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PLR-138070-13

Date:

March 11, 2014

Legend

Parent =

Distributing 1 =

Distributing 2 =

Distributing 3 =

Distributing 4 =

Distributing 5 =

PLR-138070-13

2

Distributing 6 =

Distributing 7 =

Controlled =

FSub 1 =

FSub 2 =

FSub 3 =

FSub 4 =

FSub 5 =

Sub 1 =

Sub 2 =

Sub 3 =

Foreign City A Branch =

Foreign City B Branch =

Business A =

Business B =

Business C =

Business D =

Business E =

Business F =

Business G =

Contribution 1 Rights =

Contribution 2 Rights =

Country A =

Distribution Date =

Industry =

State A =

a =

b =

c =

d =

Liabilities =

Dear :

This letter responds to your August 23, 2013 request for rulings regarding certain federal income tax consequences of the Proposed Transaction (defined below). The material information submitted in that request and subsequent correspondence is summarized below.

The rulings contained in this letter are based upon the facts and representations submitted by the taxpayer and accompanied by a penalty of perjury statement executed by an appropriate party. This office has not verified any of the material submitted in support of the request for rulings. Verification of the information, representations, and other data may be required as part of the audit process. In particular, this office has not reviewed any information pertaining to, and has made no determination regarding, whether the Proposed Transaction: (i) satisfies the business purpose requirement of § 1.355-2(b) of the Income Tax Regulations; (ii) is being used principally as a device for the distribution of earnings and profits of any of the distributing corporations, the controlled corporation, or any combination thereof (see § 355(a)(1)(B) and § 1.355-2(d)); or (iii) is part of a plan (or series of related transactions) pursuant to which one or more persons will acquire directly or indirectly stock representing a 50% or greater interest in any of the distributing corporations or the controlled corporation (see § 355(e) and § 1.355-7).

SUMMARY OF FACTS

Parent, a State A corporation, is the common parent of an affiliated group of corporations that join in the filing of a consolidated federal income tax return (the "Parent Group"). The authorized and outstanding capital stock of Parent includes one class of common stock that is publicly traded and widely held. Parent is a holding company that, through numerous direct and indirect domestic and foreign subsidiaries and other entities, operates in Industry. Parent is also engaged through numerous direct and indirect subsidiaries and other entities in the conduct of Business A, Business B, Business C, Business D, Business E, Business F and Business G. Parent is an accrual method and calendar year taxpayer.

Parent owns all of the outstanding stock of Sub 1, one of Parent's principal operating subsidiaries. Sub 1 operates through a number of domestic and foreign , including the Foreign City B Branch. Sub 1 owns all of the outstanding stock of Distributing 7. Distributing 7 wholly owns Distributing 6. Distributing 6 wholly owns Distributing 5. Distributing 5 wholly owns Sub 2. Distributing 5 owns approximately a% and Sub 2 owns approximately b% of the outstanding stock of Distributing 4. Distributing 4 wholly owns Distributing 3. Distributing 3 owns all but one of the outstanding ordinary shares of Distributing 2. A single ordinary share of Distributing 2 is held by FSub 3, an entity disregarded as separate from its parent Distributing 2 for federal income tax purposes. All of Distributing 2's preference shares, representing less than c% by vote and value of all the outstanding stock of Distributing 2, are held by FSub 4, a direct, wholly owned subsidiary of Sub 3, all of the outstanding stock of which

in turn is owned by Sub 2. Distributing 3 also owns all of the outstanding equity of FSub 2, which is treated as an entity disregarded as separate from its owner for federal income tax purposes. Distributing 2 owns all of the outstanding ordinary shares of Distributing 1 and most of the outstanding preference shares of Distributing 1. Parent owns all of the outstanding equity of FSub 5, an entity disregarded as separate from its owner for federal income tax purposes. FSub 5 owns the remaining outstanding preference shares of Distributing 1. The Distributing 1 preference shares held by FSub 5 represent less than c% by vote and value of all the outstanding stock of Distributing 1. Distributing 1 owns all of the outstanding equity of FSub 1, which is treated as an entity disregarded as separate from its owner for federal income tax purposes.

All of the above described entities are domestic, except for Distributing 1, Distributing 2, Distributing 3, Distributing 4, FSub 1, FSub 2, FSub 3, FSub 4 and FSub 5, each of which is organized under the laws of Country A. Distributing 5, Distributing 6, Distributing 7, Sub 1, Sub 2 and Sub 3 are members of the Parent Group. Distributing 1 through 7 are referred to collectively herein as the “Distributing Corporations.” Distributions 1 through 7 are referred to collectively herein as the “Distributions.”

Controlled will be formed by Distributing 1 under the laws of Country A in connection with the Proposed Transaction. Controlled will have outstanding one class of common shares, all of which will be owned initially by Distributing 1.

For purposes of satisfying the active trade or business requirements of § 355(b), each of the Distributing Corporations will rely on Business D, and Controlled will rely on Business E. Financial information has been submitted indicating that each of Business D and Business E has had gross receipts and operating expenses representing the active conduct of a trade or business for each of the past five years.

The Proposed Transaction is motivated by the corporate business purpose of achieving Country A legal and regulatory objectives in a manner consistent with U.S. legal and regulatory requirements, with the result that the activities of each of Business A and Business E will be conducted directly by Sub 1, the legal entity that owns the serviced by those businesses (the “Corporate Business Purpose”).

PROPOSED TRANSACTION

For what are represented to be valid business purposes, Parent proposes to undertake the following transactions:

- (i) Distributing 1 will cause FSub 1 to transfer Business E to Controlled (“Contribution 1”) in exchange for additional Controlled stock and the assumption of liabilities. Assets contributed to Controlled in Contribution 1 are expected to include goodwill and certain other intangible assets, workforce, office equipment and supplies, working capital, and receivables, as well as the Contribution 1 Rights. The Contribution 1

Rights are also used in connection with certain other businesses as conducted by Distributing 1 and/or FSub 1 and are expected to continue to be so used by such businesses following the completion of the Proposed Transaction. Controlled may also make distributions after the date of Contribution 1 in the aggregate amount of d.

- (ii) Distributing 1 will distribute all the stock of Controlled to Distributing 2, and any cash, if received, in connection with Contribution 1 (“Distribution 1”).
- (iii) Distributing 2 will distribute all the stock of Controlled to Distributing 3 (“Distribution 2”).
- (iv) Distributing 3 will cause FSub 2 to transfer Business A to Controlled (“Contribution 2”), either in the form of a capital contribution or in exchange for additional Controlled stock. Controlled will also assume liabilities of Business A. Assets contributed to Controlled in Contribution 2 are expected to include goodwill and certain other intangible assets, workforce, office equipment and supplies, working capital, and receivables, as well as the Contribution 2 Rights. The Contribution 2 Rights are also used in connection with certain other businesses as conducted by Distributing 3 and/or FSub 2 and are expected to continue to be so used by such businesses following the completion of the Proposed Transaction.
- (v) Distributing 3 will distribute all the stock of Controlled to Distributing 4 (“Distribution 3”).
- (vi) Distributing 4 will distribute all the stock of Controlled to Distributing 5 and Sub 2 pro rata (“Distribution 4”).
- (vii) Sub 2 will thereafter convert to a limited liability company under State A law and be treated as an entity disregarded from its parent Distributing 5 for federal income tax purposes. Sub 2 will distribute the Controlled stock it receives in Distribution 4 to Distributing 5 in a transaction intended to qualify as a liquidation under § 332.
- (viii) Distributing 5 will distribute all the stock of Controlled to Distributing 6 (“Distribution 5”).
- (ix) Distributing 6 will distribute all the stock of Controlled to Distributing 7 (“Distribution 6”).
- (x) Distributing 7 will distribute all the stock of Controlled to Sub 1 (“Distribution 7”).

- (xi) Sub 1 and Controlled will formally adopt a plan of liquidation with respect to Controlled (the “Plan of Liquidation”), pursuant to which Controlled will elect to be treated as an entity disregarded from its parent Sub 1 under § 301.7701-3 (the “CTB Election”). As a matter of Country A corporate mechanics, the assets and liabilities of the businesses held by Controlled will be transferred to Sub 1 as soon as practicable following Controlled’s CTB Election, but the actual winding-up and dissolution of Controlled is expected to take approximately one year following the formal adoption of the Plan of Liquidation.

Contributions 1 and 2 (collectively, the “Contributions”) and Distributions 1 through 7 will all be made after the close of business on Distribution Date. The CTB Election will be made effective on the day after Distribution Date, with the result that Controlled will be deemed to liquidate into Sub 1 under § 332 immediately before the close of Distribution Date pursuant to § 301.7701-3(g)(3)(i).

Immediately following each distribution, each of Distributing 1 and each other Distributing Corporation’s SAG will engage in Business D (through the Foreign City A Branch of Distributing 1) and Sub 1 will engage in, among its other businesses, Business A and Business E.

REPRESENTATIONS

The following representations have been made regarding the Proposed Transaction:

(A) Contribution 1 and Distribution 1

- (1) No part of the consideration to be distributed by Distributing 1 will be received by a shareholder as a creditor, employee, or in any capacity other than that of a shareholder of Distributing 1.
- (2) The five years of financial information submitted on behalf of Business D is representative of the present operations of Business D and, with regard to such business, there have been no substantial operational changes since the date of the last financial statements submitted.
- (3) The five years of financial information submitted on behalf of Business E is representative of the present operations of Business E, and with regard to such business, there have been no substantial operational changes since the date of the last financial statements submitted.
- (4) Following Distribution 1, Distributing 1 and Controlled (or its successor) will each continue the active conduct of its respective business, independently and with its separate employees.

- (5) Distribution 1 is being undertaken for the Corporate Business Purpose. Distribution 1 is motivated, in whole or substantial part, by the Corporate Business Purpose.
- (6) Distribution 1 is not being used principally as a device for the distribution of the earnings and profits (“E&P”) of Distributing 1 or Controlled or both.
- (7) The total fair market value of the assets transferred to Controlled by Distributing 1 in Contribution 1 will equal or exceed the sum of (i) the amount of liabilities (if any) assumed (within the meaning of § 357(d)) by Controlled in connection with the exchange, (ii) the amount of liabilities (if any) owed to Controlled by Distributing 1 that are discharged or extinguished in connection with the exchange, and (iii) the amount of cash and the fair market value of any other property (other than stock and securities permitted to be received under § 361(a) without the recognition of gain) received by Distributing 1 in connection with the exchange. The fair market value of the assets of Controlled will exceed the amount of its liabilities immediately after Contribution 1.
- (8) The total adjusted bases of the assets transferred to Controlled by Distributing 1 will equal or exceed the liabilities (if any) assumed (as determined under §357(d)) by Controlled.
- (9) The liabilities (if any) assumed (within the meaning of § 357(d)) by Controlled in Contribution 1 were incurred in the ordinary course of business and are associated with the assets transferred to Controlled in connection with Contribution 1.
- (10) Any indebtedness owed by Controlled to Distributing 1 after Distribution 1 will not constitute stock or securities.
- (11) No intercorporate debt will exist between Distributing 1 and Controlled (or its successor) at the time of, or subsequent to, Distribution 1, other than the Liabilities and other than obligations that arise and have arisen in the ordinary course of business.
- (12) For purposes of § 355(d), immediately after Distribution 1, no person (determined after applying § 355(d)(7)) will hold stock possessing 50% or more of the total combined voting power of all classes of Distributing 1 stock entitled to vote, or 50% or more of the total value of shares of all classes of Distributing 1 stock, that was acquired by purchase (as defined in § 355(d)(5) and (8)) during the five-year period (determined after applying § 355(d)(6)) ending on Distribution Date.
- (13) For purposes of § 355(d), immediately after Distribution 1, no person (determined after applying § 355(d)(7)) will hold stock possessing 50% or more of the total combined voting power of all classes of Controlled stock entitled to vote, or 50% or more of the total value of shares of all classes of Controlled stock, that was either (1) acquired by purchase (as defined in § 355(d)(5) and (8)) during the five-year period (determined after applying § 355(d)(6)) ending on the date of Distribution 1 or (2) attributable to

distributions on Distributing 1 stock that was acquired by purchase (as defined in § 355(d)(5) and (8)) during the five-year period (determined after applying § 355(d)(6)) ending on Distribution Date.

(14) Payments made in connection with all continuing transactions, if any, between Distributing 1 or its subsidiaries and Controlled or its successor will be for fair market value based on terms and conditions arrived at by the parties bargaining at arm's length, or terms and conditions comparable to those that would be arrived at by parties bargaining at arm's length.

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

(16) Distribution 1 is not part of a plan or series of related transactions (within the meaning of § 1.355-7) pursuant to which one or more persons (other than persons described in § 355(e)(2)(C)) will acquire directly or indirectly stock representing a 50% or greater interest (within the meaning of § 355(d)(4)) in Distributing 1 or Controlled (including any predecessor or successor of any such corporation).

(17) Immediately after Distribution 1, either (i) no person will hold a 50% or greater interest (within the meaning of § 355(g)(3)) in the stock of Distributing 1 or Controlled who did not hold such an interest before the transaction, or (ii) neither Distributing 1 nor Controlled is or will be a disqualified investment corporation for purposes of § 355(g)(2).

(18) Distributing 1 neither acquired Business D nor acquired control of an entity conducting Business D during the five-year period ending on Distribution Date in a transaction in which gain or loss was recognized (or treated as recognized) in whole or in part, except in connection with transactions that constitute expansions as contemplated by proposed § 1.355-3(b)(3)(ii). Throughout the five-year period ending on Distribution Date, Distributing 1 will have been the principal owner of the goodwill and significant assets of Business D and will continue to be the principal owner following Distribution 1.

(19) Distributing 1 neither acquired Business E nor control of an entity conducting Business E during the five-year period ending on Distribution Date in a transaction in which gain or loss was recognized (or treated as recognized) in whole or in part, except in connection with acquisitions from a partnership described in proposed § 1.355-3(b)(3)(iii) or transactions that constitute expansions as contemplated by proposed § 1.355-3(b)(3)(ii). Throughout the five-year period ending on Distribution Date, Distributing 1 or its predecessor partnership will have been the principal owner of the goodwill and significant assets of Business E and Controlled or its successor will be the principal owner following Distribution 1.

(20) Distributing 1 is, and both Distributing 1 and Controlled will be, a controlled foreign corporation (“CFC”) within the meaning of § 957(a) immediately before and after Contribution 1 and Distribution 1.

(21) At all times before and immediately after Contribution 1 and Distribution 1, neither Distributing 1 nor Controlled has been or will be a passive foreign investment company (“PFIC”) within the meaning of § 1297(a).

(22) Distributing 1’s contribution of assets to Controlled in actual or constructive exchange for Controlled stock in Contribution 1 is not an exchange described in § 1.367(b)-4(b)(1)(i), § 1.367(b)-4(b)(2)(i), or § 1.367(b)-4(b)(3).

(23) The notice requirements of § 1.367(b)-1(c) will be satisfied with respect to Contribution 1 and Distribution 1.

(24) Distributing 5 and Sub 2 will be § 1248 shareholders, within the meaning of § 1.367(b)-2(b), with respect to Distributing 1 immediately before Distribution 1, and with respect to each of Distributing 1 and Controlled immediately after Distribution 1.

(25) Distributing 1 will not transfer any United States real property interests (as defined in § 1.897-1(c)) during Contribution 1.

(26) Distributing 1, Controlled, and the shareholders of Distributing 1 will pay their respective expenses, if any, incurred in connection with Distribution 1.

(B) Distribution 2

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

(2) The five years of financial information submitted on behalf of Business D is representative of the present operations of Business D and, with regard to such business, there have been no substantial operational changes since the date of the last financial statements submitted.

(3) The five years of financial information submitted on behalf of Business E is representative of the present operations of Business E, and with regard to such business, there have been no substantial operational changes since the date of the last financial statements submitted.

(4) Distributing 2 will treat all members of its separate affiliated group (within the meaning of § 355(b)(3)(B)) (the “Distributing 2 SAG”) as one corporation in determining whether the requirements of § 355(b)(2)(A) regarding the active conduct of a trade or business are satisfied.

- (5) Following Distribution 2, Distributing 2 and Controlled (or its successor) will each continue the active conduct of its respective business, independently and with its separate employees.
- (6) Distribution 2 is being undertaken for the Corporate Business Purpose. Distribution 2 is motivated, in whole or substantial part, by the Corporate Business Purpose.
- (7) Distribution 2 is not being used principally as a device for the distribution of the E&P of Distributing 2 or Controlled or both.
- (8) Any indebtedness owed by Controlled to Distributing 2 after Distribution 2 will not constitute stock or securities.
- (9) No intercorporate debt will exist between Distributing 2 and Controlled (or its successor) at the time of, or subsequent to, Distribution 2, other than the Liabilities and other than obligations that arise and have arisen in the ordinary course of business.
- (10) For purposes of § 355(d), immediately after Distribution 2, no person (determined after applying § 355(d)(7)) will hold stock possessing 50% or more of the total combined voting power of all classes of Distributing 2 stock entitled to vote, or 50% or more of the total value of shares of all classes of Distributing 2 stock, that was acquired by purchase (as defined in § 355(d)(5) and (8)) during the five-year period (determined after applying § 355(d)(6)) ending on Distribution Date.
- (11) For purposes of § 355(d), immediately after Distribution 2, no person (determined after applying § 355(d)(7)) will hold stock possessing 50% or more of the total combined voting power of all classes of Controlled stock entitled to vote, or 50% or more of the total value of shares of all classes of Controlled stock, that was either (1) acquired by purchase (as defined in § 355(d)(5) and (8)) during the five-year period (determined after applying § 355(d)(6)) ending on Distribution Date or (2) attributable to distributions on Distributing 2 stock that was acquired by purchase (as defined in § 355(d)(5) and (8)) during the five-year period (determined after applying § 355(d)(6)) ending on Distribution Date.
- (12) Payments made in connection with all continuing transactions, if any, between Distributing 2 or its subsidiaries and Controlled or its successor will be for fair market value based on terms and conditions arrived at by the parties bargaining at arm's length, or terms and conditions comparable to those that would be arrived at by parties bargaining at arm's length.
- (13) No two parties to Distribution 2 are investment companies as defined in § 368(a)(2)(F)(iii) and (iv).

(14) Distribution 2 is not part of a plan or series of related transactions (within the meaning of § 1.355-7) pursuant to which one or more persons (other than persons described in § 355(e)(2)(C)) will acquire directly or indirectly stock representing a 50% or greater interest (within the meaning of § 355(d)(4)) in Distributing 2 or Controlled (including any predecessor or successor of any such corporation).

(15) Immediately after Distribution 2, either (i) no person will hold a 50% or greater interest (within the meaning of § 355(g)(3)) in Distributing 2 or Controlled who did not hold such an interest before the transaction, or (ii) neither Distributing 2 nor Controlled is or will be a disqualified investment corporation for purposes of § 355(g).

(16) The Distributing 2 SAG neither acquired Business D nor acquired control of an entity conducting Business D during the five-year period ending on Distribution Date in a transaction in which gain or loss was recognized (or treated as recognized) in whole or in part, except in connection with transfers between members of the Distributing 2 SAG or transactions that constitute expansions as contemplated by proposed § 1.355-3(b)(3)(ii). Throughout the five-year period ending on Distribution Date, the Distributing 2 SAG will have been the principal owner of the goodwill and significant assets of Business D and will continue to be the principal owner following Distribution 2.

(17) The Distributing 2 SAG neither acquired Business E nor acquired control of an entity conducting Business E during the five-year period ending on Distribution Date in a transaction in which gain or loss was recognized (or treated as recognized) in whole or in part, except in connection with transfers between members of the Distributing 2 SAG, acquisitions from a partnership described in proposed § 1.355-3(b)(3)(iii), or transactions that constitute expansions as contemplated by proposed § 1.355-3(b)(3)(ii). Throughout the five-year period ending on Distribution Date, the Distributing 2 SAG or its predecessor partnership will have been the principal owner of the goodwill and significant assets of Business E and Controlled or its successor will be the principal owner following Distribution 2.

(18) The notice requirements of § 1.367(b)-1(c) will be satisfied with respect to Distribution 2.

(19) Immediately before and after Distribution 2, Distributing 2 and Controlled each will be a CFC.

(20) Distributing 5 and Sub 2 will be § 1248 shareholders, within the meaning of § 1.367(b)-2(b), with respect to Distributing 2 immediately before Distribution 1, and with respect to each of Distributing 2 and Controlled immediately after Distribution 2.

(21) At all times before and immediately after Distribution 2, neither Distributing 2 nor Controlled has been or will be a PFIC.

(22) Distributing 2, Controlled, and the shareholders of Distributing 2 will pay their respective expenses, if any, incurred in connection with Distribution 2.

(C) Contribution 2 and Distribution 3

(1) No part of the consideration to be distributed by Distributing 3 will be received by a shareholder as a creditor, employee, or in any capacity other than that of a shareholder of Distributing 3.

(2) The five years of financial information submitted on behalf of Business D is representative of the present operations of Business D and, with regard to such business, there have been no substantial operational changes since the date of the last financial statements submitted.

(3) The five years of financial information submitted on behalf of Business E is representative of the present operations of Business E, and with regard to such business, there have been no substantial operational changes since the date of the last financial statements submitted.

(4) Distributing 3 will treat all members of its separate affiliated group (within the meaning of § 355(b)(3)(B)) (the "Distributing 3 SAG") as one corporation in determining whether the requirements of § 355(b)(2)(A) regarding the active conduct of a trade or business are satisfied.

(5) Following Distribution 3, Distributing 3 and Controlled (or its successor) will each continue the active conduct of its respective business, independently and with its separate employees.

(6) Distribution 3 is being undertaken for the Corporate Business Purpose. Distribution 3 is motivated, in whole or substantial part, by the Corporate Business Purpose.

(7) Distribution 3 is not being used principally as a device for the distribution of the E&P of Distributing 3 or Controlled or both.

(8) The total fair market value of the assets transferred to Controlled by Distributing 3 in Contribution 2 will exceed the sum of (i) the amount of liabilities (if any) assumed (within the meaning of § 357(d)) by Controlled in connection with the exchange, (ii) the amount of liabilities (if any) owed to Controlled by Distributing 3 that are discharged or extinguished in connection with the exchange, and (iii) the amount of cash and the fair market value of any other property (other than stock or securities permitted to be received under § 361(a) without the recognition of gain) received by Distributing 3 in connection with the exchange. The fair market value of the assets of Controlled will exceed the amount of its liabilities immediately after Contribution 2.

(9) The total adjusted bases of the assets transferred to Controlled by Distributing 3 will equal or exceed the liabilities (if any) assumed (as determined under § 357(d)) by Controlled.

(10) The liabilities (if any) assumed (within the meaning of § 357(d)) by Controlled in Contribution 2 were incurred in the ordinary course of business and are associated with the assets transferred to Controlled in connection with Contribution 2.

(11) Any indebtedness owed by Controlled to Distributing 3 after Distribution 3 will not constitute stock or securities.

(12) No intercorporate debt will exist between Distributing 3 and Controlled (or its successor) at the time of, or subsequent to, Distribution 3, other than the Liabilities and other than obligations that arise and have arisen in the ordinary course of business.

(13) For purposes of § 355(d), immediately after Distribution 3, no person (determined after applying § 355(d)(7)) will hold stock possessing 50% or more of the total combined voting power of all classes of Distributing 3 stock entitled to vote, or 50% or more of the total value of shares of all classes of Distributing 3 stock, that was acquired by purchase (as defined in § 355(d)(5) and (8)) during the five-year period (determined after applying § 355(d)(6)) ending on Distribution Date.

(14) For purposes of § 355(d), immediately after Distribution 3, no person (determined after applying § 355(d)(7)) will hold stock possessing 50% or more of the total combined voting power of all classes of Controlled stock entitled to vote, or 50% or more of the total value of shares of all classes of Controlled stock, that was either (1) acquired by purchase (as defined in § 355(d)(5) and (8)) during the five-year period (determined after applying § 355(d)(6)) ending on Distribution Date or (2) attributable to distributions on Distributing 3 stock that was acquired by purchase (as defined in § 355(d)(5) and (8)) during the five-year period (determined after applying § 355(d)(6)) ending on Distribution Date.

(15) Payments made in connection with all continuing transactions, if any, between Distributing 3 or its subsidiaries and Controlled or its successor will be for fair market value based on terms and conditions arrived at by the parties bargaining at arm's length, or terms and conditions comparable to those that would be arrived at by parties bargaining at arm's length.

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

(17) Distribution 3 is not part of a plan or series of related transactions (within the meaning of § 1.355-7) pursuant to which one or more persons (other than persons described in § 355(e)(2)(C)) will acquire directly or indirectly stock representing a 50%

or greater interest (within the meaning of § 355(d)(4)) in Distributing 3 or Controlled (including any predecessor or successor of any such corporation).

(18) Immediately after Distribution 3, either (i) no person will hold a 50% or greater interest (within the meaning of § 355(g)(3)) in the stock of Distributing 3 or Controlled who did not hold such interest before the transaction, or (ii) neither Distributing 3 nor Controlled is or will be a disqualified investment corporation for purposes of § 355(g).

(19) The Distributing 3 SAG neither acquired Business D nor acquired control of an entity conducting Business D during the five-year period ending on Distribution Date in a transaction in which gain or loss was recognized (or treated as recognized) in whole or in part, except in connection with transfers between members of the Distributing 3 SAG or transactions that constitute expansions as contemplated by proposed § 1.355-3(b)(3)(ii). Throughout the five-year period ending on Distribution Date, the Distributing 3 SAG will have been the principal owner of the goodwill and significant assets of Business D and will continue to be the principal owner following Distribution 3.

(20) The Distributing 3 SAG neither acquired Business E nor acquired control of an entity conducting Business E during the five-year period ending on Distribution Date in a transaction in which gain or loss was recognized (or treated as recognized) in whole or in part, except in connection with transfers between members of the Distributing 3 SAG, acquisitions from a partnership described in proposed § 1.355-3(b)(3)(iii), or transactions that constitute expansions as contemplated by proposed § 1.355-3(b)(3)(ii). Throughout the five-year period ending on Distribution Date, the Distributing 3 SAG or its predecessor partnership will have been the principal owner of the goodwill and significant assets of Business E and Controlled (or its successor) will be the principal owner following Distribution 3.

(21) Distributing 3 is, and each of Distributing 3 and Controlled will be, a CFC within the meaning of § 957(a) immediately before and after Contribution 2 and Distribution 3.

(22) At all times before and immediately after Contribution 2 and Distribution 3, neither Distributing 3 nor Controlled has been or will be a PFIC.

(23) Distributing 3's contribution of assets to Controlled in actual or constructive exchange for Controlled stock in Contribution 2 is not an exchange described in § 1.367(b)-4(b)(1)(i), § 1.367(b)-4(b)(2)(i), or § 1.367(b)-4(b)(3).

(24) The notice requirements of § 1.367(b)-1(c) will be satisfied with respect to Contribution 2 and Distribution 3.

(25) Distributing 5 and Sub 2 will be § 1248 shareholders, within the meaning of § 1.367(b)-2(b), with respect to Distributing 3 immediately before Distribution 3 and with respect to each of Distributing 3 and Controlled immediately after Distribution 3.

(26) Distributing 3 will not transfer any United States real property interests (as defined in § 1.897-1(c)) during Contribution 2.

(27) Distributing 3, Controlled, and the shareholders of Distributing 3 will pay their respective expenses, if any, incurred in connection with Distribution 3.

(D) Distribution 4

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

(2) The five years of financial information submitted on behalf of Business D is representative of the present operations of Business D and, with regard to such business, there have been no substantial operational changes since the date of the last financial statements submitted.

(3) The five years of financial information submitted on behalf of Business E is representative of the present operations of Business E, and with regard to such business, there have been no substantial operational changes since the date of the last financial statements submitted.

(4) Distributing 4 will treat all members of its separate affiliated group (within the meaning of § 355(b)(3)(B)) (the "Distributing 4 SAG") as one corporation in determining whether the requirements of § 355(b)(2)(A) regarding the active conduct of a trade or business are satisfied.

(5) Following Distribution 4, Distributing 4 and Controlled (or its successor) will each continue the active conduct of its respective business, independently and with its separate employees.

(6) Distribution 4 is being undertaken for the Corporate Business Purpose. Distribution 4 is motivated, in whole or substantial part, by the Corporate Business Purpose.

(7) Distribution 4 is not being used principally as a device for the distribution of the E&P of Distributing 4 or Controlled or both.

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

(9) No intercorporate debt will exist between Distributing 4 and Controlled (or its successor) at the time of, or subsequent to, Distribution 4, other than the Liabilities and other than obligations that arise and have arisen in the ordinary course of business.

(10) For purposes of § 355(d), immediately after Distribution 4, no person (determined after applying § 355(d)(7)) will hold stock possessing 50% or more of the total combined voting power of all classes of Distributing 4 stock entitled to vote, or 50% or more of the total value of shares of all classes of Distributing 4 stock, that was acquired by purchase (as defined in § 355(d)(5) and (8)) during the five-year period (determined after applying § 355(d)(6)) ending on Distribution Date.

(11) For purposes of § 355(d), immediately after Distribution 4, no person (determined after applying § 355(d)(7)) will hold stock possessing 50% or more of the total combined voting power of all classes of Controlled stock entitled to vote, or 50% or more of the total value of shares of all classes of Controlled stock, that was either (1) acquired by purchase (as defined in § 355(d)(5) and (8)) during the five-year period (determined after applying § 355(d)(6)) ending on Distribution Date or (2) attributable to distributions on Distributing 4 stock that was acquired by purchase (as defined in § 355(d)(5) and (8)) during the five-year period (determined after applying § 355(d)(6)) ending on Distribution Date.

(12) Payments made in connection with all continuing transactions, if any, between Distributing 4 or its subsidiaries and Controlled or its successor will be for fair market value based on terms and conditions arrived at by the parties bargaining at arm's length, or terms and conditions comparable to those that would be arrived at by parties bargaining at arm's length.

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

(14) Distribution 4 is not part of a plan or series of related transactions (within the meaning of § 1.355-7) pursuant to which one or more persons (other than persons described in § 355(e)(2)(C)) will acquire directly or indirectly stock representing a 50% or greater interest (within the meaning of § 355(d)(4)) in Distributing 4 or Controlled (including any predecessor or successor of any such corporation).

(15) Immediately after Distribution 4, either (i) no person will hold a 50% or greater interest (within the meaning of § 355(g)(3)) in the stock of Distributing 4 or Controlled who did not hold such interest before the transaction, or (ii) neither Distributing 1 nor Controlled will be a disqualified investment corporation for purposes of § 355(g).

(16) The Distributing 4 SAG neither acquired Business D nor acquired control of an entity conducting Business D during the five-year period ending on Distribution Date in a transaction in which gain or loss was recognized (or treated as recognized) in whole or in part, except in connection with transfers between members of the Distributing 4 SAG or transactions that constitute expansions as contemplated by proposed § 1.355-3(b)(3)(ii). Throughout the five-year period ending on Distribution Date, the Distributing 4 SAG will have been the principal owner of the goodwill and significant assets of Business D and will continue to be the principal owner following Distribution 4.

(17) The Distributing 4 SAG neither acquired Business E nor acquired control of an entity conducting Business E during the five-year period ending on Distribution Date in a transaction in which gain or loss was recognized (or treated as recognized) in whole or in part, except in connection with transfers between members of the Distributing 4 SAG, acquisitions from a partnership described in proposed § 1.355-3(b)(3)(iii), or transactions that constitute expansions as contemplated by proposed § 1.355-3(b)(3)(ii). Throughout the five-year period ending on Distribution Date, the Distributing 4 SAG or its predecessor partnership will have been the principal owner of the goodwill and significant assets of Business E and Controlled or its successor will be the principal owner following Distribution 4.

(18) The notice requirements of § 1.367(b)-1(c) will be satisfied with respect to Distribution 4.

(19) Distributing 4 is, and each of Distributing 4 and Controlled will be, a CFC within the meaning of § 957(a) immediately before and after Distribution 4.

(20) Distributing 5 and Sub 2 will be § 1248 shareholders, within the meaning of § 1.367(b)-2(b), with respect to Distributing 4 and Controlled immediately before Distribution 4, and Distributing 5 will be a § 1248 shareholder, within the meaning of § 1.367(b)-2(b), with respect to each of Distributing 4 and Controlled immediately after Distribution 4 and the liquidation of Sub 2.

(21) At all times before and immediately after Distribution 4, neither Distributing 4 nor Controlled has been or will be a PFIC.

(22) Distributing 4, Controlled, and the shareholders of Distributing 4 will pay their respective expenses, if any, incurred in connection with Distribution 4.

(E) Distribution 5

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

(2) The five years of financial information submitted on behalf of Business D is representative of the present operations of Business D and, with regard to such business, there have been no substantial operational changes since the date of the last financial statements submitted.

(3) The five years of financial information submitted on behalf of Business E is representative of the present operations of Business E, and with regard to such business, there have been no substantial operational changes since the date of the last financial statements submitted.

- (4) Distributing 5 will treat all members of its separate affiliated group (within the meaning of § 355(b)(3)(B)) (the “Distributing 5 SAG”) as one corporation in determining whether the requirements of § 355(b)(2)(A) regarding the active conduct of a trade or business are satisfied.
- (5) Following Distribution 5, Distributing 5 and Controlled (or its successor) will each continue the active conduct of its respective business, independently and with its separate employees.
- (6) Distribution 5 is being undertaken for the Corporate Business Purpose. Distribution 5 is motivated, in whole or substantial part, by the Corporate Business Purpose.
- (7) Distribution 5 is not being used principally as a device for the distribution of the E&P of Distributing 5 or Controlled or both.
- (8) Any indebtedness owed by Controlled to Distributing 5 after Distribution 5 will not constitute stock or securities.
- (9) No intercorporate debt will exist between Distributing 5 and Controlled (or its successor) at the time of, or subsequent to, Distribution 5, other than the Liabilities and other than obligations that arise and have arisen in the ordinary course of business.
- (10) Immediately before Distribution 5, items of income, gain, loss, deduction, and credit will be taken into account as required by the applicable intercompany transaction regulations (see § 1.1502-13 and § 1.1502-14 as in effect before the publication of T.D. 8597, 1995-2 C.B. 147, and as currently in effect; § 1.1502-13 as published by T.D. 8597). Any excess loss account Distributing 5 may have in the Controlled Stock (or a member may have in the stock of another member that is required to be taken into account by Treas. Reg. § 1.1502-19) will be included in income immediately before the Distribution to the extent required by regulations (see Treas. Reg. § 1.1502-19).
- (11) For purposes of § 355(d), immediately after Distribution 5, no person (determined after applying § 355(d)(7)) will hold stock possessing 50% or more of the total combined voting power of all classes of Distributing 5 stock entitled to vote, or 50% or more of the total value of shares of all classes of Distributing 5 stock, that was acquired by purchase (as defined in § 355(d)(5) and (8)) during the five-year period (determined after applying § 355(d)(6)) ending on Distribution Date.
- (12) For purposes of § 355(d), immediately after Distribution 5, no person (determined after applying § 355(d)(7)) will hold stock possessing 50% or more of the total combined voting power of all classes of Controlled stock entitled to vote, or 50% or more of the total value of shares of all classes of Controlled stock, that was either (1) acquired by purchase (as defined in § 355(d)(5) and (8)) during the five-year period (determined after applying § 355(d)(6)) ending on Distribution Date or (2) attributable to distributions

on Distributing 5 stock that was acquired by purchase (as defined in § 355(d)(5) and (8)) during the five-year period (determined after applying § 355(d)(6)) ending on Distribution Date.

(13) Payments made in connection with all continuing transactions, if any, between Distributing 5 or its subsidiaries and Controlled or its successor will be for fair market value based on terms and conditions arrived at by the parties bargaining at arm's length, or terms and conditions comparable to those that would be arrived at by parties bargaining at arm's length.

(14) No two parties to Distribution 5 are investment companies as defined in § 368(a)(2)(F)(iii) and (iv).

(15) Distribution 5 is not part of a plan or series of related transactions (within the meaning of § 1.355-7) pursuant to which one or more persons (other than persons described in § 355(e)(2)(C)) will acquire directly or indirectly stock representing a 50% or greater interest (within the meaning of § 355(d)(4)) in Distributing 5 or Controlled (including any predecessor or successor of any such corporation).

(16) Immediately after Distribution 5, either (i) no person will hold a 50% or greater interest (within the meaning of § 355(g)(3)) in the stock of Distributing 5 or Controlled who did not hold such an interest before the transaction, or (ii) neither Distributing 5 nor Controlled will be a disqualified investment corporation for purposes of § 355(g).

(17) The Distributing 5 SAG neither acquired Business D nor acquired control of an entity conducting Business D during the five-year period ending on Distribution Date in a transaction in which gain or loss was recognized (or treated as recognized) in whole or in part, except in connection with transfers between members of the Distributing 5 SAG or transactions that constitute expansions as contemplated by proposed § 1.355-3(b)(3)(ii). Throughout the five-year period ending on Distribution Date, the Distributing 5 SAG will have been the principal owner of the goodwill and significant assets of Business D and will continue to be the principal owner following Distribution 5.

(18) The Distributing 5 SAG neither acquired Business E nor acquired control of an entity conducting Business E during the five-year period ending on Distribution Date in a transaction in which gain or loss was recognized (or treated as recognized) in whole or in part, except in connection with transfers between members of the Distributing 5 SAG, acquisitions from a partnership described in proposed § 1.355-3(b)(3)(iii), or transactions that constitute expansions as contemplated by proposed § 1.355-3(b)(3)(ii). Throughout the five-year period ending on Distribution Date, the Distributing 5 SAG or its predecessor partnership will have been the principal owner of the goodwill and significant assets of Business E and Controlled or its successor will be the principal owner following Distribution 5.

(19) Immediately before and after Distribution 5, Controlled will be a CFC.

(20) Distributing 5 will be a § 1248 shareholder, within the meaning of § 1.1248(f)-1(c)(12), with respect to Controlled immediately before Distribution 5.

(21) Distributing 6 will be a § 1248 shareholder, within the meaning of § 1.1248(f)-1(c)(12), with respect to Controlled immediately after Distribution 5.

(22) At all times before and immediately after Distribution 5, Controlled has not been nor will be a PFIC.

(23) Distributing 5 will comply with the reporting procedures established under § 1.367(b)-5(b)(3) in order to establish that Distributing 6 is a corporation for purposes of applying § 1.367(b)-5(b)(1)(i).

(24) Distributing 5 will comply with the reporting procedures established under § 1.367(e)-1(d)(2) in order to establish that Distributing 6 is a qualified U.S. person for purposes of applying § 1.367(e)-1.

(25) Distribution 5 will be an existing stock distribution (as defined in § 1.1248(f)-1(b)(2)). Unless Distributing 5 and Distributing 6 elect to apply the provisions of § 1.1248(f)-2(b) in accordance with § 1.1248(f)-2(b)(1), Distributing 5 will include in gross income as a dividend the § 1248 amount with respect to the stock of Controlled distributed to Distributing 6 (§ 1.1248(f)-1(b)(2)).

(26) Distributing 5, Controlled, and the shareholders of Distributing 5 will pay their respective expenses, if any, incurred in connection with Distribution 5.

(F) Distribution 6

(1) No part of the consideration to be distributed by Distributing 6 will be received by a shareholder as a creditor, employee, or in any capacity other than that of a shareholder of Distributing 6.

(2) The five years of financial information submitted on behalf of Business D is representative of the present operations of Business D and, with regard to such business, there have been no substantial operational changes since the date of the last financial statements submitted.

(3) The five years of financial information submitted on behalf of Business E is representative of the present operations of Business E, and with regard to such business, there have been no substantial operational changes since the date of the last financial statements submitted.

(4) Distributing 6 will treat all members of its separate affiliated group (within the meaning of § 355(b)(3)(B)) (the "Distributing 6 SAG") as one corporation in determining whether the requirements of § 355(b)(2)(A) regarding the active conduct of a trade or business are satisfied.

- (5) Following Distribution 6, Distributing 6 and Controlled (or its successor) will each continue the active conduct of its respective business, independently and with its separate employees.
- (6) Distribution 6 is being undertaken for the Corporate Business Purpose. Distribution 6 is motivated, in whole or substantial part, by the Corporate Business Purpose.
- (7) Distribution 6 is not being used principally as a device for the distribution of the E&P of Distributing 6 or Controlled or both.
- (8) Any indebtedness owed by Controlled to Distributing 6 after Distribution 6 will not constitute stock or securities.
- (9) No intercorporate debt will exist between Distributing 6 and Controlled (or its successor) at the time of, or subsequent to, Distribution 6, other than the Liabilities and other than obligations that arise and have arisen in the ordinary course of business.
- (10) Immediately before Distribution 6, items of income, gain, loss, deduction, and credit will be taken into account as required by the applicable intercompany transaction regulations (see § 1.1502-13 and § 1.1502-14 as in effect before the publication of T.D. 8597, 1995-2 C.B. 147, and as currently in effect; § 1.1502-13 as published by T.D. 8597). Any excess loss account Distributing 6 may have in the Controlled Stock (or a member may have in the stock of another member that is required to be taken into account by Treas. Reg. § 1.1502-19) will be included in income immediately before the Distribution to the extent required by regulations (see Treas. Reg. § 1.1502-19).
- (11) For purposes of § 355(d), immediately after Distribution 6, no person (determined after applying § 355(d)(7)) will hold stock possessing 50% or more of the total combined voting power of all classes of Distributing 6 stock entitled to vote, or 50% or more of the total value of shares of all classes of Distributing 6 stock, that was acquired by purchase (as defined in § 355(d)(5) and (8)) during the five-year period (determined after applying § 355(d)(6)) ending on Distribution Date.
- (12) For purposes of § 355(d), immediately after Distribution 6, no person (determined after applying § 355(d)(7)) will hold stock possessing 50% or more of the total combined voting power of all classes of Controlled stock entitled to vote, or 50% or more of the total value of shares of all classes of Controlled stock, that was either (1) acquired by purchase (as defined in § 355(d)(5) and (8)) during the five-year period (determined after applying § 355(d)(6)) ending on Distribution Date or (2) attributable to distributions on Distributing 6 stock that was acquired by purchase (as defined in § 355(d)(5) and (8)) during the five-year period (determined after applying § 355(d)(6)) ending on Distribution Date.

(13) Payments made in connection with all continuing transactions, if any, between Distributing 6 or its subsidiaries and Controlled or its successor will be for fair market value based on terms and conditions arrived at by the parties bargaining at arm's length, or terms and conditions comparable to those that would be arrived at by parties bargaining at arm's length.

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

(15) Distribution 6 is not part of a plan or series of related transactions (within the meaning of § 1.355-7) pursuant to which one or more persons (other than persons described in § 355(e)(2)(C)) will acquire directly or indirectly stock representing a 50% or greater interest (within the meaning of § 355(d)(4)) in Distributing 6 or Controlled (including any predecessor or successor of any such corporation).

(16) Immediately after Distribution 6, either (i) no person will hold a 50% or greater interest (within the meaning of § 355(g)(3)) in the stock of Distributing 6 or Controlled who did not hold such an interest before the transaction, or (ii) neither Distributing 6 nor Controlled will be a disqualified investment corporation for purposes of § 355(g).

(17) The Distributing 6 SAG neither acquired Business D nor acquired control of an entity conducting Business D during the five-year period ending on Distribution Date in a transaction in which gain or loss was recognized (or treated as recognized) in whole or in part, except in connection with transfers between members of the Distributing 6 SAG or transactions that constitute expansions as contemplated by proposed § 1.355-3(b)(3)(ii). Throughout the five-year period ending on Distribution Date, the Distributing 6 SAG will have been the principal owner of the goodwill and significant assets of Business D and will continue to be the principal owner following Distribution 6.

(18) The Distributing 6 SAG neither acquired Business E nor acquired control of an entity conducting Business E during the five-year period ending on Distribution Date in a transaction in which gain or loss was recognized (or treated as recognized) in whole or in part, except in connection with transfers between members of the Distributing 6 SAG, acquisitions from a partnership described in proposed § 1.355-3(b)(3)(iii), or transactions that constitute expansions as contemplated by proposed § 1.355-3(b)(3)(ii). Throughout the five-year period ending on Distribution Date, the Distributing 6 SAG or its predecessor partnership will have been the principal owner of the goodwill and significant assets of Business E and Controlled or its successor will be the principal owner following Distribution 6.

(19) Immediately before and after Distribution 6, Controlled will be a CFC.

(20) Distributing 6 will be a § 1248 shareholder, within the meaning of § 1.1248(f)-1(c)(12), with respect to Controlled immediately before Distribution 6.

(21) Distributing 7 will be a § 1248 shareholder, within the meaning of § 1.1248(f)-1(c)(12), with respect to Controlled immediately after Distribution 6.

(22) At all times before and immediately after Distribution 6, Controlled has not been nor will be a PFIC.

(23) Distributing 6 will comply with the reporting procedures established under § 1.367(b)-5(b)(3) in order to establish that Distributing 7 is a corporation for purposes of applying § 1.367(b)-5(b)(1)(i).

(24) Distributing 6 will comply with the reporting procedures established under § 1.367(e)-1(d)(2) in order to establish that Distributing 7 is a qualified U.S. person for purposes of applying § 1.367(e)-1.

(25) Distribution 6 will be an existing stock distribution (as defined in § 1.1248(f)-1(b)(2)). Unless Distributing 6 and Distributing 7 elect to apply the provisions of § 1.1248(f)-2(b) in accordance with § 1.1248(f)-2(b)(1), subject to ruling (F)(6), Distributing 6 will include in gross income as a dividend the § 1248 amount with respect to the stock of Controlled distributed to Distributing 7 (§ 1.1248(f)-1(b)(2)).

(26) Distributing 6, Controlled and the shareholders of Distributing 6 will pay their respective expenses, if any, incurred in connection with Distribution 6.

(G) Distribution 7

(1) No part of the consideration to be distributed by Distributing 7 will be received by a shareholder as a creditor, employee or in any capacity other than that of a shareholder of Distributing 7.

(2) The five years of financial information submitted on behalf of Business D is representative of the present operations of Business D and, with regard to such business, there have been no substantial operational changes since the date of the last financial statements submitted.

(3) The five years of financial information submitted on behalf of Business E is representative of the present operations of Business E, and with regard to such business, there have been no substantial operational changes since the date of the last financial statements submitted.

(4) Distributing 7 will treat all members of its separate affiliated group (within the meaning of § 355(b)(3)(B)) (the "Distributing 7 SAG") as one corporation in determining whether the requirements of § 355(b)(2)(A) regarding the active conduct of a trade or business are satisfied.

- (5) Following Distribution 7, Distributing 7 and Controlled (or its successor) will each continue the active conduct of its respective business, independently and with its separate employees.
- (6) Distribution 7 is being undertaken for the Corporate Business Purpose. Distribution 7 is motivated, in whole or substantial part, by the Corporate Business Purpose.
- (7) Distribution 7 is not being used principally as a device for the distribution of the E&P of Distributing 7 or Controlled or both.
- (8) Any indebtedness owed by Controlled to Distributing 7 after Distribution 7 will not constitute stock or securities.
- (9) No intercorporate debt will exist between Distributing 7 and Controlled (or its successor) at the time of, or subsequent to, Distribution 7, other than the Liabilities and other than obligations that arise and have arisen in the ordinary course of business.
- (10) Immediately before Distribution 7, items of income, gain, loss, deduction, and credit will be taken into account as required by the applicable intercompany transaction regulations (see § 1.1502-13 and § 1.1502-14 as in effect before the publication of T.D. 8597, 1995-2 C.B. 147, and as currently in effect; § 1.1502-13 as published by T.D. 8597). Any excess loss account Distributing 7 may have in the Controlled Stock (or a member may have in the stock of another member that is required to be taken into account by Treas. Reg. § 1.1502-19) will be included in income immediately before the Distribution to the extent required by regulations (see Treas. Reg. § 1.1502-19).
- (11) For purposes of § 355(d), immediately after Distribution 7, no person (determined after applying § 355(d)(7)) will hold stock possessing 50% or more of the total combined voting power of all classes of Distributing 7 stock entitled to vote, or 50% or more of the total value of shares of all classes of Distributing 7 stock, that was acquired by purchase (as defined in § 355(d)(5) and (8)) during the five-year period (determined after applying § 355(d)(6)) ending on Distribution Date.
- (12) For purposes of § 355(d), immediately after Distribution 7, no person (determined after applying § 355(d)(7)) will hold stock possessing 50% or more of the total combined voting power of all classes of Controlled stock entitled to vote, or 50% or more of the total value of shares of all classes of Controlled stock, that was either (1) acquired by purchase (as defined in § 355(d)(5) and (8)) during the five-year period (determined after applying § 355(d)(6)) ending on Distribution Date or (2) attributable to distributions on Distributing 7 stock that was acquired by purchase (as defined in § 355(d)(5) and (8)) during the five-year period (determined after applying § 355(d)(6)) ending on Distribution Date.

(13) Payments made in connection with all continuing transactions, if any, between Distributing 7 or its subsidiaries and Controlled or its successor will be for fair market value based on terms and conditions arrived at by the parties bargaining at arm's length, or terms and conditions comparable to those that would be arrived at by parties bargaining at arm's length.

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

(15) Distribution 7 is not part of a plan or series of related transactions (within the meaning of § 1.355-7) pursuant to which one or more persons (other than persons described in § 355(e)(2)(C)) will acquire directly or indirectly stock representing a 50% or greater interest (within the meaning of § 355(d)(4)) in Distributing 7 or Controlled (including any predecessor or successor of any such corporation).

(16) Immediately after Distribution 7, either (i) no person will hold a 50% or greater interest (within the meaning of 355(g)(3)) in Distributing 7 or Controlled who did not hold such an interest before the transaction, or (ii) neither Distributing 7 nor Controlled will be a disqualified investment corporation for purposes of § 355(g).

(17) The Distributing 7 SAG neither acquired Business D nor acquired control of an entity conducting Business D during the five-year period ending on Distribution Date in a transaction in which gain or loss was recognized (or treated as recognized) in whole or in part, except in connection with transfers between members of the Distributing 7 SAG or transactions that constitute expansions as contemplated by proposed § 1.355-3(b)(3)(ii). Throughout the five-year period ending on Distribution Date, the Distributing 7 SAG will have been the principal owner of the goodwill and significant assets of Business D and will continue to be the principal owner following Distribution 7.

(18) The Distributing 7 SAG neither acquired Business E nor acquired control of an entity conducting Business E during the five-year period ending on Distribution Date in a transaction in which gain or loss was recognized (or treated as recognized) in whole or in part, except in connection with transfers between members of the Distributing 7 SAG, acquisitions from a partnership described in proposed § 1.355-3(b)(3)(iii), or transactions that constitute expansions as contemplated by proposed § 1.355-3(b)(3)(ii). Throughout the five-year period ending on Distribution Date, the Distributing 7 SAG or its predecessor partnership will have been the principal owner of the goodwill and significant assets of Business E and Controlled or its successor will be the principal owner following Distribution 7.

(19) Immediately before and after Distribution 7, prior to its deemed liquidation, Controlled will be a CFC.

(20) Distributing 7 will be a § 1248 shareholder, within the meaning of § 1.1248(f)-1(c)(12), with respect to Controlled immediately before Distribution 7.

(21) Sub 1 will be a § 1248 shareholder, within the meaning of § 1.1248(f)-1(c)(12), with respect to Controlled immediately after Distribution 7 and prior to the deemed liquidation of Controlled.

(22) At all times before and immediately after Distribution 7, Controlled has not been nor will be a PFIC.

(23) Distributing 7 will comply with the reporting procedures established under § 1.367(b)-5(b)(3) in order to establish that Sub 1 is a corporation for purposes of applying § 1.367(b)-5(b)(1)(i).

(24) Distributing 7 will comply with the reporting procedures established under § 1.367(e)-1(d)(2) in order to establish that Sub 1 is a qualified U.S. person for purposes of applying § 1.367(e)-1.

(25) Distribution 7 will be an existing stock distribution (as defined in § 1.1248(f)-1(b)(2)). Unless Distributing 7 and Sub 1 elect to apply the provisions of § 1.1248(f)-2(b) in accordance with § 1.1248(f)-2(b)(1), subject to ruling (G)(6), Distributing 7 will include in gross income as a dividend the § 1248 amount with respect to the stock of Controlled distributed to Sub 1 (§ 1.1248(f)-1(b)(2)).

(26) Distributing 7, Controlled, and the shareholders of Distributing 7 will pay their respective expenses, if any, incurred in connection with Distribution 7.

(H) CTB Election

(1) Sub 1 and Controlled will adopt the Plan of Liquidation and the CTB Election will occur pursuant to the Plan of Liquidation.

(2) Controlled will be an “eligible entity” as defined in § 301.7701-3(b)(3) for purposes of making an entity classification election and will not be subject to the 60-month limitation of § 301.7701-3(c)(1)(iv).

(3) Sub 1, on the date of adoption of the Plan of Liquidation, and at all times thereafter until the CTB Election, will own 100% of the single outstanding class of Controlled stock, and Controlled will not have outstanding warrants, options, convertible securities, or other obligations that may be classified as equity for federal income tax purposes.

(4) No shares of Controlled will have been redeemed during the three years preceding the CTB Election.

(5) Controlled (as a corporation) will retain no assets following the CTB Election.

(6) Other than pursuant to the Proposed Transaction, no assets of Controlled have been, or will be, disposed of by either Controlled or Sub 1, except for dispositions in the ordinary course of business.

(7) The CTB Election will not be preceded or followed by the reincorporation in, or transfer or sale to, a recipient corporation ("Recipient") of any of the businesses or assets of Controlled, if persons holding, directly or indirectly, more than 20% in value of Controlled's stock (as determined by application of § 318(a) as modified by § 304(c)(3)) also hold, directly or indirectly, more than 20% in value of the stock in the Recipient.

(8) Prior to the adoption of the Plan of Liquidation, no assets of Controlled will have been distributed in kind, transferred, or sold to Sub 1, except for transactions occurring in the ordinary course of business.

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

(10) The fair market value of the assets of Controlled will exceed its liabilities, immediately before and at the date the CTB Election is effective.

(11) At the time of the CTB Election, there will be no intercorporate debt existing between Sub 1 and Controlled other than receivables accrued in the ordinary course of business, and none will have been cancelled, forgiven, or discounted.

(12) At the time of the CTB Election, there will be no deferred intercompany item, within the meaning of § 1.1502-13(b), with respect to the Controlled stock.

(13) All transactions contemplated to be undertaken contemporaneously with, in anticipation of, in conjunction with, or in any way related to the CTB Election have been fully disclosed.

(14) Subject to ruling (H)(1), Sub 1 will include in gross income as a deemed dividend the all earnings and profits amount with respect to its stock of Controlled (§ 1.367(b)-3(b)(3)).

(I) Distributions and Contributions

(1) The distribution of Controlled stock by each Distributing Corporation to a shareholder is with respect to such shareholder's ownership of such Distributing Corporation's stock.

(2) Any money, property, or stock contributed (or deemed contributed) by Distributing 1 and Distributing 3 to Controlled in Contributions 1 and 2, respectively, will be exchanged solely for stock or securities of Controlled, and any cash (as described in Contribution 1), and the assumption of liabilities.

RULINGS

Based solely on the information submitted and the representations set forth above, and provided that (i) the distribution of Controlled stock to any of the Distributing Corporations' shareholders in any of the Distributions is with respect to their ownership of Distributing stock, (ii) any money, property, or stock contributed by Distributing 1 and Distributing 3 to Controlled in Contributions 1 and 2 is exchanged solely for stock or securities in Controlled, and any cash (as described in Contribution 1), and the assumption of liabilities and (iii) any other transfer of stock, money, or property between any of the Distributing Corporations, Controlled, or any of the Distributing Corporations' shareholders and any person related to any Distributing Corporation, Controlled, or any of the Distributing Corporations' shareholders is respected as a separate transaction, we rule as follows:

(A) Contribution 1 and Distribution 1

- (1) Contribution 1 together with Distribution 1 will constitute a "reorganization" within the meaning of § 368(a)(1)(D). Each of Distributing 1 and Controlled will be "a party to a reorganization" within the meaning of § 368(b).
- (2) No gain or loss will be recognized by Distributing 1 upon Contribution 1 except to the extent of any gain recognized under § 357(c) with respect to any excess of liabilities assumed by Controlled over the adjusted basis of the assets contributed to Controlled. §§ 357(a) and 361(a), (b).
- (3) No gain or loss will be recognized by Controlled in Contribution 1. § 1032(a).
- (4) Controlled's basis in each asset received in Contribution 1 will be the same as the basis of that asset in the hands of Distributing 1 immediately before its transfer, increased by the amount of gain, if any, recognized by Distributing 1 in respect of Contribution 1. § 362(b).
- (5) Controlled's holding period in each asset received in Contribution 1 will include the period during which Distributing 1 held the asset. § 1223(2).
- (6) No gain or loss will be recognized by (and no amount will otherwise be included in the income of) Distributing 2 upon receipt of the Controlled stock in Distribution 1. § 355(a).
- (7) No gain or loss will be recognized by Distributing 1 on Distribution 1. § 361(c).
- (8) Section 355(a)(3)(B) will not treat as "other property" any part of the Controlled stock actually or deemed issued by Controlled to Distributing 1 in exchange for the Contribution 1 Rights transferred to Controlled in Contribution 1.

(9) Distributing 2's basis in a share of Distributing 1 stock (as adjusted under § 1.358-1) will be allocated between the share of Distributing 1 stock with respect to which Distribution 1 is made and the share of Controlled stock (or allocable portions thereof) received with respect to the share of Distributing 1 stock in proportion to their fair market values in accordance with § 1.358-2(a)(2). § 358(a), (b) and (c).

(10) Distributing 2's holding period in the Controlled stock received will include the holding period of the Distributing 1 stock with respect to which Distribution 1 is made, provided that the Distributing 1 stock is held as a capital asset on Distribution Date. § 1223(1).

(11) Earnings and profits (if any) will be allocated between Distributing 1 and Controlled in accordance with § 312(h) and § 1.312-10(a).

(12) Contribution 1 will be an exchange to which §§ 1.367(b)-1(c) and 1.367(b)-4(a) apply.

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

(B) Distribution 2

(1) No gain or loss will be recognized by (and no amount will be includible in the income of) Distributing 3 upon its receipt of the stock of Controlled in Distribution 2. § 355(a)(1).

(2) No gain or loss will be recognized by Distributing 2 in Distribution 2. § 355(c)(1).

(3) The basis of the Distributing 2 stock and the Controlled stock in the hands of Distributing 3 immediately after Distribution 2 will equal the basis of the Distributing 2 stock held by such shareholder immediately prior to Distribution 2, allocated between the Controlled stock and the Distributing 2 stock in proportion to their relative fair market values immediately following Distribution 2 in accordance with § 1.358-2(a)(2). § 358(b)(2).

(4) The holding period of the Controlled stock received by Distributing 3 in Distribution 2 will include the holding period of the Distributing 2 stock with respect to which Distribution 2 is made, provided that the Distributing 2 stock is held as a capital asset on Distribution Date. § 1223(1).

(5) Earnings and profits will be allocated between Distributing 2 and Controlled following Distribution 2 in accordance with § 312(h) and § 1.312-10(b).

(6) Distribution 2 will be an exchange to which §§ 1.367(b)-1(c), 1.367(b)-5(a) and 1.367(b)-5(c) apply. If Distributing 3's post-distribution amount (as defined in § 1.367(b)-5(e)(2)) with respect to Distributing 2 or Controlled is less than its pre-distribution amount (as defined in § 1.367(b)-5(e)(1)) with respect to Distributing 2 or Controlled, Distributing 3's basis in such stock immediately after Distribution 2 must be reduced by the amount of the difference. However, Distributing 3's basis in such stock must not be reduced below zero, and to the extent the foregoing reduction would reduce its basis below zero, Distributing 3 must instead include such amount in income as a deemed dividend from such corporation. Such income shall not be foreign personal holding income under § 954(c). If Distributing 3 reduces the basis in the stock of Distributing 2 or Controlled (or has an inclusion with respect to such stock), Distributing 3 must increase its basis in the stock of the other corporation to the extent provided in § 1.367(b)-5(c)(4).

(C) Contribution 2 and Distribution 3

(1) Contribution 2 and Distribution 3, taken together, will constitute a "reorganization" within the meaning of § 368(a)(1)(D). Each of Distributing 3 and Controlled will be a party to the reorganization within the meaning of § 368(b).

(2) No gain or loss will be recognized by Distributing 3 upon Contribution 2 except to the extent of any gain recognized under § 357(c) with respect to any excess of liabilities assumed by Controlled over the adjusted basis of the assets contributed to Controlled. §§ 357(a) and 361(a) and (b).

(3) No gain or loss will be recognized by Controlled in Contribution 2. § 1032(a).

(4) Controlled's basis in each asset received in Contribution 2 will be the same as the basis of that asset in the hands of Distributing 3 immediately before its transfer, increased by the amount of gain, if any, recognized by Distributing 3 in respect of Contribution 2. § 362(b).

(5) Controlled's holding period in each asset received in Contribution 2 will include the period during which Distributing 1 held the asset. § 1223(2).

- (6) No gain or loss will be recognized by (and no amount will otherwise be included in the income of) Distributing 4 upon receipt of the Controlled stock in Distribution 3. § 355(a).
- (7) No gain or loss will be recognized by Distributing 3 on Distribution 3. § 361(c).
- (8) Section 355(a)(3)(B) will not treat as “other property” any part of the Controlled stock actually or deemed issued by Controlled to Distributing 3 in exchange for the Contribution 2 Rights transferred to Controlled in Contribution 2.
- (9) Distributing 4’s basis in a share of Distributing 3 stock (as adjusted under § 1.358-1) will be allocated between the share of Distributing 3 stock with respect to which Distribution 3 is made and the share of Controlled stock (or allocable portions thereof) received with respect to the share of Distributing 3 stock in proportion to their fair market values in accordance with § 1.358-2(a)(2). § 358(a), (b) and (c).
- (10) Distributing 4’s holding period in the Controlled stock received will include the holding period of the Distributing 3 stock with respect to which Distribution 3 is made, provided that the Distributing 3 stock is held as a capital asset on Distribution Date. § 1223(1).
- (11) Earnings and profits (if any) will be allocated between Distributing 3 and Controlled in accordance with § 312(h) and § 1.312-10(a).
- (12) Contribution 2 will be an exchange to which §§ 1.367(b)-1(c) and 1.367(b)-4(a) apply.
- (13) Distribution 3 will be an exchange to which §§ 1.367(b)-1(c), 1.367(b)-5(a) and 1.367(b)-5(c) apply. If Distributing 4’s post-distribution amount (as defined in § 1.367(b)-5(e)(2)) with respect to Distributing 3 or Controlled is less than its pre-distribution amount (as defined in § 1.367(b)-5(e)(1)) with respect to Distributing 3 or Controlled, Distributing 4’s basis in such stock immediately after Distribution 3 must be reduced by the amount of the difference. However, Distributing 4’s basis in such stock must not be reduced below zero, and to the extent the foregoing reduction would reduce its basis below zero, Distributing 4 must instead include such amount in income as a deemed dividend from such corporation. Such income shall not be foreign personal holding company income under § 954(c). If Distributing 4 reduces the basis in the stock of Distributing 3 or Controlled (or has an inclusion with respect to such stock), Distributing 4 must increase its basis in the stock of the other corporation to the extent provided in § 1.367(b)-5(c)(4).
- (D) Distribution 4

- (1) No gain or loss will be recognized by (and no amount will be includible in the income of) Distributing 5 and Sub 2 upon their receipt of the stock of Controlled in Distribution 4. § 355(a)(1).
- (2) No gain or loss will be recognized by Distributing 4 in Distribution 4. § 355(c)(1).
- (3) The basis of the Distributing 4 stock and the Controlled stock in the hands of each of Distributing 5 and Sub 2 immediately after Distribution 4 will equal the basis of the Distributing 4 stock held by each such shareholder immediately prior to Distribution 4, allocated between the Controlled stock and the Distributing 4 stock in proportion to their relative fair market values immediately following Distribution 4 in accordance with § 1.358-2(a)(2). § 358(b)(2).
- (4) The holding period of the Controlled stock received by each of Distributing 5 and Sub 2 in Distribution 4 will include the holding period of the respective Distributing 4 stock with respect to which Distribution 4 is made, provided that the Distributing 4 stock is held as a capital asset on Distribution Date. § 1223(1).
- (5) Earnings and profits will be allocated between Distributing 4 and Controlled following Distribution 4 under § 312(h) and § 1.312-10(b).
- (6) Distribution 4 will be an exchange to which §§ 1.367(b)-1(c), 1.367(b)-5(a) and 1.367(b)-5(c) apply. If Distributing 5's post-distribution amount (as defined in § 1.367(b)-5(e)(2)) with respect to Distributing 4 or Controlled is less than its pre-distribution amount (as defined in § 1.367(b)-5(e)(1)) with respect to Distributing 4 or Controlled, Distributing 5's basis in such stock immediately after Distribution 4 must be reduced by the amount of the difference. However, Distributing 5's basis in such stock must not be reduced below zero, and to the extent the foregoing reduction would reduce its basis below zero, Distributing 5 must instead include such amount in income as a deemed dividend from such corporation. Such income shall not be foreign personal holding company income under § 954(c). If Distributing 5 reduces the basis in the stock of Distributing 4 or Controlled (or has an inclusion with respect to such stock), Distributing 5 must increase its basis in the stock of the other corporation to the extent provided in § 1.367(b)-5(c)(4).
- (7) Distribution 4 will be an exchange to which §§ 1.367(b)-1(c), 1.367(b)-5(a) and 1.367(b)-5(c) apply. If Sub 2's post-distribution amount (as defined in § 1.367(b)-5(e)(2)) with respect to Distributing 4 or Controlled is less than its pre-distribution amount (as defined in § 1.367(b)-5(e)(1) with respect to Distributing 4 or Controlled, Sub 2's basis in such stock immediately after Distribution 4 must be reduced by the amount of the difference. However, Sub 2's basis in such stock must not be reduced below zero, and to the extent the foregoing reduction would reduce its basis below zero, Sub 2 must instead include such amount in income as a deemed dividend from such corporation. Such income shall not be foreign personal holding company income under § 954(c). If Sub 2 reduces the basis in the stock of Distributing 4 or Controlled (or has

an inclusion with respect to such stock), Sub 2 must increase its basis in the stock of the other corporation to the extent provided in § 1.367(b)-5(c)(4).

(E) Distribution 5

(1) No gain or loss will be recognized by (and no amount will be includible in the income of) Distributing 6 upon its receipt of the stock of Controlled in Distribution 5. § 355(a)(1).

(2) No gain or loss will be recognized by Distributing 5 in Distribution 5. § 355(c)(1).

(3) Unless Distributing 5 and Distributing 6 elect to apply the provisions of §1.1248(f)-2(b) in accordance with §1.1248(f)-2(b)(1), the basis of the Distributing 5 stock and the Controlled stock in the hands of Distributing 6 immediately after Distribution 5 will equal the basis of the Distributing 5 stock held by such shareholder immediately prior to Distribution 5, allocated between the Controlled stock and the Distributing 5 stock in proportion to their relative fair market values immediately following Distribution 5 in accordance with § 1.358-2(a)(2). § 358(b)(2). However, if Distributing 5 and Distributing 6 elect to apply the provisions of §1.1248(f)-2(b) in accordance with §1.1248(f)-2(b)(1), Distributing 6's basis in the stock of Controlled will be subject to adjustment in accordance with §1.1248(f)-2(b)(3).

(4) Unless Distributing 5 and Distributing 6 elect to apply the provisions of §1.1248(f)-2(b) in accordance with §1.1248(f)-2(b)(1), the holding period of the Controlled stock received by Distributing 6 in Distribution 5 will include the holding period of the Distributing 5 stock with respect to which Distribution 5 is made, provided that the Distributing 5 stock is held as a capital asset on Distribution Date. § 1223(1). However, if Distributing 5 and Distributing 6 elect to apply the provisions of §1.1248(f)-2(b) in accordance with §1.1248(f)-2(b)(1), the holding period, for purposes of §1248, of the Controlled stock received by Distributing 6 in Distribution 5 will be equal to Distributing 5's holding period in such stock at the time of Distribution 5.

(5) Earnings and profits will be allocated between Distributing 5 and Controlled following Distribution 5 under § 312(h) and § 1.312-10(b).

(6) Any amounts included in the gross income of Distributing 5 as a dividend under § 1248(f) with respect to Controlled stock will not give rise to a basis increase under § 961.

(F) Distribution 6

(1) No gain or loss will be recognized by (and no amount will be includible in the income of) Distributing 7 upon its receipt of the stock of Controlled stock in Distribution 6. § 355(a)(1).

(2) No gain or loss will be recognized by Distributing 6 in Distribution 6. § 355(c)(1).

(3) Unless Distributing 6 and Distributing 7 elect to apply the provisions of §1.1248(f)-2(b) in accordance with §1.1248(f)-2(b)(1), the basis of the Distributing 6 stock and the Controlled stock in the hands of Distributing 7 immediately after Distribution 6 will equal the basis of the Distributing 6 stock held by such shareholder immediately prior to Distribution 6, allocated between the Controlled stock and the Distributing 6 stock in proportion to their relative fair market values immediately following Distribution 6 in accordance with § 1.358-2(a)(2). § 358(b)(2). However, if Distributing 6 and Distributing 7 elect to apply the provisions of §1.1248(f)-2(b) in accordance with §1.1248(f)-2(b)(1), Distributing 7's basis in the stock of Controlled will be subject to adjustment in accordance with §1.1248(f)-2(b)(3).

(4) Unless Distributing 6 and Distributing 7 elect to apply the provisions of §1.1248(f)-2(b) in accordance with §1.1248(f)-2(b)(1), the holding period of the Controlled stock received by Distributing 7 in Distribution 6 will include the holding period of the Distributing 6 stock with respect to which Distribution 6 is made, provided that the Distributing 6 stock is held as a capital asset on Distribution Date. § 1223(1). However, if Distributing 6 and Distributing 7 elect to apply the provisions of §1.1248(f)-2(b) in accordance with §1.1248(f)-2(b)(1), the holding period, for purposes of §1248, of the Controlled stock received by Distributing 7 in Distribution 6 will be equal to Distributing 6's holding period in such stock at the time of Distribution 6.

(5) Earnings and profits will be allocated between Distributing 6 and Controlled following Distribution 6 under § 312(h) and § 1.312-10(b).

(6) For purposes of determining any amount includible in the gross income of Distributing 6 as a dividend under § 1248(f), there will not be taken into account any E&P attributable to amounts previously included in the gross income of Distributing 5 as a dividend under § 1248(f) with respect to Controlled stock. §§ 959(e) and 1248(d)(1).

(7) Any amounts included in the gross income of Distributing 6 as a dividend under § 1248(f) with respect to Controlled stock will not give rise to a basis increase under § 961.

(G) Distribution 7

(1) No gain or loss will be recognized by (and no amount will be includible in the income of) Sub 1 upon its receipt of the stock of Controlled in Distribution 7. § 355(a)(1).

(2) No gain or loss will be recognized by Distributing 7 in Distribution 7. § 355(c)(1).

(3) Unless Distributing 7 and Sub 1 elect to apply the provisions of §1.1248(f)-2(b) in accordance with §1.1248(f)-2(b)(1), the basis of the Distributing 7 stock and the

Controlled stock in the hands of Sub 1 immediately after Distribution 7 will equal the basis of the Distributing 7 stock held by such shareholder immediately prior to Distribution 7, allocated between the Controlled stock and the Distributing 7 stock in proportion to their relative fair market values immediately following Distribution 7 in accordance with § 1.358-2(a)(2). § 358(b)(2). However, if Distributing 7 and Sub 1 elect to apply the provisions of §1.1248(f)-2(b) in accordance with §1.1248(f)-2(b)(1), Sub 1's basis in the stock of Controlled will be subject to adjustment in accordance with §1.1248(f)-2(b)(3).

(4) Unless Distributing 7 and Sub 1 elect to apply the provisions of §1.1248(f)-2(b) in accordance with §1.1248-2(b)(1), the holding period of the Controlled stock received by Sub 1 in Distribution 7 will include the holding period of the Distributing 7 stock with respect to which Distribution 7 is made, provided that the Distributing 7 stock is held as a capital asset on Distribution Date. § 1223(1). However, if Distributing 7 and Sub 1 elect to apply the provisions of §1.1248(f)-2(b) in accordance with §1.1248(f)-2(b)(1), the holding period, for purposes of §1248, of the Controlled stock received by Sub 1 in Distribution 7 will be equal to Distributing 7's holding period in such stock at the time of Distribution 7.

(5) Earnings and profits will be allocated between Distributing 7 and Controlled following Distribution 7 under § 312(h) and § 1.312-10(b).

(6) For purposes of determining any amount includible in the gross income of Distributing 7 as a dividend under § 1248(f), there will not be taken into account any E&P attributable to amounts previously included in the gross income of Distributing 6 or Distributing 5 as a dividend under § 1248(f) with respect to Controlled stock. §§ 959(e) and 1248(d)(1).

(7) Any amounts included in the gross income of Distributing 7 as a dividend under § 1248(f) with respect to Controlled stock will not give rise to a basis increase under § 961.

(H) CTB Election

(1) For purposes of determining any amount includible in the gross income of Sub 1 as a dividend under § 1.367(b)-3(b)(3)(i) as a result of the CTB Election, there will not be taken into account any E&P attributable to amounts previously included in the gross income of Distributing 7, Distributing 6, or Distributing 5 as a dividend under § 1248(f) with respect to Controlled stock. §§ 959(e) and 1248(d)(1); § 1.367(b)-2(d)(2)(ii).

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. We express no opinion about the tax treatment of the

Proposed Transaction under other provisions of the Code and regulations or the tax treatment of any condition existing at the time of, or effect resulting from, the Proposed Transaction that are not specifically covered by the above rulings. In particular, we express no opinion regarding:

- (i) Whether each of the Distributions satisfies the business purpose requirement of § 1.355-2(b);
- (ii) Whether any of the Distributions is being used principally as a device for the distribution of E&P of any Distributing Corporation or Controlled or any combination thereof (see § 355(a)(1)(B) and § 1.355-2(d));
- (iii) Whether any of the Distributions is part of a plan (or series of related transactions) under § 355(e)(2)(A)(ii) and § 1.355-7 pursuant to which one or more persons will acquire directly or indirectly stock representing a 50% or greater interest in any Distributing Corporation or Controlled;
- (iv) To the extent not otherwise specifically ruled upon above, any other consequences under § 367 on any transaction in this ruling letter;
- (v) Whether any or all of the above-referenced foreign corporations is a PFIC within the meaning of § 1297(a). If it is determined that any such corporation is a PFIC, no opinion is expressed with respect to the application of §§ 1291 through 1298 to the Proposed Transaction. In particular, in a transaction in which gain is not otherwise recognized, regulations under § 1291(f) may require gain recognition notwithstanding any other provisions of the Code;
- (vi) Whether the transfer of Contribution 1 Rights or Contribution 2 Rights constitutes a transfer of assets within the meaning of § 368(a)(1)(D) or property within the meaning of § 351(a)(see Rev. Rul. 69-156, 1969-1 C.B. 101); and
- (vii) To the extent not otherwise specifically ruled upon, any other tax consequences under steps (vii) or (xi).

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 tax return to which it is relevant. Alternatively, taxpayers filing their returns electronically may satisfy this requirement by

attaching a statement to their return that provides the date and control number of this 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,

Richard K. Passales
Senior Counsel, Branch 4
Office of Associate Chief Counsel (Corporate)

cc: