)(6)) ending on the date of the Controlled 6 Distribution.

(10j) No intercorporate debt existed between Distributing and Controlled 6 at the time of or subsequent to the Controlled 6 Distribution, except that Distributing and Controlled 6 may owe each other amounts payable for transitional services or amounts arising in the ordinary course of business. The intercorporate debt arising from transitional services represented final settlement balances and has been settled.

(10k) Immediately before the Controlled 6 Distribution, items of income, gain, loss, deduction, and credit were taken into account as required by the applicable intercompany transaction regulations (see §§ 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; § 1.1502-13 as published by T.D. 8597). Further, Distributing's excess loss account, if any, with respect to Controlled 6 was included in income immediately before the Controlled 6 Distribution (See § 1.1502-19).

(10l) Except for certain services provided by Distributing's controller which are provided at cost and will end by Date 2, payments made in connection with all continuing transactions (if any) following the Restructuring between Distributing and Controlled 6 have been and will continue to be for fair market value based on terms and conditions arrived at by the parties bargaining at arm's length.

(10m) Except as otherwise described in the Restructuring, the Controlled 6 Distribution was not part of a plan or series of related transactions (within the meaning of § 1.355-7) pursuant to which one or more persons will acquire directly or indirectly stock representing a 50-percent or greater interest (within the meaning of section 355(d)(4)) in Distributing or Controlled 6 (including any predecessor or successor to any such corporation).

(10n) Immediately after the Controlled 6 Distribution (taking into account section 355(g)(4)), neither Distributing nor Controlled 6 was a disqualified investment corporation (within the meaning of section 355(g)(2)).

(10o) Distributing and Controlled 6 each paid its own expenses, if any, incurred in connection with the Controlled 6 Distribution.

## **Rulings**

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

### **Sub 2 Merger**

1. The Sub 2 Merger will qualify as a complete liquidation of Sub 2 under section 332. Section 332(b).
2. No gain or loss was recognized by Distributing on the deemed receipt of all the assets of Sub 2 as a result of the Sub 2 Merger under section 332 (a).
3. No gain or loss was recognized by Sub 2 on the deemed distribution of its assets to, and the assumption of liabilities by, Distributing as a result of the Sub 2 Merger under section 337(a).

4. The basis of each asset deemed to be received by Distributing from Sub 2 as a result of the Sub 2 Merger equaled the basis of that asset in the hands of Sub 2 immediately before the Sub 2 Merger under section 334(b)(1).
5. The holding period of each asset deemed to be received by Distributing from Sub 2 as a result of the Sub 2 Merger included the holding period during which Sub 2 held that asset under section 1223(2).
6. Following the Sub 2 Merger, Distributing succeeded to and took into account the items of Sub 2 described in section 381(c), subject to the conditions and limitations specified in section 381 and the regulations thereunder.

### **New LLC Contribution**

7. No gain or loss was recognized by Distributing on the transfer of the New LLC interests to Controlled 1 in exchange for deemed Controlled 1 stock and the assumption of liabilities by Controlled 1. Sections 351(a), 357(a).
8. No gain or loss was recognized by Controlled 1 on the deemed distribution of Controlled 1 stock in the Controlled 1 Contribution. Section 1032.
9. The basis of the stock in Controlled 1 in the hands of Distributing will be increased by an amount equal to the basis of the New LLC interests transferred and decreased by the amount of transferred liabilities assumed by Controlled 1. Sections 358(a)(1), 358(d)(1).
10. The basis of the New LLC interests in the hands of Controlled 1 will be equal to the basis of such assets in the hands of Distributing immediately prior to the New LLC Contribution. Section 362(a)(1).
11. The holding period of the New LLC interests in the hands of Controlled 1 will include the holding period that Distributing had in the New LLC interests immediately prior to the New LLC Contribution. Section 1223(2).

### **Operating Subsidiary Distributions**

12. Each of the distributions from Controlled 1, Controlled 2, Controlled 3, Controlled 4, Controlled 5, Controlled 6, and Sub 1 was a distribution to which section 301 applies and reduced the basis Distributing had in each of the respective Controlled Corporations and Sub 1. Sections 1.1502-13(f)(2)(ii) and 1.1502-32(b)(2)(iv).

13. Each of the Operating Subsidiary Distributions was excluded from Distributing's gross income. Section 1.1502-13(f)(2).

### **Controlled 1 Distribution**

14. Foreign Distributee did not recognize any gain or loss (and did not otherwise include any amount in income) on the receipt of shares of the Controlled 1 stock in the Controlled 1 Distribution under section 355(a)(1).
15. Distributing did not recognize any gain or loss as a result of the Controlled 1 Distribution under section 355(c)(1).
16. The basis of the Distributing stock and the Controlled 1 stock in the hands of Foreign Distributee immediately after the Controlled 1 Distribution was the same as Foreign Distributee's basis in the Distributing stock held immediately before the Controlled 1 Distribution, allocated in the manner described in § 1.358-2, in accordance with section 358(a) through (c).
17. The holding period of the Controlled 1 stock received by Foreign Distributee in the Controlled 1 Distribution included the holding period of the Distributing stock with respect to which the Controlled 1 Distribution was made, provided that the Distributing stock was held as a capital asset on the date of the Controlled 1 Distribution under section 1223(1).
18. Earnings and profits of Distributing, if any, were allocated between Distributing and Controlled 1 in accordance with § 1.312-10(b) and § 1.1502-33(f)(2).

### **Controlled 2 Distribution**

19. Foreign Distributee did not recognize any gain or loss (and did not otherwise include any amount in income) on the receipt of shares of the Controlled 2 stock in the Controlled 2 Distribution under section 355(a)(1).
20. Distributing did not recognize any gain or loss as a result of the Controlled 2 Distribution under section 355(c)(1).
21. The basis of the Distributing stock and the Controlled 2 stock in the hands of Foreign Distributee immediately after the Controlled 2 Distribution was the same as Foreign Distributee's basis in the Distributing stock held immediately before the Controlled 2 Distribution, allocated in the manner described in § 1.358-2, in accordance with section 358(a) through (c).
22. The holding period of the Controlled 2 stock received by Foreign Distributee in the Controlled 2 Distribution included the holding period of the Distributing stock

with respect to which the Controlled 2 Distribution was made, provided that the Distributing stock was held as a capital asset on the date of the Controlled 2 Distribution under section 1223(1).

23. Earnings and profits of Distributing, if any, were allocated between Distributing and Controlled 2 in accordance with § 1.312-10(b) and § 1.1502-33(f)(2).

### **Controlled 3 Distribution**

24. Foreign Distributee did not recognize any gain or loss (and did not otherwise include any amount in income) on the receipt of shares of the Controlled 3 stock in the Controlled 3 Distribution under section 355(a)(1).
25. Distributing did not recognize any gain or loss as a result of the Controlled 3 Distribution under section 355(c)(1).
26. The basis of the Distributing stock and the Controlled 3 stock in the hands of Foreign Distributee immediately after the Controlled 3 Distribution was the same as Foreign Distributee's basis in the Distributing stock held immediately before the Controlled 3 Distribution, allocated in the manner described in § 1.358-2, in accordance with section 358(a) through (c).
27. The holding period of the Controlled 3 stock received by Foreign Distributee in the Controlled 3 Distribution included the holding period of the Distributing stock with respect to which the Controlled 3 Distribution was made, provided that the Distributing stock was held as a capital asset on the date of the Controlled 3 Distribution under section 1223(1).
28. Earnings and profits of Distributing, if any, were allocated between Distributing and Controlled 3 in accordance with § 1.312-10(b) and § 1.1502-33(f)(2).

### **Controlled 4 Distribution**

29. Foreign Distributee did not recognize any gain or loss (and did not otherwise include any amount in income) on the receipt of shares of the Controlled 4 stock in the Controlled 4 Distribution under section 355(a)(1).
30. Distributing did not recognize any gain or loss as a result of the Controlled 4 Distribution under section 355(c)(1).
31. The basis of the Distributing stock and the Controlled 4 stock in the hands of Foreign Distributee immediately after the Controlled 4 Distribution was the same as Foreign Distributee's basis in the Distributing stock held immediately before

the Controlled 4 Distribution, allocated in the manner described in § 1.358-2, in accordance with section 358(a) through (c).

32. The holding period of the Controlled 4 stock received by Foreign Distributee in the Controlled 4 Distribution included the holding period of the Distributing stock with respect to which the Controlled 4 Distribution was made, provided that the Distributing stock was held as a capital asset on the date of the Controlled 4 Distribution under section 1223(1).
33. Earnings and profits of Distributing, if any, were allocated between Distributing and Controlled 4 in accordance with § 1.312-10(b) and § 1.1502-33(f)(2).

### **Controlled 5 Distribution**

34. Foreign Distributee did not recognize any gain or loss (and did not otherwise include any amount in income) on the receipt of shares of the Controlled 5 stock in the Controlled 5 Distribution under section 355(a)(1).
35. Distributing did not recognize any gain or loss as a result of the Controlled 5 Distribution under section 355(c)(1).
36. The basis of the Distributing stock and the Controlled 5 stock in the hands of Foreign Distributee immediately after the Controlled 5 Distribution was the same as Foreign Distributee's basis in the Distributing stock held immediately before the Controlled 5 Distribution, allocated in the manner described in § 1.358-2, in accordance with section 358(a) through (c).
37. The holding period of the Controlled 5 stock received by Foreign Distributee in the Controlled 5 Distribution included the holding period of the Distributing stock with respect to which the Controlled 5 Distribution was made, provided that the Distributing stock was held as a capital asset on the date of the Controlled 5 Distribution under section 1223(1).
38. Earnings and profits of Distributing, if any, were allocated between Distributing and Controlled 5 in accordance with § 1.312-10(b) and § 1.1502-33(f)(2).

### **Controlled 6 Distribution**

39. Foreign Distributee did not recognize any gain or loss (and did not otherwise include any amount in income) on the receipt of shares of the Controlled 6 stock in the Controlled 6 Distribution under section 355(a)(1).

40. Distributing did not recognize any gain or loss as a result of the Controlled 6 Distribution under section 355(c)(1).
41. The basis of the Distributing stock and the Controlled 6 stock in the hands of Foreign Distributee immediately after the Controlled 6 Distribution was the same as Foreign Distributee's basis in the Distributing stock held immediately before the Controlled 6 Distribution, allocated in the manner described in § 1.358-2, in accordance with section 358(a) through (c).
42. The holding period of the Controlled 6 stock received by Foreign Distributee in the Controlled 6 Distribution included the holding period of the Distributing stock with respect to which the Controlled 6 Distribution was made, provided that the Distributing stock was held as a capital asset on the date of the Controlled 6 Distribution under section 1223(1).
43. Earnings and profits of Distributing, if any, were allocated between Distributing and Controlled 6 in accordance with § 1.312-10(b) and § 1.1502-33(f)(2).

### **Caveats**

Except as expressly provided herein and specifically set forth in the rulings above, no opinion is expressed or implied concerning the federal tax consequences of any aspect of the Restructuring or item discussed or referenced in this letter under any other provision of the Code and regulations, or about the tax treatment of any conditions existing at the time of, or effects resulting from, the Restructuring. In particular, this office has not reviewed any information pertaining to and has made no determination regarding:

- (i) the Asset Sale, the CTB Elections, the FSub 2 Sale, the FSub 2 Merger, the FSub 5 Sale, the FSub 6 Sale, and the FSub 7 Sale;
- (ii) Whether the Sub 1 New Debt Issuance is treated as equity or debt;
- (iii) Whether any Distribution will satisfy the business purpose requirement of § 1.355-2(b);
- (iv) Whether any Distribution will be used principally as a device for the distribution of earnings and profits of the distributing corporation or the controlled corporation or both; and
- (v) Whether any Distribution and an acquisition or acquisitions are part of a plan (or series of related transactions) under section 355(e)(2)(A)(ii).

**Procedural Statements**

This letter 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.

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.

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

Sincerely,

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

cc: