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Distributing 5 =

Controlled 5 =

Distributing 4 =

Controlled 4 =

Distributing 3 =

Controlled 3 =

Distributing 2 =

Controlled 2 =

Distributing 1 =

Controlled 1 =

Sub 1 =

Sub 2 =

Sub 3 =

Sub 4 =

Sub 5 =

Sub 6 =

Sub 7 =

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DRE 6 =

DRE 7 =

DRE 8 =

DRE 9 =

DRE 10 =

PRS 1 =

PRS 2 =

Business 1 =
Business 2 =
Business 3 =
Business 4 =
Business 5 =
Post-Separation Agreements =

State A =
State B =
State C =
State D =
State E =
State F =
Country A =
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Dear :

This responds to a letter dated March 1, 2012, submitted by your authorized representatives, requesting rulings with respect to the federal income tax consequences of a proposed transaction described below (the "Proposed Transaction"). The information submitted in that request and in subsequent correspondence is summarized below.

The rulings contained in this letter are based upon information and representations submitted by the taxpayer and accompanied by a penalties of perjury statement executed by an appropriate party. This office has not verified any of the material submitted in support of the request for rulings. Verification of the information, representations, and other data may be required as part of the audit process.

In particular, this office has not reviewed any information pertaining to, and has made no determination regarding whether the Internal Distributions and the External Distribution (both defined below): (i) satisfy the business purpose requirement of § 1.355-2(b) of the Income Tax Regulations; (ii) are used principally as a device for the distribution of the earnings and profits of any distributing corporation or any controlled corporation or both (see Section 355(a)(1)(B) of the Internal Revenue Code and Treas. Reg. § 1.355-2(d)); and (iii) are part of a plan (or series of related transactions) pursuant to which one or more persons will acquire directly or indirectly stock representing a 50-percent or greater interest in any distributing corporation or any controlled corporation (see Section 355(e)(2)(A)(ii) and Treas. Reg. § 1.355-7).

Summary of Facts

Distributing 5, a publicly traded State A corporation, is the parent of a worldwide group of entities and is also the common parent of an affiliated group of corporations filing a consolidated federal income tax return (collectively, the “Distributing 5 Group”). Distributing 5 has a single class of common stock (the “Distributing 5 Common Stock”) and a class of convertible preferred stock outstanding.

The Distributing 5 Group is engaged in a number of businesses including Business 1, Business 2, and Business 3 domestically and internationally. Distributing 5 has entered into an agreement to dispose of Business 3 to an unrelated third party. Distributing 1, through its separate affiliated group as defined in Section 355(b)(3)(B) (“SAG”) (the “Distributing 1 SAG”) is engaged in Business 4 and Business 5 in Country A; Distributing 2, through its SAG (the “Distributing 2 SAG”), is engaged in Business 4 and Business 5 in Country B; Distributing 3, through its SAG (the “Distributing 3 SAG”), is engaged in Business 4 and Business 5 in Country C; and Distributing 4, through its SAG (the “Distributing 4 SAG”), is engaged in Business 4 and Business 5 in Country D. Following the External Distribution, Distributing 5, through its SAG (the “Distributing 5 SAG”), will continue to conduct Business 1 domestically and internationally, including Business 4 in Country B. Controlled 5, through its SAG (the “Controlled 5 SAG”), will conduct Business 2 domestically and internationally, including Business 5 in Country B.

Distributing 5 owns directly all of the equity interests in Sub 1, a State A corporation, Sub 2, a State B corporation, Sub 3, a State C corporation, LLC 1, a State A limited liability company, LLC 2, a State A limited liability company, and DRE 1, a Country E entity. LLC 1, LLC 2, and DRE 1 are disregarded as separate from Distributing 5.

Distributing 5 also owns, indirectly through entities disregarded as separate from Distributing 5, all of the stock in Sub 4, Sub 5, and Sub 6, each a State A corporation. Distributing 5 acquired Sub 2 in a taxable transaction on Date 1. Distributing 5 also indirectly wholly owns FSub 6, a Country F corporation.

LLC 1 owns all of the stock in Sub 7, a State D corporation, Sub 8, a State A corporation, and Sub 9, a State E corporation. Sub 8 owns all of the stock in Distributing 4, a State F corporation.

LLC 2 owns all of the interests in LLC 3, a State A limited liability company and all of the Class A, Series B Junior Preferred, and approximately a percent of the Class B equity interests in LLC 4, a State D limited liability company. LLC 3 owns the remaining approximately b percent of the Class B equity interests in LLC 4. LLC 4 owns all of the stock in Sub 10, a State D corporation, and all of the interests in both LLC 5, a State A limited liability company and LLC 6, a State A limited liability company. LLC 6 owns all of the interests in LLC 7, a State A limited liability company. LLC 3, LLC 4, LLC 5, LLC 6, and LLC 7 are disregarded as separate from Distributing 5.

Sub 1 owns all of the interests in LLC 8, a State A limited liability company. LLC 8 owns all of the interests in LLC 9, a State A limited liability company, which owns all of the interests in LLC 10, a State A limited liability company, and Sub 11, a State A corporation. Sub 11 owns all of the interests in DRE 2, a Country E entity. LLC 8, LLC 9, LLC 10, and DRE 2 are disregarded as separate from their respective owners.

Sub 2 owns all of the stock of Sub 12, a State A corporation, which owns all of the interests in LLC 11, a State A limited liability company disregarded as separate from Sub 12.

Distributing 1 is a Country F corporation that serves as the principal holding company for Distributing 5's foreign operations. Distributing 5, Sub 11, Sub 7, Distributing 4, LLC 5, and LLC 7 own, respectively, approximately c, d, e, f, g, and h percent of the equity interests in Distributing 1.

Distributing 1 owns all of the stock in FSub 1, a Country G corporation, FSub 2, a Country E corporation, FSub 4, a Country F corporation, and FSub 5, a Country F corporation.

FSub 2 owns all of the stock in FSub 7, a Country E corporation, which owns all of the stock in FSub 8, a Country E corporation. FSub 8 owns i percent of the stock in FSub 9, a Country A corporation, and all of the stock in each of FSub 10, a Country H corporation, and FSub 11, a Country H corporation. FSub 10 owns interests in PRS 1, a Country H partnership, representing more than i percent of the value of all interests in PRS 1, with the remainder owned by FSub 11.

FSub 4 owns all of the interests in DRE 4, a Country J entity disregarded as separate from FSub 4, and approximately p percent of the stock in FSub 14, a Country F corporation. DRE 4 owns the remaining approximately q percent of FSub 14. FSub 14 owns all of the interests in DRE 9, a Country F entity disregarded as separate from FSub 14.

DRE 9, Distributing 4, LLC 10, Sub 1, and FSub 8 own, respectively, approximately k, l, m, n, and o percent of the stock in FSub 12, a Country I corporation. FSub 12 owns all of the interests in DRE 3, a Country I entity disregarded as separate from FSub 12, which owns all of the stock in FSub 13, a Country I corporation.

FSub 5 owns, directly and indirectly through an entity disregarded as separate from it, all of the interests in DRE 5, a Country F entity that is disregarded as separate from FSub 5, which owns all of DRE 10, a Country F entity that is disregarded as separate from FSub 5.

FSub 6 owns all of FSub 16, a Country K corporation.

Distributing 2, a dual incorporated State A and Country E corporation, is a holding company for subsidiaries engaged in Business 1 and Business 2. DRE 1 owns an approximately r percent interest and DRE 2 owns the remaining approximately s percent interest in Distributing 2.

Distributing 2 owns all of the stock in FSub 17, a Country E corporation, which owns all of the interests in FSub 18, a Country B corporation. FSub 18 owns all of the interests in DRE 6, a Country B entity and all of the Class A interests in PRS 2, a Country B partnership. LLC 4 owns all of the Class B interests and DRE 6 owns certain profit participation rights treated as equity for federal income tax purposes in PRS 2. PRS 2 owns all of the interests in DRE 7, a Country B entity, and FSub 19, a Country B corporation. DRE 6 and DRE 7 are each disregarded as separate from their respective owners.

Distributing 3 engages directly in Business 1 and Business 2 in Country C. Distributing 3 has two classes of stock outstanding. Distributing 5, LLC 1, Sub 1, Sub 9, and LLC 10 own, respectively, approximately t, u, v, w, and x percent of the common stock in Distributing 3. FSub 1 owns all of the preferred stock in Distributing 3.

Distributing 4 engages in Business 1 and Business 2 directly and indirectly through subsidiaries. Distributing 4 and LLC 4 own, respectively, approximately y and z percent of the stock in FSub 20, a Country F corporation, which owns all of the interests in DRE 8, a Country L entity that is disregarded as separate from FSub 20. Distributing 4, FSub 20, and DRE 8 own, respectively, approximately aa, bb, and cc percent of the stock in FSub 21, a Country D corporation.

The taxpayer has submitted financial information indicating that each of the Business 4 and Business 5 operations conducted in Country A, Country B, Country C and Country D has had gross receipts and operating expenses representing the active conduct of a trade or business for each of the past five years.

Distributing 5 has determined that the separation of Business 2 from Business 1 and Distributing 5's other businesses will serve a number of corporate business purposes, including (i) creating an independent public company with a Board of Directors and management team focused exclusively on Business 2, which will be able to pursue future business initiatives, including acquisitions and other capital investments (ii) creating a pure-play, widely held, publicly traded equity security linked only to the performance of Business 2, rather than Distributing 5's much larger core Business 1, which can be used efficiently to attract, retain and incentivize Business 2 employees and to pursue attractive acquisition opportunities, and (iii) enhancing the capital markets efficiency of Distributing 5 stock, which can be used in acquisitions and capital raising activities, by eliminating a non-core business which investors do not appropriately value when assessing Distributing 5's business operations.

Proposed Transaction

For what are represented to be valid business reasons, the following transaction has been proposed and/or completed to accomplish the separation of Business 1 from Business 2.

The Foreign Distributions

Prior to engaging in the Internal Distributions and External Distribution, Distributing 5 proposes to engage in the following restructuring plans.

The Country I Restructuring:

- (i) FSub 8, DRE 9, Sub 1, LLC 10, and Distributing 4 will contribute their respective stock of FSub 12 to Newco 1, a newly formed Country F corporation. Immediately thereafter, FSub 12 will elect to be classified as an entity disregarded as separate from Newco 1.
- (ii) FSub 13 will undertake a series of steps that will result in its complete liquidation into Newco 1 for federal income tax purposes.
- (iii) Newco 1 will distribute cash, a note, or other property to Sub 1 and LLC 10 in complete redemption of their respective membership interests in Newco 1 and to FSub 8 and DRE 9 in redemption of a portion of their respective membership interests in Newco 1 (collectively, the "Country I Redemptions").

- (iv) DRE 3 will form Newco 2, a Country I corporation, and FSub 13 and DRE 3 (both of which are disregarded as separate from Newco 1) will contribute their respective Business 2 assets to Newco 2 (the "Country I Contribution").
- (v) FSub 13 and DRE 3 will transfer their respective interests in Newco 2 to Distributing 4 (effected through a sale and redemption using circular notes) in redemption of a portion of Distributing 4's equity interests in Newco 1 (the "Country I Distribution").

The Country H Restructuring:

- (vi) On Date 2, minority shareholders of PRS 1 transferred their shares of PRS 1 to FSub 10 for cash.
- (vii) On Dates 3 and 4, FSub 8 contributed the stock of FSub 10 to New FSub 10, a newly formed Country F corporation (in part through an entity disregarded as separate from FSub 8). Effective Date 5, FSub 10 filed an entity classification election to be classified as an entity disregarded as separate from New FSub 10.
- (viii) On Date 5, PRS 1 sold its stock of Newco 3, a Country E corporation that indirectly conducts Business 2 in Country M, to New FSub 10 in exchange for a note. Pursuant to a binding agreement entered into contemporaneously with the sale of the stock of Newco 3, PRS 1 will then distribute such note to FSub 10.
- (ix) PRS 1 will loan cash to New FSub 10, which will distribute such cash to FSub 8 (the "Country H Property Distribution").
- (x) PRS 1 will transfer its remaining Business 2 assets to FSub 10 in redemption of a portion of FSub 10's interest in PRS 1. FSub 10 will then distribute such Business 2 assets to New FSub 10.
- (xi) New FSub 10 will contribute its Business 2 assets (received from PRS 1 in step (x) above) to Newco 3 in exchange for stock of Newco 3 (the "Country H Contribution").
- (xii) New FSub 10 will distribute all of its Newco 3 stock to FSub 8 (the "Country H Distribution").

The Distributing 1 Holding Company Restructuring:

- (xiii) FSub 8 will distribute cash, a note, or other property to FSub 7 (the "FSub 8 Property Distribution").

- (xiv) FSub 8 and FSub 9 will undertake a series of steps that for federal income tax purposes will be treated as if FSub 9 had transferred its Business 2 assets to Newco 4, a newly formed Country A corporation, and distributed all of the Newco 4 stock to FSub 8.
- (xv) FSub 8 will contribute its Business 2 assets (which include equity interests in certain Business 2 Subsidiaries (defined below) received pursuant to local country separation transactions and the stock of Newco 4 deemed received in step (xiv)) to Newco 5, a newly formed Country E corporation (the “FSub 8 Contribution”).
- (xvi) FSub 7 will contribute all of the stock of FSub 8 to a newly formed Country E corporation (“New FSub 8”). Immediately thereafter, FSub 8 will file an election to be classified as an entity disregarded as separate from New FSub 8. FSub 8 will then sell all of the stock of Newco 5 to New FSub 8 in exchange for a note and/or cash, and New FSub 8 will then distribute such stock to FSub 7 (the “FSub 8 Distribution”).
- (xvii) FSub 7 will distribute cash, a note, or other property to FSub 2 (the “FSub 7 Property Distribution”).
- (xviii) FSub 7 (or a subsidiary thereof disregarded as separate from its owner) has acquired or will acquire equity interests in the following Distributing 5 affiliates in exchange for cash, a note, or other property (collectively, the “FSub 7 Acquisitions”):
 - a. Approximately p percent of the equity interests in FSub 14 from FSub 4;
 - b. All of the equity interests in DRE 4 from FSub 4;
 - c. All of the equity interests in DRE 10 from DRE 5; and
 - d. All of the equity interests in FSub 16 from FSub 6.
- (xix) FSub 7 will contribute its Business 2 assets (which include equity interests in Business 2 Subsidiaries received pursuant to local country separation transactions) to Newco 5 (the “FSub 7 Contribution”).
- (xx) FSub 7 will distribute all of the stock in Newco 5 to FSub 2 (the “FSub 7 Distribution”).
- (xxi) On Dates 6, 7, 8, and 9, FSub 2 distributed cash to Distributing 1, through disregarded entities, and will distribute additional cash, a note, or other property

to Distributing 1, through disregarded entities (the “FSub 2 Property Distribution”).

- (xxii) FSub 2 will contribute its Business 2 assets (which include equity interests in Business 2 Subsidiaries received pursuant to local country separation transactions and all of the equity interests in Newco 5 received in step (xx) above) to Newco 6, a newly formed Country E corporation (the “FSub 2 Contribution”).
- (xxiii) FSub 2 will distribute all of the stock in Newco 6 to Distributing 1 through disregarded entities (the “FSub 2 Distribution”).

The Country B Restructuring:

- (xxiv) Effective Date 10, DRE 6 filed an entity classification election to be classified as an entity disregarded as separate from FSub 18.
- (xxv) On Date 11, FSub 18 distributed cash, a note, or other property to FSub 17 (the “Country B Property Distribution”).
- (xxvi) PRS 2 will transfer its Business 2 assets to Newco 7, a newly formed Country B entity disregarded as separate from FSub 18.
- (xxvii) FSub 18 will contribute cash to Newco 7, which cash Newco 7 will use to acquire DRE 6’s Business 2 assets. FSub 18 will also contribute stock of a subsidiary that conducts Business 2 in Country N to Newco 7.
- (xxviii) Newco 7 will file an entity classification election to be classified as a corporation for federal income tax purposes (the “Country B Contribution”).
- (xxix) FSub 18 will distribute all of the stock in Newco 7 to FSub 17 (the “Country B Distribution”).
- (xxx) LLC 4 will transfer cash to FSub 19 in exchange for a Class B interest of FSub 19.
- (xxxi) PRS 2 will distribute cash to LLC 4 in redemption of LLC 4’s Class B interests in PRS 2.

The Distributing 2 Holding Company Restructuring:

- (xxxii) On Date 11, FSub 17 distributed cash, a note, or other property to Distributing 2 (the “FSub 17 Property Distribution”).

- (xxxiii) FSub 17 will contribute its equity interests in Newco 7, received in step (xxix) above, to Newco 8, a newly formed Country E corporation (the “FSub 17 Contribution”).
- (xxxiv) FSub 17 will distribute all of the stock in Newco 8 to Distributing 2 (the “FSub 17 Distribution”).

The Country D Restructuring:

- (xxxv) On Date 12, DRE 8 sold its stock of FSub 21 to FSub 20 in exchange for a note; later on Date 12, DRE 8 distributed such note back to FSub 20.
- (xxxvi) On Date 13, FSub 21 distributed cash to its shareholders on a pro rata basis (the “Country D Property Distribution”).
- (xxxvii) FSub 21 will transfer its Business 2 assets (held through disregarded entities) to Newco 9, a newly formed Country D corporation, (the “Country D Contribution”) and Newco 9 will issue its shares directly to Distributing 4 and FSub 20 in proportion to their respective ownership interests in FSub 21 (the “Country D Distribution”).
- (xxxviii) FSub 20 will distribute its stock of Newco 9 to Distributing 4 in what is intended to be a taxable distribution of property.

Preparatory Transactions:

- (xxxix) Distributing 5 and certain of its direct and indirect domestic subsidiaries each have formed or will form a domestic limited liability company (“LLC”) classified as a disregarded entity for federal income tax purposes and will transfer its respective Business 2 assets (including operating assets and equity interests in other subsidiaries that conduct Business 2 (the “Business 2 Subsidiaries”)) to such LLC (collectively, the “Business 2 LLCs”).
- (xl) Various direct and indirect foreign subsidiaries of Distributing 5 will execute separation transactions in their respective local countries (the “local country separation transactions”). The resulting entities conducting Business 2 are also referred to as the “Business 2 Subsidiaries.” For federal income tax purposes, these transactions are intended to be treated as Section 368(a)(1) reorganizations, Section 332 liquidations, Section 355 distributions, taxable asset sales, or disregarded transactions, as applicable.

U.S. Internal Restructuring Transactions:

- (xli) Sub 8 will convert to an LLC (“Sub 8 LLC”).

- (xlii) Sub 9 will convert to an LLC (“Sub 9 LLC”) and will then distribute its approximately w percent interest in Distributing 3 to LLC 1.
- (xliii) Sub 11 will convert to an LLC (“Sub 11 LLC”).
- (xliv) Sub 12 will convert to an LLC (“Sub 12 LLC”).
- (xlv) Each of Sub 4, Sub 5, and Sub 6 will convert into a limited liability company that is disregarded as separate from Distributing 5.

The Controlled 1 Contribution and the First Internal Distribution:

- (xlvi) On Dates 7 and 9, Distributing 1 distributed cash to its shareholders pro rata. Distributing 1 will distribute additional cash, a note, or other property to its shareholders pro rata and will distribute cash to Sub 11 LLC in redemption of a portion of Sub 11 LLC’s membership interests in Distributing 1 (the “Distributing 1 Property Distribution”).
- (xlvii) Distributing 1 formed six limited liability companies, each of which is disregarded as separate from Distributing 1 (together, the “Distributing 1 LLCs”): New LLC 1; New LLC 2; New LLC 3; New LLC 4; New LLC 5; and New LLC 6.
- (xlviii) The Distributing 1 LLCs formed Controlled 1, a Country F entity that will file an election to be classified as a corporation for federal income tax purposes.
- (xlix) Sub 10 will transfer certain of its Business 2 assets to one or more of Distributing 1’s foreign subsidiaries in taxable transactions. Such assets will thereafter be indirectly transferred to Controlled 1 in the Controlled 1 Contribution (described below).
 - (i) Distributing 1 will contribute all of its Business 2 assets (interests in Business 2 Subsidiaries received as a result of foreign preparatory transactions, the stock of Newco 6 received in step (xxiii) above, and intercompany notes receivable owing from certain Business 2 Subsidiaries) to the Distributing 1 LLCs, which in turn will contribute such assets to Controlled 1 (the “Controlled 1 Contribution”).
 - (ii) Distributing 1 will distribute all of the equity of Controlled 1 to its equityholders pro rata by distributing all of the equity interests in the Distributing 1 LLCs (the “First Internal Distribution”) as follows:
 - a. 100 percent of the equity interests in New LLC 1 to LLC 7;
 - b. 100 percent of the equity interests in New LLC 2 to LLC 5;

- c. 100 percent of the equity interests in New LLC 3 to Sub 7;
- d. 100 percent of the equity interests in New LLC 4 to Distributing 4;
- e. 100 percent of the equity interests in New LLC 5 to Sub 11 LLC; and
- f. 100 percent of the equity interests in New LLC 6 to Distributing 5.

U.S. Internal Restructuring Transactions:

- (lii) Distributing 4 formed New LLC 7, a limited liability company disregarded as separate from Distributing 4, and Sub 7 will merge with and into New LLC 7, with New LLC 7 surviving (the "Sub 7 Reorganization"). Pursuant to the Sub 7 Reorganization, Distributing 4 will issue new shares of its stock to LLC 1 (the "Sub 7 Block").
- (liii) Distributing 5 will transfer all of its stock in Sub 1 to Distributing 4 in exchange for Distributing 4 stock (the "Sub 1 Block"). Immediately thereafter, Sub 1 will convert into a limited liability company, disregarded as separate from Distributing 4 (the "Sub 1 Reorganization").
- (liv) Distributing 5 will transfer all of its stock of Sub 2 to Distributing 4 in exchange for Distributing 4 stock (the "Sub 2 Block"). Immediately thereafter, Sub 2 will convert into a limited liability company (the "Sub 2 Reorganization").

The Section 351 Contributions:

- (lv) Sub 3 will (i) transfer its Business 2 assets to New LLC 8, a newly formed domestic limited liability company and (ii) contribute its equity interests in New LLC 8 to Distributing 4 solely in exchange for Distributing 4 stock (the "Sub 3 Block") (the "Sub 3 Contribution"). Such transferred assets may include cash, cash items, or other assets described in Treas. Reg. § 1.355-6(d)(3)(i)(A).
- (lvi) Sub 10 will (i) transfer its remaining Business 2 assets to New LLC 9, a newly formed domestic limited liability company, and (ii) contribute its equity interests in New LLC 9 to Distributing 4 solely in exchange for Distributing 4 stock (the "Sub 10 Block") (the "Sub 10 Contribution"). Such transferred assets may include cash, cash items, or other assets described in Treas. Reg. § 1.355-6(d)(3)(i)(A).

U.S Internal Restructuring Transactions:

- (lvii) Sub 8 LLC will distribute its stock of Distributing 4 to LLC 1 (the "Pre-Existing Block").

- (lviii) LLC 1 will distribute (i) its stock of Distributing 4 (the Pre-Existing Block and the Sub 7 Block), (ii) its approximately dd percent stock interest in Distributing 3, (iii) its interests in directly owned Business 2 LLCs, and (iv) its interests in certain other Business 2 Subsidiaries to Distributing 5.
- (lix) Prior to the Controlled 5 Contribution, defined below, certain direct and indirect subsidiaries of Distributing 5 that are disregarded as separate from Distributing 5 will engage in a series of disregarded transactions to transfer Business 2 assets (including equity interests in Business 2 LLCs and other Business 2 Subsidiaries) to Distributing 5.

The Controlled 2 Contribution and the Second Internal Distribution:

- (lx) Distributing 2 formed Controlled 2 as a domestic corporation and will transfer its equity interests in Business 2 Subsidiaries, including Newco 8 received in step (xxxiv) above, and interests received as a result of foreign preparatory transactions to Controlled 2 in exchange for Controlled 2 stock (the “Controlled 2 Contribution”).
- (lxi) Distributing 2 will distribute the stock of Controlled 2 non-pro rata in redemption of some or all of DRE 2’s stock of Distributing 2 (the “Second Internal Distribution”).

U.S. Internal Restructuring Transactions:

- (lxii) Prior to the Controlled 4 Contribution, defined below, certain entities that are disregarded as separate from Distributing 4 will transfer their respective Business 2 assets (including equity interests in Business 2 LLCs and other Business 2 Subsidiaries) and an approximately ee percent stock interest in Distributing 3 to Distributing 4.
- (lxiii) Distributing 5 will contribute its approximately ff percent interest in Distributing 3 to Distributing 4 solely in exchange for Distributing 4 stock (the “Distributing 5 Block”) (the “Distributing 5 Contribution”).
- (lxiv) Distributing 4 formed Controlled 4, which will initially be disregarded as separate from Distributing 4, and will transfer its equity interests in directly owned Business 2 LLCs and other Business 2 Subsidiaries to Controlled 4 in exchange for Controlled 4 equity interests. The transferred equity interests will include, in part:
 - a. All of the interests in Newco 9 received in steps (xxxvii) and (xxxviii) above;

- b. All of the interests in New LLC 4 received in step (li) above, New LLC 3 received in step (lii) above, and New LLC 5 received in step (liii) above;
- c. All of the interests in Controlled 2 received in step (lxi) above; and
- d. All of the equity interests in New LLC 8 and New LLC 9 received in steps (lv) and (lvi) above.

The Country C Restructuring:

- (lxv) On Date 13, Controlled 4 formed Controlled 3, a Country C corporation.
- (lxvi) Prior to the execution of steps (lxvii)-(lxxii), Distributing 3 will distribute cash, a note, or other property pro rata to the holders of its common stock (the "Country C Property Distribution").
- (lxvii) Distributing 3 will recapitalize its existing common stock, all of which will be held by Distributing 4, into new shares of common stock and new shares of Class B preferred stock.
- (lxviii) Distributing 4, Controlled 4, and Controlled 3 will enter into a multi-party share transfer agreement whereby:
 - a. Distributing 4 will transfer its Class B preferred shares in Distributing 3 to Controlled 3;
 - b. Controlled 3 will issue common shares to Controlled 4; and
 - c. Controlled 4 will issue shares to Distributing 4.
- (lxix) Distributing 3 will transfer its Business 2 assets to Controlled 3 in exchange for preferred shares in Controlled 3 and Controlled 3's assumption of liabilities.
- (lxx) Controlled 3 will redeem the Controlled 3 shares owned by Distributing 3 in exchange for a note (the "Controlled 3 Note 1").
- (lxxi) Distributing 3 will redeem the Class B preferred shares owned by Controlled 3 in exchange for a note (the "Distributing 3 Note 2")
- (lxxii) The principal amount owing from Controlled 3 to Distributing 3 under the Controlled 3 Note 1 and the principal amount owing from Distributing 3 to Controlled 3 under the Distributing 3 Note 2 will be set off in full against each other, and each such note will be marked paid in full and cancelled.

The Controlled 4 Contribution and the Fourth Internal Distribution:

- (lxxiii) Controlled 4 will file a Form 8832 to elect to be classified as a corporation for federal income tax purposes (the “Controlled 4 Contribution”).
- (lxxiv) Distributing 4 will distribute all of the outstanding equity interests in Controlled 4 to Distributing 5 in partial redemption of the Pre-Existing Block (the “Fourth Internal Distribution”).

The Controlled 5 Contribution and the External Distribution:

- (lxxv) Distributing 5 will form Controlled 5 with two authorized classes of stock, “Controlled 5 Class A Stock” and “Controlled 5 Class B Stock,” together, the “Controlled 5 Stock.” Each share of Controlled 5 Class A Stock will be identical to each share of Class B Stock, except with respect to the election of members of the Controlled 5 Board of Directors (the “Controlled 5 Board”), each share of the Controlled 5 Class A Stock will entitle its holder to gg vote and each share of Controlled 5 Class B Stock will entitle its holder to hh votes; with respect to all other matters, the voting rights of each class will be identical.
- (lxxvi) Pursuant to a contribution agreement, Distributing 5 will transfer all of its interests in its directly owned Business 2 Subsidiaries, including Controlled 4, New LLC 1, New LLC 2, and New LLC 6 to Controlled 5 in exchange for all of the outstanding stock of Controlled 5, debt of Controlled 5 that qualifies as “securities” within the meaning of Section 361(a) (the “Controlled 5 Securities”), and cash (to be received in step (lxxvii) below) (the “Controlled 5 Contribution”).
- (lxxvii) Controlled 5 will borrow cash from third-party lenders through capital markets borrowing, which it will transfer to Distributing 5 in partial exchange for the interests in the Business 2 subsidiaries received from Distributing 5 in step (lxxvi) above (the “Controlled 5 Cash Transfer”).
- (lxxviii) On one or more occasions, including on or around the date of the Controlled 5 Contribution, Distributing 5 will issue debt (the “Distributing 5 Debt”) to one or more investment banks (the “Investment Banks”) for cash (the first such issuance, the “Initial Debt Issuance” and each such issuance, a “Debt Issuance”).
- (lxxix) No less than jj days after the Initial Debt Issuance, Distributing 5 will enter into an exchange agreement (the “Debt-for-Debt Exchange Agreement”) with the Investment Banks pursuant to which Distributing 5 will retire some or all of the Distributing 5 Debt issued in such Debt Issuance in exchange for the Controlled 5 Securities. No less than jj days after such Initial Debt Issuance, Distributing 5 will transfer the Controlled 5 Securities to the Investment Banks in repayment of all

or a part of such Distributing 5 Debt (the “Debt-for-Debt Exchange”). Thereafter, Distributing 5 understands that the Investment Banks will sell the Controlled 5 Securities to third-party investors.

- (lxxx) No less than ij days after any Debt Issuance, including the Initial Debt Issuance, Distributing 5 will enter into an exchange agreement (the first such agreement, the “Initial Debt-for-Equity Exchange Agreement” and each such agreement, a “Debt-for-Equity Exchange Agreement,” and collectively with the Debt-for-Debt Exchange Agreement, the “Exchange Agreements”) with the Investment Banks pursuant to which Distributing 5 will retire some or all of the Distributing 5 Debt issued in the Debt Issuance in exchange for Controlled 5 Class A Stock. No less than ij days after such Debt Issuance, Distributing 5 will transfer Controlled 5 Class A Stock to the Investment Banks in repayment of all or a part of such Distributing 5 Debt (the first such exchange, the “Initial Debt-for-Equity Exchange” and each such exchange, a “Debt-for-Equity Exchange,” and collectively with the Debt-for-Debt Exchange, the “Debt Exchanges”). Thereafter, Distributing 5 understands that the Investment Banks will sell such Controlled 5 Class A Stock to third-party investors in a public offering (the “IPO”) and perhaps negotiated sales. Any Controlled 5 Stock exchanged for Distributing 5 Debt in Debt-for-Equity Exchanges is referred to as “Exchange Stock.” The Exchange Stock will possess ll percent or less of the total combined voting power of all classes of Controlled 5 stock entitled to vote. All such Debt-for-Equity Exchanges will occur within kk months following the Initial Debt-for-Equity Exchange.
- (lxxxii) On one or more occasions, Distributing 5 will offer its shareholders the right to exchange shares of Distributing 5 common stock for a specified number of shares of Controlled 5 Stock (the first such exchange, the “Initial External Split-off” and each such exchange, an “External Split-Off”). In the event that the Controlled 5 Stock held by Distributing 5 prior to the Initial External Split-Off represents at least mm percent of the total number of shares of Controlled 5 Stock outstanding, Distributing 5 may offer and exchange Controlled 5 Class A Stock in the External Split-Offs; otherwise, Distributing 5 will offer and exchange Controlled 5 Class B Stock in the External Split-Offs.
- (lxxxiii) If Distributing 5 retains any Controlled 5 Stock following the External Split-Offs, Distributing 5 will distribute the remaining Controlled 5 Stock to its shareholders on a pro rata basis (the “Back-End Distribution”). In the event that the Controlled 5 Stock held by Distributing 5 prior to the Initial External Split-Off represents at least mm percent of the total number of shares of Controlled 5 Stock outstanding, Distributing 5 may distribute Controlled 5 Class A Stock in the Back-End Distribution; otherwise, Distributing 5 will distribute Controlled 5 Class B Stock in the Back-End Distribution. All External Split-Offs and the Back-End Distribution, if any, (collectively, the “External Distribution”) will occur within kk months following the Initial Debt-for-Equity Exchange. Any Controlled 5 Stock distributed in the

External Distribution is referred to as “Distribution Stock.” The Distribution Stock will possess at least mm percent of the total combined voting power of all classes of Controlled 5 stock entitled to vote.

- (lxxxiii) Distributing 5 will use the cash received from the Controlled 5 Cash Transfer to repay its debt, to pay dividends to its shareholders, and/or to repurchase shares of Distributing 5 Common Stock, in all cases, within kk months following the Initial Debt-for-Equity Exchange. Any repurchase of Distributing 5 Common Stock will occur pursuant to an open market stock repurchase program and/or through an accelerated share repurchase program or block purchase.

Among the equity interests in Business 2 Subsidiaries to be transferred to Controlled 4 in the Controlled 4 Contribution is an approximately nn percent interest in a Country O entity. Legal impediments may delay this transfer until after the Controlled 4 Contribution and Fourth Internal Distribution and possibly until after some or all of the steps of the External Distribution are consummated (the “Delayed Transfer Asset”). Distributing 4 will transfer such asset to Controlled 4 as soon as Distributing 4 obtains the approvals and consents necessary to remove such impediments. At all times subsequent to the Controlled 4 Contribution, Controlled 4 will have the right to receive the Delayed Transfer Asset.

During the execution of the Proposed Transaction prior to the IPO, Distributing 5 will continue to provide tax, treasury, systems, logistics, and similar back-office services to the Business 2 Subsidiaries (including Controlled 1, Controlled 2, Controlled 3, and Controlled 4) consistent with Distributing 5’s general corporate practices and policies (the “Interim Arrangements”). Except to the extent continued under the Post-Separation Agreements, described below, such services will terminate at the time of the Initial Debt-for-Equity Exchange.

In connection with the Proposed Transaction, Distributing 5 and Controlled 5 will enter into Post-Separation Agreements, which are intended to govern their relationship (and that of their respective subsidiaries) after the IPO. Generally, services and products provided under the Post-Separation Agreements will be provided at cost for the first two years following the Initial Debt-for-Equity Exchange; after the two year period, services and products provided, if any, will generally be provided at terms that Distributing 5 believes are comparable to those which would be arrived at by parties bargaining at arm’s length.

In addition, as part of the Proposed Transaction, Distributing 5 and its subsidiaries will assign and/or license certain intellectual property currently owned by Distributing 5 and/or its subsidiaries to Controlled 5 and/or its subsidiaries, and vice versa. Such assignments and licenses will be formalized by one or more master agreements executed between Distributing 5 and Controlled 5 at or about the time of the Controlled 5 Contribution (the “IP Arrangements”). The IP Arrangements govern the use of patents

and patent applications, know-how, licenses, research and development, trademarks, and copyrights, generally on a royalty-free basis.

Representations

The following representations are made with respect to the Proposed Transaction:

The Foreign Distributions:

- (1a) The Country I Contribution qualifies as a reorganization within the meaning of Section 368(a)(1)(D). The Country I Distribution qualifies as a distribution under Section 355.
- (1b) The Country D Contribution qualifies as a reorganization within the meaning of Section 368(a)(1)(D). The Country D Distribution qualifies as a distribution under Section 355.
- (1c) The Country H Contribution qualifies as a reorganization within the meaning of Section 368(a)(1)(D). The Country H Distribution qualifies as a distribution under Section 355.
- (1d) The Country B Contribution qualifies as a reorganization within the meaning of Section 368(a)(1)(D). The Country B Distribution qualifies as a distribution under Section 355.
- (1e) The FSub 17 Contribution qualifies as a reorganization within the meaning of Section 368(a)(1)(D). The FSub 17 Distribution qualifies as a distribution under Section 355.
- (1f) The FSub 8 Contribution qualifies as a reorganization within the meaning of Section 368(a)(1)(D). The FSub 8 Distribution qualifies as a distribution under Section 355.
- (1g) The FSub 7 Contribution qualifies as a reorganization within the meaning of Section 368(a)(1)(D). The FSub 7 Distribution qualifies as a distribution under Section 355.
- (1h) The FSub 2 Contribution qualifies as a reorganization within the meaning of Section 368(a)(1)(D). The FSub 2 Distribution qualifies as a distribution under Section 355.

The Sub 3 Contribution

- (2a) (i) No stock or securities will be issued for services rendered to or for the benefit of Distributing 4 in connection with the Sub 3 Contribution, and (ii) no stock or

securities will be issued for indebtedness of Distributing 4 that is not evidenced by a security or for interest on indebtedness of Distributing 4 which accrued on or after the beginning of the holding period of Sub 3 for such debt.

- (2b) Any patents or patent applications that will be contributed to Distributing 4 (through New LLC 8) qualify as “property” within the meaning of Section 351.
- (2c) With respect to any patents or patent applications that will be contributed to Distributing 4 (through New LLC 8), Sub 3 will transfer all substantial rights in such patents or patent applications within the meaning of Section 1235, except as provided under the IP Arrangements.
- (2d) With respect to any copyrights that will be contributed to Distributing 4 (through New LLC 8), Sub 3 will transfer all rights, title and interests for such copyright, in each medium of exploitation.
- (2e) With respect to any franchises, trademarks, or trade names that will be contributed to Distributing 4 (through New LLC 8), Sub 3 will not retain any significant power, right, or continuing interest within the meaning of Section 1235 in such franchise, trademark, or trade name, except as provided under the IP Arrangements.
- (2f) The Sub 3 Contribution is not the result of the solicitation by a promoter, broker, or investment house.
- (2g) Sub 3 will not retain any rights in the property transferred to Distributing 4 (through New LLC 8), except as provided under the IP Arrangements.
- (2h) The value of the Distributing 4 stock 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.
- (2i) The adjusted basis and the fair market value of the assets to be transferred by Sub 3 will, in each instance, be equal to or exceed the sum of the liabilities to be assumed (within the meaning of Section 357(d)) by Distributing 4 (through New LLC 8) plus any liabilities to which the transferred assets are subject (excluding liabilities to which Section 357(c)(3) applies).
- (2j) The liabilities of Sub 3 to be assumed by Distributing 4 (through New LLC 8) were incurred in the ordinary course of its business and are associated with the assets to be transferred.

- (2k) There is no indebtedness between Distributing 4 and Sub 3, and there will be no indebtedness created in favor of Sub 3 as a result of the transaction.
- (2l) The transfers and exchanges pursuant to the Sub 3 Contribution will occur under a plan agreed upon before the transaction in which the rights of the parties are defined.
- (2m) All exchanges pursuant to the Sub 3 Contribution will occur on approximately the same date.
- (2n) There is no plan or intention on the part of Distributing 4 to redeem or otherwise reacquire any stock or indebtedness to be issued in the Sub 3 Contribution.
- (2o) Taking into account any issuance of additional shares of Distributing 4; any issuance of stock for services; the exercise of any Distributing 4 stock rights, warrants or subscriptions; a public offering by Distributing 4 stock; and the sale, exchange, transfer by gift or other disposition of any of the stock of Distributing 4 to be received in the exchange, Sub 3, Sub 10, Distributing 5, Sub 2, Sub 1, and Sub 7 will be in "control" of Distributing 4 within the meaning of Section 368(c) prior to the distribution of Distributing 4 stock by Sub 2, Sub 1, and Sub 7 to Distributing 5 in a transaction permitted by Section 351(c).
- (2p) Sub 3 will receive stock approximately equal to the fair market value of the property transferred to Distributing 4.
- (2q) Distributing 4 will remain in existence and retain and use the property transferred to it in a trade or business, except for subsequent transfers pursuant to the Proposed Transaction.
- (2r) There is no plan or intention by Distributing 4 to dispose of the transferred property other than in the normal course of business operations or pursuant to the Proposed Transaction.
- (2s) Each of the parties to the Sub 3 Contribution will pay its own expenses, if any, incurred in connection with the Sub 3 Contribution, except that Distributing 5 will pay those expenses of Sub 3 and Distributing 4 directly related to the Sub 3 Contribution.
- (2t) Distributing 4 will not be an investment company within the meaning of Section 351(e)(1) and Treas. Reg. § 1.351-1(c)(1)(ii).
- (2u) Sub 3 is not under the jurisdiction of a court in a Title 11 or similar case (within the meaning of Section 368(a)(3)(A)), and the stock or securities received in the exchange will not be used to satisfy the indebtedness of such debtor.

- (2v) Distributing 4 will not be a “personal service corporation” within the meaning of Section 269A.

The Sub 10 Contribution:

- (3a) (i) No stock or securities will be issued for services rendered to or for the benefit of Distributing 4 in connection with the Sub 10 Contribution, and (ii) no stock or securities will be issued for indebtedness of Distributing 4 that is not evidenced by a security or for interest on indebtedness of Distributing 4 which accrued on or after the beginning of the holding period of Sub 10 for such debt.
- (3b) Any patents or patent applications that will be contributed to Distributing 4 (through New LLC 9) qualify as “property” within the meaning of Section 351.
- (3c) With respect to any patents or patent applications that will be contributed to Distributing 4 (through New LLC 9), Sub 10 will transfer all substantial rights in such patents or patent applications within the meaning of Section 1235.
- (3d) With respect to any copyrights that will be contributed to Distributing 4 (through New LLC 9), Sub 10 will transfer all rights, title and interests for such copyright, in each medium of exploitation.
- (3e) With respect to any franchises, trademarks, or trade names that will be contributed to Distributing 4 (through New LLC 9), Sub 10 will not retain any significant power, right, or continuing interest within the meaning of Section 1235 in such franchise, trademark, or trade name.
- (3f) The Sub 10 Contribution is not the result of the solicitation by a promoter, broker, or investment house.
- (3g) Sub 10 will not retain any rights in the property transferred to Distributing 4 (through New LLC 9).
- (3h) The value of the Distributing 4 stock 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.
- (3i) The adjusted basis and the fair market value of the assets to be transferred by Sub 10 will, in each instance, be equal to or exceed the sum of the liabilities to be

assumed (within the meaning of Section 357(d)) by Distributing 4 (through New LLC 9) plus any liabilities to which the transferred assets are subject (excluding liabilities to which Section 357(c)(3) applies).

- (3j) The liabilities of Sub 10 to be assumed by Distributing 4 (through New LLC 9) were incurred in the ordinary course of its business and are associated with the assets to be transferred.
- (3k) There is no indebtedness between Distributing 4 and Sub 10, and there will be no indebtedness created in favor of Sub 10 as a result of the transaction.
- (3l) The transfers and exchanges pursuant to the Sub 10 Contribution will occur under a plan agreed upon before the transaction in which the rights of the parties are defined.
- (3m) All exchanges pursuant to the Sub 10 Contribution will occur on approximately the same date.
- (3n) There is no plan or intention on the part of Distributing 4 to redeem or otherwise reacquire any stock or indebtedness to be issued in the Sub 10 Contribution.
- (3o) Taking into account any issuance of additional shares of Distributing 4; any issuance of stock for services; the exercise of any Distributing 4 stock rights, warrants or subscriptions; a public offering by Distributing 4 stock; and the sale, exchange, transfer by gift or other disposition of any of the stock of Distributing 4 to be received in the exchange, Sub 3, Sub 10, Distributing 5, Sub 2, Sub 1, and Sub 7 will be in "control" of Distributing 4 within the meaning of Section 368(c) prior to the distribution of Distributing 4 stock by Sub 2, Sub 1, and Sub 7 to Distributing 5 in a transaction permitted by Section 351(c).
- (3p) Sub 10 will receive stock approximately equal to the fair market value of the property transferred to Distributing 4.
- (3q) Distributing 4 will remain in existence and retain and use the property transferred to it in a trade or business, except for subsequent transfers pursuant to the Proposed Transaction.
- (3r) There is no plan or intention by Distributing 4 to dispose of the transferred property other than in the normal course of business operations or pursuant to the Proposed Transaction.
- (3s) Each of the parties to the Sub 10 Contribution will pay its own expenses, if any, incurred in connection with the Sub 10 Contribution, except that Distributing 5 will

pay those expenses of Sub 10 and Distributing 4 directly related to the Sub 10 Contribution.

- (3t) Distributing 4 will not be an investment company within the meaning of Section 351(e)(1) and Treas. Reg. § 1.351-1(c)(1)(ii).
- (3u) Sub 10 is not under the jurisdiction of a court in a Title 11 or similar case (within the meaning of Section 368(a)(3)(A)), and the stock or securities received in the exchange will not be used to satisfy the indebtedness of such debtor.
- (3v) Distributing 4 will not be a “personal service corporation” within the meaning of Section 269A.

The Controlled 1 Contribution and the First Internal Distribution:

- (4a) Any indebtedness owed by Controlled 1 to Distributing 1 after the First Internal Distribution will not constitute stock or securities.
- (4b) No part of the consideration to be distributed in the First Internal Distribution will be received by any equity holder of Distributing 1 as a creditor, employee, or in any capacity other than that of an equity holder of Distributing 1.
- (4c) In applying Section 355(b)(2)(A) regarding the conduct of an active trade or business, Distributing 1 and Controlled 1 will each treat all members of its respective SAG as one corporation.
- (4d) The five years of financial information submitted on behalf of the Country A Business 4 is representative of the present operation of the Country A Business 4, and with regard to such business, there have been no substantial operational changes since the date of the last financial statements submitted.
- (4e) The five years of financial information submitted on behalf of the Country A Business 5 is representative of the present operation of the Country A Business 5, and with regard to such business, there have been no substantial operational changes since the date of the last financial statements submitted.
- (4f) The Distributing 1 SAG neither acquired Country A Business 4 nor acquired control of an entity conducting Country A Business 4 during the five-year period ending on the date of the First Internal Distribution in a transaction in which gain or loss was recognized in whole or in part, excluding acquisitions that constitute expansions as contemplated by Treas. Reg. § 1.355-3(b)(3)(ii) and acquisitions by one member of an affiliated group from another member of the group as contemplated by Treas. Reg. § 1.355-3(b)(4)(iii).

- (4g) The Distributing 1 SAG neither acquired the Country A Business 5 nor acquired control of an entity conducting Country A Business 5 during the five-year period ending on the date of the First Internal Distribution in a transaction in which gain or loss was recognized in whole or in part, excluding acquisitions that constitute expansions as contemplated by Treas. Reg. § 1.355-3(b)(3)(ii) and acquisitions by one member of an affiliated group from another member of the group as contemplated by Treas. Reg. § 1.355-3(b)(4)(iii).
- (4h) Following the First Internal Distribution, the Distributing 1 SAG and the Controlled 1 SAG will each continue the active conduct of its business, independently and with its separate employees, except as provided pursuant to the Interim Arrangements and the Post-Separation Agreements.
- (4i) There is no plan or intention to liquidate either Distributing 1 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 First Internal Distribution, except in the ordinary course of business and for a disposition of the Business 3 assets.
- (4j) The total adjusted bases and the fair market value of the assets transferred to Controlled 1 by Distributing 1 each equals or exceeds the sum of the liabilities assumed (within the meaning of Section 357(d)) by Controlled 1 plus any liabilities to which the transferred assets are subject (excluding liabilities to which Section 357(c)(3) applies). The fair market value of the assets of Controlled 1 will exceed the amount of its liabilities immediately after the Controlled 1 Contribution.
- (4k) Any liabilities assumed in the Controlled 1 Contribution (within the meaning of Section 357(d)) and any liabilities to which the transferred assets are subject were incurred in the ordinary course of business and are associated with the assets being transferred.
- (4l) No incorporate debt will exist between Distributing 1 and Controlled 1 at the time of, or subsequent to, the First Internal Distribution, other than (i) debt existing at the time of the First Internal Distribution or incurred pursuant to the Interim Arrangements, which debt will be settled prior to the IPO, (ii) payables and receivables arising from products purchased or services provided under the Post-Separation Agreements, or (iii) trade payables and receivables incurred in the ordinary course of business.
- (4m) Payments made in connection with all continuing transactions, if any, between Distributing 1 and Controlled 1, will be for fair market value based on terms and conditions arrived at by the parties bargaining at arm's length, other than in connection with the Interim Arrangements and the Post-Separation Agreements.

- (4n) No two parties to the First Internal Distribution are investment companies as defined in Section 368(a)(2)(F)(iii) and (iv).
- (4o) The First Internal Distribution will be carried out for the corporate business purpose of facilitating the External Distribution. The First Internal Distribution is motivated, in whole or substantial part, by this corporate business purpose.
- (4p) The First Internal Distribution is not used principally as a device for the distribution of the earnings and profits of Distributing 1 or Controlled 1 or both.
- (4q) The First Internal Distribution 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 equity representing a 50-percent or greater interest (within the meaning of Section 355(d)(4)) in Distributing 1 or Controlled 1 (including any predecessor or successor of any such corporation).
- (4r) For purposes of Section 355(d), immediately after the First Internal Distribution, no person (determined after applying Section 355(d)(7)) will hold equity possessing 50 percent or more of the total combined voting power of all classes of Distributing 1 equity entitled to vote or 50 percent or more of the total value of all classes of Distributing 1 equity that was acquired by purchase (as defined in Section 355(d)(5) and (8) and by application of Treas. Reg. § 1.355-6) during the five-year period (determined after applying Section 355(d)(6)) ending on the date of the First Internal Distribution.
- (4s) For purposes of Section 355(d), immediately after the First Internal Distribution, no person (determined after applying Section 355(d)(7)) will hold equity possessing 50 percent or more of the total combined voting power of all classes of Controlled 1 equity entitled to vote or 50 percent or more of the total value of all classes of Controlled 1 equity that was either (i) acquired by purchase (as defined in Section 355(d)(5) and (8) and by application of Treas. Reg. § 1.355-6) during the five-year period (determined after applying Section 355(d)(6)) ending on the date of the First Internal Distribution or (ii) attributable to distributions on Distributing 1 equity that was acquired by purchase (as defined in Section 355(d)(5) and (8) and by application of Treas. Reg. § 1.355-6) during the five-year period (determined after applying Section 355(d)(6)) ending on the date of the First Internal Distribution.
- (4t) Immediately after the First Internal Distribution either (i) no person will hold a 50-percent or greater interest (within the meaning of Section 355(g)(3)) in the equity of Distributing 1 or Controlled 1 who did not hold such an interest before the transaction or (ii) neither Distributing 1 nor Controlled 1 will be a disqualified investment corporation (within the meaning of Section 355(g)(2)).

- (4u) Distributing 1 will be a controlled foreign corporation, within the meaning of Section 957(a), immediately before the First Internal Distribution, and both Distributing 1 and Controlled 1 will be a controlled foreign corporation, within the meaning of Section 957(a), immediately after the First Internal Distribution.
- (4v) Controlled 1 will not hold any United States real property interests, as defined in section 897(c)(1), immediately before or after the First Internal Distribution.
- (4w) Each equityholder of Distributing 1 will be a Section 1248 shareholder, within the meaning of Treas. Reg. § 1.367(b)-2(b), with respect to Distributing 1 immediately before and after the First Internal Distribution and a Section 1248 shareholder with respect to Controlled 1 immediately after the First Internal Distribution.
- (4x) The notice requirements of Treas. Reg. § 1.367(b)-1(c) will be satisfied for the First Internal Distribution.
- (4y) The Controlled 1 Contribution and First Internal Distribution will not include an exchange described in Treas. Reg. §§ 1.367(b)-4(b)(1)(i), 1.367(b)-4(b)(2)(i), or 1.367(b)-4(b)(3).
- (4z) The Controlled 1 Contribution and First Internal Distribution will not include the transfer of stock of any corporation that has been a U.S. transferor, the transferee foreign corporation, or the transferred corporation with respect to any unexpired gain recognition agreement with the meaning of Treas. Reg. §§ 1.367(a)-3, 1.367(a)-8, and 1.367(a)-8T.
- (4aa) Following the First Internal Distribution, Distributing 1 will compute its pre-distribution amount and post-distribution amount with respect to Distributing 1 and Controlled 1 as defined under Treas. Reg. § 1.367(b)-5(e)(1) and (2). To the extent the pre-distribution amount exceeds the post-distribution amount with respect to either Distributing 1 or Controlled 1, Distributing 1 will make basis adjustments and recognize income (if any), as required under applicable Treasury regulations.

The Controlled 2 Contribution and the Second Internal Distribution:

- (5a) Any indebtedness owed by Controlled 2 to Distributing 2 after the Second Internal Distribution will not constitute stock or securities.
- (5b) No part of the consideration to be distributed in the Second Internal Distribution will be received by any shareholder of Distributing 2 as a creditor, employee, or in any capacity other than that of a shareholder of Distributing 2.

- (5c) In applying Section 355(b)(2)(A) regarding the conduct of an active trade or business, Distributing 2 and Controlled 2 will each treat all members of its respective SAG as one corporation.
- (5d) The five years of financial information submitted on behalf of the Country B Business 4 is representative of the present operation of Country B Business 4, and with regard to such business, there have been no substantial operational changes since the date of the last financial statements submitted.
- (5e) The five years of financial information submitted on behalf of the Country B Business 5 is representative of the present operation of Country B Business 5, and with regard to such business, there have been no substantial operational changes since the date of the last financial statements submitted.
- (5f) The Distributing 2 SAG neither acquired Country B Business 4 nor acquired control of an entity conducting Country B Business 4 during the five-year period ending on the date of the Second Internal Distribution in a transaction in which gain or loss was recognized in whole or in part, excluding acquisitions that constitute expansions as contemplated by Treas. Reg. § 1.355-3(b)(3)(ii) and acquisitions by one member of an affiliated group from another member of the group as contemplated by Treas. Reg. § 1.355-3(b)(4)(iii).
- (5g) The Distributing 2 SAG neither acquired Country B Business 5 nor acquired control of an entity conducting Country B Business 5 during the five-year period ending on the date of the Second Internal Distribution in a transaction in which gain or loss was recognized in whole or in part, excluding acquisitions that constitute expansions as contemplated by Treas. Reg. § 1.355-3(b)(3)(ii) and acquisitions by one member of an affiliated group from another member of the group as contemplated by Treas. Reg. § 1.355-3(b)(4)(iii).
- (5h) Following the Second Internal Distribution, the Distributing 2 SAG and the Controlled 2 SAG will each continue the active conduct of its business, independently and with its separate employees, except as provided pursuant to the Interim Arrangements and the Post-Separation Agreements.
- (5i) There is no plan or intention to liquidate either Distributing 2 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 Second Internal Distribution, except in the ordinary course of business and for a disposition of the Business 3 assets.
- (5j) The total adjusted bases and the fair market value of the assets transferred to Controlled 2 by Distributing 2 each equals or exceeds the sum of the liabilities

assumed (within the meaning of Section 357(d)) by Controlled 2 plus any liabilities to which the transferred assets are subject (excluding liabilities to which Section 357(c)(3) applies). The fair market value of the assets of Controlled 2 will exceed the amount of its liabilities immediately after the Controlled 2 Contribution.

- (5k) Any liabilities assumed in the Controlled 2 Contribution (within the meaning of Section 357(d)) and any liabilities to which the transferred assets are subject were incurred in the ordinary course of business and are associated with the assets being transferred.
- (5l) If an investment credit determined under Section 46 has been or will be claimed with respect to any property transferred between Distributing 2 and Controlled 2, the income tax liability for the taxable year in which the investment credit property (including any building to which Section 47(d) applies) is transferred will be adjusted pursuant to Section 50(a)(1) or (a)(2) (or Section 47, as in effect before amendment by Public Law 101-508, Title 11, 104 Stat. 1388, 536 (1990), if applicable) to reflect an early disposition of the property.
- (5m) No intercorporate debt will exist between Distributing 2 and Controlled 2 at the time of, or subsequent to, the Second Internal Distribution, other than (i) debt existing at the time of the Second Internal Distribution or incurred pursuant to the Interim Arrangements, which debt will be settled prior to the IPO, (ii) payables and receivables arising from products purchased or services provided under the Post-Separation Agreements, or (iii) trade payables and receivables incurred in the ordinary course of business.
- (5n) Immediately before the Second Internal Distribution, 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. § 1.1502-13 as published by T.D. 8597). At the time of the Second Internal Distribution, Distributing 2 will not have an excess loss account in the stock of Controlled 2.
- (5o) Payments made in connection with all continuing transactions, if any, between Distributing 2 and Controlled 2, will be for fair market value based on terms and conditions arrived at by the parties bargaining at arm's length, other than in connection with the Interim Arrangements and the Post-Separation Agreements.
- (5p) No two parties to the Second Internal Distribution are investment companies as defined in Section 368(a)(2)(F)(iii) and (iv).

- (5q) The Second Internal Distribution will be carried out for the corporate business purpose of facilitating the External Distribution. The Second Internal Distribution is motivated, in whole or substantial part, by this corporate business purpose.
- (5r) The Second Internal Distribution is not used principally as a device for the distribution of the earnings and profits of Distributing 2 or Controlled 2 or both.
- (5s) The Second Internal Distribution 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 Section 355(d)(4)) in Distributing 2 or Controlled 2 (including any predecessor or successor of any such corporation).
- (5t) For purposes of Section 355(d), immediately after the Second Internal Distribution, no person (determined after applying Section 355(d)(7)) will hold stock possessing 50 percent or more of the total combined voting power of all classes of Distributing 2 stock entitled to vote or 50 percent or more of the total value of all classes of Distributing 2 stock that was acquired by purchase (as defined in Section 355(d)(5) and (8) and by application of Treas. Reg. § 1.355-6) during the five-year period (determined after applying Section 355(d)(6)) ending on the date of the Second Internal Distribution.
- (5u) For purposes of Section 355(d), immediately after the Second Internal Distribution, no person (determined after applying Section 355(d)(7)) will hold stock possessing 50 percent or more of the total combined voting power of all classes of Controlled 2 stock entitled to vote or 50 percent or more of the total value of all classes of Controlled 2 stock that was either (i) acquired by purchase (as defined in Section 355(d)(5) and (8) and by application of Treas. Reg. § 1.355-6) during the five-year period (determined after applying Section 355(d)(6)) ending on the date of the Second Internal Distribution, or (ii) attributable to distributions on Distributing 2 stock that was acquired by purchase (as defined in Section 355(d)(5) and (8) and by application of Treas. Reg. § 1.355-6) during the five-year period (determined after applying Section 355(d)(6)) ending on the date of the Second Internal Distribution.
- (5v) Immediately after the Second Internal Distribution either (i) no person will hold a 50-percent or greater interest (within the meaning of Section 355(g)(3)) in the stock of Distributing 2 or Controlled 2 who did not hold such an interest before the transaction or (ii) neither Distributing 2 nor Controlled 2 will be a disqualified investment corporation (within the meaning of Section 355(g)(2)).
- (5w) The fair market value of the Controlled 2 equity to be received by DRE 2 will be approximately equal to the fair market value of the Distributing 2 stock to be surrendered by DRE 2 in exchange therefor.

- (5x) Distributing 2 has not had any dual consolidated losses, as defined in Section 1503(d)(2), in any taxable period beginning on or after the date on which Distributing 2 became a dual resident corporation, as defined in Treas. Reg. § 1.1503(d)-1(b)(2).

The Country C Restructuring Transactions:

- (6a) Any indebtedness owed by Controlled 3 to Distributing 3 after the Country C Restructuring Transactions will not constitute stock or securities.
- (6b) No part of the consideration to be distributed in the Country C Restructuring Transactions will be received by any shareholder of Distributing 3 as a creditor, employee, or in any capacity other than that of a shareholder of Distributing 3.
- (6c) In applying Section 355(b)(2)(A) regarding the conduct of an active trade or business, Distributing 3 and Controlled 3 will each treat all members of its respective SAG as one corporation.
- (6d) The five years of financial information submitted on behalf of the Country C Business 4 is representative of the present operation of Country C Business 4, and with regard to such business, there have been no substantial operational changes since the date of the last financial statements submitted.
- (6e) The five years of financial information submitted on behalf of the Country C Business 5 is representative of the present operation of Country C Business 5, and with regard to such business, there have been no substantial operational changes since the date of the last financial statements submitted.
- (6f) Distributing 3 SAG neither acquired Country C Business 4 nor acquired control of an entity conducting Country C Business 4 during the five-year period ending on the date of the Country C Restructuring Transactions in a transaction in which gain or loss was recognized in whole or in part, excluding acquisitions that constitute expansions as contemplated by Treas. Reg. § 1.355-3(b)(3)(ii) and acquisitions by one member of an affiliated group from another member of the group as contemplated by Treas. Reg. § 1.355-3(b)(4)(iii).
- (6g) Distributing 3 SAG neither acquired Country C Business 5 nor acquired control of an entity conducting Country C Business 5 during the five-year period ending on the date of the Country C Restructuring Transactions in a transaction in which gain or loss was recognized in whole or in part, excluding acquisitions that constitute expansions as contemplated by Treas. Reg. § 1.355-3(b)(3)(ii) and acquisitions by one member of an affiliated group from another member of the group as contemplated by Treas. Reg. § 1.355-3(b)(4)(iii).

- (6h) Following the Country C Restructuring Transactions, the Distributing 3 SAG and the Controlled 3 SAG will each continue the active conduct of its business, independently and with its separate employees, except as provided pursuant to the Interim Arrangements and the Post-Separation Agreements.
- (6i) There is no plan or intention to liquidate either Distributing 3 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 Country C Restructuring Transactions, except in the ordinary course of business and for a disposition of the Business 3 assets.
- (6j) The total adjusted bases and the fair market value of the assets transferred to Controlled 3 by Distributing 3 each equals or exceeds the sum of the liabilities assumed (within the meaning of Section 357(d)) by Controlled 3 plus any liabilities to which the transferred assets are subject (excluding liabilities to which Section 357(c)(3) applies). The fair market value of the assets of Controlled 3 will exceed the amount of its liabilities immediately after the Country C Restructuring Transactions.
- (6k) Any liabilities assumed in the Country C Restructuring Transactions (within the meaning of Section 357(d)) and any liabilities to which the transferred assets are subject were incurred in the ordinary course of business and are associated with the assets being transferred.
- (6l) No incorporate debt will exist between Distributing 3 and Controlled 3 at the time of, or subsequent to, the Country C Restructuring Transactions, other than (i) debt existing at the time of the Country C Restructuring Transactions or incurred pursuant to the Interim Arrangements, which debt will be settled prior to the IPO, (ii) payables and receivables arising from products purchased or services provided under the Post-Separation Agreements, (iii) trade payables and receivables incurred in the ordinary course of business, or (iv) debt issued to implement the Country C Restructuring Transactions.
- (6m) Payments made in connection with all continuing transactions, if any, between Distributing 3 and Controlled 3, will be for fair market value based on terms and conditions arrived at by the parties bargaining at arm's length, other than in connection with the Interim Arrangements and the Post-Separation Agreements.
- (6n) No two parties to the Country C Restructuring Transactions are investment companies as defined in Section 368(a)(2)(F)(iii) and (iv).
- (6o) The Country C Restructuring Transactions are being carried out for the corporate business purpose of facilitating the External Distribution. The Country C

Restructuring Transactions are motivated, in whole or substantial part, by this corporate business purpose.

- (6p) The Country C Restructuring Transactions are not used principally as a device for the distribution of the earnings and profits of Distributing 3 or Controlled 3 or both.
- (6q) The Country C Restructuring Transactions are 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 Section 355(d)(4)) in Distributing 3 or Controlled 3 (including any predecessor or successor of any such corporation).
- (6r) For purposes of Section 355(d), immediately after the Country C Restructuring Transactions, no person (determined after applying Section 355(d)(7)) will hold stock possessing 50 percent or more of the total combined voting power of all classes of Distributing 3 stock entitled to vote or 50 percent or more of the total value of all classes of Distributing 3 stock that was acquired by purchase (as defined in Section 355(d)(5) and (8) and by application of Treas. Reg. § 1.355-6) during the five-year period (determined after applying Section 355(d)(6)) ending on the date of the Country C Restructuring Transactions.
- (6s) For purposes of Section 355(d), immediately after the Country C Restructuring Transactions, no person (determined after applying Section 355(d)(7)) will hold stock possessing 50 percent or more of the total combined voting power of all classes of Controlled 3 stock entitled to vote or 50 percent or more of the total value of all classes of Controlled 3 stock that was either (i) acquired by purchase (as defined in Section 355(d)(5) and (8) and by application of Treas. Reg. § 1.355-6) during the five-year period (determined after applying Section 355(d)(6)) ending on the date of the Country C Restructuring Transactions, or (ii) attributable to distributions on Distributing 3 stock that was acquired by purchase (as defined in Section 355(d)(5) and (8) and by application of Treas. Reg. § 1.355-6) during the five-year period (determined after applying Section 355(d)(6)) ending on the date of the Country C Restructuring Transactions.
- (6t) Immediately after the Country C Restructuring Transactions, either (i) no person will hold a 50-percent or greater interest (within the meaning of Section 355(g)(3)) in the stock of Distributing 3 or Controlled 3 who did not hold such an interest before the transaction, or (ii) neither Distributing 3 or Controlled 3 will be a disqualified investment corporation (within the meaning of Section 355(g)(2)).
- (6u) Distributing 3 will be a controlled foreign corporation, within the meaning of Section 957(a), immediately before the Country C Restructuring Transactions,

and both Distributing 3 and Controlled 3 will be a controlled foreign corporation, within the meaning of Section 957(a), immediately after the Country C Restructuring Transactions.

- (6v) Distributing 4 will be a Section 1248 shareholder, within the meaning of Treas. Reg. § 1.367(b)-2(b), with respect to Distributing 3 immediately before and after the Country C Restructuring Transactions and a Section 1248 shareholder with respect to Controlled 3 immediately after the Country C Restructuring Transactions.
- (6w) The notice requirements of Treas. Reg. § 1.367(b)-1(c) will be satisfied for the Country C Restructuring Transactions.
- (6x) The Country C Restructuring Transactions will not include an exchange described in Treas. Reg. §§ 1.367(b)-4(b)(1)(i), 1.367(b)-4(b)(2)(i), or 1.367(b)-4(b)(3).
- (6y) The Country C Restructuring Transactions will not include the transfer of stock of any corporation that has been a U.S. transferor, the transferee foreign corporation, or the transferred corporation with respect to any unexpired gain recognition agreement with the meaning of Treas. Reg. §§ 1.367(a)-3, 1.367(a)-8, and 1.367(a)-8T.
- (6z) Following the Country C Restructuring Transactions, Distributing 3 will compute its pre-distribution amount and post-distribution amount with respect to Distributing 3 and Controlled 3 as defined under Treas. Reg. § 1.367(b)-5(e)(1) and (2). To the extent the pre-distribution amount exceeds the post-distribution amount with respect to either Distributing 3 or Controlled 3, Distributing 3 will make basis adjustments and recognize income (if any), as required under applicable Treasury regulations.
- (6aa) Controlled 3 will not hold any United States real property interests, as defined in Section 897(c)(1), immediately before or after the Country C Restructuring Transactions.

The Controlled 4 Contribution and the Fourth Internal Distribution:

- (7a) Any indebtedness owed by Controlled 4 to Distributing 4 after the Fourth Internal Distribution will not constitute stock or securities.
- (7b) No part of the consideration to be distributed in the Fourth Internal Distribution will be received by any shareholder of Distributing 4 as a creditor, employee, or in any capacity other than that of a shareholder of Distributing 4.

- (7c) In applying Section 355(b)(2)(A) regarding the conduct of an active trade or business, Distributing 4 and Controlled 4 will each treat all members of its respective SAG as one corporation.
- (7d) The five years of financial information submitted on behalf of Country D Business 4 is representative of the present operation of Country D Business 4, and with regard to such business, there have been no substantial operational changes since the date of the last financial statements submitted.
- (7e) The five years of financial information submitted on behalf of Country D Business 5 is representative of the present operation of Country D Business 5, and with regard to such business, there have been no substantial operational changes since the date of the last financial statements submitted.
- (7f) The Distributing 4 SAG neither acquired Country D Business 4 nor acquired control of an entity conducting Country D Business 4 during the five-year period ending on the date of the Fourth Internal Distribution in a transaction in which gain or loss was recognized in whole or in part, excluding acquisitions that constitute expansions as contemplated by Treas. Reg. § 1.355-3(b)(3)(ii) and acquisitions by one member of an affiliated group from another member of the group as contemplated by Treas. Reg. § 1.355-3(b)(4)(iii).
- (7g) The Distributing 4 SAG neither acquired Country D Business 5 nor acquired control of an entity conducting Country D Business 5 during the five-year period ending on the date of the Fourth Internal Distribution in a transaction in which gain or loss was recognized in whole or in part, excluding acquisitions that constitute expansions as contemplated by Treas. Reg. § 1.355-3(b)(3)(ii) and acquisitions by one member of an affiliated group from another member of the group as contemplated by Treas. Reg. § 1.355-3(b)(4)(iii).
- (7h) Following the Fourth Internal Distribution, the Distributing 4 SAG and the Controlled 4 SAG will each continue the active conduct of its business, independently and with its separate employees, except as provided pursuant to the Interim Arrangements and the Post-Separation Agreements.
- (7i) There is no plan or intention to liquidate either Distributing 4 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 Fourth Internal Distribution, except in the ordinary course of business and for a disposition of the Business 3 assets.
- (7j) The total adjusted bases and the fair market value of the assets transferred to Controlled 4 by Distributing 4 each equals or exceeds the sum of the liabilities assumed (within the meaning of Section 357(d)) by Controlled 4 plus any

- liabilities to which the transferred assets are subject (excluding liabilities to which Section 357(c)(3) applies). The fair market value of the assets of Controlled 4 will exceed the amount of its liabilities immediately after the Controlled 4 Contribution.
- (7k) Any liabilities assumed in the Controlled 4 Contribution (within the meaning of Section 357(d)) and any liabilities to which the transferred assets are subject were incurred in the ordinary course of business and are associated with the assets being transferred.
- (7l) If an investment credit determined under Section 46 has been or will be claimed with respect to any property transferred between Distributing 4 and Controlled 4, the income tax liability for the taxable year in which investment credit property (including any building to which Section 47(d) applies) is transferred will be adjusted pursuant to Section 50(a)(1) or (a)(2) (or Section 47, as in effect before amendment by Public Law 101-508, Title 11, 104 Stat. 1388, 536 (1990), if applicable) to reflect an early disposition of the property).
- (7m) No intercorporate debt will exist between Distributing 4 and Controlled 4 at the time of, or subsequent to, the Fourth Internal Distribution, other than (i) debt existing at the time of the Fourth Internal Distribution or incurred pursuant to the Interim Arrangements, which debt will be settled prior to the IPO, (ii) payables and receivables arising from products purchased or services provided under the Post-Separation Agreements, or (iii) trade payables and receivables incurred in the ordinary course of business.
- (7n) Immediately before the Fourth Internal Distribution, 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. § 1.1502-13 as published by T.D. 8597). At the time of the Fourth Internal Distribution, Distributing 4 will not have an excess loss account in the stock of Controlled 4.
- (7o) Payments made in connection with all continuing transactions, if any, between Distributing 4 and Controlled 4 will be for fair market value based on terms and conditions arrived at by the parties bargaining at arm's length, other than in connection with the Interim Arrangements and the Post-Separation Agreements.
- (7p) No two parties to the Fourth Internal Distribution are investment companies as defined in Section 368(a)(2)(F)(iii) and (iv).

- (7q) The Fourth Internal Distribution will be carried out for the corporate business purpose of facilitating the External Distribution. The Fourth Internal Distribution is motivated, in whole or substantial part, by this corporate business purpose.
- (7r) The Fourth Internal Distribution is not used principally as a device for the distribution of the earnings and profits of Distributing 4 or Controlled 4 or both.
- (7s) The Fourth Internal Distribution 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 equity representing a 50-percent or greater interest (within the meaning of Section 355(d)(4)) in Distributing 4 or Controlled 4 (including any predecessor or successor of any such corporation).
- (7t) For purposes of Section 355(d), immediately after the Fourth Internal Distribution, no person (determined after applying Section 355(d)(7)) will hold stock possessing 50 percent or more of the total combined voting power of all classes of Distributing 4 stock entitled to vote or 50 percent or more of the total value of all classes of Distributing 4 stock that was acquired by purchase (as defined in Section 355(d)(5) and (8) and by application of Treas. Reg. § 1.355-6) during the five-year period (determined after applying Section 355(d)(6)) ending on the date of the Fourth Internal Distribution.
- (7u) For purposes of Section 355(d), immediately after the Fourth Internal Distribution, no person (determined after applying Section 355(d)(7)) will hold equity possessing 50 percent or more of the total combined voting power of all classes of Controlled 4 equity entitled to vote or 50 percent or more of the total value of all classes of Controlled 4 equity that was either (i) acquired by purchase (as defined in Section 355(d)(5) and (8) and by application of Treas. Reg. § 1.355-6) during the five-year period (determined after applying Section 355(d)(6)) ending on the date of the Fourth Internal Distribution or (ii) attributable to distributions on Distributing 4 stock that was acquired by purchase (as defined in Section 355(d)(5) and (8) and by application of Treas. Reg. § 1.355-6) during the five-year period (determined after applying Section 355(d)(6)) ending on the date of the Fourth Internal Distribution.
- (7v) Immediately after the Fourth Internal Distribution, either (i) no person will hold a 50-percent or greater interest (within the meaning of Section 355(g)(3)) in the equity of Distributing 4 or Controlled 4 who did not hold such an interest before the transaction, or (ii) neither Distributing 4 nor Controlled 4 will be a disqualified investment corporation (within the meaning of Section 355(g)(2)).

- (7w) The fair market value of the Controlled 4 equity to be received by Distributing 5 will be approximately equal to the fair market value of the Distributing 4 stock to be surrendered by Distributing 5 in exchange therefor.
- (7x) There is no regulatory, legal, contractual or economic compulsion or requirement that the contribution of stock of Distributing 3 to Distributing 4 by Distributing 5 be made as a condition of the Fourth Internal Distribution.

The Controlled 5 Contribution and the External Distribution:

- (8a) Any indebtedness owed by Controlled 5 to Distributing 5 after the External Distribution will not constitute stock or securities.
- (8b) No part of the consideration to be distributed in the External Distribution will be received by any shareholder of Distributing 5 as a creditor, employee, or in any capacity other than that of a shareholder of Distributing 5.
- (8c) In applying Section 355(b)(2)(A) regarding the conduct of an active trade or business, Distributing 5 and Controlled 5 will each treat all members of its respective SAG as one corporation.
- (8d) The five years of financial information submitted on behalf of Country B Business 4 is representative of the present operation of Country B Business 4, and with regard to such business, there have been no substantial operational changes since the date of the last financial statements submitted.
- (8e) The five years of financial information submitted on behalf of Country B Business 5 is representative of present operation of County B Business 5, and with regard to such business, there have been no substantial operational changes since the date of the last financial statements submitted.
- (8f) The Distributing 5 SAG neither acquired Country B Business 4 nor acquired control of an entity conducting Country B Business 4 during the five-year period ending on the date of the Initial Debt-for-Equity Exchange in a transaction in which gain or loss was recognized in whole or in part, excluding acquisitions that constitute expansions as contemplated by Treas. Reg. § 1.355-3(b)(3)(ii) and acquisitions by one member of an affiliated group from another member of the group as contemplated by Treas. Reg. § 1.355-3(b)(4)(iii).
- (8g) The Distributing 5 SAG neither acquired Country B Business 5 nor acquired control of an entity conducting Country B Business 5 during the five-year period ending on the date of the Initial Debt-for-Equity Exchange in a transaction in which gain or loss was recognized in whole or in part, excluding acquisitions that constitute expansions as contemplated by Treas. Reg. § 1.355-3(b)(3)(ii) and

acquisitions by one member of an affiliated group from another member of the group as contemplated by Treas. Reg. § 1.355-3(b)(4)(iii).

- (8h) Following the External Distribution, the Distributing 5 SAG and the Controlled 5 SAG will each continue the active conduct of its business independently and with its separate employees, except as provided pursuant to the Post-Separation Agreements.
- (8i) There is no plan or intention to liquidate either Distributing 5 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 External Distribution, except in the ordinary course of business and for a disposition of the Business 3 assets.
- (8j) The total adjusted bases and the fair market value of the assets transferred to Controlled 5 by Distributing 5 each equals or exceeds the sum of (i) the liabilities assumed (within the meaning of Section 357(d)) by Controlled 5 plus any liabilities to which the transferred assets are subject (excluding liabilities to which Section 357(c)(3) applies) and (ii) the total amount of cash and the fair market value of other property (within the meaning of Section 361(b)) received by Distributing 5 in the Controlled 5 Cash Transfer. The fair market value of the assets of Controlled 5 will exceed the amount of its liabilities immediately after the Controlled 5 Contribution.
- (8k) Any liabilities assumed in the Controlled 5 Contribution (within the meaning of Section 357(d)) and any liabilities to which the transferred assets are subject were incurred in the ordinary course of business and are associated with the assets being transferred.
- (8l) If an investment credit determined under Section 46 has been or will be claimed with respect to any property transferred between Distributing 5 and Controlled 5, the income tax liability for the taxable year in which investment credit property (including any building to which Section 47(d) applies) is transferred will be adjusted pursuant to Section 50(a)(1) or (a)(2) (or Section 47, as in effect before amendment by Public Law 101-508, Title 11, 104 Stat. 1388, 536 (1990), if applicable) to reflect an early disposition of the property).
- (8m) No intercorporate debt will exist between Distributing 5 and Controlled 5 at the time of, or subsequent to, the External Distribution, other than (i) payables and receivables arising from products purchased or services provided under the Post-Separation Agreements, or (ii) trade payables and receivables incurred in the ordinary course of business.
- (8n) Immediately before the External Distribution, 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. § 1.1502-13 as published by T.D. 8597). Further, Distributing 5's excess loss account, if any, with respect to the Controlled 5 will be included in income immediately before Controlled 5 ceases to be a member of the Distributing 5 Consolidated Group (see Treas. Reg. § 1.1502-19).

- (8o) Payments made in connection with all continuing transactions, if any, between Distributing 5 and Controlled 5 will be for fair market value based on terms and conditions arrived at by the parties bargaining at arm's length, other than in connection with the Post-Separation Agreements.
- (8p) No two parties to the External Distribution are investment companies as defined in Section 368(a)(2)(F)(iii) and (iv).
- (8q) The External Distribution will be carried out for the following corporate business purposes: (1) to create an independent public company with a Board of Directors and management team focused exclusively on Business 2, which will be able to pursue future business initiatives, including acquisitions and other capital investments, (2) to create a pure-play, widely held, publicly traded equity security linked only to the performance of Business 2, rather than Distributing 5's much larger core Business 1, which can be used efficiently to attract, retain and incentivize employees of Business 2 and to pursue attractive acquisition opportunities, and (3) to enhance the capital markets efficiency of Distributing 5 stock, which can be used in acquisitions and capital raising activities, by eliminating a non-core business which investors do not appropriately value when assessing Distributing 5's business operations. The External Distribution is motivated, in whole or substantial part, by one or more of these corporate business purposes.
- (8r) The External Distribution is not used principally as a device for the distribution of the earnings and profits of Distributing 5 or Controlled 5 or both.
- (8s) The External Distribution 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 Section 355(d)(4)) in Distributing 5 or Controlled 5 (including any predecessor or successor of any such corporation).
- (8t) For purposes of Section 355(d), immediately after the External Distribution, no person (determined after applying Section 355(d)(7)) will hold stock possessing 50 percent or more of the total combined voting power of all classes of Distributing 5 stock entitled to vote or 50 percent or more of the total value of all classes of Distributing 5 stock that was acquired by purchase (as defined in

Section 355(d)(5) and (8) and by application of Treas. Reg. § 1.355-6) during the period (determined after applying Section 355(d)(6)) beginning five years before the date of the Initial Debt-for-Equity Exchange and ending on the date on which the External Distribution is completed.

- (8u) For purposes of Section 355(d), immediately after the External Distribution, no person (determined after applying Section 355(d)(7)) will hold stock possessing 50 percent or more of the total combined voting power of all classes of Controlled 5 stock entitled to vote or 50 percent or more of the total value of all classes of Controlled 5 stock that was either (i) acquired by purchase (as defined in Section 355(d)(5) and (8) and by application of Treas. Reg. § 1.355-6) during the period (determined after applying Section 355(d)(6)) beginning five years before the Initial Debt-for-Equity Exchange and ending on the date on which the External Distribution is completed or (ii) attributable to distributions on Distributing 5 stock that was acquired by purchase (as defined in Section 355(d)(5) and (8) and by application of Treas. Reg. § 1.355-6) during the period (determined after applying Section 355(d)(6)) beginning five years before the date of the Initial Debt-for-Equity Exchange and ending on the date on which the External Distribution is completed.
- (8v) Immediately after the External Distribution, either (i) no person will hold a 50-percent or greater interest (within the meaning of Section 355(g)(3)) in the stock of Distributing 5 or Controlled 5 who did not hold such an interest before the transaction or (ii) neither Distributing 5 nor Controlled 5 will be a disqualified investment corporation (within the meaning of Section 355(g)(2)).
- (8w) The fair market value of the Controlled 5 Distribution Stock (and cash in lieu of fractional shares) to be received by each Distributing 5 shareholder in any External Split-Off will be approximately equal to the fair market value of the Distributing 5 stock to be surrendered by such shareholder in exchange therefor.
- (8x) Controlled 5 has no legally binding obligation to any person to consider or present to the Controlled 5 shareholders a proposal to convert Controlled 5 Class B Stock, if any such stock is distributed, to Controlled 5 Class A stock following the consummation of the External Distribution.
- (8y) If a proposal to convert the Controlled 5 Class B Stock to Controlled 5 Class A Stock is approved by the Controlled 5 Board and presented to the Controlled 5 shareholders, a vote by (i) a majority of the shareholders of Controlled 5, voting together as a single class (with each shareholder entitled to a single vote per share, regardless of class) and (ii) a majority of the holders of the Controlled 5 Class B Stock, voting separately (with each shareholder entitled to a single vote for each share of Controlled 5 Class B Stock), will be required for the proposal to be approved.

- (8z) The sum of (a) the aggregate amount of Distributing 5 Debt exchanged for Controlled 5 Exchange Stock and Controlled 5 Securities in the Debt Exchanges and (b) the aggregate amount of Distributing 5 indebtedness repaid or redeemed with the cash received in the Controlled 5 Cash Transfer will not exceed the weighted quarterly average of Distributing 5 debt owed to unrelated third parties for the twelve month period ending upon the close of business on the last full business day before the date on which the Proposed Transaction was first presented to Distributing 5's Board of Directors.
- (8aa) The Controlled 5 Securities issued to Distributing 5 in the Controlled 5 Contribution will qualify as "securities" within the meaning of Section 361(a).
- (8bb) After the External Distribution, (i) no officer or key employee of Controlled 5 and no more than two directors of Controlled 5 will be a director, officer, or key employee of Distributing 5 or any of its subsidiaries, and (ii) no director, officer, or key employee of any subsidiary of Controlled 5 will be a director, officer, or key employee of Distributing 5 or any of its subsidiaries.
- (8cc) The payment of cash in lieu of fractional shares of Controlled 5 is for the purpose of avoiding the expense and inconvenience of issuing fractional shares and does not represent separately bargained for consideration. The total cash consideration, if any, that will be paid in lieu of fractional shares of Controlled 5 Distribution Stock will not exceed one percent of the total consideration that will be distributed to Distributing 5 shareholders in the External Distribution. It is intended that no Distributing 5 shareholder will receive cash in lieu of fractional shares in an amount equal to or greater than the value of one full share of Controlled 5 Distribution Stock.
- (8dd) Distributing 5 will transfer all of the cash received pursuant to the Controlled 5 Cash Transfer to its creditors and/or shareholders pursuant to the plan of reorganization.
- (8ee) Neither Distributing 5 nor Controlled 5 has been a United States real property holding corporation (a "USRPHC") as defined in Section 897(c)(2) at any time during the five-year period ending on the date of the External Distribution, and neither Distributing 5 nor Controlled 5 will be a USRPHC immediately after the External Distribution.
- (8ff) Neither the Controlled 5 Securities nor the Controlled 5 borrowing described in step (lxxvii) will include a (i) pledge or guaranty by any controlled foreign corporation of which Controlled 5 (or any of its domestic corporate subsidiaries) is a United States Shareholder, as defined in Section 951(b), or (ii) a pledge of more than 65 percent of the stock of any controlled foreign corporation of which

Controlled 5 (or any of its domestic corporate subsidiaries) is a United States Shareholder.

Rulings

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

The Foreign Distributions

- (1) The Country I Redemptions will be treated as distributions of property to which Section 301 applies.
- (2) Earnings and profits of Newco 1, if any, will be allocated between Newco 1 and Newco 2 in accordance with Section 312(h) and Treas. Reg. § 1.312-10(a), after taking into account the decrease in earnings and profits resulting from the Country I Redemptions. Treas. Reg. §§ 1.312-1(a), 1.312-10(a).
- (3) The Country D Property Distribution will be treated as a distribution of property to which Section 301 applies.
- (4) Earnings and profits of FSub 21, if any, will be allocated between FSub 21 and Newco 9 in accordance with Section 312(h) and Treas. Reg. § 1.312-10(a), after taking into account the decrease in earnings and profits resulting from the Country D Property Distribution. Treas. Reg. §§ 1.312-1(a), 1.312-10(a).
- (5) The Country H Property Distribution will be treated as a distribution of property to which Section 301 applies.
- (6) Earnings and profits of New FSub 10, if any, will be allocated between New FSub 10 and Newco 3 in accordance with Section 312(h) and Treas. Reg. § 1.312-10(a), after taking into account the decrease in earnings and profits resulting from the Country H Property Distribution. Treas. Reg. §§ 1.312-1(a), 1.312-10(a).
- (7) The Country B Property Distribution will be treated a distribution of property to which Section 301 applies.
- (8) Earnings and profits of FSub 18, if any, will be allocated between FSub 18 and Newco 7 in accordance with Section 312(h) and Treas. Reg. § 1.312-10(a), after taking into account the decrease in earnings and profits resulting from the Country B Property Distribution. Treas. Reg. §§ 1.312-1(a), 1.312-10(a).
- (9) The FSub 17 Property Distribution will be treated as a distribution of property to which Section 301 applies.

- (10) Earnings and profits of FSub 17, if any, will be allocated between FSub 17 and Newco 8 in accordance with Section 312(h) and Treas. Reg. § 1.312-10(a), after taking into account the decrease in earnings and profits resulting from the FSub 17 Property Distribution. Treas. Reg. §§ 1.312-1(a), 1.312-10(a).
- (11) The FSub 8 Property Distribution will be treated as a distribution of property to which Section 301 applies.
- (12) Earnings and profits of New FSub 8, if any, will be allocated between New FSub 8 and Newco 5 in accordance with Section 312(h) and Treas. Reg. § 1.312-10(a), after taking into account the decrease in earnings and profits resulting from the FSub 8 Property Distribution. Treas. Reg. §§ 1.312-1(a), 1.312-10(a).
- (13) The FSub 7 Property Distribution will be treated as a distribution of property to which Section 301 applies.
- (14) Earnings and profits of FSub 7, if any, will be allocated between FSub 7 and Newco 5 in accordance with Section 312(h) and Treas. Reg. § 1.312-10(a), after taking into account the decrease in earnings and profits resulting from the FSub 7 Property Distribution and the FSub 7 Acquisitions. Treas. Reg. §§ 1.312-1(a), 1.312-10(a).
- (15) The FSub 2 Property Distribution will be treated as a distribution of property to which Section 301 applies.
- (16) Earnings and profits of FSub 2, if any, will be allocated between FSub 2 and Newco 6 in accordance with Section 312(h) and Treas. Reg. § 1.312-10(a), after taking into account the decrease in earnings and profits resulting from the FSub 2 Property Distribution. Treas. Reg. §§ 1.312-1(a), 1.312-10(a).

The Sub 3 Contribution

- (17) Sub 3 will recognize no gain or loss will upon the transfer of assets to Distributing 4 (through New LLC 8) solely in exchange for Distributing 4 stock. Section 351(a).
- (18) The basis of the Distributing 4 stock issued to Sub 3 will be the same as the basis of the assets transferred (through New LLC 8) in exchange therefor, decreased by the amount of liabilities assumed by Distributing 4 (through New LLC 8). Sections 358(a) and 357(d)(1).
- (19) The holding period of the Distributing 4 stock issued to Sub 3 will include the holding period of the assets transferred (through New LLC 8) in exchange

therefor, provided such assets were held as capital assets at the time of the transfer. Section 1223(1).

- (20) Distributing 4 will recognize no gain or loss upon the receipt of assets (through New LLC 8) in exchange for the issuance of Distributing 4 stock. Section 1032(a).
- (21) The basis of the assets received by Distributing 4 (through New LLC 8) in exchange for the issuance of Distributing 4 stock will be the same as the basis of such assets in the hands of Sub 3 immediately before the exchange. Section 362(a).
- (22) The holding period of the assets received by Distributing 4 (through New LLC 8) in exchange for the issuance of Distributing 4 stock will include the holding period of such assets in the hands of Sub 3. Section 1223(2).

The Sub 10 Contribution

- (23) Sub 10 will recognize no gain or loss upon the transfer of assets to Distributing 4 (through New LLC 9) solely in exchange for Distributing 4 stock. Section 351(a).
- (24) The basis of the Distributing 4 stock issued to Sub 10 will be the same as the basis of the assets transferred (through New LLC 9) in exchange therefor, decreased by the amount of liabilities assumed by Distributing 4 (through New LLC 9). Sections 358(a) and 357(d)(1).
- (25) The holding period of the Distributing 4 stock issued to Sub 10 will include the holding period of the assets transferred (through New LLC 9) in exchange therefor, provided such assets were held as capital assets at the time of the transfer. Section 1223(1).
- (26) Distributing 4 will recognize no gain or loss upon the receipt of assets (through New LLC 9) in exchange for the issuance of Distributing 4 stock. Section 1032(a).
- (27) The basis of the assets received by Distributing 4 (through New LLC 9) in exchange for the issuance of Distributing 4 stock will be the same as the basis of such assets in the hands of Sub 10 immediately before the exchange. Section 362(a).
- (28) The holding period of the assets received by Distributing 4 (through New LLC 9) in exchange for the issuance of Distributing 4 stock will include the holding period of such assets in the hands of Sub 10. Section 1223(2).

The Controlled 1 Contribution and the First Internal Distribution

- (29) The Controlled 1 Contribution, together with the First Internal Distribution, will be a reorganization within the meaning of section 368(a)(1)(D). Distributing 1 and Controlled 1 each will be “a party to a reorganization” within the meaning of Section 368(b).
- (30) Distributing 1 will recognize no gain or loss upon the Controlled 1 Contribution. Sections 361(a) and 357(a).
- (31) Controlled 1 will recognize no gain or loss upon the Controlled 1 Contribution. Section 1032(a).
- (32) Controlled 1's basis in each asset received in the Controlled 1 Contribution will equal the basis of that asset in the hands of Distributing 1 immediately before the Controlled 1 Contribution. Section 362(b).
- (33) Controlled 1's holding period in each asset received in the Controlled 1 Contribution will include the period during which Distributing 1 held such asset. Section 1223(2).
- (34) Distributing 1 will recognize no gain or loss on the First Internal Distribution. Section 361(c).
- (35) The Distributing 1 equityholders will recognize no gain or loss upon the receipt of Controlled 1 equity in the First Internal Distribution. Section 355(a)(1).
- (36) The basis of the Controlled 1 equity and the Distributing 1 equity in the hands of Distributing 1 equityholders immediately after the First Internal Distribution will be the same as the basis of the Distributing 1 equity held by such equityholder immediately before the First Internal Distribution, on which such distribution was made, allocated in proportion to the fair market values the Distributing 1 equity and the Controlled 1. Section 358(a)-(c), Treas. Reg. § 1.358-2(a)(2).
- (37) The Distributing 1 equityholders' holding period in the Controlled 1 equity received in the First Internal Distribution will include the holding period of the Distributing 1 equity held by such equityholder with respect to which the First Internal Distribution is made, provided such Distributing 1 equity is held as a capital asset on the date of the First Internal Distribution. Section 1223(1).
- (38) The Distributing 1 Property Distribution will be treated as a distribution of property to which Section 301 applies.

- (39) Earnings and profits of Distributing 1, if any, will be allocated between Distributing 1 and Controlled 1 in accordance with Section 312(h) and Treas. Reg. § 1.312-10(a) after taking into account the decrease in earnings and profits resulting from the Distributing 1 Property Distribution. Treas. Reg. §§ 1.312-1(a), 1.312-10(a).
- (40) Section 355(a)(3)(B) will not treat as “other property” any part of the Controlled 1 equity issued to Distributing 1 in exchange for intellectual property rights subject to the IP Arrangements. Treas. Reg. § 1.355-2(g).
- (41) Distributing 1’s transfer of its assets to Controlled 1 in the Controlled 1 Contribution will be an exchange to which Treas. Reg. §§ 1.367(b)-1(c) and -4(a) apply.
- (42) Distributing 1’s transfer of the Controlled 1 equity will be a distribution to which Treas. Reg. §§ 1.367(b)-1(c), 1.367(b)-5(a), 1.367(b)-5(c) and 1.367(b)-5(f) apply. If a distributee’s post-distribution amount (as defined in Treas. Reg. § 1.367(b)-5(e)(2)) with respect to Distributing 1 or Controlled 1 is less than its pre-distribution amount (as defined in Treas. Reg. § 1.367(b)-5(e)(1)) with respect to Distributing 1 or Controlled 1, then the distributee’s basis in such stock immediately after the distribution must be reduced by the amount of the difference. The distributee’s basis in such stock, however, must not be reduced below zero. To the extent the foregoing reduction would reduce its basis below zero, the distributee must instead include such amount in income as a deemed dividend from such corporation. If the distributee reduces basis in the stock of Distributing 1 or Controlled 1 (or has an inclusion with respect to such stock), then the distributee must increase its basis in the stock of the other corporation to the extent provided in Treas. Reg. § 1.367(b)-5(c)(4).

The Controlled 2 Contribution and the Second Internal Distribution

- (43) The Controlled 2 Contribution, together with the Second Internal Distribution, will be a reorganization within the meaning of section 368(a)(1)(D). Distributing 2 and Controlled 2 each will be “a party to a reorganization” within the meaning of section 368(b).
- (44) Distributing 2 will recognize no gain or loss upon the Controlled 2 Contribution. Sections 361(a) and 357(a).
- (45) Controlled 2 will recognize no gain or loss upon the Controlled 2 Contribution. Section 1032(a).

- (46) Controlled 2's basis in each asset received in the Controlled 2 Contribution will equal the basis of that asset in the hands of Distributing 2 immediately before the Controlled 2 Contribution. Section 362(b).
- (47) Controlled 2's holding period in each asset received in the Controlled 2 Contribution will include the period during which Distributing 2 held such asset. Section 1223(2).
- (48) Distributing 2 will recognize no gain or loss on the Second Internal Distribution. Section 361(c).
- (49) Distributing 4 will recognize no gain or loss upon the receipt of Controlled 2 stock in the Second Internal Distribution. Section 355(a)(1).
- (50) The basis of the Controlled 2 stock in the hands of Distributing 4 immediately after the Second Internal Distribution will be the same as the basis of the Distributing 2 stock exchanged therefor. Section 358(a), Treas. Reg. § 1.358-2(a)(2).
- (51) If Distributing 4 purchased or acquired shares of Distributing 2 stock on different dates or at different prices and is not able to identify which particular share of Distributing 2 stock is exchanged for Controlled 2 stock, Distributing 4 may designate which particular share of Distributing 2 stock is exchanged for a particular share of Controlled 2 stock, provided the designation is consistent with the terms of the Second Internal Distribution. Treas. Reg. § 1.358-2(a)(2)(vii).
- (52) Distributing 4's holding period in the Controlled 2 stock received in the Second Internal Distribution will include the holding period of the Distributing 2 stock exchanged therefor, provided such Distributing 2 stock is held as a capital asset on the date of the Second Internal Distribution. Section 1223(1).
- (53) Earnings and profits of Distributing 2, if any, will be allocated between Distributing 2 and Controlled 2 in accordance with Section 312(h) and Treas. Reg. §§ 1.312-10(a) and 1.1502-33(e)(3).
- (54) Section 355(a)(3)(B) will not treat as "other property" any part of the Controlled 2 stock issued to Distributing 2 in exchange for intellectual property rights subject to the IP arrangements. Treas. Reg. § 1.355-2(g).

The Controlled 3 Contribution and the Third Internal Distribution

- (55) The Country C Restructuring Transactions will be treated for federal income tax purposes as (i) the contribution by Distributing 3 of assets to Controlled 3 in exchange for stock of Controlled 3 and the assumption of liabilities (the

- “Controlled 3 Contribution”), followed by (ii) the distribution of the stock of Controlled 3 by Distributing 3 to Distributing 4 (the “Third Internal Distribution”), and (iii) the contribution of the stock of Controlled 3 to Controlled 4 by Distributing 4 pursuant to the Controlled 4 Contribution.
- (56) The Controlled 3 Contribution, together with the Third Internal Distribution, will be a reorganization within the meaning of section 368(a)(1)(D). Distributing 3 and Controlled 3 each will be “a party to a reorganization” within the meaning of section 368(b).
- (57) Distributing 3 will recognize no gain or loss upon the Controlled 3 Contribution. Sections 361(a) and 357(a).
- (58) Controlled 3 will recognize no gain or loss upon the Controlled 3 Contribution. Section 1032(a).
- (59) Controlled 3’s basis in each asset received in the Controlled 3 Contribution will equal the basis of that asset in the hands of Distributing 3 immediately before the Controlled 3 Contribution. Section 362(b).
- (60) Controlled 3’s holding period in each asset received in the Controlled 3 Contribution will include the period during which Distributing 3 held such asset. Section 1223(2).
- (61) Distributing 3 will recognize no gain or loss on the Third Internal Distribution. Section 361(c).
- (62) Distributing 4 will recognize no gain or loss in the Third Internal Distribution. Section 355(a)(1).
- (63) The basis of the Controlled 3 stock and the Distributing 3 stock in the hands of Distributing 4 immediately after the Third Internal Distribution will be the same as the basis of the Distributing 3 stock held by Distributing 4 immediately before the Third Internal Distribution, on which such distribution is deemed to have been made, allocated in proportion to the fair market values of the Distributing 3 stock and the Controlled 3 stock. Section 358(a)-(c), Treas. Reg. § 1.358-2(a)(2).
- (64) Distributing 4’s holding period in the Controlled 3 stock received in the Third Internal Distribution will include the holding period of the Distributing 3 stock with respect to which the distribution of the Controlled 3 is deemed to have been made, provided such Distributing 3 stock is held as a capital asset on the date of the Third Internal Distribution. Section 1223(1).

- (65) The Distributing 3 Property Distribution will be treated as a distribution of property to which Section 301 applies.
- (66) Earnings and profits of Distributing 3, if any, will be allocated between Distributing 3 and Controlled 3 in accordance with Section 312(h) and Treas. Reg. § 1.312-10(a), after taking into account the decrease in earnings and profits resulting from the Distributing 3 Property Distribution. Treas. Reg. §§ 1.312-1(a), 1.312-10(a).
- (67) Section 355(a)(3)(B) will not treat as “other property” any part of the Controlled 3 stock deemed issued to Distributing 3 in exchange for intellectual property rights subject to the IP Arrangements. Treas. Reg. § 1.355-2(g).
- (68) Distributing 3’s transfer of its assets to Controlled 3 in the Controlled 3 Contribution will be an exchange to which Treas. Reg. §§ 1.367(b)-1(c) and -4(a) apply.
- (69) Distributing 3’s transfer of Controlled 3 stock will be a distribution to which Treas. Reg. §§ 1.367(b)-1(c), 1.367(b)-5(a), 1.367(b)-5(c), and 1.367(b)-5(f) apply. If Distributing 4’s post-distribution amount (as defined in Treas. Reg. § 1.367(b)-5(e)(2)) with respect to Distributing 3 or Controlled 3 is less than its pre-distribution amount (as defined in Treas. Reg. § 1.367(b)-5(e)(1)) with respect to Distributing 3 or Controlled 3, then Distributing 4’s basis in such stock immediately after the distribution must be reduced by the amount of the difference. Distributing 4’s basis in such stock, however, must not be reduced below zero, and to the extent the foregoing reduction would reduce its basis below zero, Distributing 4 must instead include such amount in income as a deemed dividend from such corporation. If Distributing 4 reduces basis in the stock of Distributing 3 or Controlled 3 (or has an inclusion with respect to such stock), then Distributing 4 shall increase its basis in the stock of the other corporation to the extent provided in Treas. Reg. § 1.367(b)-5(c)(4).

The Controlled 4 Contribution and the Fourth Internal Distribution

- (70) The Controlled 4 Contribution, which includes the transfer of the right to receive and the actual receipt of the Delay Transfer Asset, together with the Fourth Internal Distribution, will be a reorganization within the meaning of Section 368(a)(1)(D). Distributing 4 and Controlled 4 each will be “a party to a reorganization” within the meaning of Section 368(b).
- (71) Distributing 4 will recognize no gain or loss upon the Controlled 4 Contribution. Sections 361(a) and 357(a).

- (72) Controlled 4 will recognize no gain or loss upon the Controlled 4 Contribution. Section 1032(a).
- (73) Controlled 4's basis in each asset received in the Controlled 4 Contribution will equal the basis of that asset in the hands of Distributing 4 immediately before the Controlled 4 Contribution. Section 362(b).
- (74) Controlled 4's holding period in each asset received in the Controlled 4 Contribution will include the period during which Distributing 4 held such asset. Section 1223(2).
- (75) Distributing 4 will recognize no gain or loss on the Fourth Internal Distribution. Section 361(c).
- (76) The Distributing 5 will recognize no gain or loss upon the receipt of Controlled 4 equity in the Fourth Internal Distribution. Section 355(a)(1).
- (77) The basis of the Controlled 4 equity in the hands of Distributing 5 immediately after the Fourth Internal Distribution will be the same as the basis of the Distributing 4 stock exchanged therefor. Section 358(a), Treas. Reg. § 1.358-2(a)(2).
- (78) If Distributing 5 purchased or acquired shares of Distributing 4 stock on different dates or at different prices and is not able to identify which particular share of Distributing 4 stock is exchanged for a particular share of Controlled 4 equity, Distributing 5 may designate which particular share of Distributing 4 stock is exchanged for a particular unit of Controlled 4 equity, provided the designation is consistent with the terms of the Fourth Internal Distribution. Treas. Reg. § 1.358-2(a)(2)(vii).
- (79) Distributing 5's holding period in the Controlled 4 equity received in the Fourth Internal Distribution will include the holding period of the Distributing 4 stock exchanged therefor, provided such Distributing 4 stock is held as a capital asset on the date of the Fourth Internal Distribution. Section 1223(1).
- (80) Earnings and profits of Distributing 4, if any, will be allocated between Distributing 4 and Controlled 4 in accordance with Section 312(h) and Treas. Reg. §§ 1.312-10(a) and 1.1502-33(e)(3).
- (81) Section 355(a)(3)(B) will not treat as "other property" any part of the Controlled 4 equity issued to Distributing 4 in exchange for intellectual property rights subject to the IP Arrangements. Treas. Reg. § 1.355-2(g).

The Controlled 5 Contribution and the External Distribution

- (82) The Controlled 5 Contribution, together with the External Distribution, will be a reorganization within the meaning of Section 368(a)(1)(D). Distributing 5 and Controlled 5 each will be “a party to a reorganization” within the meaning of Section 368(b).
- (83) Distributing 5 will recognize no gain or loss upon the Controlled 5 Contribution. Sections 361(a) and 357(a).
- (84) Controlled 5 will recognize no gain or loss upon the Controlled 5 Contribution. Section 1032(a).
- (85) Controlled 5’s basis in each asset received in the Controlled 5 Contribution will equal the basis of that asset in the hands of Distributing 5 immediately before the Controlled 5 Contribution. Section 362(b).
- (86) Controlled 5’s holding period in each asset received in the Controlled 5 Contribution will include the period during which the asset was held by Distributing 5. Section 1223(2).
- (87) Distributing 5 will recognize no gain or loss in the Debt Exchanges other than any (i) deductions attributable to the fact that Distributing 5 Debt may be redeemed at a premium, (ii) income attributable to the fact that the Distributing 5 Debt may be redeemed at a discount, and (iii) interest expense accrued with respect to the Distributing 5 Debt. Section 361(c).
- (88) Distributing 5 will recognize no gain or loss in the External Distribution. Section 361(c).
- (89) Distributing 5’s shareholders will recognize no gain or loss upon the receipt of the Distribution Stock in the External Distribution. Section 355(a).
- (90) The basis of the Distribution Stock, including any fractional share deemed received, in the hands of a holder of Distributing 5 Common Stock who exchanges Distributing 5 Common Stock for Distribution Stock in the External Split-Off immediately after such External Split-Off will be the same as the basis of the Distributing 5 Common Stock exchanged therefore. Section 358(a), Treas. Reg. § 1.358-2(a)(2).
- (91) To the extent that Distribution Stock, including any fractional share deemed received, is distributed to holders of Distributing 5 Common Stock on a pro rata basis pursuant to the Back-End Distribution, the basis of the Distributing 5 Common Stock and the Distribution Stock in the hands of such holder

immediately after the Back-End Distribution will be the same as the basis of the Distributing 5 Common Stock immediately before the Back-End Distribution on which such distribution was made, allocated in proportion to the fair market values of the Distributing 5 Common Stock and the Distribution Stock. Section 358(a)-(c).

- (92) Each Distributing 5 shareholder's holding period in the Distribution Stock received in an External Split-Off or the Back-End Distribution will include the holding period of the Distributing 5 Common Stock exchanged therefor or with respect to which the External Distribution is made, provided such Distributing 5 Common Stock is held as a capital asset on the date of such External Split-Off or the Back-End Distribution, respectively. Section 1223(1).
- (93) A holder of Distributing 5 Common Stock who receives cash in lieu of a fractional share of Distribution Stock in an External Split-Off or the Back-End Distribution will recognize gain or loss measured by the difference between the basis of the fractional share deemed to be received, as determined above in rulings 90 and 91 above, and the amount of cash received. Section 1001. Any gain or loss will be treated as a capital gain or loss, provided the fractional share of stock would be held as a capital asset on the date of such External Split-Off or the Back-End Distribution. Sections 1221 and 1222.
- (94) Earnings and profits of Distributing 5, if any, will be allocated between Distributing 5 and Controlled 5 in accordance with Section 312(h) and Treas. Reg. §§ 1.312-10(a) and 1.1502-33(e)(3).
- (95) Payments made between any of Distributing 5 and Controlled 5 and their respective affiliates under the Post-Separation Agreements will be treated as occurring immediately before the Initial Debt-for-Equity Exchange to the extent that such payments relate to liabilities arising prior to or in connection with the Debt Exchanges or External Distribution. See *Arrowsmith v. Commissioner*, 344 U.S. 6 (1952); Rev. Rul. 83-73, 1983-1 C.B. 84.
- (96) Following the External Distribution, Controlled 5 will not be a successor of Distributing 5 for purposes of Section 1504(a)(3). Therefore, Controlled 5 and its direct and indirect subsidiaries that are "includible corporations" under Section 1504(b) and satisfy the ownership requirements of Section 1504(a)(4) will be members of an affiliated group of corporations entitled to file a consolidated federal income tax return with Controlled 5 as the common parent.
- (97) Section 355(a)(3)(B) will not treat as "other property" any part of the Controlled 5 stock issued to Distributing 5 in exchange for intellectual property rights subject to the IP Arrangements. Treas. Reg. § 1.355-2(g).

Caveats

No opinion is expressed about the tax treatment of the Proposed Transaction under other provisions of the Code or regulations or the tax treatment of any conditions existing at the time of, or effects resulting from, the Proposed Transaction that are not specifically covered by the above rulings. In particular, this office has not reviewed any information pertaining to and has made no determination regarding:

- (i) Whether the Internal and External Distributions satisfy the business purpose requirement of Treas. Reg. § 1.355-2(b);
- (ii) Whether the Internal and External Distributions are being used principally as a device for the distribution of earnings and profits of Distributing 1, Distributing 2, Distributing 3, Distributing 4, Distributing 5, Controlled 1, Controlled 2, Controlled 3, Controlled 4, Controlled 5, or any combination thereof (see Section 355(a)(1)(B) and Treas. Reg. § 1.355-2(d));
- (iii) Whether the Internal and External Distributions are part of a plan (or series of related transactions) pursuant to which one or more persons will acquire directly or indirectly stock representing a 50-percent or greater interest in any distributing corporation or any controlled corporation (see Section 355(e)(2)(A)(ii) and Treas. Reg. § 1.355-7);
- (iv) Any cost, cost-plus, or royalty-free-based transactions between Distributing 5 and Controlled 5 and/or their respective subsidiaries.
- (v) The federal tax consequences of the Proposed Transaction under Subchapter K of the Code.
- (vi) Whether the transfers of intellectual property rights in the Sub 3, Sub 10, Controlled 1, Controlled 2, Controlled 3, Controlled 4, and Controlled 5 Contributions constitute transfers of property (see Rev. Rul. 69-156, 1969-1 C.B. 101);
- (vii) Whether Distributing 1, Controlled 1, Distributing 3, or Controlled 3 is a passive foreign investment company ("PFIC") within the meaning of Section 1297(a). If it is determined that any of these corporations is a PFIC, no opinion is expressed on the application of Sections 1291 through 1298 to the Proposed Transaction. In particular, in a transaction in which gain is not otherwise recognized, regulations under Section 1291(f) may require gain recognition notwithstanding any other provision of the Code.
- (viii) Except as expressly provided herein, the Taxpayer has requested no rulings and no opinion is expressed or implied regarding the federal income tax

consequences of (1) the Country I Contribution and Distribution, (2) the Country H Contribution and Distribution, (3) the FSub 8 Contribution and Distribution, (4) the FSub 7 Contribution and Distribution, (5) the FSub 2 Contribution and Distribution, (6) the Country B Contribution and Distribution, (7) the FSub 17 Contribution and Distribution, (8) the Country D Contribution and Distribution, (9) the Preparatory Transactions, and (10) the U.S. Internal Restructuring Transactions.

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 representative.

A copy of this letter must be attached to any income tax return to which it is relevant. Alternatively, taxpayers filing their returns electronically may satisfy this requirement by attaching a statement to their return that provides the date and control number of the letter ruling.

Sincerely,

Isaac W. Zimbalist

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

cc: