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Parent =

Sub 1 =

Sub 2 =

Sub 3 =

Sub 4 =

Sub 5 =

Sub 6 =

Sub 7 =

Sub 8 =

Sub 9 =

Sub 10 =

Sub 11 =

Sub 12 =

Sub 13 =

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Sub 41 =

Sub 42 =

Sub 43 =

LLC 44 =

LLC 45 =

Sub 46 =

FSub 1 =

FPart 2 =

FSub 3 =

FSub 4 =

FSub 5 =

Target =

Country A =

Country B =

Country C =

Country D =

Country E =

State F =

Date 1 =

Date 2 =

Date 3 =

Date 4 =

Business A =

Business B =

Asset A =

Asset B =

Asset C =

Asset D =

Asset E =

Debt A =

Debt B =

Investment Banker =

A =

- B =
- C =
- D =
- a =
- b =
- c =
- d =
- e =
- f =
- g =
- h =
- i =
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Dear

This letter responds to your August 7, 1998 request for rulings on certain federal income tax consequences of a proposed transaction.

The rulings contained in this letter are based on facts and representations

submitted by the taxpayer and accompanied by a penalties of perjury statement executed by an appropriate party. This office has not certified any of the materials submitted in support of the request for rulings. Verification of the information, representations, and other data may be required as part of the audit process.

Summary of Facts

Publicly traded Parent is the common parent of an affiliated group that files a consolidated federal income tax return (the "Parent Group"). Parent conducts Business A and Business B both directly and through subsidiaries. Parent has outstanding common stock (the "Common Stock") and, as of Date 1, had outstanding convertible preferred stock (the "Preferred Stock"). Associated with each share of Common Stock is a purchase right not exercisable or transferable separately from the Common Stock unless and until certain events (generally involving changes in control of Distributing) occur (cumulatively, the "Shareholder Rights Plan"). To the best of management's knowledge, A and B are the only shareholders who beneficially own five percent or more of the Common Stock, and neither actively participates in the management or operations of Parent.

On Date 2, to diversify its equity holdings and avoid potential exposure under C, D sold its a percent ownership of Common Stock in open market transactions. On Date 3, Parent called the Preferred Stock for conversion into Common Stock, resulting in a b percent shift of ownership in the Parent voting stock. On Date 4, Parent's board of directors renewed its grant of authority to management to repurchase up to c percent of the Common Stock in open market transactions. Parent also has various stock option plans, each of which has anti-dilution provisions that will be activated by the proposed transaction described below.

Parent wholly owns Sub 1, Sub 2, Sub 3, Sub 4, Sub 5, Sub 6, Sub 7, Sub 8, Sub 9, Sub 10, and Sub 11. Parent also owns d percent of Sub 12, e percent of Sub 13, and f percent of Sub 14. Sub 1 wholly owns Sub 15, Sub 15 wholly owns Sub 16, and Sub 16 wholly owns Sub 17, Sub 18, and Sub 19. Sub 18 wholly owns Sub 20 and Sub 21, and Sub 19 wholly owns Sub 22. Sub 4 wholly owns Sub 23, Sub 24, Sub 25, Sub 26, Sub 27, Sub 28, Sub 29, Sub 30 and Sub 31. Sub 5 wholly owns Sub 32, Sub 33, Sub 34 and Sub 35. Sub 33 owns g percent of FSub 3. Sub 34 owns all of FSub 1, e percent of FPart 2, h percent of FSub 4, and i percent of FSub 5. All entities described in this paragraph are domestic except for FSub 1 (Country A), FPart 2 (Country B), FSub 3 (Country C), FSub 4 (Country D), and FSub 5 (Country E).

Financial information has been submitted indicating that the businesses conducted by Sub 35 (after its merger with Sub 34 and Sub 33 in steps (vii) and (viii) below), Sub 37 (after Contribution 1 in step (ix) below), Sub 32 (through its ownership of Sub 37), Sub 5 (through its ownership of Sub 35), Sub 9 (after the contribution in step (xvii) below), Sub 36 (after its merger with Sub 24 in step (iii) below), Sub 19 (through

its ownership of Sub 9) and Parent each meets the requirements of § 355(b) of the Internal Revenue Code.

Business Purpose

Parent desires to acquire unrelated Target, which is engaged in Business B. Investment Banker has advised Parent that this acquisition would be an inefficient use of Parent's equity capital unless Parent first separated its Business A operations from its Business B operations. Investment Banker reached this conclusion after analyzing the relative costs of equity capital for entities engaged in only Business A, entities engaged in only Business B, and entities, such as Parent, engaged in both Business A and Business B.

Proposed Transaction

In response to this advice, Parent proposes to separate the businesses through the following steps:

(i) Sub 4 will merge into Parent, so that Sub 24 becomes a first-tier subsidiary of Parent.

(ii) Sub 9 will contribute its assets to newly formed and wholly owned Sub 36 ("Contribution 3A").

(iii) Sub 24 will merge into Sub 36.

(iv) Sub 35 will form wholly owned Sub 37.

(v) To satisfy a requirement of Country E law, Sub 5 will contribute to newly formed Sub 32 its stock in Sub 35, Sub 34, and Sub 33.

(vi) Sub 34 will contribute its e percent partnership interest in FPart 2 to newly formed and wholly owned Sub 43.

(vii) Sub 34 will merge into Sub 35.

(viii) Sub 33 will merge into Sub 35.

(ix) Sub 35 will contribute to Sub 37 (a) management contracts for Asset C, Asset D, and Asset E and (b) its stock in FSub 1, FSub 3, FSub 4, and FSub 5 ("Contribution 1"). Transferring the management contracts for Asset C and Asset D, and the FSub 5 stock (collectively, the "Regulated Assets") requires certain regulatory and third-party approvals. Although the taxpayer expects that the approvals will be granted, this may not happen before the closing, in which event Sub 35 would transfer

the Regulated Assets to Sub 37 in two interrelated steps, as follows: (x) on the closing date, Sub 35 would segregate its beneficial interest in the Regulated Assets for the benefit of Sub 37, and (y) when Sub 35 receives the requisite approvals after the closing date, it will immediately transfer legal title and the segregated beneficial interest in the Regulated Assets to Sub 37.

(x) Sub 35 will distribute its Sub 37 stock to Sub 32.

(xi) Sub 32 will distribute its Sub 35 stock to Sub 5.

(xii) Sub 5 will distribute its Sub 32 stock to Parent ("Distribution 2").

(xiii) Sub 1, Sub 15, and Sub 16 will each successively merge into Parent.

(xiv) Sub 18 will merge into Sub 32.

(xv) Sub 17 will merge into Sub 38, a newly-formed subsidiary of Sub 32.

(xvi) Parent will contribute to Sub 19 its stock in Sub 9 and Sub 10, assets that relate to Asset A and Asset B, and j percent of Sub 12.

(xvii) Sub 19 will contribute to Sub 9 its assets that relate to Business B (apart from its Sub 22 stock), and the assets it received from Parent in step (xvi) above.

(xviii) Sub 9 will contribute to Sub 36 the Business B assets received from Sub 19 in step (xvii) above ("Contribution 3B").

(xix) Sub 9 will distribute its Sub 36 stock to Sub 19 ("Distribution 3").

(xx) Sub 19 will distribute its Sub 36 stock to Parent ("Distribution 4").

(xxi) Sub 22 will sell its Business B assets to Sub 2 for cash.

(xxii) Parent will sell certain furniture, fixtures, equipment, and other miscellaneous assets used in Business B to Sub 36 in partial satisfaction of a preexisting liability of Parent to Sub 36.

(xxiii) Parent will contribute its Sub 36 stock to Sub 32 ("Contribution 5A").

(xxiv) Parent will merge Sub 23, Sub 25, Sub 28, Sub 29, Sub 30 and Sub 31 into Sub 36.

(xxv) The assets and liabilities formerly belonging to Sub 25 and Sub 31 will be combined and transferred to Sub 39, a newly formed subsidiary of Sub 36. The assets

and liabilities formerly belonging to Sub 30 will be transferred to Sub 40, a second newly formed subsidiary of Sub 36. The assets and liabilities formerly belonging to Sub 23 will be transferred to Sub 46, a third newly formed subsidiary of Sub 36.

(xxvi) Sub 27 will merge into LLC 44, and Sub 26, after having first merged into Sub 41 to reincorporate itself in State F, will merge into LLC 45. Each of these limited liability companies will have Sub 38 as its sole member.

(xxvii) Parent will contribute to Sub 32 its interests in Sub 2, Sub 3, Sub 6, Sub 7, Sub 8 and Sub 11, certain royalty-free licenses (the "Licenses), and its e and f percent interests in Sub 13 and Sub 14, respectively (collectively, "Contribution 5B"). Concurrently with Contribution 5B, Sub 32 will assume and agree to pay 100 percent of the amount of each payment of principal and interest required to be made currently by Parent under the terms of the indentures governing (a) the k aggregate principal amount of Debt A and (b) the l aggregate principal amount of Debt B. These payments will be made directly by Sub 32 to the paying agent under the indentures for these two debt issues. Parent is obligated to make payment to the debt holder only in the event that Sub 32 fails to make payments as agreed, and if Parent should be called upon to make such payments, Sub 32 is obligated to pay Parent the amount of any such payments made by Parent to the holders of the debt together with interest at the rate specified in the Parent debt plus m percent per annum.

(xxviii) Sub 32 will contribute its e percent interest in Sub 13 to Sub 36.

(xxix) Sub 32 will contribute its ownership interests in Sub 2, Sub 3, Sub 6, Sub 8, Sub 11, and Sub 14 to Sub 38.

(xxx) Sub 32 will contribute all its Sub 7 stock to Sub 21.

(xxxi) Parent will distribute the Sub 32 stock to its shareholders ("Distribution 5"). Sub 32 intends to adopt a plan similar to the Shareholder Rights Plan of Parent (the "Sub 32 Rights Plan").

(xxxii) Sub 42, a newly-formed subsidiary of Sub 32, will merge into Target (the "Merger"). In the Merger, the shareholders of Target will exchange their Target stock solely for Sub 32 voting stock in a transaction intended to qualify as a reorganization under § 368(a)(1)(B). The Merger is expected to result in an n percent change in the ownership of Sub 32.

(xxxiii) In connection with Distribution 5, the outstanding options under the various stock option plans of Parent will be adjusted so that each optionee holds an adjusted option to purchase shares of Common Stock of Parent and a new option to purchase shares of Sub 32. This adjustment will preserve the value of the outstanding options under the existing plans by issuing each optionee an option to purchase a

number of shares of Sub 32 equal to the number of shares of common stock of Parent subject to the option immediately before Distribution 5, and by allocating the value of the "spread" (i.e., the difference between the exercise price of each outstanding option and the fair market value of the Common Stock subject to the option immediately before Distribution 5) between the optionee's Parent stock option, as adjusted, and the new Sub 32 stock option, based upon the relative fair market values of the Common Stock of Parent and the common stock of Sub 32 after Distribution 5.

Recharacterization

For federal income tax purposes, the Proposed Transaction is recharacterized in the following respects:

(i) Step (v) will be disregarded except for its reference to the formation of Sub 32 by Sub 5:

(ii) The distribution by Sub 35 of the Sub 37 stock to Sub 32 described in step (x) will instead be treated as a distribution by Sub 35 of the Sub 37 stock to Sub 5 ("Distribution 1"); and

(iii) The distribution by Sub 32 of the Sub 35 stock to Sub 5 described in step (xi) will be disregarded and replaced by a contribution of the Sub 37 stock by Sub 5 to Sub 32 ("Contribution 2").

Contribution 1 and Distribution 1 Representations

The taxpayer has made the following representations regarding Contribution 1 and Distribution 1:

(a) No part of the consideration distributed by Sub 35 will be received by a Sub 35 shareholder as a creditor, employee, or in any capacity other than that of a shareholder of Sub 35.

(b) The five years of financial information submitted on behalf of Sub 35 (reflecting the operation of Sub 33 and Sub 34) represents its present operation, and there have been no substantial operational changes since the date of the last submitted financial statements.

(c) The five years of financial information submitted on behalf of Sub 37 (reflecting the assets transferred in Contribution 1) represents its present operation, and there have been no substantial operational changes since the date of the last submitted financial statements.

(d) Following the proposed transaction, Sub 35 and Sub 37 will each continue

the active conduct of its business, independently and with its separate employees.

(e) Distribution 1 is carried out for the corporate business purpose described above. Distribution 1 is motivated, in whole or substantial part, by this and other corporate business purposes.

(f) Other than pursuant to Contribution 2, there is no plan or intention by the shareholders or security holders of Sub 35 to sell, exchange, transfer by gift, or otherwise dispose of any of their stock in, or securities of, either Sub 35 or Sub 37 after the proposed transaction.

(g) There is no plan or intention by either Sub 35 or Sub 37, directly or through any subsidiary corporation, to purchase any of its outstanding stock after the proposed transaction, other than through stock purchases meeting the requirements of section 4.05(1)(b) of Rev. Proc. 96-30, 1996-1 C.B. 696.

(h) There is no plan or intention to liquidate either Sub 35 or Sub 37, to merge either corporation with any other corporation, or to sell or otherwise dispose of the assets of either corporation after the proposed transaction, except in the ordinary course of business.

(i) The total adjusted basis and fair market value of the assets transferred to Sub 37 by Sub 35 will each equal or exceed the sum of the liabilities assumed by Sub 37 plus any liabilities to which the transferred assets are subject.

(j) The liabilities assumed in the proposed transaction and the liabilities to which the transferred assets are subject were incurred in the ordinary course of business and are associated with the assets being transferred.

(k) No intercorporate debt will exist between Sub 35 and Sub 37 at the time of, or after, Distribution 1.

(l) Payments made in any continuing transactions between Sub 35 and Sub 37 will be for fair market value based on terms and conditions arrived at by the parties bargaining at arm's length.

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

Contribution 2 and Distribution 2 Representations

The taxpayer has made the following representations regarding Contribution 2 and Distribution 2:

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

(o) The five years of financial information submitted on behalf of Sub 32 (reflecting the assets transferred to Sub 37 in Contribution 1) represents its present operations, and there have been no substantial operational changes since the date of the last submitted financial statements.

(p) The five years of financial information submitted on behalf of Sub 5 (reflecting the operation of Sub 33 and Sub 34) represents its present operations, and there have been no substantial operational changes since the date of the last submitted financial statements.

(q) Immediately after Distribution 2, at least 90 percent of the fair market value of the gross assets of Sub 32 will consist of stock and securities of controlled corporations that are engaged in the active conduct of a trade or business under § 355(b)(2). Immediately after Distribution 2, at least 90 percent of the fair market value of the gross assets of Sub 5 will consist of stock and securities of controlled corporations that are engaged in the active conduct of a trade or business under § 355(b)(2).

(r) Following the proposed transaction, Sub 32 and Sub 5 each will continue the active conduct of its business, independently and with its separate employees.

(s) Distribution 2 is carried out for the corporate business purpose described above. Distribution 2 is motivated, in whole or substantial part, by this and other corporate business purposes.

(t) Other than pursuant to Distribution 5, there is no plan or intention by the stockholders or security holders of Sub 5 to sell, exchange, transfer by gift, or otherwise dispose of any of their stock in, or securities of, either Sub 32 or Sub 5 after the proposed transaction.

(u) There is no plan or intention by either Sub 32 or Sub 5, directly or through any subsidiary corporation, to purchase any of its outstanding stock after the proposed transaction, other than through stock purchases meeting the requirements of section 4.05(1)(b) of Rev. Proc. 96-30.

(v) There is no plan or intention to liquidate either Sub 32 or Sub 5, to merge either corporation with any other corporation, or to sell or otherwise dispose of the assets of either corporation after the proposed transaction, except in the ordinary course of business.

(w) The total adjusted basis and fair market value of the assets transferred to Sub 32 by Sub 5 will each equal or exceed the sum of the liabilities assumed by Sub 32 plus any liabilities to which the transferred assets are subject.

(x) The liabilities assumed in the proposed transaction and the liabilities to which the transferred assets are subject were incurred in the ordinary course of business and are associated with the assets being transferred.

(y) No intercorporate debt will exist between Sub 32 and Sub 5 at the time of, or after, Distribution 2.

(z) Payments made in any continuing transactions between Sub 32 and Sub 35 will be for fair market value based on terms and conditions arrived at by the parties bargaining at arm's length.

(aa) No two parties to Distribution 2 are investment companies under § 368(a)(2)(f)(iii) and (iv).

Contribution 3A, Contribution 3B, and Distribution 3 Representations

The taxpayer has made the following representations regarding Contribution 3A, Contribution 3B, and Distribution 3:

(bb) No part of the consideration distributed by Sub 9 will be received by a Sub 9 shareholder as a creditor, employee, or in any capacity other than that of a shareholder of Sub 9.

(cc) The five years of financial information submitted on behalf of Sub 9 (reflecting assets contributed in step (xvii)) represents its present operations, and there have been no substantial operational changes since the date of the last submitted financial statements.

(dd) The five years of financial information submitted on behalf of Sub 36 (reflecting the operations of Sub 24) represents its present operations, and there have been no substantial operational changes since the date of the last submitted financial statements.

(ee) Following the proposed transaction, Sub 9 and Sub 36 each will continue the active conduct of its business, independently and with its separate employees.

(ff) Distribution 3 is carried out for the corporate business purpose described above. Distribution 3 is motivated, in whole or substantial part, by this and other corporate business purposes.

(gg) Other than pursuant to Distribution 4, there is no plan or intention by the shareholders or security holders of Sub 9 to sell, exchange, transfer by gift, or otherwise dispose of any of their stock in, or securities of, either Sub 9 or Sub 36 after the proposed transaction.

(hh) There is no plan or intention by either Sub 9 or Sub 36, directly or through any subsidiary corporation, to purchase any of its outstanding stock after the proposed transaction, other than through stock purchases meeting the requirements of section 4.05(1)(b) of Rev. Proc. 96-30.

(ii) There is no plan or intention to liquidate either Sub 9 or Sub 36, to merge either corporation with any other corporation, or to sell or otherwise dispose of the assets of either corporation after the proposed transaction, except in the ordinary course of business.

(jj) The total adjusted basis and the fair market value of the assets transferred to Sub 36 by Sub 9 each equals or exceeds the sum of the liabilities assumed by Sub 36 plus any liabilities to which the transferred assets are subject.

(kk) The liabilities assumed in the proposed transaction and the liabilities to which the transferred assets are subject were incurred in the ordinary course of business and are associated with the assets being transferred.

(ll) No intercorporate debt will exist between Sub 9 and Sub 36 at the time of, or after, Distribution 3.

(mm) Payments made in any continuing transactions between Sub 9 and Sub 36 will be for fair market value based on terms and conditions arrived at by the parties bargaining at arm's length.

(nn) No two parties to Distribution 3 are investment companies under § 368(a)(2)(F)(iii) and (iv).

Distribution 4 Representations

The taxpayer has made the following representations regarding Distribution 4:

(oo) No part of the consideration to be distributed by Sub 19 will be received by a Sub 19 stockholder as a creditor, employee, or in any capacity other than that of a stockholder of Sub 19.

(pp) The five years of financial information submitted on behalf of Sub 19 (reflecting the assets contributed to Sub 9 in the step (xvii) contribution) represents its

present operations, and there have been no substantial operational changes since the date of the last submitted financial statements.

(qq) The five years of financial information submitted on behalf of Sub 36 (reflecting the operations of Sub 24) represents its present operations, and there have been no substantial operational changes since the date of the last submitted financial statements.

(rr) Immediately after Distribution 4, at least 90 percent of the fair market value of the gross assets of Sub 19 will consist of stock and securities of controlled corporations that are engaged in the active conduct of a trade or business under § 355(b)(2).

(ss) Following the proposed transaction, Sub 19 and Sub 36 each will continue the active conduct of its business, independently and with its separate employees.

(tt) Distribution 4 is carried out for the corporate business purpose described above. Distribution 4 is motivated, in whole or substantial part, by this and other corporate business purposes.

(uu) Other than pursuant to Contribution 5A, there is no plan or intention by the stockholders or security holders of Sub 19 to sell, exchange, transfer by gift, or otherwise dispose of any of their stock in, or securities of, either Sub 19 or Sub 36 after the proposed transaction.

(vv) There is no plan or intention by either Sub 19 or Sub 36, directly or through any subsidiary corporation, to purchase any of its outstanding stock after the proposed transaction, other than through stock purchases meeting the requirements of section 4.05(1)(b) of Rev Proc. 96-30.

(ww) There is no plan or intention to liquidate either Sub 19 or Sub 36, to merge either corporation with any other corporation, or to sell or otherwise dispose of the assets of either corporation after the proposed transaction, except in the ordinary course of business.

(xx) No intercorporate debt will exist between Sub 19 and Sub 36 at the time of, or after, Distribution 4.

(yy) Payments made in any continuing transactions between Sub 19 and Sub 36 will be for fair market value based on terms and conditions arrived at by the parties bargaining at arm's length.

(zz) No two parties to Distribution 4 are investment companies under § 368(a)(2)(F)(iii) and (iv).

Contribution 5A, Contribution 5B, and Distribution 5 Representations

The taxpayer has made the following representations regarding Contribution 5A, Contribution 5B, and Distribution 5:

(aaa) No part of the consideration distributed by Parent will be received by a Parent stockholder as a creditor, employee, or in any capacity other than that of a stockholder of Parent.

(bbb) The five years of financial information submitted on behalf of Parent represents its present operations, and there have been no substantial operational changes since the date of the last submitted financial statements.

(ccc) The five years of financial information submitted on behalf of Sub 32 (reflecting the assets transferred to Sub 37 in Contribution 1) represents its present operation, and there have been no substantial operational changes since the date of the last submitted financial statements.

(ddd) Immediately after Distribution 5, at least 90 percent of the fair market value of the gross assets of Sub 32 will consist of stock and securities of controlled corporations that are engaged in the active conduct of a trade or business under § 355(b)(2).

(eee) Following the proposed transaction, Parent and Sub 32 each will continue the active conduct of its business, independently and with its separate employees.

(fff) Distribution 5 is carried out for the corporate business purpose described above. Distribution 5 is motivated, in whole or substantial part, by this and other corporate business purposes.

(ggg) There is no plan or intention by A or B, and the management of Parent, to its best knowledge, is not aware of any plan or intention on the part of any other stockholder or security holder of Parent, to sell, exchange, transfer by gift, or otherwise dispose of any stock in, or securities of, either Parent or Sub 32 after the proposed transaction.

(hhh) There is no plan or intention by either Parent or Sub 32, directly or through any subsidiary corporation, to purchase any of its outstanding stock after the proposed transaction, other than through stock purchases meeting the requirements of section 4.05(1)(b) of Rev. Proc. 96-30.

(iii) There is no plan or intention to liquidate either Parent or Sub 32, to merge either corporation with any other corporation, or to sell or otherwise dispose of the assets of either corporation after the proposed transaction, except in the ordinary course of business.

(jjj) The total adjusted basis and fair market value of the assets transferred to Sub 32 by Parent each equals or exceeds the sum of the liabilities assumed by Sub 32 plus any liabilities to which the transferred assets are subject.

(kkk) The liabilities assumed in the proposed transaction and the liabilities to which the transferred assets are subject were incurred in the ordinary course of business and are associated with the assets being transferred.

(lll) No intercorporate debt will exist between Parent and Sub 32 at the time of, or after, Distribution 5.

(mmm) 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 of the Income Tax Regulations 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). Further, any excess loss account Parent may have in the Sub 32 stock will be included in income immediately before Distribution 5.

(nnn) Payments made in any continuing transactions between Parent and Sub 32 will be for fair market value based on terms and conditions arrived at by the parties bargaining at arm's length.

(ooo) No two parties to Distribution 5 are investment companies under § 368(a)(2)(F)(iii) and (iv).

(ppp) Distribution 5 is not part of a "plan or series of related transactions" (within the meaning of § 355(e)) pursuant to which one or more persons will acquire, directly or indirectly, stock possessing 50 percent or more of the total combined voting power of all classes of stock of either Parent or Sub 32, or stock possessing 50 percent or more of the total value of all classes of stock of either Parent or Sub 32. In this regard, the sale by D represents a percent of Parent stock by vote and value; the open market stock repurchases by Parent represent a maximum of c percent of Parent stock by vote and value; the conversion of Parent's Preferred Stock has no impact on value but represents b percent of the total combined voting power of Parent's stock. Thus, if the sale by D, the open market stock purchases by Parent, and the conversion of Parent's Preferred Stock were aggregated and treated as part of the Distribution 5 "plan", they would not, by themselves, result in a 50 percent or greater acquisition of Parent by vote or value. In addition, the Merger will result in the issuance of n percent of the Sub 32 stock by vote and value; and the options in Sub 32 being issued to current holders of Parent options pursuant to the anti-dilution provisions set forth in existing Parent stock option plans would, if exercised, result in the issuance of o percent of Sub 32 stock by vote and value. Thus, if the Merger and the exercise of Sub 32 options under the anti-dilution provisions of Parent's existing stock option plans were aggregated and treated

as part of the Distribution 5 “plan”, they would not, by themselves, result in a 50 percent or greater acquisition of Sub 32 by vote or value.

International Representation

(qqq) No federal income tax consequences under §§ 367(a), 367(b), 897, 951, 1248, 1291, or 1293 will result from steps (i) through (xxxiii) of the proposed transaction.

Contribution 1 and Distribution 1 Rulings

Based solely on the information submitted and the representations set forth above, we rule as follows regarding Contribution 1 and Distribution 1:

(1) Contribution 1 followed by Distribution 1 will be a reorganization under § 368(a)(1)(D). Sub 35 and Sub 37 each will be a “party to a reorganization” under § 368(b).

(2) No gain or loss will be recognized by Sub 35 on Contribution 1 (§ 361(a)).

(3) No gain or loss will be recognized by Sub 37 on Contribution 1 (§ 1032(a)).

(4) The basis of each asset received by Sub 37 in Contribution 1 will equal the basis of that asset in the hands of Sub 35 immediately before its transfer (§ 362(b)).

(5) The holding period of each asset received by Sub 37 in Contribution 1 will include the period during which that asset was held by Sub 35 (§ 1223(2)).

(6) No gain or loss will be recognized by (and no amount will otherwise be included in the income of) Sub 5 on its receipt of Sub 37 stock in Distribution 1 (§ 355(a)(1)).

(7) The holding period of Sub 37 stock received by Sub 5 will include the holding period of the Sub 35 stock on which Distribution 1 is made, provided the Sub 35 stock is held as a capital asset by Sub 35 on the date of Distribution 1 (§ 1223(1)).

(8) No gain or loss will be recognized by Sub 35 on Distribution 1 (§§ 355(e) and 361(c)).

(9) Proper allocation of earnings and profits between Sub 35 and Sub 37 will be made in accordance with § 1.312-10(a) (§ 312(h)).

(10) If the transfer of the Regulated Assets in Contribution 1 occurs in two steps,

then for federal tax purposes, the second step will be considered to have occurred on the closing date, and Sub 35 will be treated as if it had transferred the Regulated Assets to Sub 37 on that date.

Contribution 2 and Distribution 2 Rulings

Based solely on the information submitted and the representations set forth above, we rule as follows regarding Contribution 2 and Distribution 2:

(11) Contribution 2 followed by Distribution 2 will be a reorganization under § 368(a)(1)(D). Sub 5 and Sub 32 each will be a “party to a reorganization” under § 368(b).

(12) No gain or loss will be recognized by Sub 5 on Contribution 2 (§ 361(a)).

(13) No gain or loss will be recognized by Sub 32 on Contribution 2 (§ 1032(a)).

(14) The basis of the Sub 37 stock received by Sub 32 in Contribution 2 will equal the basis of that stock in the hands of Sub 5 immediately before Contribution 2 (§ 362(b)).

(15) The holding period of each asset received by Sub 32 in Contribution 2 will include the period during which that asset was held by Sub 5 (§ 1223(2)).

(16) No gain or loss will be recognized by (and no amount will otherwise be included in the income of) Parent on its receipt of Sub 32 stock in Distribution 2 (§ 355(a)(1)).

(17) The holding period of the Sub 32 stock received by Parent will include the holding period of the Sub 5 stock on which Distribution 2 is made, provided the Sub 5 stock is held as a capital asset by Parent on the date of Distribution 2 (§ 1223(1)).

(18) No gain or loss will be recognized by Sub 5 on Distribution 2 (§§ 355(e) and 361(c)).

(19) Proper allocation of earnings and profits between Sub 5 and Sub 32 will be made in accordance with § 1.312-10(a) (§ 312(h)).

Contribution 3A, Contribution 3B, and Distribution 3 Rulings

Based solely on the information submitted and the representations set forth above, we rule as follows regarding Contribution 3A, Contribution 3B and Distribution 3:

(20) Contribution 3A and Contribution 3B, followed by Distribution 3, will be a reorganization under § 368(a)(1)(D). Sub 9 and Sub 36 each will be a “party to a reorganization” under § 368(b).

(21) No gain or loss will be recognized by Sub 9 on Contributions 3A and 3B (§ 361(a)).

(22) No gain or loss will be recognized by Sub 36 on Contributions 3A and 3B (§ 1032(a)).

(23) The basis of each asset received by Sub 36 in Contributions 3A and 3B will equal the basis of that asset in the hands of Sub 9 immediately before its transfer (§ 362(b)).

(24) The holding period of each asset received by Sub 36 in Contributions 3A and 3B will include the period during which that asset was held by Sub 9 (§ 1223(2)).

(25) No gain or loss will be recognized by (and no amount will otherwise be included in the income of) Sub 19 on its receipt of Sub 36 stock in Distribution 3 (§ 355(a)(1)).

(26) The holding period of the Sub 36 stock received by Sub 19 will include the holding period of the Sub 9 stock on which Distribution 3 is made, provided the Sub 9 stock is held as a capital asset by Sub 19 on the date of Distribution 3 (§ 1223(1)).

(27) No gain or loss will be recognized by Sub 9 on Distribution 3 (§§ 355(e) and 361(c)).

(28) Proper allocation of earnings and profits between Sub 9 and Sub 36 will be made in accordance with § 1.312-10(a) (§ 312(h)).

Distribution 4 Rulings

Based solely on the information submitted and the representations set forth above, we rule as follows regarding Distribution 4:

(29) No gain or loss will be recognized by (and no amount will otherwise be included in the income of) Parent upon its receipt of Sub 36 stock in Distribution 4 (§ 355(a)(1)).

(30) The holding period of the Sub 36 stock received by Parent will include the holding period of the Sub 19 stock on which Distribution 4 is made, provided the Sub 19 stock is held as a capital asset by Parent on the date of Distribution 4 (§ 1223(1)).

(31) No gain or loss will be recognized by Sub 19 on Distribution 4 (§§ 355(c) and 355(e)).

(32) Proper allocation of earnings and profits between Sub 19 and Sub 36 will be made in accordance with § 1.312-10(b) (§ 312(h)).

Contribution 5A, Contribution 5B, and Distribution 5 Rulings

Based solely on the information submitted and the representations set forth above, we will as follows regarding Contribution 5A, Contribution 5B, and Distribution 5:

(33) Contribution 5A and Contribution 5B, followed by Distribution 5, will be a reorganization under § 368(a)(1)(D). Sub 32 and Parent will each be a “party to a reorganization” under § 368(b).

(34) No gain or loss will be recognized by Parent on Contributions 5A and 5B (§ 361(a))

(35) No gain or loss will be recognized by Sub 32 on Contributions 5A and 5B (§ 1032(a)).

(36) The basis of each asset received by Sub 32 in Contributions 5A and 5B will equal the basis of that asset in the hands of Parent immediately before its transfer (§ 362(b)).

(37) The holding period of each asset received by Sub 32 in Contributions 5A and 5B will include the period during which that asset was held by Parent (§ 1223(2)).

(38) No gain or loss will be recognized by (and no amount will otherwise be included in the income of) the stockholders of Parent on receipt of the Sub 32 stock in Distribution 5 (§ 355(a)(1)). Section 355(a)(3)(B) will not treat as “other property” that part of the Sub 32 stock attributable to the fair market value of the Licenses.

(39) The aggregate basis of the stock of Sub 32 and Parent in the hands of a Parent stockholder after Distribution 5 will equal the aggregate basis of the stock of Parent in the hands of the stockholder immediately before Distribution 5. This basis will be allocated between the Sub 32 stock and the Parent stock in proportion to the fair market value of each in accordance with § 1.358-2(a)(2) (§ 358(b)).

(40) The holding period of the Sub 32 stock received by a Parent stockholder will include the holding period of the Parent stock on which Distribution 5 will be made, provided the Parent stock is held as a capital asset by the stockholder on the date of Distribution 5 (§ 1223(1)).

(41) No gain or loss will be recognized by Parent on Distribution 5 (§§ 355(e)

and 361(c)).

(42) Proper allocation of earnings and profits between Sub 32 and Parent will be made in accordance with § 1.312-10(a) (§ 312(h)).

Caveats

No opinion is expressed about the tax treatment of the proposed transaction under any other section of the Code or Regulations, or the tax treatment of any conditions existing at the time of, or effects resulting from, the proposed transaction that are not specifically covered by the above rulings. In particular, no opinion is expressed concerning the tax effects of:

(a) The mergers described above in steps (i), (iii), (vii) (including whether this merger causes a termination of FPart 2 under § 708), (viii), (xiii), (xiv), (xv), (xxiv) and (xxvi);

(b) The formation of Sub 37 by Sub 35 described above in step (iv);

(c) The contributions described above in steps (vi), (xvi), (xvii), (xxv), (xxviii), (xxix), and (xxx);

(d) The sales described above in steps (xxi) and (xxii);

(e) The Merger described above in step (xxxii), including whether it will qualify as a reorganization under § 368(a)(1)(B);

(f) The transfer of Licenses by Parent to Sub 32 described above in step (xxvii), including whether the Licenses are property (see Rev. Rul. 69-156, 1969-1 C.B. 101);

(g) The option adjustments described above in step (xxxiii);

(h) The allocation of stock bases under § 358 as a result of Distribution 1, Distribution 2, Distribution 3, and Distribution 4;

(i) The Sub 32 Rights Plan; and

(j) The proposed transaction under § 367(a), 367(b), 897, 951, 1248, 1291, or 1293.

Temporary or final regulations pertaining to one or more issues addressed in this ruling letter (including regulations under § 358(g)) have yet to be adopted. Therefore, this ruling letter may be revoked or modified if adopted temporary or final regulations are inconsistent with any conclusions reached herein. See section 12.04 of Rev. Proc.

98-1, 1998-1 I.R.B. 7, which addresses, in greater detail, when a ruling will be revoked or modified. However, when the criteria in section 12.05 of Rev. Proc. 98-1 are satisfied, a ruling is seldom revoked or modified retroactively, except in rare or unusual circumstances.

Procedural Matters

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

A copy of this letter should be attached to the federal income tax return of each taxpayer involved for the taxable year in which the proposed transaction is completed.

Under a power of attorney on file in this office, copies of this letter are being sent to your authorized representatives.

Sincerely yours,

Assistant Chief Counsel (Corporate)

By: _____
Wayne T. Murray
Senior Technician/Reviewer
Branch 4