

Internal Revenue Service

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Person To Contact:

, ID No.

Telephone Number:

Refer Reply To:

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Date:

March 17, 2004

Parent =

Target =

New Target =

Sub 1 =

Sub 2 =

Asset Group 1 =

Asset Group 2 =

Date A =

Dates B =

Date C =

Date D =

Buyer =

Business X =

Dear :

This letter responds to your November 20, 2003 request for rulings regarding the federal income tax consequences of the transaction described below. Additional information was submitted in letters dated February 23 and March 11, 2004. The facts submitted are summarized below.

Parent is a widely held publicly traded domestic corporation and the common parent of an affiliated group of corporations that file a federal consolidated income tax return (the "Parent Group"). Parent, directly and through subsidiaries, engages in Business X. Parent directly owns the stock of a number of subsidiaries, including all of the outstanding stock of Target and Sub 1, both domestic corporations. Sub 1 owns all of the outstanding stock of Sub 2, a domestic corporation.

Target is an operating company, the assets of which consist almost entirely of Asset Group 1 and Asset Group 2.

Sub 1 is a holding company that directly and indirectly owns interests in numerous foreign and domestic entities. Sub 2 is a holding company that owns all of the interests of several foreign operating entities that are treated as disregarded entities for federal income tax purposes.

For what have been represented to be valid business purposes, Parent has undertaken the following steps (the "Transaction"):

On Date A:

(i) Target distributed Asset Group 1 to Parent (the "Distribution"). After Date A, Target's assets consisted almost entirely of Asset Group 2.

(ii) Parent contributed the assets received from Target in step (i) (except for certain patents, trademarks, copyrights, trade secrets, and similar intellectual property) to Sub 1.

(iii) Sub 1 contributed the assets received from Parent in step (ii) to Sub 2.

On or after Date A:

(iv) Target changed its name to New Target (this letter will continue to refer to Target/New Target as “Target”).

Throughout Dates B:

(v) Parent solicited bids from unrelated third parties for the purchase of the stock of Target.

On Date C:

(vi) Parent signed an agreement (the “Agreement”) with Buyer, a domestic corporation unrelated to Parent, to sell all of the stock of Target to Buyer for cash (the “Sale”). Pursuant to the Agreement, Parent and Buyer agreed that Target would lease a parcel of improved real estate to Sub 2.

On Date D (the “Sale Date”):

(vii) Pursuant to the Agreement, Parent transferred the stock of Target to Buyer for cash and Parent and Target commenced the lease.

The taxpayer has made the following representations in connection with the Transaction:

(a) Buyer neither directly nor indirectly funded the Distribution.

(b) Buyer did not rely on the Distribution being made to enable it to make the stock purchase. Potential buyers were not involved in the decision to transfer Asset Group 1 from Target and Parent marketed Target as a corporation the assets of which consisted almost entirely of Asset Group 2.

(c) Asset Group 1 is and is expected to remain in the Parent Group.

(d) The Distribution was unrelated to the negotiation of the sales price for the Target shares and was declared before such sales price was agreed upon.

(e) Buyer is unrelated to Parent and acquired the shares of Target at an arm’s length price following a bidding process.

(f) No member of the Parent Group reimbursed Buyer for any portion of the purchase price of the Target shares. Moreover, no member of the Parent Group loaned to Buyer any of the funds necessary to acquire the Target shares and no member of the

Parent Group guaranteed any indebtedness created in connection with the acquisition of such shares.

(g) Parent did not make an election under section 338(h)(10) of the Internal Revenue Code (the "Code") for the Sale.

(h) The Agreement provides that for a two-year period following the Sale Date, Buyer will not dispose of any of the Target shares (through an actual or deemed liquidation or otherwise), and Target will not dispose of Asset Group 2 (except in the very limited instance in which Target transfers Asset Group 2 to a wholly owned entity).

(i) The adjusted basis of the Target stock in the hands of Parent immediately before the Sale exceeded the amount of cash that Parent received from Buyer in the Sale.

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

(1) The Distribution will be respected as a distribution that is subject to section 301 of the Code and will not be treated as additional sales consideration for the Target shares.

(2) Any gain or loss recognized by Target, and income to Parent, with respect to the Distribution will be taken into account as provided by §§ 1.1502-13 and 1.1502-32 of the Income Tax Regulations.

(3) The Sale will be respected as a sale of stock under section 1001 of the Code, and any loss recognized by Parent is subject to the limitations, if any, of § 1.337(d)-2T of the Regulations.

No opinion is expressed on the tax treatment of the transaction under other provisions of the Code or regulations or on the tax treatment of any conditions existing at the time of, or effects resulting from, the transactions that are not directly covered by the above rulings. In particular, no opinion is expressed, and none was requested, regarding the transfer of assets from Parent to Sub 1 followed by the transfer of assets from Sub 1 to Sub 2 as described above in steps (ii) and (iii) of the Transaction.

The rulings contained in this letter are based upon information and representations submitted by the taxpayer and accompanied by a penalty of perjury statement executed by an appropriate party. While this office has not verified any of the material submitted in support of the request for rulings, it is subject to verification on examination.

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.

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,

Lewis K Brickates

Lewis K Brickates
Chief, Branch 4
Office of Associate Chief Counsel

(Corporate)

cc:

DD: