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PLR-110956-13

Date:
October 23, 2013

Legend

Distributing 1 =

Distributing 2 =

Distributing 3 =

Distributing 4 =

Distributing 5 =

Controlled 1 =

Controlled 2 =

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2

Controlled 3 =

Controlled 4 =

Controlled 5 =

Sub 1 =

Sub 2 =

Sub 3 =

Sub 4 =

Sub 5 =

Sub 6 =

Sub 7 =

Sub 8 =

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Sub 10 =

Sub 11 =

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Sub 18 =

DRE 1 =

DRE 2 =

DRE 3 =

DRE 4 =

DRE 5 =

DRE 6 =

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DRE 8 =

DRE 9 =

DRE 10 =

DRE 11 =

DRE 12 =

DRE 13 =

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LLC 2 =

LLC 3 =

NewCo 1 =

NewCo 2 =

NewCo 3 =

Country A =

Country B =

Country C =

Country D =

Country E =

Country F =

Country G =

Country H =

State A =

State B =

State C =

State D =

Court =

Business A =

Business B =

Sub 12 Business =

Date 1 =

Date 2 =

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Dear :

This letter responds to your March 5, 2013, letter requesting rulings on certain federal income tax consequences of certain Proposed Transactions (defined below). The material information provided in that letter and in subsequent correspondence is summarized below.

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

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

Summary of Facts

Distributing 5 is a Country A entity classified as a corporation for U.S. federal tax purposes. Distributing 5 has a single class of stock outstanding, which is publicly traded and widely held. Distributing 5 and its direct and indirect subsidiaries (collectively, the “Distributing 5 Group”) conduct various businesses, including Business A, Business B and the Sub 12 Business.

Distributing 5 intends to separate its Business B from its other businesses, including Business A and the Sub 12 Business (the “Retained Businesses”), through a series of proposed transactions described below (collectively, the “Proposed Transactions”). The entities that will conduct Business B after the completion of the Proposed Transactions are the “Business B Group,” and the entities that will continue to conduct the Retained Businesses are the “Remaining Group.”

Distributing 2, a Country B entity classified as a corporation for U.S. federal tax purposes, has two classes of stock outstanding. Distributing 2’s Class A stock (the “Class A Shares”) is directly and wholly owned by Distributing 5. Distributing 2’s Class B stock (the “Class B Shares”) is owned aa percent by Distributing 4 and its subsidiaries Sub 9, Sub 10, and Sub 11, and bb percent by Sub 12. Each share of the Class A Shares and Class B Shares has similar economic rights; collectively, the Class A Shares represent less than cc percent, and the Class B Shares represent approximately dd percent, of the value of all of Distributing 2’s issued and outstanding stock. The Class B Shares are nonvoting.

Distributing 2 directly and wholly owns all the stock of DRE 11, a Country C entity, which directly and wholly owns all the stock of DRE 9, a Country E entity, which directly and wholly owns all the stock of DRE 8, a Country B entity. Each of DRE 8, DRE 9, and DRE 11 is disregarded as an entity separate from its owner (a “disregarded entity”), and thus is treated as a branch or division of Distributing 2 for U.S. federal tax purposes. DRE 8 directly and wholly owns all the stock of Distributing 1, a Country B entity classified as a corporation.

Distributing 1 directly owns all the interests of DRE 13, a Country G disregarded entity that is treated as a branch or division of Distributing 1. Distributing 1 also directly owns uu percent of the stock of Sub 15, a Country H entity classified as a corporation. The remaining stock of Sub 15 is directly owned vv percent by DRE 13 and ww percent by Distributing 2. Distributing 1 directly owns all the stock of DRE 1, a Country E entity, and all the stock of DRE 2, a Country C entity. DRE 1 directly owns all the stock of DRE 7, a Country E entity, DRE 2 directly owns all the stock of DRE 6, a Country C entity and DRE 6 directly owns all of the stock of DRE 5, a Country F entity. Each of DRE 1, DRE 2, DRE 5, DRE 6, and DRE 7 is a disregarded entity that is treated as a branch or division of Distributing 1. DRE 6 also directly owns all the stock of Sub 1, all the stock of Sub 16, and xx percent of the stock of Sub 17. The remaining yy percent of the stock of Sub 17 is directly owned by Sub 15. Sub 17 directly owns all the stock of Sub 18. Each of Sub 1, Sub 16, Sub 17, and Sub 18 is a Country C entity classified as a corporation.

Sub 1 directly owns all of the stock of Distributing 4, a State C corporation. Distributing 4 is the common parent of an affiliated group of corporations that files a consolidated U.S. federal income tax return (the "Distributing 4 Group"). Distributing 4 directly owns all the interests in DRE 4, a State D limited liability company that is a disregarded entity and is treated as a branch or division of Distributing 4. DRE 4 directly owns all the stock of Distributing 3, a Country D entity that is classified as a corporation. Distributing 4 also directly owns all the stock of Sub 9, a State A corporation, all the stock of Sub 10, a State A corporation, all the stock of Sub 13, a State C corporation, and mm percent of the stock of Sub 11. The remaining stock of Sub 11 is owned nn percent by Sub 13, oo percent by Sub 9, and pp percent by DRE 4. Each of Sub 9, Sub 10, Sub 11, and Sub 13 is a subsidiary (within the meaning of Treas. Reg. § 1.1502-1(c)) in the Distributing 4 Group; Distributing 3 is a controlled foreign corporation within the meaning of section 957(a) ("CFC").

Controlled 1, a State A corporation, is the common parent of an affiliated group of corporations that files a consolidated U.S. federal income tax return (the "Controlled 1 Group"). Controlled 1 has a single class of stock outstanding, which is owned ee percent by DRE 6, ff percent by DRE 5, gg percent by Sub 1, and hh percent by Sub 2, an indirect subsidiary of Controlled 1. Controlled 1 directly owns all the stock of Sub 3, a State B corporation, and all the stock of Sub 4, a State A corporation. Sub 4 directly owns all the stock of Sub 5, a State A corporation, all the stock of Sub 6, a State A corporation, and all the membership interests of DRE 3, a State A limited liability company that is a disregarded entity (thus treated as a branch or division of Sub 4). DRE 3 directly owns all the stock of Sub 12, a State A corporation. Sub 6 directly owns all the stock of Sub 7, a State A corporation, and all the stock of Sub 8, a State A corporation. Sub 8 directly owns all of the interests in DRE 12, a State A limited liability company that is a disregarded entity and is treated as a branch or division of Sub 8. Sub 8 owns kk percent of the interests in Sub 2, a Country B entity classified as a corporation, and DRE 12 owns the remaining ll percent of the interests in Sub 2. Each

of Sub 3, Sub 4, Sub 5, Sub 6, Sub 7, Sub 8, and Sub 12 is a subsidiary (within the meaning of Treas. Reg. § 1.1502-1(c)) in the Controlled 1 Group; Sub 2 is a CFC.

LLC 1 is State A limited liability company that is classified as a partnership for U.S. federal tax purposes. LLC 1 has two classes of membership units outstanding. Sub 4 owns ii percent and Distributing 4 and DRE 4 collectively own the remaining ii percent of the LLC 1 Class A common units. Distributing 4 and DRE 4 collectively own all of the LLC 1 Class B preferred units.

With respect to each distribution in the Controlled 1 Distribution, Distributing 2 Split-down, Controlled 3 Distribution, the First Controlled 4 Distribution, and Controlled 5 Distribution, the respective distributing corporation's "separate affiliated group" within the meaning of section 355(b)(3)(B) (the "SAG") directly engages in Business A, and the corresponding controlled corporation's SAG directly engages (or, with respect to a newly organized controlled corporation, will directly engage immediately after the distribution) in either Business B or the Sub 12 Business. With respect to the Country D Restructuring, the Distributing 3 SAG directly engages in Business B and Controlled 2 will directly engage (immediately after the distribution) in Business A.

Proposed Transactions

The Proposed Transactions comprise the following steps:

- i. Distributing 5 will create additional distributable reserves under Country A law by revaluing its assets to reflect present fair value. Following a Court application and grant of approval, any increase in previously recorded values will be converted into distributable reserves.
- ii. Distributing 1 has formed or will form NewCo 1, a newly organized State A corporation (the "NewCo 1 Formation").
- iii. Certain intercompany debts owed between LLC 1, Distributing 4, and other members of the Remaining Group may be eliminated through repayment, contribution, distribution, assumption, or set-off.
- iv. Sub 4 will sell to NewCo 1 (the "LLC 1 Sale") all of its Class A common units in LLC 1, in exchange for (i) NewCo 1's assumption of a note payable owed by Sub 4 to LLC 1, and (ii) an additional note (the "NewCo 1 Note"). Sub 4 will assign the NewCo 1 Note in repayment of indebtedness owed by Sub 4 to Sub 18; Sub 18 will transfer the NewCo 1 Note to Sub 16; Sub 16 will distribute the NewCo 1 Note to DRE 6; DRE 6 will distribute the NewCo 1 Note to DRE 2; DRE 2 will transfer the NewCo 1 Note to DRE 7 to partially repay intercompany indebtedness; DRE 7 will distribute the NewCo 1 Note to DRE 1; and DRE 1 will distribute the NewCo 1 Note to Distributing 1.

- v. An entity classification election under Treas. Reg. §§ 301.7701-1, *et seq.*, to be effective before the Controlled 1 Distribution (defined below), will be filed to classify Sub 1 as an entity disregarded as separate from its owner (thus, to be treated as a branch or division of Distributing 1) for U.S. federal tax purposes (the “Sub 1 Liquidation”). After this election, Sub 1 will be referred to as DRE 14.
- vi. Certain intercompany debts owed by Controlled 1 and its subsidiaries to other members of the Remaining Group will be eliminated through repayment, contribution, distribution, or set-off, and Distributing 1 will contribute certain assets to the capital of Controlled 1 (the “Controlled 1 Contribution”), including intercompany debts owed by Controlled 1 or its direct or indirect subsidiaries or cash to be used to retire such debts.
- vii. Distributing 1 will distribute all of the Controlled 1 stock it owns (directly or through one or more disregarded entities) to Distributing 2 (the “Controlled 1 Distribution,” and together with the Controlled 1 Contribution, the “Controlled 1 Spin-Off”). The Controlled 1 Distribution will involve the following steps:
 - (a) DRE 14 and DRE 5 will distribute all of their stock in Controlled 1 to DRE 6;
 - (b) DRE 6 will distribute all of its stock in Controlled 1 to DRE 2;
 - (c) DRE 2 will transfer all of its stock in Controlled 1 to DRE 7;
 - (d) DRE 7 will distribute all of its stock in Controlled 1 to DRE 1;
 - (e) DRE 1 will distribute all of its stock in Controlled 1 to Distributing 1;
 - (f) Distributing 1 will distribute all of its stock in Controlled 1 to DRE 8;
 - (g) DRE 8 will distribute a portion of its stock in Controlled 1 to DRE 9 and will transfer the remaining portion of its stock in Controlled 1 to Distributing 2; and
 - (h) DRE 9 will transfer all of its Controlled 1 stock to Distributing 2.

Step vi. may occur after Steps vii.(a)-vii.(e) but, in any event, will occur before Step vii.(f).

- viii. Distributing 2 will (a) contribute property to Controlled 1 (the “Distributing 2 Contribution”), (b) transfer all its stock in Controlled 1 to the owners of the

Class B Shares (including Distributing 4 and Sub 12) in exchange for and complete redemption of all of the Class B Shares (the “Distributing 2 Split-down”), and (c) cancel the Class B Shares.

The Distributing 2 Split-down may occur after the Controlled 3 Distribution (defined below) but will occur prior to any distributions of stock by Distributing 2 to Distributing 5.

- ix. Sub 11 will redeem its shares held by Sub 13.
- x. Each of Sub 11, Sub 9, and Sub 10 will either (a) convert into a domestic limited liability company to be directly and wholly owned by Distributing 4 (and to be classified as an entity disregarded as separate from Distributing 4), (b) liquidate, dissolve or merge under local law with and into Distributing 4, or (c) merge under local law with and into an entity disregarded as separate from Distributing 4. This step may occur prior to or subsequent to step viii.
- xi. Distributing 4 has formed or will form Controlled 3, a newly organized State A corporation.
- xii. Distributing 4 will purchase all of the stock of Sub 5 from Sub 4 and all of the stock of Sub 3 from Controlled 1 in exchange for the issuance of debt instruments.
- xiii. The following steps (the “Country D Restructuring”) will be taken:
 - (a) DRE 4 has formed or will form DRE 10, a newly organized Country D entity which will be disregarded as an entity separate from its owner (thus, a branch or division of Distributing 4) for U.S. federal income tax purposes, and will transfer a portion of its shares of Distributing 3 stock to DRE 10 in exchange for common shares of DRE 10.
 - (b) DRE 4 has formed or will form LLC 2, a newly organized State A limited liability company, which will be disregarded as an entity separate from its owner (thus, a branch or division of Distributing 4), and will transfer its remaining common shares of Distributing 3 stock to LLC 2 (the “LLC 2 Contribution”).
 - (c) Distributing 3 has formed or will form Controlled 2, a newly organized Country D entity that will be classified as a corporation, and will transfer (the “Controlled 2 Contribution”) the property utilized in Business A and rr percent of its cash, cash equivalents and investment assets to Controlled 2 in exchange for the issuance of all of the common shares of Controlled 2 and Controlled 2’s assumption of debt.

- (d) Distributing 3 will transfer the common shares of Controlled 2 to DRE 10 in exchange for preferred shares of DRE 10.
 - (e) Distributing 3 will redeem its common shares held by DRE 10 in exchange for its issuance of a debt instrument (the “Distributing 3 Note”) to DRE 10.
 - (f) DRE 10 will redeem its preferred shares held by Distributing 3 in exchange for its issuance of a debt instrument (the “DRE 10 Note”) to Distributing 3.
 - (g) The Distributing 3 Note and the DRE 10 Note, which will have substantially identical terms, will be offset and canceled.
- xiv. Distributing 4 will contribute directly (or through DRE 4) the following assets to Controlled 3 in exchange for the issuance of Controlled 3 stock and Controlled 3's assumption of any liabilities Distributing 4 owes to LLC 1 (collectively, the “Controlled 3 Contribution”):
- (a) All of its LLC 1 Class A common units and LLC 1 Class B preferred units, and certain receivables;
 - (b) all the stock of Sub 5 and Sub 3;
 - (c) other assets held directly or indirectly by Distributing 4 that are utilized in Business B; and
 - (d) all of the stock of Distributing 3, through the following steps:
 - (I) DRE 4 will distribute all of the membership interests of LLC 2 to Distributing 4;
 - (II) Controlled 3 has formed or will form LLC 3, a State A limited liability company which will be disregarded as an entity separate from its owner (thus, to be treated as a branch or division of Controlled 3);
 - (III) Distributing 4 will transfer all of the LLC 2 membership interests to LLC 3. LLC 3 will issue membership interests to Controlled 3, and Controlled 3 will issue shares of its stock to Distributing 4; and
 - (IV) LLC 2 will be wound up and distribute all of the shares of Distributing 3 stock to LLC 3.

- xv. Distributing 4 will distribute all the stock of Controlled 3 to Distributing 1 through the following steps (collectively, the “Controlled 3 Distribution”):
 - (a) DRE 4 will distribute all of its shares of Controlled 3 stock to Distributing 4;
 - (b) Distributing 4 will distribute all the stock of Controlled 3 to DRE 14;
 - (c) DRE 14 will distribute all the stock of Controlled 3 to DRE 6;
 - (d) DRE 6 will distribute all the stock of Controlled 3 to DRE 2;
 - (e) DRE 2 will transfer all the stock of Controlled 3 to DRE 7;
 - (f) DRE 7 will distribute all the stock of Controlled 3 to DRE 1; and
 - (g) DRE 1 will distribute all the stock of Controlled 3 to Distributing 1.
- xvi. Distributing 1 has formed or will form NewCo 2, a newly organized Country A entity, that will be classified as a corporation for U.S. federal tax purposes. NewCo 2, in turn, has formed or will form various foreign subsidiaries (directly and indirectly owned), including NewCo 3, a Country C entity classified as a corporation for U.S federal tax purposes. NewCo 2 and/or these newly formed subsidiaries will then acquire, through transfers, distributions or contributions, certain stock or relevant foreign assets utilized in Business B from certain members of the Remaining Group (the “Foreign Acquisitions”).
- xvii. Distributing 1 will contribute the NewCo 1 Note to NewCo 2.
- xviii. Distributing 1 has formed or will form Controlled 4, a newly organized State A corporation.
- xix. Controlled 4 will borrow cash from a third-party lender and/or issue public debt.
- xx. Distributing 1 will transfer to Controlled 4 (the “Controlled 4 Contribution”) its stock in Controlled 3 and in NewCo 1 in exchange for cash, the issuance of Controlled 4 stock, and the issuance of Controlled 4 securities (the “Controlled 4 Securities”).
- xxi. Distributing 1 will transfer a portion of the Controlled 4 Securities it received in the Controlled 4 Contribution to LLC 1 to repay certain indebtedness it owes to LLC 1 and will distribute all of the stock of NewCo 2 to Distributing 2. In addition, Distributing 1 will distribute the following (the “First Controlled 4

Distribution”) to Distributing 2: (1) all of the shares of Controlled 4 stock, (2) all of the remaining Controlled 4 Securities it received in the Controlled 4 Contribution, and (3) all of the cash it received in the Controlled 4 Contribution. The First Controlled 4 Distribution will be accomplished through the following steps:

- (a) Distributing 1 will distribute to DRE 8 the stock of Controlled 4, a portion of the Controlled 4 Securities, the cash it received in the Controlled 4 Contribution, and the stock of NewCo 2; and
 - (b) DRE 8 will transfer to Distributing 2 (directly, or through one or more disregarded entities) the property distributed to it in the preceding step.
- xxii. Distributing 2 will distribute to Distributing 5 the stock of Controlled 4 (the “Second Controlled 4 Distribution”), the stock of NewCo 2, the Controlled 4 Securities distributed to it in the preceding step, and the cash it received in the preceding step.
- xxiii. Controlled 5, a newly organized Country A entity classified as a corporation for U.S. federal tax purposes, has been or will be formed outside the Remaining Group.
- xxiv. Distributing 5 will transfer all the stock of Controlled 4, the stock of NewCo 2, and the Controlled 4 Securities it received from Distributing 2 in the Second Controlled 4 Distribution to Controlled 5 (the “Controlled 5 Contribution”), and Controlled 5 will issue all its shares (except for the Retained Stock (as defined below), if any) directly to the shareholders of Distributing 5 stock on a *pro rata* basis (the “Controlled 5 Distribution”). Distributing 5 (or some other member of the Remaining Group) will retain Controlled 5 shares or options to acquire Controlled 5 shares (the shares, options, and any shares acquired by the exercise of the options are referred to as the “Retained Stock”).
- xxv. Controlled 1 will merge with and into Distributing 4 with Distributing 4 surviving (the “Controlled 1 Merger”). As part of the Controlled 1 Merger, Distributing 4 will issue common shares to Sub 2 and Sub 12 in exchange for their Controlled 1 stock.
- xxvi. Sub 4 will merge with and into Distributing 4 with Distributing 4 surviving (the “Sub 4 Merger”).

In connection with the Proposed Transactions, Distributing 5 and/or certain of its subsidiaries will enter into various agreements with Controlled 5 and/or certain of its subsidiaries providing for certain continuing relationships after the separation of Business B from the Retained Businesses, including (1) a transition services agreement

(the “Transition Services Agreement”); (2) a tax matters agreement; (3) a separation agreement, (4) an employee matters agreement, (5) a shared facility manufacturing agreement (the “Shared Facility Manufacturing Agreement”), and (6) certain commercial agreements under which Distributing 5 and/or certain of its subsidiaries and Controlled 5 and/or certain of its subsidiaries may provide goods, services, licenses of certain intellectual property, or facilities to each other at either cost, cost plus, or fair market value for a period (except as described below) not to exceed ss months (collectively, the “Continuing Arrangements”).

The Transition Services Agreement will include agreements involving obligations that will arise after the Proposed Transactions and relate to transitional and administrative support services that Distributing 5 and its subsidiaries will provide to Controlled 5 and its subsidiaries, or that Controlled 5 and its subsidiaries will provide to Distributing 5 and its subsidiaries, for an interim period while Distributing 5 and Controlled 5 establish separate administrative support and corporate service arrangements. The services addressed in the Transition Services Agreement may include the following: information technology, human resources and labor (e.g., payroll, benefits and compensation programs), finance and accounting (e.g., accounts payable processing, travel, customs, cash management advisory, merchant/procurement/corporate cards, customer financing advisory), treasury administrative support, legal, environmental, tax, and various other corporate services.

In addition, Distributing 5 and Controlled 5 will enter into a license agreement pursuant to which certain intellectual property that is used by both the Retained Businesses and Business B will be licensed by the owner of the intellectual property to the entities conducting the other business(es) following the Proposed Transactions. The licenses will be on a perpetual, irrevocable, non-exclusive, fully-paid-up, royalty-free and worldwide basis, subject to certain limitations on assignability and sublicensing.

In addition, the Retained Businesses and Business B each will be granted a license to use the trade names, brand names, trademarks and logos of the other business(es) for up to tt months after the Proposed Transactions on (i) sales, product, and service literature and inventory, (ii) labels, brochures, displays, and letterhead, (iii) street and building signage, (iv) vehicles used by other business(es) or their contractors or agents, and (v) other materials used in activities in furtherance of the respective business(es).

Pursuant to the Proposed Transactions, real property that historically has been used by both the Retained Businesses and Business B (other than the shared facility described directly below) will be owned, held or leased by the entity that, in general, is the primary user of the property and leased, subleased or licensed for use from such person to the entity or entities conducting the other business(es). In the case of a few shared headquarters or other primary business facilities for which separate leases are unable to be negotiated with the third-party lessor, the sublease of a portion of such

facilities from the primary user to the other business(es) may continue for the duration of the current lease term.

Pursuant to the Shared Facility Manufacturing Agreement, a subsidiary of Distributing 5 and a subsidiary of Controlled 5 will enter into an agreement pursuant to which the Distributing 5 subsidiary will manufacture and sell to the Controlled 5 subsidiary a limited number of products, parts or components presently manufactured at a shared facility. The Shared Facility Manufacturing Agreement will not remain in effect in excess of ss months after the Controlled 5 Distribution. In connection with the Shared Facility Manufacturing Agreement, Controlled 5 will license the Business B trademarks and other intellectual property to the Distributing 5 subsidiary engaged in manufacturing Business B products, parts or components after the Controlled 5 Distribution as needed for the Distributing 5 subsidiary to manufacture and provide labeling for such products under the terms of the manufacturing agreement.

Business B is operated in a number of jurisdictions which require regulatory or other governmental approval prior to a transfer of assets or an equity interest in a legal entity. If the Distributing 5 Group is not able to obtain the necessary regulatory or governmental approvals to effectuate the transfer of all of the assets of Business B (or of the equity interests in legal entities that directly engage in Business B) prior to the Controlled 5 Distribution, the Remaining Group will hold the Business B assets (and equity interests) that cannot be transferred (the "Retained B Business") in trust for the benefit of the Business B Group. The Business B Group will reimburse the Remaining Group for costs, if any, related to holding the assets of the Retained B Business incurred after the Controlled 5 Distribution and the Remaining Group will transfer legal ownership of the Retained B Business to Controlled 5 or one of its subsidiaries as soon as the regulatory or governmental approvals can be obtained. In no event will the Remaining Group hold legal ownership of any portion of the Retained B Business in excess of ss months after the Controlled 5 Distribution.

The Distributing 5 Group is in the process of transferring all contracts exclusively related to Business B (the "Business B Contracts") to the appropriate Business B entity or seeking a release from any Business B Contracts prior to the Controlled 5 Distribution. To the extent that the Distributing 5 Group cannot transfer or obtain a release from a contract, the Remaining Group may enter into a subcontracting arrangement under which Business B will purchase goods or services from the Remaining Group at cost to satisfy the obligations under the contract. Further, the Business B Group will indemnify the Remaining Group for any liability arising from the relevant contract.

In addition, with respect to contracts in which entities conducting the Business B and entities conducting the Retained Businesses are both parties or are otherwise involved (other than the Continuing Arrangements agreements described herein, the "Shared Agreements"), the Distributing 5 Group is in the process of splitting the

contracts between the two businesses or separating one of the businesses from such contracts prior to the Controlled 5 Distribution. In no event will the Shared Agreements continue in excess of ss months after the Controlled 5 Distribution.

In addition, the Remaining Group currently provides guarantees or other credit support to members of the Business B Group. The Distributing 5 Group will make reasonable efforts to sever any and all guarantees provided to the Business B Group in that timeframe; however, to the extent severance is not possible, the Business B Group will indemnify the Remaining Group.

In order to meet its obligations under certain employee compensation arrangements, the Distributing 5 Group may retain or purchase Controlled 5 shares or options to acquire Controlled 5 shares. The total number of shares of Retained Stock that will be held by members of the Remaining Group will not exceed qq percent of the number of Controlled 5 shares issued and outstanding at the time of the Controlled 5 Distribution. In addition, the Retained Stock will be disposed of as soon as a disposition is warranted consistent with the business purpose for retaining the Retained Stock, but in any event, the members of the Remaining Group will dispose of all shares of Retained Stock not later than five years after the Controlled 5 Distribution.

Representations

The Controlled 1 Contribution and the Controlled 1 Distribution

The following representations are made with respect to the Controlled 1 Contribution and the Controlled 1 Distribution:

1. The five years of financial information submitted for Business A as conducted by the Distributing 1 SAG (through Distributing 3) represents Business A's present operations, and there have been no substantial operational changes since the date of the last financial statements submitted.
2. Following the Controlled 1 Distribution, the Distributing 1 SAG will continue the active conduct of Business A, independently and with its separate employees.
3. Neither Business A conducted by the Distributing 1 SAG nor control of any entity conducting this business will have been acquired during the five-year period ending on the date of the Controlled 1 Distribution in a transaction in which gain or loss was recognized or treated as recognized in whole or in part. Throughout the five-year period ending on the date of the Controlled 1 Distribution, the Distributing 1 SAG will have been the principal owner of the goodwill and significant assets of Business A and will continue to be the principal owner following the Controlled 1 Distribution.

4. The five years of financial information submitted for the Sub 12 Business conducted by the Controlled 1 SAG (through Sub 12) represents the Sub 12 Business's present operations, and there have been no substantial operational changes since the date of the last financial statements submitted.
5. Following the Controlled 1 Distribution, the Controlled 1 SAG (including Distributing 4, as successor to Controlled 1 pursuant to the Controlled 1 Merger) will continue the active conduct of the Sub 12 Business, independently and with its separate employees.
6. Neither the Sub 12 Business conducted by the Controlled 1 SAG nor control of any entity conducting this business will have been acquired during the five-year period ending on the date of the Controlled 1 Distribution in a transaction in which gain or loss was recognized or treated as recognized in whole or in part. Throughout the five-year period ending on the date of the Controlled 1 Distribution, the Controlled 1 SAG has been the principal owner of the goodwill and significant assets of the Sub 12 Business and will continue to be the principal owner following the Controlled 1 Distribution.
7. The Controlled 1 Distribution will be carried out to facilitate the Controlled 5 Distribution. The Controlled 1 Distribution is motivated in whole or substantial part by this corporate business purpose.
8. The Controlled 1 Distribution will not be used principally as a device for distributing the earnings and profits ("E&P") of Distributing 1 or Controlled 1 or both.
9. For purposes of section 355(d), immediately after the Controlled 1 Distribution, no person (determined after applying the aggregation rules of section 355(d)(7)) will hold stock possessing 50-percent or more of the total combined voting power of all classes of Distributing 1 stock entitled to vote or 50-percent or more of the total value of shares of all classes of Distributing 1 stock that was acquired by purchase (as defined in section 355(d)(5) and (8)) during the five-year period (determined after applying section 355(d)(6)) ending on the date of the Controlled 1 Distribution.
10. For purposes of section 355(d), immediately after the Controlled 1 Distribution, no person (determined after applying the aggregation rules of section 355(d)(7)) will hold stock possessing 50-percent or more of the total combined voting power of all classes of Controlled 1 stock entitled to vote or 50-percent or more of the total value of shares of all classes of Controlled 1 stock that was either (i) acquired by purchase (as defined in section 355(d)(5) and (8)) during the five-year period (determined after applying section 355(d)(6)) ending on the date of the Controlled 1 Distribution or (ii) attributable to distributions on Distributing 1's

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

11. The Controlled 1 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 1 or Controlled 1 (including any predecessor or successor to any such corporation).
12. Immediately after the Controlled 1 Distribution, and after applying the attribution rules of section 318 pursuant to section 355(g)(3)(B), no person will hold a 50-percent-or-greater interest (within the meaning of section 355(g)(3)) in either Distributing 1 or Controlled 1 who did not hold such interest immediately before the Controlled 1 Distribution.
13. Any indebtedness owed by Controlled 1 to Distributing 1 after the Controlled 1 Distribution will not constitute stock or securities.
14. Payments made in connection with all continuing transactions following the Proposed Transactions between Distributing 1 (and its subsidiaries) and Controlled 1 (and its subsidiaries) (or Distributing 4, as successor to Controlled 1 pursuant to the Controlled 1 Merger, and its subsidiaries) will be for fair market value based on terms and conditions arrived at by the parties bargaining at arm's length.
15. Distributing 1 and Controlled 1 each will pay its own expenses, if any, incurred in connection with the Controlled 1 Contribution and the Controlled 1 Distribution.
16. Neither Distributing 1 nor Controlled 1 accumulated its receivables or made extraordinary payment of its payables in anticipation of the Controlled 1 Distribution, except pursuant to the elimination or reduction of intercompany balances in connection with the Proposed Transactions.
17. The total adjusted bases and the fair market value of the assets to be transferred to Controlled 1 by Distributing 1 in the Controlled 1 Contribution will each equal or exceed the sum of the liabilities assumed by Controlled 1 (as determined under section 357(d)).
18. Any liabilities assumed (as determined under section 357(d)) by Controlled 1 in the Controlled 1 Contribution will have been incurred in the ordinary course of business and will be associated with the assets transferred.

19. The total fair market value of the assets transferred to Controlled 1 by Distributing 1 in the Controlled 1 Contribution will exceed the sum of: (i) the amount of any liabilities assumed (as determined under section 357(d)) by Controlled 1 in connection therewith, (ii) the amount of any liabilities owed to Controlled 1 by Distributing 1 that are discharged or extinguished in connection therewith, and (iii) the amount of cash and the fair market value of any other property (other than stock and securities permitted to be received under section 361(a) without the recognition of gain) received by Distributing 1 in connection therewith. The fair market value of the assets of Controlled 1 will exceed the amount of its liabilities immediately after the Controlled 1 Contribution.
20. The total fair market value of the assets transferred to Controlled 1 in the Controlled 1 Contribution will be equal to or exceed the aggregate adjusted basis of those assets so transferred.
21. No party to the Controlled 1 Contribution or the Controlled 1 Distribution will be an investment company as defined in section 368(a)(2)(F)(iii) and (iv).
22. No part of the consideration to be distributed by Distributing 1 in the Controlled 1 Distribution will be received by Distributing 2 as a creditor, employee, or in any capacity other than that of a shareholder of Distributing 1.
23. Any money, property, or stock contributed by Distributing 1 to Controlled 1 in the Controlled 1 Contribution will be transferred solely in exchange for stock or securities in Controlled 1.
24. Distributing 1's distribution of the Controlled 1 stock to Distributing 2 in the Controlled 1 Distribution will be solely with respect to Distributing 2's ownership of Distributing 1 stock.
25. Neither Distributing 1 nor Controlled 1 has been or will be a United States real property holding corporation (within the meaning of section 897(c)(2)) (a "USRPHC") at any time during the five-year period ending on the date of the Controlled 1 Distribution, and neither Distributing 1 nor Controlled 1 will be a USRPHC immediately after the Controlled 1 Distribution.
26. Distributing 1 will comply with any applicable notice and filing requirements set forth in sections 897 and 1445, and the regulations thereunder.
27. The Controlled 1 Contribution and the Controlled 1 Distribution will be undertaken pursuant to a plan of reorganization.

28. No party to the Controlled 1 Contribution or the Controlled 1 Distribution is under the jurisdiction of a court in a Title 11 or similar case within the meaning of section 368(a)(3)(A).
29. Other than trade payables between Distributing 1 and Controlled 1 arising in the ordinary course of business, no inter-corporate debt will exist between Distributing 1 and Controlled 1 at the time or, or subsequent to, the Controlled 1 Distribution.

The Distributing 2 Contribution and the Distributing 2 Split-Down

The following representations are made with respect to the Distributing 2 Contribution and the Distributing 2 Split-down:

30. The fair market value of the Controlled 1 common stock to be received by each Distributing 2 Class B shareholder will be approximately equal to the fair market value of the Distributing 2 Class B Shares surrendered by each shareholder in the Distributing 2 Split-down.
31. The five years of financial information submitted for Business A as conducted by the Distributing 2 SAG (through Distributing 3) represents Business A's present operations, and there have been no substantial operational changes since the date of the last financial statements submitted.
32. Following the Distributing 2 Split-down, the Distributing 2 SAG will continue the active conduct of Business A, independently and with its separate employees.
33. Neither Business A conducted by the Distributing 2 SAG nor control of any entity conducting this business will have been acquired during the five-year period ending on the date of the Distributing 2 Split-down in a transaction in which gain or loss was recognized or treated as recognized in whole or in part. Throughout the five-year period ending on the date of the Distributing 2 Split-down, the Distributing 2 SAG will have been the principal owner of the goodwill and significant assets of Business A and will continue to be the principal owner following the Distributing 2 Split-down.
34. The five years of financial information submitted for the Sub 12 Business conducted by the Controlled 1 SAG (through Sub 12) represents the present business operations of the Sub 12 Business, and there have been no substantial operational changes since the date of the last financial statements submitted.
35. Following the Distributing 2 Split-down, the Controlled 1 SAG (including Distributing 4, as successor to Controlled 1 pursuant to the Controlled 1 Merger)

will continue the active conduct of the Sub 12 Business, independently and with its separate employees.

36. Neither the Sub 12 Business conducted by the Controlled 1 SAG nor control of any entity conducting this business will have been acquired during the five-year period ending on the date of the Distributing 2 Split-down in a transaction in which gain or loss was recognized or treated as recognized in whole or in part. Throughout the five-year period ending on the date of the Distributing 2 Split-down, the Controlled 1 SAG has been the principal owner of the goodwill and significant assets of the Sub 12 Business and will continue to be the principal owner following the Distributing 2 Split-down.
37. The Distributing 2 Split-down will be carried out for the corporate business purpose of facilitating the Controlled 5 Distribution. The Distributing 2 Split-down is motivated in whole or substantial part by this corporate business purpose.
38. The Distributing 2 Split-down will not be used principally as a device for distributing the E&P of Distributing 2 or Controlled 1 or both.
39. For purposes of section 355(d), immediately after the Distributing 2 Split-down, no person (determined after applying the aggregation rules of 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 shares of all classes of Distributing 2 stock that was acquired by purchase (as defined in section 355(d)(5) and (8)) during the five-year period (determined after applying section 355(d)(6)) ending on the date of the Distributing 2 Split-down.
40. For purposes of section 355(d), immediately after the Distributing 2 Split-down, no person (determined after applying the aggregation rules of section 355(d)(7)) will hold stock possessing 50-percent or more of the total combined voting power of all classes of Controlled 1 stock entitled to vote or 50-percent or more of the total value of shares of all classes of Controlled 1 stock that was either (i) acquired by purchase (as defined in section 355(d)(5) and (8)) during the five-year period (determined after applying section 355(d)(6)) ending on the date of the Distributing 2 Split-down or (ii) attributable to distributions on Distributing 2's stock or securities that were acquired by purchase (as defined in section 355(d)(5) and (8)) during the five-year period (determined after applying section 355(d)(6)) ending on the date of the Distributing 2 Split-down.
41. The Distributing 2 Split-down 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 (other than persons described in section 355(e)(2)(C)) 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 1 (including any predecessor or successor to any such corporation).

42. Immediately after the Distributing 2 Split-down, and after applying the attribution rules of section 318 pursuant to section 355(g)(3)(B), no person will hold a 50-percent-or-greater interest (within the meaning of section 355(g)(3)) in either Distributing 2 or Controlled 1 who did not hold such an interest immediately before the Distributing 2 Split-down.
43. Any indebtedness owed by Controlled 1 to Distributing 2 after the Distributing 2 Split-down will not constitute stock or securities.
44. Payments made in connection with all continuing transactions following the Proposed Transactions between Distributing 2 (and its subsidiaries) and Controlled 1 (and its subsidiaries) (or Distributing 4, as successor to Controlled 1 pursuant to the Controlled 1 Merger, and its subsidiaries) will be for fair market value based on terms and conditions arrived at by the parties bargaining at arm's length.
45. Distributing 2 and Controlled 1 each will pay its own expenses, if any, incurred in connection with the Distributing 2 Split-down.
46. Neither Distributing 2 nor Controlled 1 accumulated its receivables or made extraordinary payment of its payables in anticipation of the Distributing 2 Split-down, except pursuant to the elimination or reduction of intercompany balances in connection with the Proposed Transactions.
47. The total adjusted bases and the fair market value of the assets to be transferred to Controlled 1 by Distributing 2 in the Distributing 2 Contribution will each equal or exceed the sum of the liabilities assumed by Controlled 1 (as determined under section 357(d)).
48. Any liabilities assumed (as determined under section 357(d)) by Controlled 1 in the Distributing 2 Contribution will have been incurred in the ordinary course of business and will be associated with the assets transferred.
49. The total fair market value of the assets transferred to Controlled 1 by Distributing 2 in the Distributing 2 Contribution will exceed the sum of: (i) the amount of any liabilities assumed (as determined under section 357(d)) by Controlled 1 in connection therewith, (ii) the amount of any liabilities owed to Controlled 1 by Distributing 2 that are discharged or extinguished in connection therewith, and (iii) the amount of cash and the fair market value of any other property (other than stock and securities permitted to be received under section 361(a) without the recognition of gain) received by Distributing 2 in connection

therewith. The fair market value of the assets of Controlled 1 will exceed the amount of its liabilities immediately after the Distributing 2 Contribution.

50. The total fair market value of the assets transferred to Controlled 1 in the Distributing 2 Contribution will be equal to or exceed the aggregate adjusted basis of those assets so transferred.
51. No party to the Distributing 2 Contribution or the Distributing 2 Split-down will be an investment company as defined in section 368(a)(2)(F)(iii) and (iv).
52. No part of the consideration to be distributed by Distributing 2 in the Distributing 2 Split-down will be received by any shareholder of Distributing 2 as a creditor or an employee, or in any capacity other than that of a shareholder of Distributing 2.
53. Any money, property, or stock contributed by Distributing 2 to Controlled 1 in the Distributing 2 Contribution will be transferred solely in exchange for stock or securities in Controlled 1.
54. Distributing 2's transfer of the Controlled 1 stock to the Distributing 2 Class B shareholders in the Distributing 2 Split-down will be solely with respect to their ownership of the Distributing 2 Class B Shares.
55. Neither Distributing 2 nor Controlled 1 has been or will be a USRPHC at any time during the five-year period ending on the date of the Distributing 2 Split-down, and neither Distributing 2 nor Controlled 1 will be a USRPHC immediately after the Distributing 2 Split-down.
56. Distributing 2 will comply with any applicable notice and filing requirements set forth in sections 897 and 1445, and the regulations thereunder.
57. The Distributing 2 Contribution and the Distributing 2 Split-down will be undertaken pursuant to a plan of reorganization.
58. No party to the Distributing 2 Contribution or the Distributing 2 Split-down is under the jurisdiction of a court in a Title 11 or similar case within the meaning of section 368(a)(3)(A).
59. Other than trade payables between Distributing 2 and Controlled 1 arising in the ordinary course of business, no inter-corporate debt will exist between Distributing 1 and Controlled 1 at the time or, or subsequent to, the Controlled 1 Distribution.
60. The Class B Shares are properly treated as stock in Distributing 2 for federal income tax purposes.

The Country D Restructuring

The following representations are made with respect to the Country D Restructuring, viewing the Country D Restructuring as though Distributing 3 will undertake the Controlled 2 Contribution in exchange for all of the outstanding stock of Controlled 2, followed by its distribution of the Controlled 2 stock to Distributing 4 (or to disregarded entities treated as branches or divisions of Distributing 4):

61. The five years of financial information submitted for Business B as conducted by the Distributing 3 SAG represents Business B's present operations, and there have been no substantial operational changes since the date of the last financial statements submitted.
62. Following the Country D Restructuring, the Distributing 3 SAG will continue the active conduct of Business B, independently and with its separate employees.
63. Neither Business B conducted by the Distributing 3 SAG nor control of any entity conducting this business will have been acquired during the five-year period ending on the date of the Country D Restructuring in a transaction in which gain or loss was recognized or treated as recognized in whole or in part. Throughout the five-year period ending on the date of the Country D Restructuring, the Distributing 3 SAG will have been the principal owner of the goodwill and significant assets of Business B and will continue to be the principal owner following the Country D Restructuring.
64. The five years of financial information submitted for Business A conducted by the Distributing 3 SAG prior to the Country D Restructuring and that will be conducted by the Controlled 2 SAG thereafter represents Business A's present operations, and there have been no substantial operational changes since the date of the last financial statements submitted.
65. Following the Country D Restructuring, the Controlled 2 SAG will continue the active conduct of Business A, independently and with its separate employees.
66. Neither Business A conducted by the Distributing 3 SAG nor control of any entity conducting this business will have been acquired during the five-year period ending on the date of the Country D Restructuring in a transaction in which gain or loss was recognized or treated as recognized in whole or in part. Throughout the five-year period ending on the date of the Country D Restructuring, the Distributing 3 SAG has been the principal owner of the goodwill and significant assets of Business A, and the Controlled 2 SAG will be the principal owner following the Country D Restructuring.

67. The Country D Restructuring will be carried out to facilitate the Controlled 5 Distribution. The Country D Restructuring is motivated in whole or substantial part by this corporate business purpose.
68. The Country D Restructuring will not be used principally as a device for distributing the E&P of Distributing 3 or Controlled 2 or both.
69. For purposes of section 355(d), immediately after the Country D Restructuring, no person (determined after applying the aggregation rules of 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 shares of all classes of Distributing 3 stock that was acquired by purchase (as defined in section 355(d)(5) and (8)) during the five-year period (determined after applying section 355(d)(6)) ending on the date of the Country D Restructuring.
70. For purposes of section 355(d), immediately after the Country D Restructuring, no person (determined after applying the aggregation rules of 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 shares of all classes of Controlled 2 stock that was either (i) acquired by purchase (as defined in section 355(d)(5) and (8)) during the five-year period (determined after applying section 355(d)(6)) ending on the date of the Country D Restructuring or (ii) attributable to distributions on Distributing 3's stock or securities that were acquired by purchase (as defined in section 355(d)(5) and (8)) during the five-year period (determined after applying section 355(d)(6)) ending on the date of the Country D Restructuring.
71. The Country D Restructuring 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 (other than persons described in section 355(e)(2)(C)) 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 2.
72. Immediately after the Country D Restructuring, and after applying the attribution rules of section 318 pursuant to section 355(g)(3)(B), no person will hold a 50-percent-or-greater interest (within the meaning of section 355(g)(3)) in either Distributing 3 or Controlled 2 who did not hold such an interest immediately before the Country D Restructuring.
73. Any indebtedness owed by Controlled 2 to Distributing 3 after the Country D Restructuring will not constitute stock or securities.

74. No intercorporate debt will exist between Distributing 3 (and its subsidiaries) and Controlled 2 (and its subsidiaries) at the time of, or subsequent to, the Country D Restructuring, other than obligations arising in the ordinary course of business or from the Continuing Arrangements.
75. Except as otherwise noted above with respect to the Continuing Arrangements, payments made in connection with all continuing transactions following the Proposed Transactions between Distributing 3 (and its subsidiaries) and Controlled 2 (and its subsidiaries) will be for fair market value based on terms and conditions arrived at by the parties bargaining at arm's length.
76. Distributing 3 and Controlled 2 each will pay its own expenses, if any, incurred in connection with the Country D Restructuring.
77. Neither Distributing 3 nor Controlled 2 accumulated its receivables or made extraordinary payment of its payables in anticipation of the Country D Restructuring, except pursuant to the elimination or reduction of intercompany balances in connection with the Proposed Transactions.
78. The total adjusted bases and the fair market value of the assets to be transferred to Controlled 2 by Distributing 3 in the Controlled 2 Contribution will each equal or exceed the sum of the liabilities assumed by Controlled 2 (as determined under section 357(d)).
79. Any liabilities assumed (as determined under section 357(d)) by Controlled 2 in the Controlled 2 Contribution will have been incurred in the ordinary course of business and will be associated with the assets transferred.
80. The total fair market value of the assets transferred to Controlled 2 by Distributing 3 in the Controlled 2 Contribution will exceed the sum of: (i) the amount of any liabilities assumed (as determined under section 357(d)) by Controlled 2 in connection therewith, (ii) the amount of any liabilities owed to Controlled 2 by Distributing 3 that are discharged or extinguished in connection therewith, and (iii) the amount of cash and the fair market value of any other property (other than stock and securities permitted to be received under section 361(a) without the recognition of gain) received by Distributing 3 in connection therewith. The fair market value of the assets of Controlled 2 will exceed the amount of its liabilities immediately after the Controlled 2 Contribution.
81. The total fair market value of the assets transferred to Controlled 2 in the Controlled 2 Contribution will be equal to or exceed the aggregate adjusted basis of those assets so transferred.

82. No party to the Country D Restructuring will be an investment company as defined in section 368(a)(2)(F)(iii) and (iv).
83. No part of the consideration to be distributed by Distributing 3 in the Country D Restructuring will be received by Distributing 4 as a creditor or an employee, or in any capacity other than that of a shareholder of Distributing 3.
84. Any money, property, or stock contributed by Distributing 3 to Controlled 2 in the Controlled 2 Contribution will be exchanged solely for stock or securities in Controlled 2.
85. Distributing 3's distribution of the Controlled 2 stock to Distributing 4 in the Country D Restructuring will be solely with respect to Distributing 4's ownership of Distributing 3 stock.
86. Each of Distributing 3 and Controlled 2 will be a controlled foreign corporation (within the meaning of section 957) (a "CFC") both before and after the Country D Restructuring.
87. At all times prior to the Country D Restructuring, and immediately thereafter, neither Distributing 3 nor Controlled 2 will have been or will be a passive foreign investment corporation (within the meaning of section 1297(a) (a "PFIC")).
88. 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 D Restructuring, and will be a section 1248 shareholder with respect to Controlled 2 immediately after the Country D Restructuring.
89. The notice requirements of Treas. Reg. § 1.367(b)-1(c) will be satisfied for the Country D Restructuring.
90. The Country D Restructuring is not 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).
91. Neither Distributing 3 nor Controlled 2 will hold any United States real property interests as defined in section 897(c)(1), immediately before or after the Country D Restructuring.
92. The Country D Restructuring will not include the transfer of stock in 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 within the meaning of Treas. Reg. §§ 1.367(a)-3 and 1.367(a)-8.

93. The Country D Restructuring will be undertaken pursuant to a plan of reorganization.
94. No party to the Country D Restructuring is under the jurisdiction of a court in a Title 11 or similar case within the meaning of section 368(a)(3)(A).

The Controlled 3 Contribution and the Controlled 3 Distribution

The following representations are made with respect to the Controlled 3 Contribution and the Controlled 3 Distribution:

95. The five years of financial information submitted for Business A that will be conducted by the Distributing 4 SAG (through Controlled 2) represents Business A's present operations, and there have been no substantial operational changes since the date of the last financial statements submitted.
96. Following the Controlled 3 Distribution, the Distributing 4 SAG will continue the active conduct of Business A, independently and with its separate employees, except for certain transition services to be provided pursuant to the Continuing Arrangements.
97. Neither Business A conducted by the Distributing 4 SAG nor control of any entity conducting this business will have been acquired during the five-year period ending on the date of the Controlled 3 Distribution in a transaction in which gain or loss was recognized or treated as recognized in whole or in part. Throughout the five-year period ending on the date of the Controlled 3 Distribution, the Distributing 4 SAG (including Controlled 2) will have been the principal owner of the goodwill and significant assets of Business A and will continue to be the principal owner following the Controlled 3 Distribution.
98. The five years of financial information submitted for Business B to be conducted by the Controlled 3 SAG (through Distributing 3) represents Business B's present operations, and there have been no substantial operational changes since the date of the last financial statements submitted.
99. Following the Controlled 3 Distribution, the Controlled 3 SAG will continue the active conduct of Business B, independently and with its separate employees, except for certain transition services to be provided pursuant to the Continuing Arrangements.
100. Neither Business B conducted by the Distributing 4 SAG nor control of any entity conducting this business will have been acquired during the five-year period ending on the date of the Controlled 3 Distribution in a transaction in which gain or loss was recognized or treated as recognized in whole or in part. Throughout

the five-year period ending on the date of the Controlled 3 Distribution, the Distributing 4 SAG (including Distributing 3) will have been the principal owner of the goodwill and significant assets of Business B, and the Controlled 3 SAG will be the principal owner following the Controlled 3 Distribution.

101. The Controlled 3 Distribution will be carried out to facilitate the Controlled 5 Distribution. The Controlled 3 Distribution is motivated in whole or substantial part by this corporate business purpose.
102. The Controlled 3 Distribution will not be used principally as a device for distributing the E&P of Distributing 4 or Controlled 3 or both.
103. For purposes of section 355(d), immediately after the Controlled 3 Distribution, no person (determined after applying the aggregation rules of section 355(d)(7)) 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 shares of all classes of Distributing 4 stock that was acquired by purchase (as defined in section 355(d)(5) and (8)) during the five-year period (determined after applying section 355(d)(6)) ending on the date of the Controlled 3 Distribution.
104. For purposes of section 355(d), immediately after the Controlled 3 Distribution, no person (determined after applying the aggregation rules of section 355(d)(7)) will hold stock possessing 50-percent or more of the total combined voting power of all classes of Controlled 3 stock entitled to vote or 50-percent or more of the total value of shares of all classes of Controlled 3 stock that was either (i) acquired by purchase (as defined in section 355(d)(5) and (8)) during the five-year period (determined after applying section 355(d)(6)) ending on the date of the Controlled 3 Distribution or (ii) attributable to distributions on Distributing 4's stock or securities that were acquired by purchase (as defined in section 355(d)(5) and (8)) during the five-year period (determined after applying section 355(d)(6)) ending on the date of the Controlled 3 Distribution.
105. The Controlled 3 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 (other than persons described in section 355(e)(2)(C)) will acquire directly or indirectly stock representing a 50-percent or greater interest (within the meaning of section 355(d)(4)) in Distributing 4 or Controlled 3 (including any predecessor or successor to any such corporation).
106. Immediately after the Controlled 3 Distribution, and after applying the attribution rules of section 318 pursuant to section 355(g)(3)(B), no person will hold a 50-percent-or-greater interest (within the meaning of section 355(g)) in either

Distributing 4 or Controlled 3 who did not hold such an interest immediately before the Controlled 3 Distribution.

107. Any indebtedness owed by Controlled 3 (and its subsidiaries) to Distributing 4 (and its subsidiaries) after the Controlled 3 Distribution will not constitute stock or securities.
108. No intercorporate debt will exist between Distributing 4 (and its subsidiaries) and Controlled 3 (and its subsidiaries) at the time of, or subsequent to, the Controlled 3 Distribution, other than obligations arising in the ordinary course of business or from the Continuing Arrangements.
109. Except as otherwise noted above with respect to the Continuing Arrangements, payments made in connection with all continuing transactions following the Proposed Transactions between Distributing 4 (and its subsidiaries) and Controlled 3 (and its subsidiaries) will be for fair market value based on terms and conditions that would be arrived at by the parties bargaining at arm's length.
110. Distributing 4 and Controlled 3 each will pay its own expenses, if any, incurred in connection with the Controlled 3 Contribution and the Controlled 3 Distribution.
111. Neither Distributing 4 nor Controlled 3 accumulated its receivables or made extraordinary payment of its payables in anticipation of the Controlled 3 Distribution, except pursuant to the elimination or reduction of intercompany balances in connection with the Proposed Transactions.
112. The total adjusted bases and the fair market value of the assets to be transferred to Controlled 3 by Distributing 4 in the Controlled 3 Contribution will each equal or exceed the sum of the liabilities assumed by Controlled 3 (as determined under section 357(d)).
113. Any liabilities assumed (as determined under section 357(d)) by Controlled 3 in the Controlled 3 Contribution will have been incurred in the ordinary course of business and will be associated with the assets transferred.
114. The total fair market value of the assets transferred to Controlled 3 by Distributing 4 in the Controlled 3 Contribution will exceed the sum of: (i) the amount of any liabilities assumed (as determined under section 357(d)) by Controlled 3 in connection therewith, (ii) the amount of any liabilities owed to Controlled 3 by Distributing 4 that are discharged or extinguished in connection therewith, and (iii) the amount of cash and the fair market value of any other property (other than stock and securities permitted to be received under section 361(a) without the recognition of gain) received by Distributing 4 in connection

therewith. The fair market value of the assets of Controlled 3 will exceed the amount of its liabilities immediately after the Controlled 3 Contribution.

115. The total fair market value of the assets transferred to Controlled 3 in the Controlled 3 Contribution will be equal to or exceed the aggregate adjusted basis of those assets so transferred.
116. No party to the Controlled 3 Contribution or the Controlled 3 Distribution will be an investment company as defined in section 368(a)(2)(F)(iii) and (iv).
117. No part of the consideration to be distributed by Distributing 4 in the Controlled 3 Distribution will be received by Distributing 1 as a creditor or an employee, or in any capacity other than that of a shareholder of Distributing 4.
118. Any money, property, or stock contributed by Distributing 4 to Controlled 3 in the Controlled 3 Contribution will be exchanged solely for stock or securities in Controlled 3.
119. Distributing 4's distribution of Controlled 3 stock to Distributing 1 in the Controlled 3 Distribution will be solely with respect to Distributing 1's ownership of Distributing 4 stock.
120. Neither Distributing 4 nor Controlled 3 has been or will be a USRPHC at any time during the five-year period ending on the date of the Controlled 3 Distribution, and neither Distributing 4 nor Controlled 3 will be a USRPHC immediately after the Controlled 3 Distribution.
121. Distributing 4 will comply with any applicable notice and filing requirements set forth in sections 897 and 1445, and the regulations thereunder.
122. Immediately before the Controlled 3 Distribution, items of income, gain, loss, deduction, and credit will be taken into account as required by the applicable intercompany transaction regulations (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 4's excess loss account, if any, with respect to Controlled 3 will be included in income immediately before the Controlled 3 Distribution (see Treas. Reg. § 1.1502-19).
123. The Controlled 3 Contribution and the Controlled 3 Distribution will be undertaken pursuant to a plan of reorganization.

124. No party to the Controlled 3 Contribution or the Controlled 3 Distribution is under the jurisdiction of a court in a Title 11 or similar case within the meaning of section 368(a)(3)(A).

The Controlled 4 Contribution and the First Controlled 4 Distribution

The following representations are made with respect to the Controlled 4 Contribution and the First Controlled 4 Distribution:

125. The five years of financial information submitted for Business A as conducted by the Distributing 1 SAG (through Controlled 2) represents Business A's present operations, and there have been no substantial operational changes since the date of the last financial statements submitted.
126. Following the First Controlled 4 Distribution, the Distributing 1 SAG will continue the active conduct of Business A, independently and with its separate employees, except for certain transition services to be provided pursuant to the Continuing Arrangements.
127. Neither Business A conducted by the Distributing 1 SAG (through Controlled 2) nor control of any entity conducting this business will have been acquired during the five-year period ending on the date of the First Controlled 4 Distribution in a transaction in which gain or loss was recognized or treated as recognized in whole or in part. Throughout the five-year period ending on the date of the First Controlled 4 Distribution, Distributing 1 and members of the Distributing 1 SAG, have been the principal owners of the goodwill and significant assets of Business A held by the Distributing 1 SAG and will continue to be the principal owners following the First Controlled 4 Distribution.
128. The five years of financial information submitted for Business B that will be conducted by the Controlled 4 SAG (through Distributing 3) represents Business B's present operations, and there have been no substantial operational changes since the date of the last financial statements submitted.
129. Following the First Controlled 4 Distribution, the Controlled 4 SAG will continue the active conduct of Business B, independently and with its separate employees, except for certain transition services to be provided pursuant to the Continuing Arrangements.
130. Neither Business B conducted by the Distributing 1 SAG (and to be conducted by the Controlled 4 SAG) nor control of any entity conducting this business will have been acquired during the five-year period ending on the date of the First Controlled 4 Distribution in a transaction in which gain or loss was recognized or treated as recognized in whole or in part. Throughout the five-year period ending

on the date of the First Controlled 4 Distribution, the Distributing 1 SAG has been the principal owner of the goodwill and significant assets of Business B, and the Controlled 4 SAG will be the principal owner following the First Controlled 4 Distribution.

131. The First Controlled 4 Distribution will be carried out to facilitate the Controlled 5 Distribution. The First Controlled 4 Distribution is motivated in whole or substantial part by this corporate business purpose.
132. The First Controlled 4 Distribution will not be used principally as a device for distributing the E&P of Distributing 1 or Controlled 4 or both.
133. For purposes of section 355(d), immediately after the First Controlled 4 Distribution, no person (determined after applying the aggregation rules of section 355(d)(7)) will hold stock possessing 50-percent or more of the total combined voting power of all classes of Distributing 1 stock entitled to vote or 50-percent or more of the total value of shares of all classes of Distributing 1 stock that was acquired by purchase (as defined in section 355(d)(5) and (8)) during the five-year period (determined after applying section 355(d)(6)) ending on the date of the First Controlled 4 Distribution.
134. For purposes of section 355(d), immediately after the First Controlled 4 Distribution, no person (determined after applying the aggregation rules of section 355(d)(7)) will hold stock possessing 50-percent or more of the total combined voting power of all classes of Controlled 4 stock entitled to vote or 50-percent or more of the total value of shares of all classes of Controlled 4 stock that was either (i) acquired by purchase (as defined in section 355(d)(5) and (8)) during the five-year period (determined after applying section 355(d)(6)) ending on the date of the First Controlled 4 Distribution or (ii) attributable to distributions on Distributing 1's stock or securities that were acquired by purchase (as defined in section 355(d)(5) and (8)) during the five-year period (determined after applying section 355(d)(6)) ending on the date of the First Controlled 4 Distribution.
135. The First Controlled 4 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 (other than persons described in section 355(e)(2)(C)) will acquire directly or indirectly stock representing a 50-percent or greater interest (within the meaning of section 355(d)(4)) in Distributing 1 or Controlled 4 (including any predecessor or successor to any such corporation).
136. Immediately after the First Controlled 4 Distribution, and after applying the attribution rules of section 318 pursuant to section 355(g)(3)(B), no person will hold a 50-percent-or-greater interest (within the meaning of section 355(g)(3)) in

either Distributing 1 or Controlled 4 who did not hold such an interest immediately before the First Controlled 4 Distribution.

137. Any indebtedness owed by Controlled 4 (or its subsidiaries) to Distributing 1 (or its subsidiaries) after the First Controlled 4 Distribution will not constitute stock or securities.
138. Except as provided in the Proposed Transactions, no intercorporate debt will exist between Distributing 1 (and its subsidiaries) and Controlled 4 (and its subsidiaries) at the time of, or subsequent, to the First Controlled 4 Distribution, other than obligations arising in the ordinary course of business or from the Continuing Arrangements.
139. Except as otherwise noted above with respect to the Continuing Arrangements, payments made in connection with all continuing transactions following the Proposed Transactions between Distributing 1 (and its subsidiaries) and Controlled 4 (and its subsidiaries) will be for fair market value based on terms and conditions arrived at by the parties bargaining at arm's length.
140. Distributing 1 and Controlled 4 each will pay its own expenses, if any, incurred in connection with the Controlled 4 Contribution and the First Controlled 4 Distribution.
141. Neither Distributing 1 nor Controlled 4 accumulated its receivables or made extraordinary payment of its payables in anticipation of the First Controlled 4 Distribution, except pursuant to the elimination or reduction of intercompany balances in connection with the Proposed Transactions.
142. The total adjusted bases and the fair market value of the assets to be transferred to Controlled 4 by Distributing 1 in the Controlled 4 Contribution will each equal or exceed the sum of the liabilities assumed by Controlled 4 (as determined under section 357(d)).
143. Any liabilities assumed (as determined under section 357(d)) by Controlled 4 in the Controlled 4 Contribution will have been incurred in the ordinary course of business and will be associated with the assets transferred.
144. The total fair market value of the assets transferred to Controlled 4 by Distributing 1 in the Controlled 4 Contribution will exceed the sum of: (i) the amount of any liabilities assumed (as determined under section 357(d)) by Controlled 4 in connection therewith, (ii) the amount of any liabilities owed to Controlled 4 by Distributing 1 that are discharged or extinguished in connection therewith, and (iii) the amount of cash and the fair market value of any other property (other than stock and securities permitted to be received under section

- 361(a) without the recognition of gain) received by Distributing 1 in connection therewith. The fair market value of the assets of Controlled 4 will exceed the amount of its liabilities immediately after the Controlled 4 Contribution.
145. The total fair market value of the assets transferred to Controlled 4 in the Controlled 4 Contribution will be equal to or exceed the aggregate adjusted basis of those assets so transferred.
 146. No party to the Controlled 4 Contribution or the First Controlled 4 Distribution will be an investment company as defined in section 368(a)(2)(F)(iii) and (iv).
 147. No part of the consideration to be distributed by Distributing 1 in the First Controlled 4 Distribution will be received by Distributing 2 as a creditor or an employee, or in any capacity other than that of a shareholder of Distributing 1.
 148. Any money, property, or stock contributed by Distributing 1 to Controlled 4 in the Controlled 4 Contribution will be transferred solely in exchange for stock and securities in Controlled 4 and cash.
 149. Distributing 1's distribution of the Controlled 4 stock to Distributing 2 in the First Controlled 4 Distribution will be solely with respect to Distributing 2's ownership of Distributing 1 stock.
 150. Neither Distributing 1 nor Controlled 4 has been or will be a USRPHC at any time during the five-year period ending on the date of the First Controlled 4 Distribution, and neither Distributing 1 nor Controlled 4 will be a USRPHC immediately after the First Controlled 4 Distribution.
 151. Distributing 1 will comply with any applicable notice and filing requirements set forth in sections 897 and 1445, and the regulations thereunder.
 152. The Controlled 4 Contribution and the First Controlled 4 Distribution will be undertaken pursuant to a plan of reorganization.
 153. No party to the Controlled 4 Contribution or the First Controlled 4 Distribution is under the jurisdiction of a court in a Title 11 or similar case within the meaning of section 368(a)(3)(A).
 154. The Controlled 4 Securities will constitute "securities," as that term is used in section 361.

The Controlled 5 Contribution and the Controlled 5 Distribution

The following representations are made with respect to the Controlled 5 Contribution and the Controlled 5 Distribution:

155. The five years of financial information submitted for Business A to be conducted by the Distributing 5 SAG (through Controlled 2) at the time of the Controlled 5 Distribution represents Business A's present operations, and there have been no substantial operational changes since the date of the last financial statements submitted.
156. Following the Controlled 5 Distribution, the Distributing 5 SAG will continue the active conduct of Business A, independently and with its separate employees, except for certain transition services to be provided pursuant to the Continuing Arrangements.
157. Neither Business A to be conducted by the Distributing 5 SAG (through Controlled 2) nor control of any entity conducting this business will have been acquired during the five-year period ending on the date of the Controlled 5 Distribution in a transaction in which gain or loss was recognized or treated as recognized in whole or in part. Throughout the five-year period ending on the date of the Controlled 5 Distribution, the Distributing 5 SAG (through Controlled 2) will have been the principal owner of the goodwill and significant assets of Business A and will continue to be the principal owner following the Controlled 5 Distribution.
158. The five years of financial information submitted for Business B that will be conducted by the Controlled 5 SAG (through Distributing 3) represents Business B's present operations, and there have been no substantial operational changes since the date of the last financial statements submitted.
159. Following the Controlled 5 Distribution, the Controlled 5 SAG will continue the active conduct of Business B, independently and with its separate employees, except for certain transition services to be provided pursuant to the Continuing Arrangements.
160. Neither Business B to be conducted by the Controlled 5 SAG (through Distributing 3) nor control of any entity conducting this business will have been acquired during the five-year period ending on the date of the Controlled 5 Distribution in a transaction in which gain or loss was recognized or treated as recognized in whole or in part. Throughout the five-year period ending on the date of the Controlled 5 Distribution, the Distributing 5 SAG (through Distributing 3) will have been the principal owner of the goodwill and significant assets of Business B, and the Controlled 5 SAG will continue to be the principal owner following the Controlled 5 Distribution.

161. The Controlled 5 Distribution will be carried out for the corporate business purposes of (i) separating Business B from the Retained Businesses, (ii) alleviating the competition for capital and resource allocation between the needs of Business B and the Distributing 5 Group, and (iii) providing Business B with an attractive corporate currency to use for acquisition and employee compensation purposes. The Controlled 5 Distribution is motivated in whole or substantial part by these corporate business purposes.
162. The Controlled 5 Distribution will not be used principally as a device for distributing the E&P of Distributing 5 or Controlled 5 or both.
163. For purposes of section 355(d), immediately after the Controlled 5 Distribution, no person (determined after applying the aggregation rules of section 355(d)(7)) 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 shares of all classes of Distributing 5 stock that was acquired by purchase (as defined in section 355(d)(5) and (8)) during the five-year period (determined after applying section 355(d)(6)) ending on the date of the Controlled 5 Distribution.
164. For purposes of section 355(d), immediately after the Controlled 5 Distribution, no person (determined after applying the aggregation rules of section 355(d)(7)) 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 shares of all classes of Controlled 5 stock that was either (i) acquired by purchase (as defined in section 355(d)(5) and (8)) during the five-year period (determined after applying section 355(d)(6)) ending on the date of the Controlled 5 Distribution or (ii) attributable to distributions on Distributing 5's stock or securities that were acquired by purchase (as defined in section 355(d)(5) and (8)) during the five-year period (determined after applying section 355(d)(6)) ending on the date of the Controlled 5 Distribution.
165. The Controlled 5 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 (other than persons described in section 355(e)(3)(A)(ii)) 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 to any such corporation).
166. Immediately after the Controlled 5 Distribution, and after applying the attribution rules of section 318 pursuant to section 355(g)(3)(B), no person will hold a 50-percent-or-greater interest (within the meaning of section 355(g)(3)) in either Distributing 5 or Controlled 5 who did not hold such an interest immediately before the Controlled 5 Distribution.

167. Any indebtedness owed by Controlled 5 (or its subsidiaries) to Distributing 5 (or its subsidiaries) after the Controlled 5 Distribution will not constitute stock or securities.
168. No intercorporate debt will exist between Distributing 5 (and its subsidiaries) and Controlled 5 (and its subsidiaries) at the time of, or subsequent, to the Controlled 5 Distribution, other than obligations arising in the ordinary course of business or from the Continuing Arrangements.
169. Except as otherwise noted above with respect to the Continuing Arrangements, payments made in connection with all continuing transactions following the Proposed Transaction between Distributing 5 (and its subsidiaries) and Controlled 5 (and its subsidiaries) will be for fair market value based on terms and conditions arrived at by the parties bargaining at arm's length.
170. Distributing 5 and Controlled 5 each will pay its own expenses, if any, incurred in connection with the Controlled 5 Contribution and the Controlled 5 Distribution.
171. Neither Distributing 5 nor Controlled 5 accumulated its receivables or made extraordinary payment of its payables in anticipation of the Controlled 5 Distribution, except pursuant to the elimination or reduction of intercompany balances in connection with the Proposed Transactions.
172. The total adjusted bases and the fair market value of the assets to be transferred to Controlled 5 by Distributing 5 in the Controlled 5 Contribution will each equal or exceed the sum of the liabilities assumed by Controlled 5 (as determined under section 357(d)).
173. Any liabilities assumed (as determined under section 357(d)) by Controlled 5 in the Controlled 5 Contribution will have been incurred in the ordinary course of business and will be associated with the assets transferred.
174. The total fair market value of the assets transferred to Controlled 5 by Distributing 5 in the Controlled 5 Contribution will exceed the sum of: (i) the amount of any liabilities assumed (within the meaning of section 357(d)) by Controlled 5 in connection therewith, (ii) the amount of any liabilities owed to Controlled 5 by Distributing 5 that are discharged or extinguished in connection therewith, and (iii) the amount of cash and the fair market value of any other property (other than stock and securities permitted to be received under section 361(a) without the recognition of gain) received by Distributing 5 in connection therewith. The fair market value of the assets of Controlled 5 will exceed the amount of its liabilities immediately after the Controlled 5 Contribution.

175. The payment of cash in lieu of fractional shares of Controlled 5 will be because Country A prohibits the issuance of fractional shares and does not represent separately bargained-for consideration. The method used for handling fractional share interests is intended to limit the amount of cash received by any one of the shareholders to less than the value of one full share of Controlled 5 stock. The fractional share interests of each Controlled 5 shareholder will be aggregated and no Controlled 5 shareholder will receive cash in an amount equal to or greater than the value of one full share of Controlled 5 stock.
176. The total fair market value of the assets transferred to Controlled 5 in the Controlled 5 Contribution will be equal to or exceed the aggregate adjusted basis of those assets so transferred.
177. No party to the Controlled 5 Contribution or the Controlled 5 Distribution will be an investment company as defined in section 368(a)(2)(F)(iii) and (iv).
178. No part of the consideration to be distributed by Distributing 5 in the Controlled 5 Distribution will be received by any shareholder of Distributing 5 as a creditor or an employee, or in any capacity other than that of a shareholder of Distributing 5.
179. Any money, property, or stock contributed by Distributing 5 to Controlled 5 in the Controlled 5 Contribution will be exchanged solely for stock or securities in Controlled 5.
180. Distributing 5's distribution of the Controlled 5 stock to its shareholders in the Controlled will be solely with respect to their ownership of Distributing 5 stock.
181. Neither Distributing 5 nor Controlled 5 has been or will be a USRPHC at any time during the five-year period ending on the date of the Controlled 5 Distribution, and neither Distributing 5 nor Controlled 5 will be a USRPHC immediately after the Controlled 5 Distribution.
182. Distributing 5 will comply with any applicable notice and filing requirements set forth in sections 897 and 1445, and the regulations thereunder.
183. As of Date 1, Distributing 5 does not have any foreign 5-percent shareholders.
184. The Controlled 5 Contribution and the Controlled 5 Distribution will be undertaken pursuant to a plan of reorganization.
185. No party to the Controlled 5 Contribution or the Controlled 5 Distribution is under the jurisdiction of a court in a Title 11 or similar case within the meaning of section 368(a)(3)(A).

186. The total number of shares of Retained Stock that will be held by members of the Remaining Group will not exceed gg percent of the issued and outstanding shares of Controlled 5.
187. Distributing 5's principal purpose for retaining the Retained Stock will be to satisfy its obligations under pre-existing compensation plans.
188. None of Distributing 5's directors or officers will serve as directors or officers of Controlled 5 as long as Distributing 5 retains the Retained Stock.
189. Distributing 5 will dispose of the Retained Stock as soon as a disposition is warranted consistent with its business purpose for retaining the Retained Stock, but in any event, not later than five years after the Controlled 5 Distribution.
190. Distributing 5 will vote the Retained Stock in proportion to the votes cast by Controlled 5's other shareholders.

The Controlled 1 Merger

The following representations are made with respect to the Controlled 1 Merger:

191. Controlled 1 and Distributing 4 will adopt a plan of merger and the Controlled 1 Merger will occur pursuant to that plan.
192. The Controlled 1 Merger will occur on a single date pursuant to which Controlled 1 will cease its separate legal existence for all purposes.
193. The Controlled 1 Merger will be effected pursuant to the laws of State C and State A. As a result of the Controlled 1 Merger, all of the assets and liabilities of Controlled 1 will become the assets and liabilities of Distributing 4 by operation of law.
194. The fair market value of the Distributing 4 stock received by Sub 2 and Sub 12 in the Controlled 1 Merger will be approximately equal to the fair market value of the Controlled 1 stock surrendered in the exchange.
195. The fair market value of the Controlled 1 assets received by Distributing 4 in the Controlled 1 Merger will be approximately equal to the fair market value of the Controlled 1 stock surrendered in the exchange.
196. Prior to adoption of the plan of merger, no assets of Controlled 1 will have been distributed in kind, transferred, or sold to Distributing 4, except for (i) transactions occurring in the normal course of business, and (ii) transactions occurring more than three years prior to adoption of the plan of merger.

197. All of the proprietary interests in Controlled 1 will be preserved (within the meaning of Treas. Reg. § 1.368-1(e)).
198. Neither Distributing 4 nor any person related (within the meaning of Treas. Reg. § 1.368-1(e)(4)) to Distributing 4 has any plan or intention to redeem or otherwise acquire any shares of the Distributing 4 stock issued in the Controlled 1 Merger, either directly or through any transaction, agreement, or arrangement with any other person.
199. Distributing 4 has no plan or intention to sell or otherwise dispose of any of the assets of Controlled 1 acquired in the Controlled 1 Merger, except for dispositions made in the ordinary course of business or transfers described in section 368(a)(2)(C) or Treas. Reg. § 1.368-2(k).
200. The liabilities of Controlled 1 assumed (as determined under section 357(d)) by Distributing 4 in the Controlled 1 Merger and the liabilities to which the transferred assets are subject will have been incurred by Controlled 1 in the ordinary course of business and will be associated with the assets transferred.
201. Following the Controlled 1 Merger, Distributing 4 will continue the historic business of Controlled 1 or use a significant portion of Controlled 1's historic business assets in a business (within the meaning of Treas. Reg. § 1.368-1(d)).
202. Distributing 4, Controlled 1, Sub 2, and Sub 12 each will pay its own expenses, if any, incurred in connection with the Controlled 1 Merger.
203. There is no intercorporate debt existing between Distributing 4 and Controlled 1 that was issued, acquired, or will be settled at a discount
204. No two parties to the Controlled 1 Merger are investment companies as defined in section 368(a)(2)(F)(iii) and (iv).
205. Controlled 1 is not under the jurisdiction of a court in a title 11 or similar case within the meaning of section 368(a)(3)(A).
206. The total fair market value of the assets transferred to Distributing 4 by Controlled 1 will exceed the sum of (i) the amount of liabilities assumed (as determined under section 357(d)) by Distributing 4 in connection with the Controlled 1 Merger, (ii) the amount of liabilities owed to Distributing 4 by Controlled 1 that are discharged or extinguished in connection with the Controlled 1 Merger, and (iii) the amount of any money and the fair market value of any other property (other than stock permitted to be received under section 361(a) without the recognition of gain) received by Controlled 1 in connection

with the Controlled 1 Merger. The fair market value of the assets of Distributing 4 will exceed the amount of Distributing 4's liabilities immediately after the Controlled 1 Merger.

207. Neither Distributing 4 nor Controlled 1 has been or will be a USRPHC at any time during the five-year period ending on the date of the Controlled 1 Merger, and neither Distributing 4 nor Controlled 1 will be a USRPHC immediately after the Controlled 1 Merger.
208. Distributing 4 will comply with any applicable notice and filing requirements set forth in sections 897 and 1445, and the regulations thereunder.
209. Distributing 4 will own greater than 80 percent of the single class of issued and outstanding shares in Controlled 1 on the date of adoption of the plan of merger, and at all times until the Controlled 1 Merger is completed, and Controlled 1 has no (and will have no) outstanding warrants, options, convertible securities, or other obligations that may be classified as equity for Federal tax purposes.
210. No shares of Controlled 1 will have been redeemed during the three years preceding the adoption of the plan of merger.
211. Immediately prior to the Controlled 1 Merger, Controlled 1 and Distributing 4 were classified as corporations for U.S. federal tax purposes.
212. Other than the acquisition of Sub 4 and Sub 14 on Date 2, Controlled 1 did not acquire assets or shares in any nontaxable transaction at any time, except for acquisitions occurring more than three years before the date of adoption of the plan of merger.
213. No assets of Controlled 1 have been, or will be, disposed of by either Controlled 1 or Distributing 4 except for dispositions in the ordinary course of business and dispositions occurring more than three years prior to adoption of the plan of merger.
214. The Controlled 1 Merger will not be preceded or followed by the reincorporation in, or transfer or sale to, a recipient corporation of the business or business assets of Controlled 1 if persons holding, directly or indirectly, more than 20 percent in value of the Controlled 1 shares also hold, directly or indirectly, more than 20 percent in value of the shares in the recipient corporation. For purposes of this representation, ownership is determined by application of the constructive ownership rules of section 318(a) as modified by section 304(c)(3).

- 215. Controlled 1 will report all earned income represented by assets that will be transferred to Distributing 4 such as receivables being reported on a cash basis, unfinished construction contracts, commissions due, *etc.*
- 216. The fair market value of the assets of Controlled 1 will exceed its liabilities on the date of adoption of the plan of merger and at all times until the Controlled 1 Merger is completed.
- 217. There is no intercorporate debt existing between Distributing 4 and Controlled 1 that has been or will be cancelled, forgiven, or settled at a discount, except for transactions that occurred more than three years prior to the Controlled 1 Merger.
- 218. All other transactions undertaken contemporaneously with, in anticipation of, in conjunction with, or in any way related to, the Controlled 1 Merger have been fully disclosed.
- 219. At the time of the Controlled 1 Merger, there will be no intercompany item, within the meaning of Treas. Reg. § 1.1502-13(b), with respect to the stock of Controlled 1.
- 220. Neither Distributing 4 nor Controlled 1 is or at the time of the Controlled 1 Merger will be an organization that is exempt from U.S. federal income tax under section 501 or any other provision of the Code, a regulated investment company (within the meaning of section 851(a)), or a real estate investment trust (within the meaning of section 856(a)).
- 221. The Controlled 1 Merger will be carried out for the corporate business purposes of integrating the Retained Businesses and simplifying the Remaining Group's corporate structure. The Controlled 1 Merger is motivated in whole or substantial part by this corporate business purpose.

Other representations

The following representations are made with respect to other steps occurring as part of the Proposed Transactions.

- 222. The LLC 1 Sale will qualify as a taxable exchange under section 1001.
- 223. The NewCo 1 Formation will qualify as a tax-free section 351 transfer to a controlled corporation.
- 224. The Second Controlled 4 Distribution will qualify as a tax-free section 355 distribution.

225. The Sub 1 Liquidation will qualify as a tax-free section 332 liquidation.

226. The Sub 4 Merger will qualify as a tax-free section 332 liquidation.

Rulings

The Controlled 1 Contribution and the Controlled 1 Distribution

Based solely on the information submitted and the representations set forth above, and provided that (i) Distributing 1's distribution of Controlled 1 stock to Distributing 2 in the Controlled 1 Distribution is solely with respect to Distributing 2's ownership of Distributing 1 stock, (ii) any money, property, or stock contributed by Distributing 1 to Controlled 1 in the Controlled 1 Contribution is exchanged solely for stock or securities in Controlled 1, and (iii) any other transfer of stock, money, or property between Distributing 1, Controlled 1, or any Distributing 1 shareholder and any person related to Distributing 1, Controlled 1, or any Distributing 1 shareholder is respected as a separate transaction, we rule as follows with respect to the Controlled 1 Contribution and the Controlled 1 Distribution:

1. The Controlled 1 Contribution and the Controlled 1 Distribution, taken together, will qualify as a reorganization within the meaning of section 368(a)(1)(D). Each of Distributing 1 and Controlled 1 will be "a party to a reorganization" within the meaning of section 368(b).
2. Distributing 1 will not recognize any gain or loss upon its transfer of assets to Controlled 1 in the Controlled 1 Contribution. Sections 361(a) and 357(a).
3. Controlled 1 will not recognize any gain or loss upon its receipt of assets from Distributing 1 in the Controlled 1 Contribution. Section 1032(a).
4. Controlled 1's basis in each asset received from Distributing 1 in the Controlled 1 Contribution will equal the basis of that asset in Distributing 1's hands immediately before the transfer. Section 362(b).
5. Controlled 1's holding period in each asset received from Distributing 1 in the Controlled 1 Contribution will include the period during which Distributing 1 held that asset. Section 1223(2).
6. Distributing 1 will not recognize any gain or loss upon its distribution of Controlled 1 stock to Distributing 2 in the Controlled 1 Distribution. Section 361(c).

7. Distributing 2 will not recognize any gain or loss (and will not otherwise include any amount in income) upon its receipt of Controlled 1 stock in the Controlled 1 Distribution. Section 355(a)(1).
8. Distributing 2's basis in its Distributing 1 stock and Controlled 1 stock immediately after the Controlled 1 Distribution will equal Distributing 2's basis in its Distributing 1 stock held immediately before the Controlled 1 Distribution, allocated between the stock of Distributing 1 and Controlled 1 in proportion to their fair market values at the time of the Controlled 1 Distribution in accordance with Treas. Reg. § 1.358-2(a)(2). Sections 358(a), (b), and (c).
9. Distributing 2's holding period in the Controlled 1 stock it received in the Controlled 1 Distribution will include the holding period of the Distributing 1 stock with respect to which the Controlled 1 Distribution is made, provided that the Distributing 1 stock is held as a capital asset on the date of the Controlled 1 Distribution. Section 1223(1).
10. Distributing 1's earnings and profits, if any, will be allocated between Distributing 1 and Controlled 1 in accordance with section 312(h) and Treas. Reg. § 1.312-10(a).

The Distributing 2 Contribution and the Distributing 2 Split-Down

Based solely on the information submitted and the representations set forth above, and provided that (i) Distributing 2's distribution of Controlled 1 stock to the holders of Class B Shares in the Distributing 2 Split-down is solely with respect to their ownership of the Class B Shares, (ii) any money, property, or stock contributed by Distributing 2 to Controlled 1 in the Distributing 2 Contribution is exchanged solely for stock or securities in Controlled 1, and (iii) any other transfer of stock, money, or property between Distributing 2, Controlled 1, or any Distributing 2 shareholder and any person related to Distributing 2, Controlled 1, or any Distributing 2 shareholder is respected as a separate transaction, we rule as follows with respect to the Distributing 2 Contribution and the Distributing 2 Split-down:

11. The Distributing 2 Contribution and the Distributing 2 Split-down, taken together, will qualify as a reorganization within the meaning of section 368(a)(1)(D). Each of Distributing 2 and Controlled 1 will be "a party to a reorganization" within the meaning of section 368(b).
12. Distributing 2 will not recognize any gain or loss upon its transfer of assets to Controlled 1 in the Distributing 2 Contribution. Sections 361(a) and 357(a).
13. Controlled 1 will not recognize any gain or loss upon its receipt of assets from Distributing 2 in the Distributing 2 Contribution. Section 1032(a).

14. Controlled 1's basis in each asset received from Distributing 2 in the Distributing 2 Contribution will equal the basis of that asset in Distributing 2's hands immediately before the transfer. Section 362(b).
15. Controlled 1's holding period in each asset received from Distributing 2 in the Distributing 2 Contribution will include the period during which Distributing 2 held that asset. Section 1223(2).
16. Distributing 2 will not recognize any gain or loss upon its transfer of Controlled 1 stock to the holders of Class B Shares in the Distributing 2 Split-down. Section 361(c).
17. The holders of Class B Shares will not recognize any gain or loss (and will not otherwise include any amount in income) upon their receipt of Controlled 1 stock in exchange for their Class B Shares in the Distributing 2 Split-down. Section 355(a)(1).
18. The basis of each holder of Class B Shares in the shares of Controlled 1 stock received in the Distributing 2 Split-down will equal its adjusted basis in the Class B Shares surrendered in the exchange, allocated among the Controlled 1 shares received in the manner described in Treas. Reg. § 1.358-2(a)(2). Sections 358(a) and (b).
19. The holding period of each holder of Class B Shares in the Controlled 1 stock received in the Distributing 2 Split-down will include such shareholder's holding period in the Class B Shares with respect to which the Distributing 2 Split-down is made, provided that the Class B Shares are held as a capital asset on the date of the Distributing 2 Split-down. Section 1223(1).
20. Distributing 2's earnings and profits, if any, will be allocated between Distributing 2 and Controlled 1 in accordance with § 312(h) and Treas. Reg. § 1.312-10(a).

The Country D Restructuring

Based solely on the information submitted and the representations set forth above, and provided that (i) Distributing 3's distribution of Controlled 2 stock to Distributing 4 in the distribution is with respect to its ownership of Distributing 3 stock, (ii) any money, property, or stock contributed by Distributing 3 to Controlled 2 in the contribution is exchanged solely for stock or securities in Controlled 2, and (iii) any other transfer of stock, money, or property between Distributing 3, Controlled 2, or any Distributing 3 shareholder and any person related to Distributing 3, Controlled 2, or any Distributing 3 shareholder is respected as a separate transaction, we rule as follows on the Country D Restructuring:

21. For U.S. federal income tax purposes, the transactions that comprise the Country D Restructuring will be treated as if (a) Distributing 3 had formed Controlled 2, and had transferred of all its assets relating to Business A, cash/cash equivalents, and investment assets to Controlled 2 in exchange for all of the outstanding stock of Controlled 2 and Controlled 2's assumption of debt, and then (b) Distributing 3 distributed (the "Controlled 2 Distribution") all of the outstanding stock in Controlled 2 to Distributing 4. See Rev. Rul. 77-191, 1977-1 C.B. 94; Rev. Rul. 57-311, 1957-2 C.B. 243.
22. The Country D Restructuring will be a "reorganization" within the meaning of section 368(a)(1)(D). Distributing 3 and Controlled 2 each will be "a party to a reorganization" within the meaning of section 368(b).
23. Distributing 3 will not recognize any gain or loss upon its transfer of assets to Controlled 2 in the Controlled 2 Contribution. Sections 361(a) and 357(a).
24. Controlled 2 will not recognize any gain or loss upon its receipt of assets from Distributing 3 in the Controlled 2 Contribution. Section 1032(a).
25. Controlled 2's basis in each asset received from Distributing 3 in the Controlled 2 Contribution will equal the basis of that asset in Distributing 3's hands immediately before the transfer. Section 362(b).
26. Controlled 2's holding period in each asset received from Distributing 3 in the Controlled 2 Contribution will include the period during which Distributing 3 held that asset. Section 1223(2).
27. Distributing 3 will not recognize any gain or loss upon its distribution of Controlled 2 stock to Distributing 4 in the Controlled 2 Distribution. Section 361(c).
28. Distributing 4 will not recognize any gain or loss (and will not otherwise include any amount in income) upon its receipt of Controlled 2 stock in the Controlled 2 Distribution. Section 355(a)(1).
29. Distributing 4's basis in its Distributing 3 stock and Controlled 2 stock immediately after the Controlled 2 Distribution will equal Distributing 4's basis in its Distributing 3 stock held immediately before the Controlled 2 Distribution, allocated between the stock of Distributing 3 and Controlled 2 in proportion to their fair market values at the time of the Controlled 2 Distribution in accordance with Treas. Reg. § 1.358-2(a)(2). Sections 358(a), (b), and (c).
30. Distributing 4's holding period in the Controlled 2 stock it received in the Controlled 2 Distribution will include the holding period of the Distributing 3 stock

with respect to which the Controlled 2 Distribution is made, provided that the Distributing 3 stock is held as a capital asset on the date of the Controlled 2 Distribution. Section 1223(1).

31. Distributing 3's earnings and profits, if any, will be allocated between Distributing 3 and Controlled 2 in accordance with section 312(h) and Treas. Reg. § 1.312-10(a).

The Controlled 3 Contribution and the Controlled 3 Distribution

Based solely on the information submitted and the representations set forth above, and provided that (i) Distributing 4's distribution of Controlled 3 stock to Distributing 1 in the distribution is with respect to its ownership of Distributing 4 stock, (ii) any money, property, or stock contributed by Distributing 4 to Controlled 3 in the contribution is exchanged solely for stock or securities in Controlled 3 and cash, and (iii) any other transfer of stock, money, or property between Distributing 4, Controlled 3, or any Distributing 4 shareholder and any person related to Distributing 4, Controlled 3, or any Distributing 4 shareholder is respected as a separate transaction, we rule as follows on the Controlled 3 Contribution and the Controlled 3 Distribution:

32. The Controlled 3 Contribution and the Controlled 3 Distribution, taken together, will qualify as a reorganization within the meaning of section 368(a)(1)(D). Each of Distributing 4 and Controlled 3 will be "a party to a reorganization" within the meaning of section 368(b).
33. Distributing 4 will not recognize any gain or loss upon its transfer of assets to Controlled 3 in the Controlled 3 Contribution. Sections 361(a) and 357(a).
34. Controlled 3 will not recognize any gain or loss upon its receipt of assets from Distributing 4 in the Controlled 3 Contribution. Section 1032(a).
35. Controlled 3's basis in each asset received from Distributing 4 in the Controlled 3 Contribution will equal the basis of that asset in Distributing 4's hands immediately before the transfer. Section 362(b).
36. Controlled 3's holding period in each asset received from Distributing 4 in the Controlled 3 Contribution will include the period during which Distributing 4 held that asset. Section 1223(2).
37. Distributing 4 will not recognize any gain or loss upon its distribution of Controlled 3 stock to Distributing 1 in the Controlled 3 Distribution. Section 361(c).

38. Distributing 1 will not recognize any gain or loss (and will not otherwise include any amount in income) upon its receipt of Controlled 3 stock in the Controlled 3 Distribution. Section 355(a)(1).
39. Distributing 1's basis in its Distributing 4 stock and Controlled 3 stock immediately after the Controlled 3 Distribution will equal Distributing 1's basis in its Distributing 4 stock held immediately before the Controlled 3 Distribution, allocated between the stock of Distributing 4 and Controlled 3 in proportion to their fair market values at the time of the Controlled 3 Distribution in accordance with Treas. Reg. § 1.358-2(a)(2). Sections 358(a), (b), and (c).
40. Distributing 1's holding period in the Controlled 3 stock it received in the Controlled 3 Distribution will include the holding period of the Distributing 4 stock with respect to which the Controlled 3 Distribution is made, provided that the Distributing 4 stock is held as a capital asset on the date of the Controlled 3 Distribution. Section 1223(1).
41. Distributing 4's earnings and profits, if any, will be allocated between Distributing 4 and Controlled 3 in accordance with section 312(h) and Treas. Reg. §§ 1.312-10(a) and Treas. Reg. 1.1502-33(e)(3).

The Controlled 4 Contribution and the First Controlled 4 Distribution

Based solely on the information submitted and the representations set forth above, and provided that (i) Distributing 1's distribution of Controlled 4 stock to Distributing 2 in the distribution is with respect to its ownership of Distributing 1 stock, (ii) any money, property, or stock contributed by Distributing 1 to Controlled 4 in the contribution is exchanged solely for stock or securities in Controlled 4 and cash, and (iii) any other transfer of stock, money, or property between Distributing 1, Controlled 4, or any Distributing 1 shareholder and any person related to Distributing 1, Controlled 4, or any Distributing 1 shareholder is respected as a separate transaction, we rule as follows on the Controlled 4 Contribution and the Controlled 4 Distribution:

42. The Controlled 4 Contribution and the First Controlled 4 Distribution, taken together, will qualify as a reorganization within the meaning of section 368(a)(1)(D). Each of Distributing 1 and Controlled 4 will be "a party to a reorganization" within the meaning of section 368(b).
43. Distributing 1 will not recognize any gain or loss upon its transfer of assets to Controlled 4 in the Controlled 4 Contribution. Sections 361(a) and 357(a).
44. Controlled 4 will not recognize any gain or loss upon its receipt of assets from Distributing 1 in the Controlled 4 Contribution. Section 1032(a).

45. Controlled 4's basis in each asset received from Distributing 1 in the Controlled 4 Contribution will equal the basis of that asset in Distributing 1's hands immediately before the transfer. Section 362(b).
46. Controlled 4's holding period in each asset received from Distributing 1 in the Controlled 4 Contribution will include the period during which Distributing 1 held that asset. Section 1223(2).
47. Distributing 1 will not recognize any gain or loss upon its distribution of Controlled 4 stock, cash, and Controlled 4 Securities to Distributing 2 in the First Controlled 4 Distribution or upon its transfer of Controlled 4 Securities to LLC 1 in repayment of indebtedness. Section 361(c).
48. Distributing 2 will not recognize any gain or loss (and will not otherwise include any amount in income) upon its receipt of shares of Controlled 4 stock in the First Controlled 4 Distribution. Section 355(a)(1).
49. Distributing 2 will be treated as having received in the First Controlled 4 Distribution, as a distribution of property to which section 301 applies, an amount equal to the sum of the cash distributed to it in the First Controlled 4 Distribution and the fair market value of the Controlled 4 Securities. Sections 355(a)(3)(A), 356(b), and 356(d).
50. Distributing 2's basis in its Distributing 1 stock and Controlled 4 stock immediately after the First Controlled 4 Distribution will equal Distributing 2's basis in its Distributing 1 stock held immediately before the First Controlled 4 Distribution (as adjusted under Treas. Reg. § 1.358-1(a) in connection with the distribution in the First Controlled 4 Distribution of the Controlled 4 Securities and cash), allocated between the stock of Distributing 1 and Controlled 4 in proportion to their fair market values at the time of the First Controlled 4 Distribution in accordance with Treas. Reg. § 1.358-2(a)(2). Sections 358(a), (b), and (c). Distributing 2's basis in the Controlled 4 Securities immediately after the First Controlled 4 Distribution will equal the fair market value of the Controlled 4 Securities. Section 301(d); Treas. Reg. § 1.358-1(a).
51. Distributing 2's holding period in the Controlled 4 stock it received in the First Controlled 4 Distribution will include the holding period of the Distributing 1 stock with respect to which the First Controlled 4 Distribution is made, provided that the Distributing 1 stock is held as a capital asset on the date of the First Controlled 4 Distribution. Section 1223(1).
52. Distributing 1's earnings and profits, if any, will be allocated between Distributing 1 and Controlled 4 in accordance with section 312 and Treas. Reg. § 1.312-10(a).

The Controlled 5 Contribution and the Controlled 5 Distribution

Based solely on the information submitted and the representations set forth above, and provided that (i) the distribution of Controlled 5 stock to Distributing 5's shareholders in the distribution is with respect to their ownership of Distributing 5 stock, (ii) any money, property, or stock contributed by Distributing 5 to Controlled 5 in the contribution is exchanged solely for stock or securities in Controlled 5, and (iii) any other transfer of stock, money, or property between Distributing 5, Controlled 5, or any Distributing 5 shareholder and any person related to Distributing 5, Controlled 5, or any Distributing 5 shareholder is respected as a separate transaction, we rule as follows on the Controlled 5 Contribution and the Controlled 5 Distribution:

53. For U.S. federal income tax purposes, the transactions that comprise the Controlled 5 Contribution and the Controlled 5 Distribution will be treated as if (a) Distributing 5 had transferred all the shares of Controlled 4 and NewCo 2 and the Controlled 4 Securities received from Distributing 2 to Controlled 5 in exchange for Controlled 5 stock; and then (b) Distributing 5 distributed all the Controlled 5 stock (except the Retained Stock) to its shareholders.
54. The Controlled 5 Contribution and the Controlled 5 Distribution, taken together, will qualify as a reorganization within the meaning of section 368(a)(1)(D). Each of Distributing 5 and Controlled 5 will be "a party to a reorganization" within the meaning of section 368(b).
55. Distributing 5 will not recognize any gain or loss upon its transfer of assets to Controlled 5 in the Controlled 5 Contribution. Sections 361(a) and 357(a).
56. Controlled 5 will not recognize any gain or loss upon its receipt of assets from Distributing 5 in the Controlled 5 Contribution. Section 1032(a).
57. Controlled 5's basis in each asset received from Distributing 5 in the Controlled 5 Contribution will equal the basis of that asset in Distributing 5's hands immediately before the transfer. Section 362(b).
58. Controlled 5's holding period in each asset received from Distributing 5 in the Controlled 5 Contribution will include the period during which Distributing 5 held that asset. Section 1223(2).
59. Distributing 5 will not recognize any gain or loss upon its distribution of Controlled 5 stock in the Controlled 5 Distribution. Section 361(c).

60. The shareholders of Distributing 5 will not recognize any gain or loss (and will not otherwise include any amount in income) on their receipt of Controlled 5 stock in the Controlled 5 Distribution. Section 355(a)(1).
61. Each Distributing 5 shareholder's basis in the Distributing 5 stock and Controlled 5 stock immediately after the Controlled 5 Distribution will equal the basis of the Distributing 5 stock that the shareholder held immediately before the Controlled 5 Distribution, allocated between the stock of Distributing 5 and Controlled 5 in proportion to their fair market values at the time of the Controlled 5 Distribution in accordance with Treas. Reg. § 1.358-2(a)(2). Sections 358(a), (b), and (c).
62. Each Distributing 5 shareholder's holding period in the Controlled 5 stock received in the Controlled 5 Distribution will include the holding period of the Distributing 5 stock with respect to which the Controlled 5 Distribution is made, provided that the shareholder holds such Distributing 5 stock as a capital asset on the date of the Controlled 5 Distribution. Section 1223(1).
63. Distributing 5's earnings and profits, if any, will be allocated between Distributing 5 and Controlled 5 in accordance with section 312 and Treas. Reg. § 1.312-10(a).
64. Payments between Distributing 5 and Controlled 5 or any of their respective affiliates under any of the Continuing Arrangements regarding liabilities, indemnities, or other obligations that (a) have arisen or will arise for a taxable period ending on or before the Controlled 5 Distribution and (b) will not become fixed and ascertainable until after the Controlled 5 Distribution, will be viewed as occurring before the Controlled 5 Distribution. *Arrowsmith v. Commissioner*, 344 U.S. 6 (1952); Rev. Rul. 83-73, 1983-1 C.B. 84.

The Controlled 1 Merger

Based solely on the information submitted and the representations set forth above, and provided that (i) Controlled 1's transfer of its assets to Distributing 4 in the Controlled 1 Merger is with respect to Distributing 4's ownership of Controlled 1's stock, (ii) the shares of Controlled 1 stock cancelled and the liabilities of Controlled 1 that are assumed by Distributing 4 in the Controlled 1 Merger are cancelled and assumed solely in exchange for Controlled 1's transfer of its assets to Distributing 4, and (iii) any other transfer of stock, money, or property between Distributing 4, Controlled 1, or any Controlled 1 shareholder and any person related to Distributing 4, Controlled 1, or any Controlled 1 shareholder is respected as a separate transaction, we rule as follows on the Controlled 1 Merger:

65. The Controlled 1 Merger will be treated as a distribution in complete liquidation of Controlled 1 under section 332(a) with respect to Distributing 4, and will qualify

as a reorganization within the meaning of section 368(a)(1)(A) with respect to Sub 2 and Sub 12 (and Distributing 4 and Controlled 1 will each be a “party to the reorganization” within the meaning of section 368(b)).

66. Neither Sub 2 nor Sub 12 will recognize any gain or loss on the receipt of Distributing 4 stock solely in exchange for Controlled 1 stock in the Controlled 1 Merger. Section 354.
67. Distributing 4 will not recognize any gain or loss on its receipt of the assets of Controlled 1 in the Controlled 1 Merger. Section 332(a).
68. Controlled 1 will not recognize any gain or loss on the distribution of its assets to, and the assumption of its liabilities by, Distributing 4 in the Controlled 1 Merger. Section 337(a).
69. Distributing 4's basis in each asset received from Controlled 1 in the Controlled 1 Merger will equal the basis of that asset in Controlled 1's hands immediately before the Controlled 1 Merger. Section 334(b)(1).
70. Distributing 4's holding period in each asset received from Controlled 1 in the Controlled 1 Merger will include the period during which Controlled 1 held that asset. Section 1223(2).
71. Distributing 4 will succeed to and take into account the items of Controlled 1 described in section 381(c), subject to the conditions and limitations specified in sections 381, 382, 383, 384, and 1502, and the regulations thereunder. Section 381(a)(1) and Treas. Reg. § 1.381(a)-1.

Caveats

Except as expressly provided herein, no opinion is expressed or implied concerning the tax consequences of any aspect of any transaction or item discussed or referenced in this letter. In particular, this office has not reviewed any information pertaining to and has made no determination regarding the following:

- (i) Whether any distribution occurring as part of the Proposed Transactions satisfies the business purpose requirement of Treas. Reg. § 1.355-2(b);
- (ii) Whether any distribution occurring as part of the Proposed Transactions is being used principally as a device for the distribution of the earnings and profits of the applicable distributing corporation, controlled corporation, or both (see section 355(a)(1)(B) and Treas. Reg. § 1.355-2(d));

(iii) Whether any distribution occurring as part of the Proposed Transactions is part of a plan (or series of related transactions) under section 355(e)(2)(A)(ii) and Treas. Reg. § 1.355-7;

(iv) The federal income tax treatment of step (ii), step (iv), step (v), step (xxiii), and step (xxvi) of the Proposed Transactions, or of any other step not addressed in the Rulings portion of this letter;

(v) The federal income tax treatment of the elimination of intercompany debts through repayment, distribution, assumption, or set-off, except as otherwise expressly provided;

(vi) Whether section 108 applies to the Controlled 1 Contribution;

(vii) Whether any debt of an entity that is an intercompany obligation (within the meaning of Treas. Reg. § 1.1502-13(g)(2)(ii)) or that might become an intercompany obligation as a result of any step or steps the Proposed Transactions is subject to the deemed satisfaction rules of Treas. Reg. § 1.1502-13(g), or the consequences to any party of any deemed satisfaction and/or reissuance under those rules;

(viii) Whether the Controlled 4 Securities will constitute securities for purposes of section 361;

(ix) To the extent not otherwise specifically ruled upon above, any consequences under section 367 with respect to any transaction described in this letter ruling;

(x) The potential application of section 482 to any payments made in connection with continuing transactions between Distributing 5 (and its subsidiaries) and Controlled 5 (and its subsidiaries) that are not made for fair market value based on terms and conditions arrived at by the parties bargaining at arm's length; and

(xi) The federal tax classification under Treas. Reg. §§ 301.7701, *et seq.*, of any of the entities involved in the Proposed Transactions, or the validity of any entity classification election made with respect to any of the entities.

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.

A copy of this letter must be attached to any income return to which it is relevant. Alternatively, taxpayers filing their returns electronically may satisfy this requirement by

attaching a statement to their return that provides the date and control number of the letter ruling.

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

Sincerely,

Maury Passman

Maury Passman
Senior Technician Reviewer, Branch 1
Office of Associate Chief Counsel
(Corporate)

cc: