



Sub 5 =

Sub 6 =

Sub 7 =

New Sub 7 =

Sub 8 =

Sub 8 LLC =

Sub 9 =

Sub 9 LLC =

Sub 10 =

Sub 11 =

Sub 12 =

Sub 12 LLC =

Sub 13 =

Sub 13 LLC =

Sub 14 =

Sub 14 LLC =

Sub 15 =

Sub 15 LLC =

Sub 16 =

Sub 16 LLC =

Sub 17 =

Sub 17 LLC =

Sub 18 =  
Sub 18 LLC =  
Sub 19 =  
Sub 19 LLC =  
Sub 20 =  
Sub 20 LLC =  
Sub 21 =  
Sub 21 LLC =  
Sub 22 =  
Sub 22 LLC =  
Sub 23 =  
Sub 24 =  
Sub 24 LLC =  
Sub 25 =  
Sub 25 LLC =  
Sub 26 =  
Sub 26 LLC =  
Sub 27 =  
Sub 28 =  
Sub 28 LLC =  
Sub 29 =  
Sub 29 LLC =  
Sub 30 =

Sub 31 =

Sub 32 =

Sub 33 =

Sub 34 =

Sub 35 =

Business A =

Business B =

Business C =

Business D =

Business E =

Business F =

Business G =

Business H =

Exchange X =

A Industry =

B Industry =

Old Class A =

Old Class B =

Old Class C =

Controlled Class A =

Controlled Class B =

Distributing Class 1 =

Distributing Class 2 =

X Notes =

Individual X =

Individual Y =

Date 1 =

Date 2 =

Date 3 =

Date 4 =

Date 5 =

Date 6 =

Date 7 =

Date 8 =

Date 9 =

Date 10 =

aa =

bb =

cc =

dd =

ee =

ff =

gg =

hh =

ii =

jj =

kk =

ll =

mm =

nn =

oo =

pp =

qq =

rr =

ss =

tt =

uu =

vv =

ww =

xx =

yy =

zz =

aaa =

A Agreements =

B Agreements =

C Agreements =

D Agreements =  
E Agreements =  
X License =  
X Asset =

Dear :

This letter responds to your request dated July 29, 2005 for rulings concerning the federal income tax consequences of a series of proposed transactions (the "Proposed Transactions"). Additional information was provided in submissions dated August 18, 2005, October 12, 2005, November 1, 2005, November 8, 2005 and November 20, 2005. The facts submitted are summarized below.

The rulings contained in this letter are based on 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. Moreover, this office has not reviewed any information pertaining to, and has made no determination regarding, whether the Distributions (described below): (i) satisfy the business purpose requirement of § 1.355-2(b) of the Income Tax Regulations; (ii) are used principally as a device for the distribution of earnings and profits of the distributing corporation or the controlled corporation or both (see § 355(a)(1)(B) of the Internal Revenue Code and § 1.355-2(d)); and (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-percent or greater interest in the distributing corporation or the controlled corporation (see § 355(e) and § 1.355-7).

## **I. Summary of Facts**

Distributing is a publicly traded corporation and the common parent of an affiliated group of corporations that file a consolidated return for federal income tax purposes. Distributing has been directly engaged in Business A throughout the five year period immediately preceding each step in the Proposed Transaction (the "Preceding Five-Year Period"). Distributing has three classes of stock outstanding: Old Class A, Old Class B, and Old Class C. Old Class A and Old Class B, both of which are publicly traded, are substantially identical, except that Old Class A has one vote per share, Old Class B is nonvoting, and the Old Class A is convertible into Old Class B. Each share of Old Class C is substantially identical to aa shares of Old Class B, except (a) it

receives cash in lieu of any non-cash distributions and (b) it has a small liquidation preference.

As of Date 1, there were outstanding bb shares of Old Class A, cc shares of Old Class B, and dd shares of Old Class C. As of Date 1, ee shares of Old Class A (representing ff percent of the outstanding shares of Old Class A) and gg shares of Old Class B (representing hh percent of the outstanding shares of Old Class B) were owned by Corporation Y. The holdings of Corporation Y collectively represent ii percent of the outstanding shares of Distributing common stock. Corporation Y is a subsidiary of Corporation X. Individual X, who is the Chairman of the Board and Chief Executive Officer of Distributing, controls Corporation X. As of Date 2, Individual X individually owned jj shares of Old Class A, kk shares of Old Class B, ll options to acquire shares of Old Class B and mm restricted share units. Individual X also individually owned as of Date 2 nn Old Class B shares through the Distributing 401(k) plan.

Controlled is a corporation formed for the purpose of effecting the Proposed Transactions. Controlled has oo shares of common stock outstanding all of which are owned by Distributing. After the Proposed Transactions, Controlled will have two classes of common stock outstanding, Controlled Class A and Controlled Class B. Controlled Class A and Controlled Class B will be identical, except that (a) Controlled Class A will be voting and Controlled Class B will be nonvoting, (b) Controlled Class A will be convertible into Controlled Class B, and (c) on a distribution of stock or securities of Controlled or another entity, Controlled may distribute stock or securities of different classes to holders of Controlled Class A shares and to holders of Controlled Class B shares where the differences relate to voting rights or other matters consistent with the differences between shares of Controlled Class A and Controlled Class B. Controlled will wholly own Sub 1 LLC, which, in turn, will wholly own Sub 2 LLC. Sub 1 LLC and Sub 2 LLC will be disregarded entities for federal income tax purposes and will be formed for the purpose of effecting the Proposed Transactions.

Distributing currently has in place a \$pp stock purchase program, which was approved on Date 3. Distributing entered into an agreement with Corporation X and Corporation Y on Date 4, pursuant to which Distributing agreed to purchase from Corporation Y a number of shares of Old Class B each month such that the ownership percentage of Old Class A and Old Class B (considered as a single class) held by Corporation Y would not increase as a result of the purchases made by Distributing under the stock purchase agreement. This agreement among Distributing, Corporation X and Corporation Y may be terminated by any party thereto upon qq days notice. After the Proposed Transactions, (i) Controlled may also adopt a stock purchase program and arrangements with Corporation X and Corporation Y similar to those described above (collectively, the "Controlled Stock Purchase Program") and (ii) Distributing may continue its stock purchase program and arrangements with Corporation X and Corporation Y.

Sub 3, a wholly owned subsidiary of Distributing, has directly engaged in Business D since acquiring Business D in Date 5 in the merger of a predecessor of Sub 3 with and into Sub 3 (the "Sub 3 Merger"), a tax-free transaction except with respect to cash paid for fractional shares. Prior to the Sub 3 Merger, the predecessor to Sub 3 directly engaged in Business D for the balance of the Preceding Five Year Period. The X License holder of the X Assets is an indirect, wholly owned subsidiary of Sub 3.

Sub 4, a wholly owned subsidiary of Distributing, wholly owns Sub 5, which in turn wholly owns Sub 6. Sub 6 has as its principal asset all of the outstanding shares of Old Class C and also has certain intercompany receivables.

Sub 7, a wholly owned subsidiary of Distributing, has been directly engaged in Business B and Business C throughout the Preceding Five Year Period. Sub 7 wholly owns or will wholly own all of the stock of several subsidiaries, including New Sub 7, Sub 8, Sub 9, Sub 10 and Sub 11. New Sub 7, Sub 10 and Sub 11 were formed for the purposes of the Proposed Transactions. Sub 10 and Sub 11 are disregarded entities for federal income tax purposes.

Sub 8 wholly owns Sub 12. Sub 12 wholly owns Sub 13 and Sub 14, which wholly owns Sub 15 and Sub 16. Sub 8 wholly owns Sub 17, which wholly owns Sub 18, Sub 19, and Sub 20.

Sub 9 is a Business H company and wholly owns Sub 21, Sub 22, and other subsidiaries.

Sub 21 is a Business H company and wholly owns Sub 23, Sub 24, Sub 25 and Sub 26, among other subsidiaries.

Sub 22 wholly owns Sub 28 and Sub 29.

Sub 23 has been directly engaged in Business E and Business F throughout the Preceding Five Year Period. Sub 23 wholly owns Sub 27, which was formed for the purpose of effecting the Proposed Transactions.

Sub 1, a wholly owned subsidiary of Distributing, owns and operates Business G through its wholly owned subsidiary Sub 2 and its other subsidiaries. Sub 2 has been directly engaged in Business G for the Preceding Five Year Period. Business G will be directly acquired by Controlled for federal income tax purposes as a result of the Sub 1 Merger and the Sub 2 Liquidation (both discussed below). Distributing acquired Sub 2 in Date 6 in a tax-free merger of Corporation Z with and into Sub 1, a then newly created subsidiary of Distributing. Prior to this merger, Corporation Z owned Sub 2 for the balance of the Preceding Five Year Period.

The taxpayer has submitted financial information indicating that each of Business A, Business B, Business C, Business D, Business E, Business F and Business G, as

conducted by Distributing or its relevant direct or indirect subsidiaries (or a predecessor thereof as described above), has had gross receipts and operating expenses representing the active conduct of a trade or business throughout the Preceding Five Year Period.

The employees performing services for Business A and Business B have been paid by, and may be considered to be employees of Sub 30, a wholly owned indirect subsidiary of Distributing. The employees performing services for Business D have been paid by, and may be considered to be employees of one of, Sub 31 and Sub 32, wholly owned indirect subsidiaries of Distributing, except that prior to Date 7, Sub 3 paid all or some of the employees of Business D directly and, prior to the Sub 3 Merger, Sub 3's predecessor paid all or some of the employees of Business D directly. The employees performing services for Business G have been paid by, and may be considered to be employees of Sub 33, a wholly owned subsidiary of Sub 2. Distributing and Sub 7 reimbursed Sub 30, Sub 3 reimbursed Sub 31 and Sub 32, and Sub 2 reimbursed Sub 33, in each case, for the cost of such employees. It is expected that the foregoing arrangements will continue after the Proposed Transactions when Sub 2 will have undergone an LLC Conversion (defined below) into Sub 2 LLC, a disregarded entity subsidiary of Controlled.

If the Proposed Transactions are not completed on or before Date 8, the employees of Sub 7 who, after the Proposed Transactions, will perform services for the Controlled Group, including the employees of the Business C, may be paid through (and may be considered employees of) a company that initially will be owned by Sub 7 and, in the Proposed Transactions, will become a subsidiary of New Sub 7. All other employees currently paid by Sub 7 may be paid by (and may be considered employees of) a second subsidiary of Sub 7 that will remain a subsidiary of Sub 7. In addition, if the Proposed Transactions do not close on or prior to Date 8, some or all of the employees of Business F may, as of Date 9, be paid through (and considered employees of) Sub 27 even though the assets and liabilities of Business F would not yet have been transferred.

Distributing has made the strategic decision to separate its businesses into distinct publicly-traded entities: Distributing and Controlled. Distributing believes that its businesses have inherently different growth characteristics and investment attributes that appeal to different types of investors. Distributing and its financial advisors expect that the separation of its businesses into distinct publicly-traded entities will result in the aggregate equity value of Distributing and Controlled, when analyzed on a fully distributed basis, exceeding the equity value of Distributing that would have been expected under the same market conditions if the separation had not occurred. In addition, Distributing and its financial advisors anticipate that the market will place a higher valuation multiple on Controlled, when analyzed on a fully distributed basis, than it would place on Distributing under the same market conditions. Moreover, Distributing and its financial advisors expect that the resulting anticipated increase in valuation multiple for Controlled would cause its equity to represent an attractive acquisition

currency that would permit Controlled to effect acquisitions, thereby facilitating a significant part of its business plan, in a manner that preserves capital with significantly less dilution of the existing shareholders' interest. Thus, Distributing and its financial advisors expect that this increase in valuation multiple and resulting attractive acquisition currency would have a real impact that would substantially benefit Controlled (the "Corporate Business Purpose").

## **II. Proposed Transactions**

The following transactions have been proposed:

### **A. The Preliminary Corporate Liquidations and Asset Transfers**

(1) Each of the following corporations (each, a "Converting Corporation") will be converted into a limited liability company through a state law conversion or merger with and into a limited liability company (an "LLC Conversion") in the following order with each resulting limited liability company being a disregarded entity for federal income tax purposes:

(i) Sub 24 (the "Sub 24 Liquidation", and the limited liability company, "Sub 24 LLC"), Sub 25 (the "Sub 25 Liquidation", and the limited liability company, "Sub 25 LLC") and Sub 26 (the "Sub 26 Liquidation", and the limited liability company, "Sub 26 LLC");

(ii) Sub 28 (the "Sub 28 Liquidation" and the limited liability company "Sub 28 LLC") and Sub 29 (the "Sub 29 Liquidation", and the limited liability company, "Sub 29 LLC"), and Sub 22 (the "Sub 22 Liquidation", and the limited liability company, "Sub 22 LLC");

(iii) Sub 21 (the "Sub 21 Liquidation", and the limited liability company, "Sub 21 LLC"); and

(iv) Sub 9 (the "Sub 9 Liquidation", and the limited liability company, "Sub 9 LLC").

(2) Sub 24 LLC will transfer its A Industry-related assets to Sub 26 LLC.

(3) Sub 26 LLC will transfer its B Industry-related assets to Sub 10.

(4) Sub 21 LLC will transfer the membership interests in Sub 24 LLC to Sub 25 LLC.

(5) Sub 25 LLC will transfer the stock of several of its corporate subsidiaries to Sub 21 LLC.

(6) Sub 28 LLC will transfer certain A Industry-related assets to Sub 11.

(7) Sub 29 LLC will transfer the stock of its wholly owned subsidiary, Sub 34, to Sub 11.

(8) Sub 22 LLC will transfer the stock of its wholly owned subsidiary, Sub 35, to Sub 11.

(9) Each of the following corporations (each, a “Converting Corporation”) will effect an LLC Conversion in the following order with each resulting limited liability company being a disregarded entity for federal income tax purposes:

(i) Sub 16 (the “Sub 16 Liquidation”, and the limited liability company, “Sub 16 LLC”);

(ii) Sub 15 (the “Sub 15 Liquidation”, and the limited liability company, “Sub 15 LLC”);

(iii) Sub 14 (the “Sub 14 Liquidation”, and the limited liability company, “Sub 14 LLC”);

(iv) Sub 13 (the “Sub 13 Liquidation”, and the limited liability company, “Sub 13 LLC”);

(v) Sub 12 (the “Sub 12 Liquidation”, and the limited liability company, “Sub 12 LLC”);

(vi) Sub 20 (the “Sub 20 Liquidation”, and the limited liability company, “Sub 20 LLC”);

(vii) Sub 19 (the “Sub 19 Liquidation”, and the limited liability company, “Sub 19 LLC”);

(viii) Sub 18 (the “Sub 18 Liquidation”, and the limited liability company, “Sub 18 LLC”);

(ix) Sub 17 (the “Sub 17 Liquidation”); and

(x) Sub 8 (the “Sub 8 Liquidation”).

(10) The following entities will transfer their B Industry-related assets to Sub 10: Sub 12 LLC (including its stock of a wholly-owned subsidiary), Sub 13 LLC, Sub 14 LLC, Sub 15 LLC, Sub 16 LLC, Sub 20 LLC, Sub 19 LLC, and Sub 18 LLC.

#### B. The Sub 3 Split

(1) Sub 6 will be merged with and into Sub 5, after which Sub 5 will own all of the outstanding Old Class C shares.

(2) Sub 3 will recapitalize its shares into rr shares of Series 1 common stock and ss shares of Series 2 common stock (the "Sub 3 Recapitalization"), which will be identical except for voting rights. The Series 1 shares will have tt votes per share and, as a class, will represent uu% of the voting power of Sub 3. The Series 2 shares will have vv vote per share and, as a class, will represent ww% of the total voting power of Sub 3.

(3) Pursuant to an exchange agreement among Distributing, Sub 4 and Sub 5 (the "Exchange Agreement"), Distributing will acquire all of the shares of Old Class C in exchange for all of the Series 1 shares of Sub 3 and a sufficient number of Series 2 shares of Sub 3 so that the fair market values exchanged are equal as of the date of the Exchange Agreement, based on valuations to be performed thereunder.

(4) Distributing will transfer any remaining Series 2 shares to Sub 5 through the following series of capital contributions: (i) a transfer of such shares to Sub 4 (the "Sub 4 Contribution") and (ii) a transfer by Sub 4 of such Sub 3 shares to Sub 5 (the "Sub 5 Contribution") (collectively, "the Sub 3 Capital Contributions").

(5) The Exchange Agreement will provide that if the fair market values as of the date of the Exchange Agreement are determined to be different than those used to determine the number of shares distributed and contributed, then the number of Series 2 shares distributed and contributed shall be deemed adjusted accordingly (such shares, as finally determined, the "Sub 3 Distributed Shares" and the "Sub 3 Contributed Shares" respectively).

The transactions described in this Section II.B. are referred to as the "Sub 3 Split".

### C. Intercompany Accounts

A number of corporations and other entities that will be owned by Distributing have intercompany accounts outstanding with corporations and other entities that will be owned by Controlled (including, in the latter case, Sub 23). These accounts (other than those arising in the ordinary course of business, which will continue to be settled in the ordinary course of business) will be settled prior to the Internal Spin-Offs described below by means of a combination of cash payments, assumptions of intercompany payables, or capital contributions of cash or of the intercompany receivables (some or all of the foregoing may, for administrative convenience, be implemented through book entries). All or a portion of these intercompany balances may represent equity, rather than debt, for federal income tax purposes or simply be the result of accounting entries without any legal or federal income tax significance.

### D. Intercompany Transactions

As part of the Proposed Transactions, Distributing and Controlled and their respective subsidiaries will enter into several types of intercompany agreements and other arrangements (all intercompany agreements and arrangements between the

Distributing Group and the Controlled Group and the subject matter thereof are collectively referred to as “Intercompany Transactions”) that will govern ongoing relationships between Distributing and Controlled following consummation of the Proposed Transactions. Intercompany Transactions include agreements related to the Proposed Transactions (primarily the Separation Agreement (described below), the Tax Matters Agreement (described below) and a transition services agreement), and agreements relating to ongoing arrangements (including A Agreements, B Agreements, C Agreements, D Agreements, and E Agreements). Intercompany Transactions will include (i) the provision of services or lease payments at cost and, in some cases, royalty-free licenses that permit business units owned by one group to use their existing names for a limited period of time even though the right to use that name will generally belong to the other group and (ii) arrangements pursuant to which the Controlled Group and the Distributing Group will be allowed to use certain “mixed” assets, which relate to the businesses conducted by both groups, and such arrangements may not include specific royalties.

Controlled and Distributing will enter into a separation agreement (the “Separation Agreement”), which will contain the key provisions required to effect the separation of Distributing into the Distributing Group and Controlled Group. The Separation Agreement will identify assets to be transferred, liabilities to be assumed and contracts to be assigned to the Controlled Group by the Distributing Group and to Distributing Group by Controlled Group in the Proposed Transactions, and will describe when and how these transfers, assumptions and assignments will occur. The Separation Agreement will also contain certain provisions regarding indemnification, expense sharing, employee matters, legal matters and limitations on certain acquisitions by the companies following the Proposed Transactions, among others.

Distributing and Controlled will also enter into a tax matters agreement (the “Tax Matters Agreement”), which will set forth the responsibilities of Controlled and Distributing with respect to, among other things, liabilities for federal, state, local and foreign income and certain other taxes for periods before and including the External Spin-Off (described below), the preparation and filing of tax returns related to such taxes for such periods, and disputes with taxing authorities regarding such taxes for such periods.

Among the payments that may be required to be made pursuant to the Separation Agreement or the Tax Matters Agreement are payments between the Distributing Group and the Controlled Group after the date of the External Spin-Off with respect to obligations or liabilities, including potential liabilities relating to the Proposed Transactions and taxes, arising in or relating to periods (or portions thereof) ending on or before or which include the date of the External Spin-Off (obligations to make these payments (other than with respect to interest that relates to periods (or portions thereof) after the date of the External Spin-Off (described below) are collectively referred to as the “Pre-Separation Liabilities”).

Individual X will retain control of the majority of the voting stock through his control of Corporation X and will be chairman of the board of directors of Controlled and Distributing. Individual Y, who is Vice Chairman of Distributing, is expected to become the non-executive vice chairman of the boards of both corporations. In addition to Individual X and Individual Y, Controlled and Distributing will have one or more additional overlapping directors, at least one overlapping senior executive officer, and some shared employees. The overlapping directors will constitute a minority of the board for each corporation.

#### E. The Internal Spin-Offs

##### 1. The Sub 27 Spin-Off

Sub 23 will contribute the assets of its Business F and certain other assets (the "Sub 27 Assets") to Sub 27, which will also assume certain related liabilities (the "Sub 27 Contribution"). Sub 23 will then distribute all of the stock of Sub 27 to Sub 7 (the "Sub 27 Distribution" and together with the Sub 27 Contribution, the "Sub 27 Spin-Off"). References to Sub 7 included herein include limited liability companies that are wholly owned disregarded entities of Sub 7.

##### 2. The Sub 23 Spin-Off

After the Sub 27 Spin-Off, Sub 7 will distribute all of the stock of Sub 23 to Distributing (the "Sub 23 Spin-Off").

##### 3. The New Sub 7 Spin-Off

Sub 7 will contribute the assets related to the Business C, and the stock and membership interests in Sub 10, Sub 22 LLC, Sub 25 LLC and certain other subsidiaries and assets (the "New Sub 7 Assets") to New Sub 7, which will also assume certain liabilities (the "New Sub 7 Contribution"). Sub 7 will then distribute all of the stock of New Sub 7 to Distributing (the "New Sub 7 Distribution" and together with the New Sub 7 Contribution, the "New Sub 7 Spin-Off").

##### 4. The External Spin-Off

###### a. Transfer of Assets and Liabilities to Controlled and Incurrence of Debt

Pursuant to the Separation Agreement, Distributing will contribute to Controlled the following assets: (i) all of the stock of New Sub 7 and Sub 23 and (ii) any other assets and stock of subsidiaries that it holds that are properly allocable to the Controlled group of companies (collectively, the "Controlled Assets"). Controlled will also assume certain liabilities related to such assets contributed, as well as liabilities relating to certain discontinued operations and disposed-of businesses, all or a portion of certain potential liabilities relating to the proposed transactions and certain other liabilities specified in

the Separation Agreement (such contributions and assumptions, the “Controlled Contribution”). Controlled will incur between \$xx-yy of new indebtedness and will make a cash distribution of some or all of the proceeds of such indebtedness in connection with the Proposed Transactions. In addition to proceeds of indebtedness distributed by Controlled immediately prior to the External Spin-Off (as defined below), Distributing may receive other cash from Controlled as part of the Proposed Transactions, including amounts that may be paid after the closing of the Distributing Merger as a post-closing adjustment, under the Separation Agreement or the Tax Matters Agreement. Amounts equal to all such cash amounts received in connection with the Proposed Transactions, including amounts relating to Pre-Separation Liabilities, except for amounts treated as the Controlled Group’s share of consolidated federal income taxes pursuant to Section 1552 and the regulations thereunder, are referred to herein as the “Controlled Cash”). Distributing will use some of the Controlled Cash to make payments (i) to its shareholders as dividends or repurchases of stock, (ii) to its creditors in repayment of debt or in repurchase of its debt in the market or in private transactions and (iii) except for amounts treated as the Controlled Group’s share of consolidated federal income taxes pursuant to Section 1552 and the regulations thereunder, to other third parties (including tax authorities) in respect of Pre-Separation Liabilities governed by the Separation Agreement and the Tax Matters Agreement. The uses of the Controlled Cash described above are herein referred to as the “Permitted Uses.” Distributing does not expect to segregate the Controlled Cash and thus the references to Controlled Cash and uses thereof are to an equivalent amount of cash. Transfers of some or all of the Controlled Cash for the Permitted Uses will occur (x) in the case of Permitted Uses described in clauses (i) and (ii) of the definition of Permitted Uses, subject to clause (y), below, within one year of the closing of the Proposed Transactions, (y) in the case of the X Notes (if not earlier repurchased), at maturity (Date 10) or (z) in the case of payments made in respect of Pre-Separation Liabilities, within a reasonable period ending after the date on which the Pre-Separation Liability becomes fixed and payable (with respect to each Permitted Use, such amount of time is referred to as the applicable “Permitted Time Frame”).

b. Sub 1 Merger and Sub 2 Liquidation

Sub 1 will merge directly with and into Sub 1 LLC, with Sub 1 LLC surviving as a wholly owned disregarded entity of Controlled (the “Sub 1 Merger”). Sub 2 will merge directly with and into Sub 2 LLC, with Sub 2 LLC surviving as a wholly owned disregarded entity of Controlled (the “Sub 2 Liquidation”).

c. The Controlled Spin-Off

A transitory merger subsidiary wholly owned by Distributing (“Merger Sub”), will be merged with and into Distributing (“Distributing Merger”). In the merger, Distributing shareholders will exchange each share of Old Class A and Old Class B for (i) the right to receive zz of a share of Distributing Class 1 and aaa of a share of Distributing Class 2, respectively (the “Distributing Recapitalization”) and (ii) the right to receive zz of a

share of Controlled Class A and a share of Controlled Class B, respectively (the “Controlled Distribution”, and, together with the Controlled Contribution, the “External Spin-Off”). Holders of the Controlled Class A and Controlled Class B shares are referred to as the “Controlled Shareholders.” The Controlled shares will be issued directly by Controlled to the Distributing shareholders and the Controlled Class A shares held by Distributing will be cancelled. The Distributing Class 1 and Distributing Class 2 shares to be issued in the Distributing Recapitalization will be identical to the currently outstanding Old Class A and Old Class B shares, except that (a) their CUSIP numbers and par values per share will be different, (b) Distributing’s corporate name will change, and (c) on a distribution of stock or securities of Distributing or another entity, Controlled may distribute stock or securities of different classes to holders of Distributing Class 1 shares and to holders of Distributing Class 2 shares where the differences relate to voting rights or other matters consistent with the differences between shares of Distributing Class 1 and Distributing Class 2. No fractional shares will be issued in the Distributing Merger. Instead, holders of either class of Distributing common stock will receive cash in lieu of fractional shares of Controlled Class A, Controlled Class B, Distributing Class 1 or Distributing Class 2 as follows. An exchange agent, acting as agent for the Distributing stockholders entitled to receive cash in lieu of fractional shares, will aggregate all fractional shares and cause them to be sold in the open market for the account of these stockholders. The proceeds that the exchange agent may realize from the sale of the fractional shares will be distributed, net of withholding taxes and commissions, to each stockholder entitled thereto in accordance with the stockholder’s fractional interest. The expenses of the exchange agent will be paid by Distributing and/or Controlled. Also, in the Distributing Merger, unexercised options to purchase shares of Old Class B and restricted share units held by employees or other service providers will be converted in a manner designed to preserve their intrinsic value into similar instruments issued by the Controlled and/or Distributing, as the case may be, generally depending, in the case of current employees, on the identity of the company to which they will provide services.

### **III. Representations and Rulings**

A. The taxpayer has made the following representations with respect to each LLC Conversion:

(a) The shareholder of the Converting Corporation (the “Shareholder”), on the date of adoption of the plan of LLC Conversion, and at all times until the LLC Conversion is completed, will be the owner of at least 80 percent of the single outstanding class of stock of the Converting Corporation.

(b) No shares of stock of the Converting Corporation will have been redeemed during the 3 years preceding the adoption of the plan of LLC Conversion of the Converting Corporation.

(c) The plan of LLC Conversion will be completed within a single taxable year of the Converting Corporation.

(d) When the LLC Conversion occurs, the Converting Corporation will cease to exist for federal income tax purposes.

(e) The Converting Corporation will not have acquired assets in any nontaxable transaction at any time, except for acquisitions occurring more than 3 years prior to the date of adoption of the plan of LLC Conversion or in connection with the Proposed Transactions or in liquidations under Section 332.

(f) There is no plan to dispose of any assets of the Converting Corporation by either the Converting Corporation or the Shareholder except for dispositions in the ordinary course of business, dispositions in connection with the Proposed Transactions, payment of principal and interest on indebtedness and lending of money.

(g) Prior to adoption of the plan of LLC Conversion, no assets of the Converting Corporation will have been distributed in kind, transferred, or sold to the Shareholder, except for (i) transactions occurring in the ordinary course of business, (ii) transactions occurring more than 3 years prior to adoption of the plan of LLC Conversion, (iii) transactions in connection with the Proposed Transactions and (iv) the payment of principal and interest on indebtedness or lending of money.

(h) The Converting Corporation will report all earned income represented by assets that will be distributed to its shareholders such as receivables being reported on a cash basis, unfinished construction contracts, commissions due, etc.

(i) The fair market value of the assets of the Converting Corporation will exceed its liabilities both at the date of the adoption of the plan of LLC Conversion and immediately before the LLC Conversion.

(j) The Shareholder is not an organization that is exempt from federal income tax under Section 501 or any other provision of the Code.

(k) All other transactions undertaken contemporaneously with, in anticipation of, in conjunction with, or in any way related to, the proposed LLC Conversion of the Converting Corporation have been fully disclosed.

(l) To the best knowledge of the management of Distributing, except for the deemed transfer of certain assets pursuant to other LLC Conversions that are part of the Proposed Transactions, the LLC Conversion of the Converting Corporation will not be preceded or followed by the reincorporation in, or transfer

or sale to a recipient corporation (a "Recipient") of any of the business or assets of the Converting Corporation, if after the Proposed Transactions persons holding, directly or indirectly, more than 20 percent in the value of the stock of the Converting Corporation also hold, directly or indirectly, more than 20 percent of the value of the stock in Recipient. For purposes of this representation, the ownership of a corporation is determined by the application of the constructive ownership rules of Section 318(a) as modified by Section 304(c)(3). For purposes of this representation, the value of the Old Class A, Old Class B, Controlled Class A, Controlled Class B, Distributing Class 1 and Distributing Class 2 shares are assumed to be their Exchange X trading prices and stock owned by regulated investment companies as defined in Section 851 ("Mutual Funds") will not be taken into account.

(m) Except for intercorporate debt that will be extinguished in the LLC Conversion, no intercorporate debt between the Converting Corporation and the Shareholder has been canceled, forgiven or discounted, except for transactions that occurred more than three years before the date of adoption of the plan of LLC Conversion.

B. Based solely on the information submitted and the representations set forth above, we rule as follows with respect to the Sub 24 Liquidation:

1. The Sub 24 Liquidation will constitute a complete liquidation of Sub 24 under Section 332 and Treasury Regulation Section 1.332-2(d).
2. No gain or loss will be recognized by Sub 21 or Sub 24 as a result of the Sub 24 Liquidation. Sections 332(a), 336(d)(3), 337(a) and 337(b). No gain or loss will be recognized by Sub 24 with respect to any indebtedness owed to Sub 21 that is satisfied in the Sub 24 Liquidation. Section 337(b)(1).
3. Sub 21's basis in each asset received from Sub 24 in the Sub 24 Liquidation will be the same as the basis of that asset in the hands of Sub 24 immediately before the Sub 24 Liquidation. Section 334(b)(1).
4. Sub 21's holding period in each asset received from Sub 24 in the Sub 24 Liquidation will include the period during which that asset was held by Sub 24. Section 1223(2).
5. Sub 21 will succeed to and take into account the items of Sub 24 described in Section 381(c), subject to the conditions and limitations specified in Sections 381, 382, 383, and 384 and the regulations thereunder. Section 381(a) and Treasury Regulation Section 1.381(a)-1.
6. Except to the extent Sub 24's earnings and profits are reflected in Sub 21's earnings and profits, Sub 21 will succeed to and take into account the earnings

and profits, or deficit in earnings and profits, of Sub 24 as of the date of the Sub 24 Liquidation. Section 381(c)(2)(A) and Treasury Regulation Sections 1.381(c)(2)-1 and 1.1502-33(a)(2).

7. Any deficit in earnings and profits of Sub 24 will be used only to offset earnings and profits accumulated after the date of the Sub 24 Liquidation. Section 381(c)(2)(B).

C. Based solely on the information submitted and the representations set forth above, we rule as follows with respect to the Sub 25 Liquidation:

1. The Sub 25 Liquidation will constitute a complete liquidation of Sub 25 under Section 332 and Treasury Regulation Section 1.332-2(d).

2. No gain or loss will be recognized by Sub 21 or Sub 25 as a result of the Sub 25 Liquidation. Sections 332(a), 336(d)(3), 337(a) and 337(b). No gain or loss will be recognized by Sub 25 with respect to any indebtedness owed to Sub 21 that is satisfied in the Sub 25 Liquidation. Section 337(b)(1).

3. Sub 21's basis in each asset received from Sub 25 in the Sub 25 Liquidation will be the same as the basis of that asset in the hands of Sub 25 immediately before the Sub 25 Liquidation. Section 334(b)(1).

4. Sub 21's holding period in each asset received from Sub 25 in the Sub 25 Liquidation will include the period during which that asset was held by Sub 25. Section 1223(2).

5. Sub 21 will succeed to and take into account the items of Sub 25 described in Section 381(c), subject to the conditions and limitations specified in Sections 381, 382, 383, and 384 and the regulations thereunder. Section 381(a) and Treasury Regulation Section 1.381(a)-1.

6. Except to the extent Sub 25's earnings and profits are reflected in Sub 21's earnings and profits, Sub 21 will succeed to and take into account the earnings and profits, or deficit in earnings and profits, of Sub 25 as of the date of the Sub 25 Liquidation. Section 381(c)(2)(A) and Treasury Regulation Sections 1.381(c)(2)-1 and 1.1502-33(a)(2).

7. Any deficit in earnings and profits of Sub 25 will be used only to offset earnings and profits accumulated after the date of the Sub 25 Liquidation. Section 381(c)(2)(B).

D. Based solely on the information submitted and the representations set forth above, we rule as follows with respect to the Sub 26 Liquidation:

1. The Sub 26 will constitute a complete liquidation of Sub 26 under Section 332 and Treasury Regulation Section 1.332-2(d).

2. No gain or loss will be recognized by Sub 21 or Sub 26 as a result of the Sub 26 Liquidation. Sections 332(a), 336(d)(3), 337(a) and 337(b). No gain or loss will be recognized by Sub 26 with respect to any indebtedness owed to Sub 21 that is satisfied in the Sub 26 Liquidation. Section 337(b)(1).

3. Sub 21's basis in each asset received from Sub 26 in the Sub 26 Liquidation will be the same as the basis of that asset in the hands of Sub 26 immediately before the Sub 26 Liquidation. Section 334(b)(1).

4. Sub 21's holding period in each asset received from Sub 26 in the Sub 26 Liquidation will include the period during which that asset was held by Sub 26. Section 1223(2).

5. Sub 21 will succeed to and take into account the items of Sub 26 described in Section 381(c), subject to the conditions and limitations specified in Sections 381, 382, 383, and 384 and the regulations thereunder. Section 381(a) and Treasury Regulation Section 1.381(a)-1.

6. Except to the extent Sub 26's earnings and profits are reflected in Sub 21's earnings and profits, Sub 21 will succeed to and take into account the earnings and profits, or deficit in earnings and profits, of Sub 26 as of the date of the Sub 26 Liquidation. Section 381(c)(2)(A) and Treasury Regulation Sections 1.381(c)(2)-1 and 1.1502-33(a)(2).

7. Any deficit in earnings and profits of Sub 26 will be used only to offset earnings and profits accumulated after the date of the Sub 26 Liquidation. Section 381(c)(2)(B).

E. Based solely on the information submitted and the representations set forth above, we rule as follows with respect to the Sub 28 Liquidation:

1. The Sub 28 Liquidation will constitute a complete liquidation of Sub 28 under Section 332 and Treasury Regulation Section 1.332-2(d).

2. No gain or loss will be recognized by Sub 22 or Sub 28 as a result of the Sub 28 Liquidation. Sections 332(a), 336(d)(3), 337(a) and 337(b). No gain or loss will be recognized by Sub 28 with respect to any indebtedness owed to Sub 22 that is satisfied in the Sub 28 Liquidation. Section 337(b)(1).

3. Sub 22's basis in each asset received from Sub 28 in the Sub 28 Liquidation will be the same as the basis of that asset in the hands of Sub 28 immediately before the Sub 28 Liquidation. Section 334(b)(1).

4. Sub 22's holding period in each asset received from Sub 28 in the Sub 28 Liquidation will include the period during which that asset was held by Sub 28. Section 1223(2).

5. Sub 22 will succeed to and take into account the items of Sub 28 described in Section 381(c), subject to the conditions and limitations specified in Sections 381, 382, 383, and 384 and the regulations thereunder. Section 381(a) and Treasury Regulation Section 1.381(a)-1.

6. Except to the extent Sub 28's earnings and profits are reflected in Sub 22's earnings and profits, Sub 22 will succeed to and take into account the earnings and profits, or deficit in earnings and profits, of Sub 28 as of the date of the Sub 28 Liquidation. Section 381(c)(2)(A) and Treasury Regulation Sections 1.381(c)(2)-1 and 1.1502-33(a)(2).

7. Any deficit in earnings and profits of Sub 28 will be used only to offset earnings and profits accumulated after the date of the Sub 28 Liquidation. Section 381(c)(2)(B).

F. Based solely on the information submitted and the representations set forth above, we rule as follows with respect to the Sub 29 Liquidation:

1. The Sub 29 Liquidation will constitute a complete liquidation of Sub 29 under Section 332 and Treasury Regulation Section 1.332-2(d).

2. No gain or loss will be recognized by Sub 22 or Sub 29 as a result of the Sub 29 Liquidation. Sections 332(a), 336(d)(3), 337(a) and 337(b). No gain or loss will be recognized by Sub 29 with respect to any indebtedness owed to Sub 22 that is satisfied in the Sub 29 Liquidation. Section 337(b)(1).

3. Sub 22's basis in each asset received from Sub 29 in the Sub 29 Liquidation will be the same as the basis of that asset in the hands of Sub 29 immediately before the Sub 29 Liquidation. Section 334(b)(1).

4. Sub 22's holding period in each asset received from Sub 29 in the Sub 29 Liquidation will include the period during which that asset was held by Sub 29. Section 1223(2).

5. Sub 22 will succeed to and take into account the items of Sub 29 described in Section 381(c), subject to the conditions and limitations specified in Sections 381, 382, 383, and 384 and the regulations thereunder. Section 381(a) and Treasury Regulation Section 1.381(a)-1.

6. Except to the extent Sub 29's earnings and profits are reflected in Sub 22's earnings and profits, Sub 22 will succeed to and take into account the earnings

and profits, or deficit in earnings and profits, of Sub 29 as of the date of the Sub 29 Liquidation. Section 381(c)(2)(A) and Treasury Regulation Sections 1.381(c)(2)-1 and 1.1502-33(a)(2).

7. Any deficit in earnings and profits of Sub 29 will be used only to offset earnings and profits accumulated after the date of the Sub 29 Liquidation. Section 381(c)(2)(B).

G. Based solely on the information submitted and the representations set forth above, we rule as follows with respect to the Sub 22 Liquidation:

1. The Sub 22 Liquidation will constitute a complete liquidation of Sub 22 under Section 332 and Treasury Regulation Section 1.332-2(d).

2. No gain or loss will be recognized by Sub 22 or Sub 9 as a result of the Sub 22 Liquidation. Sections 332(a), 336(d)(3), 337(a) and 337(b). No gain or loss will be recognized by Sub 22 with respect to any indebtedness owed to Sub 9 that is satisfied in the Sub 22 Liquidation. Section 337(b)(1).

3. Sub 9's basis in each asset received from Sub 22 in the Sub 22 Liquidation will be the same as the basis of that asset in the hands of Sub 22 immediately before the Sub 22 Liquidation. Section 334(b)(1).

4. Sub 9's holding period in each asset received from Sub 22 in the Sub 22 Liquidation will include the period during which that asset was held by Sub 22. Section 1223(2).

5. Sub 9 will succeed to and take into account the items of Sub 22 described in Section 381(c), subject to the conditions and limitations specified in Sections 381, 382, 383, and 384 and the regulations thereunder. Section 381(a) and Treasury Regulation Section 1.381(a)-1.

6. Except to the extent Sub 22's earnings and profits are reflected in Sub 9's earnings and profits, Sub 9 will succeed to and take into account the earnings and profits, or deficit in earnings and profits, of Sub 22 as of the date of the Sub 22 Liquidation. Section 381(c)(2)(A) and Treasury Regulation Sections 1.381(c)(2)-1 and 1.1502-33(a)(2).

7. Any deficit in earnings and profits of Sub 22 will be used only to offset earnings and profits accumulated after the date of the Sub 22 Liquidation. Section 381(c)(2)(B).

H. Based solely on the information submitted and the representations set forth above, we rule as follows with respect to the Sub 21 Liquidation:

1. The Sub 21 Liquidation will constitute a complete liquidation of Sub 21 under Section 332 and Treasury Regulation Section 1.332-2(d).
  2. No gain or loss will be recognized by Sub 9 or Sub 21 as a result of the Sub 21 Liquidation. Sections 332(a), 336(d)(3), 337(a) and 337(b). No gain or loss will be recognized by Sub 21 with respect to any indebtedness owed to Sub 9 that is satisfied in the Sub 21 Liquidation. Section 337(b)(1).
  3. Sub 9's basis in each asset received from Sub 21 in the Sub 21 Liquidation will be the same as the basis of that asset in the hands of Sub 21 immediately before the Sub 21 Liquidation. Section 334(b)(1).
  4. Sub 9's holding period in each asset received from Sub 21 in the Sub 21 Liquidation will include the period during which that asset was held by Sub 21. Section 1223(2).
  5. Sub 9 will succeed to and take into account the items of Sub 21 described in Section 381(c), subject to the conditions and limitations specified in Sections 381, 382, 383, and 384 and the regulations thereunder. Section 381(a) and Treasury Regulation Section 1.381(a)-1.
  6. Except to the extent Sub 21's earnings and profits are reflected in Sub 9's earnings and profits, Sub 9 will succeed to and take into account the earnings and profits, or deficit in earnings and profits, of Sub 21 as of the date of the Sub 21 Liquidation. Section 381(c)(2)(A) and Treasury Regulation Sections 1.381(c)(2)-1 and 1.1502-33(a)(2).
  7. Any deficit in earnings and profits of Sub 21 will be used only to offset earnings and profits accumulated after the date of the Sub 21 Liquidation. Section 381(c)(2)(B).
- I. Based solely on the information submitted and the representations set forth above, we rule as follows with respect to the Sub 9 Liquidation:

1. The Sub 9 Liquidation will constitute a complete liquidation of Sub 9 under Section 332 and Treasury Regulation Section 1.332-2(d).
2. No gain or loss will be recognized by Sub 7 or Sub 9 as a result of the Sub 9 Liquidation. Sections 332(a), 336(d)(3), 337(a) and 337(b). No gain or loss will be recognized by Sub 9 with respect to any indebtedness owed to Sub 7 that is satisfied in the Sub 9 Liquidation. Section 337(b)(1).
3. Sub 7's basis in each asset received from Sub 9 in the Sub 9 Liquidation will be the same as the basis of that asset in the hands of Sub 9 immediately before the Sub 9 Liquidation. Section 334(b)(1).

4. Sub 7's holding period in each asset received from Sub 9 in the Sub 9 Liquidation will include the period during which that asset was held by Sub 9. Section 1223(2).

5. Sub 7 will succeed to and take into account the items of Sub 9 described in Section 381(c), subject to the conditions and limitations specified in Sections 381, 382, 383, and 384 and the regulations thereunder. Section 381(a) and Treasury Regulation Section 1.381(a)-1.

6. Except to the extent Sub 9's earnings and profits are reflected in Sub 7's earnings and profits, Sub 7 will succeed to and take into account the earnings and profits, or deficit in earnings and profits, of Sub 9 as of the date of the Sub 9 Liquidation. Section 381(c)(2)(A) and Treasury Regulation Sections 1.381(c)(2)-1 and 1.1502-33(a)(2).

7. Any deficit in earnings and profits of Sub 9 will be used only to offset earnings and profits accumulated after the date of the Sub 9 Liquidation. Section 381(c)(2)(B).

J. Based solely on the information submitted and the representations set forth above, we rule as follows with respect to the Sub 15 Liquidation:

1. The Sub 15 Liquidation will constitute a complete liquidation of Sub 15 under Section 332 and Treasury Regulation Section 1.332-2(d).

2. No gain or loss will be recognized by Sub 14 or Sub 15 as a result of the Sub 15 Liquidation. Sections 332(a), 336(d)(3), 337(a) and 337(b). No gain or loss will be recognized by Sub 15 with respect to any indebtedness owed to Sub 14 that is satisfied in the Sub 15 Liquidation. Section 337(b)(1).

3. Sub 14's basis in each asset received from Sub 15 in the Sub 15 Liquidation will be the same as the basis of that asset in the hands of Sub 15 immediately before the Sub 15 Liquidation. Section 334(b)(1).

4. Sub 14's holding period in each asset received from Sub 15 in the Sub 15 Liquidation will include the period during which that asset was held by Sub 15. Section 1223(2).

5. Sub 14 will succeed to and take into account the items of Sub 15 described in Section 381(c), subject to the conditions and limitations specified in Sections 381, 382, 383, and 384 and the regulations thereunder. Section 381(a) and Treasury Regulation Section 1.381(a)-1.

6. Except to the extent Sub 15's earnings and profits are reflected in Sub 14's earnings and profits, Sub 14 will succeed to and take into account the earnings

and profits, or deficit in earnings and profits, of Sub 15 as of the date of the Sub 15 Liquidation. Section 381(c)(2)(A) and Treasury Regulation Sections 1.381(c)(2)-1 and 1.1502-33(a)(2).

7. Any deficit in earnings and profits of Sub 15 will be used only to offset earnings and profits accumulated after the date of the Sub 15 Liquidation. Section 381(c)(2)(B).

K. Based solely on the information submitted and the representations set forth above, we rule as follows with respect to the Sub 16 Liquidation:

1. The Sub 16 Liquidation will constitute a complete liquidation of Sub 16 under Section 332 and Treasury Regulation Section 1.332-2(d).

2. No gain or loss will be recognized by Sub 14 or Sub 16 as a result of the Sub 16 Liquidation. Sections 332(a), 336(d)(3), 337(a) and 337(b). No gain or loss will be recognized by Sub 16 with respect to any indebtedness owed to Sub 14 that is satisfied in the Sub 16 Liquidation. Section 337(b)(1).

3. Sub 14's basis in each asset received from Sub 16 in the Sub 16 Liquidation will be the same as the basis of that asset in the hands of Sub 16 immediately before the Sub 16 Liquidation. Section 334(b)(1).

4. Sub 14's holding period in each asset received from Sub 16 in the Sub 16 Liquidation will include the period during which that asset was held by Sub 16. Section 1223(2).

5. Sub 14 will succeed to and take into account the items of Sub 16 described in Section 381(c), subject to the conditions and limitations specified in Sections 381, 382, 383, and 384 and the regulations thereunder. Section 381(a) and Treasury Regulation Section 1.381(a)-1.

6. Except to the extent Sub 16's earnings and profits are reflected in Sub 14's earnings and profits, Sub 14 will succeed to and take into account the earnings and profits, or deficit in earnings and profits, of Sub 16 as of the date of the Sub 16 Liquidation. Section 381(c)(2)(A) and Treasury Regulation Sections 1.381(c)(2)-1 and 1.1502-33(a)(2).

7. Any deficit in earnings and profits of Sub 16 will be used only to offset earnings and profits accumulated after the date of the Sub 16 Liquidation. Section 381(c)(2)(B).

L. Based solely on the information submitted and the representations set forth above, we rule as follows with respect to the Sub 14 Liquidation:

1. The Sub 14 Liquidation will constitute a complete liquidation of Sub 14 under Section 332 and Treasury Regulation Section 1.332-2(d).
2. No gain or loss will be recognized by Sub 12 or Sub 14 as a result of the Sub 14 Liquidation. Sections 332(a), 336(d)(3), 337(a) and 337(b). No gain or loss will be recognized by Sub 14 with respect to any indebtedness owed to Sub 12 that is satisfied in the Sub 14 Liquidation. Section 337(b)(1).
3. Sub 12's basis in each asset received from Sub 14 in the Sub 14 Liquidation will be the same as the basis of that asset in the hands of Sub 14 immediately before the Sub 14 Liquidation. Section 334(b)(1).
4. Sub 12's holding period in each asset received from Sub 14 in the Sub 14 Liquidation will include the period during which that asset was held by Sub 14. Section 1223(2).
5. Sub 12 will succeed to and take into account the items of Sub 14 described in Section 381(c), subject to the conditions and limitations specified in Sections 381, 382, 383, and 384 and the regulations thereunder. Section 381(a) and Treasury Regulation Section 1.381(a)-1.
6. Except to the extent Sub 14's earnings and profits are reflected in Sub 12's earnings and profits, Sub 12 will succeed to and take into account the earnings and profits, or deficit in earnings and profits, of Sub 14 as of the date of the Sub 14 Liquidation. Section 381(c)(2)(A) and Treasury Regulation Sections 1.381(c)(2)-1 and 1.1502-33(a)(2).
7. Any deficit in earnings and profits of Sub 14 will be used only to offset earnings and profits accumulated after the date of the Sub 14 Liquidation. Section 381(c)(2)(B).

M. Based solely on the information submitted and the representations set forth above, we rule as follows with respect to the Sub 13 Liquidation:

1. The Sub 13 Liquidation will constitute a complete liquidation of Sub 13 under Section 332 and Treasury Regulation Section 1.332-2(d).
2. No gain or loss will be recognized by Sub 12 or Sub 13 as a result of the Sub 13 Liquidation. Sections 332(a), 336(d)(3), 337(a) and 337(b). No gain or loss will be recognized by Sub 13 with respect to any indebtedness owed to Sub 12 that is satisfied in the Sub 13 Liquidation. Section 337(b)(1).
3. Sub 12's basis in each asset received from Sub 13 in the Sub 13 Liquidation will be the same as the basis of that asset in the hands of Sub 13 immediately before the Sub 13 Liquidation. Section 334(b)(1).

4. Sub 12's holding period in each asset received from Sub 13 in the Sub 13 Liquidation will include the period during which that asset was held by Sub 13. Section 1223(2).

5. Sub 12 will succeed to and take into account the items of Sub 13 described in Section 381(c), subject to the conditions and limitations specified in Sections 381, 382, 383, and 384 and the regulations thereunder. Section 381(a) and Treasury Regulation Section 1.381(a)-1.

6. Except to the extent Sub 13's earnings and profits are reflected in Sub 12's earnings and profits, Sub 12 will succeed to and take into account the earnings and profits, or deficit in earnings and profits, of Sub 13 as of the date of the Sub 13 Liquidation. Section 381(c)(2)(A) and Treasury Regulation Sections 1.381(c)(2)-1 and 1.1502-33(a)(2).

7. Any deficit in earnings and profits of Sub 13 will be used only to offset earnings and profits accumulated after the date of the Sub 13 Liquidation. Section 381(c)(2)(B).

N. Based solely on the information submitted and the representations set forth above, we rule as follows with respect to the Sub 12 Liquidation:

1. The Sub 12 Liquidation will constitute a complete liquidation of Sub 12 under Section 332 and Treasury Regulation Section 1.332-2(d).

2. No gain or loss will be recognized by Sub 8 or Sub 12 as a result of the Sub 12 Liquidation. Sections 332(a), 336(d)(3), 337(a) and 337(b). No gain or loss will be recognized by Sub 12 with respect to any indebtedness owed to Sub 8 that is satisfied in the Sub 12 Liquidation. Section 337(b)(1).

3. Sub 8's basis in each asset received from Sub 12 in the Sub 12 Liquidation will be the same as the basis of that asset in the hands of Sub 12 immediately before the Sub 12 Liquidation. Section 334(b)(1).

4. Sub 8's holding period in each asset received from Sub 12 in the Sub 12 Liquidation will include the period during which that asset was held by Sub 12. Section 1223(2).

5. Sub 8 will succeed to and take into account the items of Sub 12 described in Section 381(c), subject to the conditions and limitations specified in Sections 381, 382, 383, and 384 and the regulations thereunder. Section 381(a) and Treasury Regulation Section 1.381(a)-1.

6. Except to the extent Sub 12's earnings and profits are reflected in Sub 8's earnings and profits, Sub 8 will succeed to and take into account the earnings

and profits, or deficit in earnings and profits, of Sub 12 as of the date of the Sub 12 Liquidation. Section 381(c)(2)(A) and Treasury Regulation Sections 1.381(c)(2)-1 and 1.1502-33(a)(2).

7. Any deficit in earnings and profits of Sub 12 will be used only to offset earnings and profits accumulated after the date of the Sub 12 Liquidation. Section 381(c)(2)(B).

O. Based solely on the information submitted and the representations set forth above, we rule as follows with respect to the Sub 20 Liquidation:

1. The Sub 20 Liquidation will constitute a complete liquidation of Sub 20 under Section 332 and Treasury Regulation Section 1.332-2(d).

2. No gain or loss will be recognized by Sub 17 or Sub 20 as a result of the Sub 20 Liquidation. Sections 332(a), 336(d)(3), 337(a) and 337(b). No gain or loss will be recognized by Sub 20 with respect to any indebtedness owed to Sub 17 that is satisfied in the Sub 20 Liquidation. Section 337(b)(1).

3. Sub 17's basis in each asset received from Sub 20 in the Sub 20 Liquidation will be the same as the basis of that asset in the hands of Sub 20 immediately before the Sub 20 Liquidation. Section 334(b)(1).

4. Sub 17's holding period in each asset received from Sub 20 in the Sub 20 Liquidation will include the period during which that asset was held by Sub 20. Section 1223(2).

5. Sub 17 will succeed to and take into account the items of Sub 20 described in Section 381(c), subject to the conditions and limitations specified in Sections 381, 382, 383, and 384 and the regulations thereunder. Section 381(a) and Treasury Regulation Section 1.381(a)-1.

6. Except to the extent Sub 20's earnings and profits are reflected in Sub 17's earnings and profits, Sub 17 will succeed to and take into account the earnings and profits, or deficit in earnings and profits, of Sub 20 as of the date of the Sub 20 Liquidation. Section 381(c)(2)(A) and Treasury Regulation Sections 1.381(c)(2)-1 and 1.1502-33(a)(2).

7. Any deficit in earnings and profits of Sub 20 will be used only to offset earnings and profits accumulated after the date of the Sub 20 Liquidation. Section 381(c)(2)(B).

P. Based solely on the information submitted and the representations set forth above, we rule as follows with respect to the Sub 19 Liquidation:

1. The Sub 19 Liquidation will constitute a complete liquidation of Sub 19 under Section 332 and Treasury Regulation Section 1.332-2(d).
2. No gain or loss will be recognized by Sub 17 or Sub 19 as a result of the Sub 19 Liquidation. Sections 332(a), 336(d)(3), 337(a) and 337(b). No gain or loss will be recognized by Sub 19 with respect to any indebtedness owed to Sub 17 that is satisfied in the Sub 19 Liquidation. Section 337(b)(1).
3. Sub 17's basis in each asset received from Sub 19 in the Sub 19 Liquidation will be the same as the basis of that asset in the hands of Sub 19 immediately before the Sub 19 Liquidation. Section 334(b)(1).
4. Sub 17's holding period in each asset received from Sub 19 in the Sub 19 Liquidation will include the period during which that asset was held by Sub 19. Section 1223(2).
5. Sub 17 will succeed to and take into account the items of Sub 19 described in Section 381(c), subject to the conditions and limitations specified in Sections 381, 382, 383, and 384 and the regulations thereunder. Section 381(a) and Treasury Regulation Section 1.381(a)-1.
6. Except to the extent Sub 19's earnings and profits are reflected in Sub 17's earnings and profits, Sub 17 will succeed to and take into account the earnings and profits, or deficit in earnings and profits, of Sub 19 as of the date of the Sub 19 Liquidation. Section 381(c)(2)(A) and Treasury Regulation Sections 1.381(c)(2)-1 and 1.1502-33(a)(2).
7. Any deficit in earnings and profits of Sub 19 will be used only to offset earnings and profits accumulated after the date of the Sub 19 Liquidation. Section 381(c)(2)(B).

Q. Based solely on the information submitted and the representations set forth above, we rule as follows with respect to the Sub 18 Liquidation:

1. The Sub 18 Liquidation will constitute a complete liquidation of Sub 18 under Section 332 and Treasury Regulation Section 1.332-2(d).
2. No gain or loss will be recognized by Sub 17 or Sub 18 as a result of the Sub 18 Liquidation. Sections 332(a), 336(d)(3), 337(a) and 337(b). No gain or loss will be recognized by Sub 18 with respect to any indebtedness owed to Sub 17 that is satisfied in the Sub 18 Liquidation. Section 337(b)(1).
3. Sub 17's basis in each asset received from Sub 18 in the Sub 18 Liquidation will be the same as the basis of that asset in the hands of Sub 18 immediately before the Sub 18 Liquidation. Section 334(b)(1).

4. Sub 17's holding period in each asset received from Sub 18 in the Sub 18 Liquidation will include the period during which that asset was held by Sub 18. Section 1223(2).

5. Sub 17 will succeed to and take into account the items of Sub 18 described in Section 381(c), subject to the conditions and limitations specified in Sections 381, 382, 383, and 384 and the regulations thereunder. Section 381(a) and Treasury Regulation Section 1.381(a)-1.

6. Except to the extent Sub 18's earnings and profits are reflected in Sub 17's earnings and profits, Sub 17 will succeed to and take into account the earnings and profits, or deficit in earnings and profits, of Sub 18 as of the date of the Sub 18 Liquidation. Section 381(c)(2)(A) and Treasury Regulation Sections 1.381(c)(2)-1 and 1.1502-33(a)(2).

7. Any deficit in earnings and profits of Sub 18 will be used only to offset earnings and profits accumulated after the date of the Sub 18 Liquidation. Section 381(c)(2)(B).

R. Based solely on the information submitted and the representations set forth above, we rule as follows with respect to the Sub 17 Liquidation:

1. The Sub 17 Liquidation will constitute a complete liquidation of Sub 17 under Section 332 and Treasury Regulation Section 1.332-2(d).

2. No gain or loss will be recognized by Sub 8 or Sub 17 as a result of the Sub 17 Liquidation. Sections 332(a), 336(d)(3), 337(a) and 337(b). No gain or loss will be recognized by Sub 17 with respect to any indebtedness owed to Sub 8 that is satisfied in the Sub 17 Liquidation. Section 337(b)(1).

3. Sub 8's basis in each asset received from Sub 17 in the Sub 17 Liquidation will be the same as the basis of that asset in the hands of Sub 17 immediately before the Sub 17 Liquidation. Section 334(b)(1).

4. Sub 8's holding period in each asset received from Sub 17 in the Sub 17 Liquidation will include the period during which that asset was held by Sub 17. Section 1223(2).

5. Sub 8 will succeed to and take into account the items of Sub 17 described in Section 381(c), subject to the conditions and limitations specified in Sections 381, 382, 383, and 384 and the regulations thereunder. Section 381(a) and Treasury Regulation Section 1.381(a)-1.

6. Except to the extent Sub 17's earnings and profits are reflected in Sub 8's earnings and profits, Sub 8 will succeed to and take into account the earnings

and profits, or deficit in earnings and profits, of Sub 17 as of the date of the Sub 17 Liquidation. Section 381(c)(2)(A) and Treasury Regulation Sections 1.381(c)(2)-1 and 1.1502-33(a)(2).

7. Any deficit in earnings and profits of Sub 17 will be used only to offset earnings and profits accumulated after the date of the Sub 17 Liquidation. Section 381(c)(2)(B).

S. Based solely on the information submitted and the representations set forth above, we rule as follows with respect to the Sub 8 Liquidation:

1. The Sub 8 Liquidation will constitute a complete liquidation of Sub 8 under Section 332 and Treasury Regulation Section 1.332-2(d).

2. No gain or loss will be recognized by Sub 7 or Sub 8 as a result of the Sub 8 Liquidation. Sections 332(a), 336(d)(3), 337(a) and 337(b). No gain or loss will be recognized by Sub 8 with respect to any indebtedness owed to Sub 7 that is satisfied in the Sub 8 Liquidation. Section 337(b)(1).

3. Sub 7's basis in each asset received from Sub 8 in the Sub 8 Liquidation will be the same as the basis of that asset in the hands of Sub 8 immediately before the Sub 8 Liquidation. Section 334(b)(1).

4. Sub 7's holding period in each asset received from Sub 8 in the Sub 8 Liquidation will include the period during which that asset was held by Sub 8. Section 1223(2).

5. Sub 7 will succeed to and take into account the items of Sub 8 described in Section 381(c), subject to the conditions and limitations specified in Sections 381, 382, 383, and 384 and the regulations thereunder. Section 381(a) and Treasury Regulation Section 1.381(a)-1.

6. Except to the extent Sub 8's earnings and profits are reflected in Sub 7's earnings and profits, Sub 7 will succeed to and take into account the earnings and profits, or deficit in earnings and profits, of Sub 8 as of the date of the Sub 8 Liquidation. Section 381(c)(2)(A) and Treasury Regulation Sections 1.381(c)(2)-1 and 1.1502-33(a)(2).

7. Any deficit in earnings and profits of Sub 8 will be used only to offset earnings and profits accumulated after the date of the Sub 8 Liquidation. Section 381(c)(2)(B).

T. The taxpayer has made the following representations in connection with the Sub 3 Split:

- (a) Any indebtedness owed by Sub 3 to Distributing after the Sub 3 Split will not constitute stock or securities.
- (b) The fair market value of the Sub 3 stock and other consideration to be received by each shareholder of Distributing will be approximately equal to the fair market value of the Distributing stock surrendered by the shareholder in the exchange. For purposes of this representation, adjustments pursuant to the Exchange Agreement shall be taken into account.
- (c) No part of the consideration to be distributed by Distributing in the Sub 3 Split will be received by a shareholder as a creditor, employee, or in any capacity other than that of a shareholder of the corporation.
- (d) The five years of financial information submitted on behalf of Business A is representative of its present operation, and with regard to Distributing, except as described herein, there have been no substantial operational changes in Business A since the date of the last financial statements submitted.
- (e) The five years of financial information submitted on behalf of Business D is representative of its present operation and with regard to Sub 3, except as described herein, there have been no substantial operational changes in Business D since the date of the last financial statements submitted.
- (f) Following the Proposed Transactions, Distributing will continue Business A and Sub 3 will continue Business D independently and with separate employees as described herein.
- (g) The distribution of the stock of Sub 3 is carried out in whole or substantial part to prevent cross-ownership that would otherwise exist after the External Spin-Off, and thereby facilitates the Corporate Business Purpose.
- (h) The Sub 3 Split is not used principally as a device for the distribution of the earnings and profits of Distributing, Sub 3 or both.
- (i) No intercorporate debt will exist between Sub 3 and Distributing at the time of, or subsequent to, the Sub 3 Split, except that Distributing may owe Sub 3, or Sub 3 may owe Distributing, (i) amounts payable for goods and services in the ordinary course of business, and (ii) amounts payable with respect to intercompany transactions.
- (j) Immediately before the Sub 3 Split, items of income, gain, loss, deduction, and credit will be taken into account as required by the applicable intercompany regulations.

(k) Except for certain intercompany transactions, after the Proposed Transactions, payments made in connection with all continuing transactions, if any, between Distributing and Sub 3 will be for fair market value based on terms and conditions arrived at by the parties bargaining at arm's length.

(l) No two parties to the transaction are investment companies as defined in Sections 368(a)(2)(F)(iii) and (iv).

(m) There is no plan or intention to alter the capital structure of Sub 3 after the distribution.

(n) For purposes of Section 355(d), immediately after the Sub 3 Split, no person (determined after applying Section 355(d)(7)) will hold stock possessing 50 percent or more of the total combined voting power of all classes of Distributing stock entitled to vote or 50 percent or more of the total value of shares of all classes of Distributing stock that was acquired by purchase (as defined in Section 355(d)(5) and (8) and by application of Section 1.355-6(b)(2)(iii)) during the five-year period (determined after applying Section 355(d)(6)) ending on the date of the Sub 3 Split.

(o) For purposes of Section 355(d), immediately after the Sub 3 Split, no person (determined after applying Section 355(d)(7)) will hold stock possessing 50 percent or more of the total combined voting power of all classes of Sub 3 stock entitled to vote or 50 percent or more of the total value of shares of all classes of Sub 3 stock that was either (i) acquired by purchase (as defined in Section 355(d)(5) and (8) during the five-year period (determined after applying Section 355(d)(6)) ending on the date of the Sub 3 Split, or (ii) attributable to distributions on Distributing stock that was acquired by purchase (as defined in Section 355(d)(5) and (8)) during the five-year period (determined after applying Section 355(d)(6)) ending on the date of the Sub 3 Split.

(p) The Sub 3 Split is not part of a plan or series of related transactions (within the meaning of Treasury Regulation Section 1.355-7) pursuant to which one or more persons will acquire directly or indirectly stock representing a 50-percent or greater interest (within the meaning of Section 355(d)(4)) in Distributing or Sub 3 (including any predecessor or successor of any such corporation).

U. The taxpayer has made the following representations in connection with the Sub 4 Contribution:

(a) (i) No stock or securities will be issued for services rendered to or for the benefit of Sub 4 in connection with the proposed transaction and (ii) no stock or securities will be issued for indebtedness of Sub 4 that is not evidenced by a

security or for interest on indebtedness of Sub 4 which accrued on or after the beginning of the holding period of the transferor(s) for the debt.

(b) The transfer is not the result of the solicitation by a promoter, broker or investment house.

(c) Distributing will not retain any rights in the property transferred to Sub 4.

(d) The transfers and exchanges will occur under a plan agreed upon before the transaction in which the rights of the parties are defined.

(e) All exchanges will occur on approximately the same date.

(f) No Sub 4 stock is being issued, so there is no plan or intention on the part of Sub 4 to redeem or otherwise reacquire any stock or indebtedness to be issued in the proposed transaction.

(g) Taking into account any issuance of additional shares of Sub 4 stock; any issuance of stock for services; the exercise of any Sub 4 stock rights, warrants, or subscriptions; a public offering of Sub 4 stock; and the sale, exchange, transfer by gift, or other disposition of any of the stock of Sub 4 to be received in the exchange, Distributing will be in "control" of Sub 4 within the meaning of section 368(c) of the Code.

(h) Although no shares of Sub 4 will be issued, Distributing believes the increase in value of Distributing's stock in Sub 4 will approximately equal the fair market value of the property transferred to Sub 4.

(i) Sub 4 will remain in existence and contribute the property transferred to it to Sub 5 in the Sub 5 Contribution.

(j) There is no plan or intention by Sub 4 to dispose of the transferred property other than in the ordinary course of business or in the Sub 5 Contribution.

(k) Each of the parties to the transaction will pay its or his/her own expenses, if any, incurred in connection with the proposed transaction.

(l) Sub 4 will not be an investment company within the meaning of Section 351(e)(1) and Treasury Regulation Section 1.351-1(c)(1)(ii).

(m) Distributing is not under the jurisdiction of a court in a title 11 or similar case (within the meaning of Section 368(a)(3)(A)) and the stock or securities received in the exchange will not be used to satisfy the indebtedness of such debtor.

(n) Sub 4 will not be a “personal service corporation” within the meaning of Section 269A.

V. The taxpayer has made the following representations in connection with the Sub 5 Contribution:

(a) (i) No stock or securities will be issued for services rendered to or for the benefit of Sub 5 in connection with the proposed transaction, and (ii) no stock or securities will be issued for indebtedness of Sub 5 that is not evidenced by a security or for interest on indebtedness of Sub 5 which accrued on or after the beginning of the holding period of the transferor(s) for the debt.

(b) The transfer is not the result of the solicitation by a promoter, broker, or investment house.

(c) Sub 4 will not retain any rights in the property transferred to Sub 5.

(d) The transfers and exchanges will occur under a plan agreed upon before the transaction in which the rights of the parties are defined.

(e) All exchanges described will occur on approximately the same date.

(f) No Sub 5 stock will be issued, so there is no plan or intention on the part of Sub 5 to redeem or otherwise reacquire any stock or indebtedness to be issued in the proposed transaction.

(g) Taking into account any issuance of additional shares of Sub 5 stock; any issuance of stock for services; the exercise of any Sub 5 stock rights, warrants, or subscriptions; a public offering of Sub 5 stock; and the sale, exchange, transfer by gift, or other disposition of any of the stock of Sub 5 to be received in the exchange, Sub 4 will be in “control” of Sub 5 within the meaning of Section 368(c).

(h) Although no shares of Sub 5 will be issued, Distributing believes the increase in value of Sub 4’s stock in Sub 5 will approximately equal the fair market value of the property transferred to Sub 5.

(i) Sub 5 will remain in existence and retain and use the property transferred to it in its trade or business as a holding company.

(j) There is no plan or intention by Sub 5 to dispose of the transferred property other than in the ordinary course of business.

(k) Each of the parties to the transaction will pay its or his/her own expenses, if any, incurred in connection with the proposed transaction.

(l) Sub 5 will not be an investment company within the meaning of Section 351(e)(1) and Treasury Regulation Section 1.351-1(c)(1)(ii).

(m) Sub 4 is not under the jurisdiction of a court in a title 11 or similar case (within the meaning of Section 368(a)(3)(A)) and the stock or securities received in the exchange will not be used to satisfy the indebtedness of such debtor.

(n) Sub 5 will not be a "personal service corporation" within the meaning of Section 269A.

W. Based solely on the information submitted and the representations set forth above, we rule as follows with respect to the Sub 3 Split, Sub 4 Contribution and the Sub 5 Contribution:

1. No gain or loss will be recognized by Distributing upon the distribution of the Sub 3 Distributed Shares pursuant to the Exchange Agreement. Section 355(c). None of Distributing, Sub 4 or Sub 5 will recognize gain or loss as a result of the operation of the self-adjustment mechanism of the Exchange Agreement. Sections 355(c); 351.

2. No gain or loss will be recognized by (and no amount will otherwise be included in the income of) Sub 5 upon receipt of the Sub 3 Distributed Shares from Distributing in the Sub 3 Split. Section 355(a)(1).

3. The aggregate basis of the stock of Sub 3 in the hands of Sub 5 after the Sub 3 Split will be the same as the adjusted basis of the Distributing stock that Sub 5 held immediately before the Sub 3 Split. Section 358(a).

4. The holding period of the Sub 3 Stock received by Sub 5 will include the holding period of the Distributing stock on which the Sub 3 Split is made, provided that Sub 5 held the Distributing stock as a capital asset on the date of the Sub 3 Split. Section 1223(1).

5. No adjustment will be made to the earnings and profits of Distributing in connection with the Sub 3 Split.

6. No gain or loss will be recognized on the Sub 4 Contribution. Section 351.

7. No gain or loss will be recognized on the Sub 5 Contribution. Section 351.

X. The taxpayer has made the following representations in connection with the Sub 27 Spin-Off:

(a) Any indebtedness owed by Sub 27 to Sub 23 after the Sub 27 Spin-Off will not constitute stock or securities.

- (b) No part of the consideration to be distributed by Sub 23 in the Sub 27 Spin-Off will be received by a shareholder as a creditor, employee, or in any capacity other than that of a shareholder of the corporation.
- (c) The five years of financial information submitted on behalf of Business E is representative of its present operation, and with regard to Sub 23, except as described herein, there have been no substantial operational changes in Business E since the date of the last financial statements submitted.
- (d) The five years of financial information submitted on behalf of Business F is representative of its present operation, and with regard to Sub 23, except as described herein, there have been no substantial operational changes in Business F since the date of the last financial statements submitted.
- (e) Following the Proposed Transactions, Sub 23 will continue Business E and Sub 27 will continue Business F, independently and with separate employees as described herein.
- (f) The distribution of the stock of Sub 27 is carried out in whole or substantial part to separate Controlled and Distributing businesses, and thereby facilitates the Corporate Business Purpose.
- (g) Sub 27 Spin-Off is not used principally as a device for the distribution of the earnings and profits of Sub 23, Sub 27 or both.
- (h) The total adjusted bases and the fair market value of the assets transferred to Sub 27 by Sub 23 each equals or exceeds the sum of the liabilities assumed by Sub 27 plus any liabilities to which the transferred assets are subject.
- (i) The liabilities assumed in the 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, except for (i) liabilities relating to certain discontinued operations and disposed-of businesses, (ii) all or a portion of certain potential liabilities relating to the proposed transactions and (iii) certain other liabilities assumed pursuant to the Separation Agreement.
- (j) No intercorporate debt will exist between Sub 27 and Sub 23 at the time of, or subsequent to, the Sub 27 Spin-Off, except that Sub 23 may owe Sub 27, or Sub 27 may owe Sub 23, (i) amounts payable for goods and services in the ordinary course of business and (ii) amounts payable with respect to Intercompany Transactions.
- (k) Immediately before the Sub 27 Spin-Off, items of income, gain, loss, deduction, and credit will be taken into account as required by the applicable intercompany regulations.

(l) Except as discussed above, after the Proposed Transactions, payments made in connection with all continuing transactions, if any, between Sub 23 and Sub 27, 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 the transaction are investment companies as defined in Section 368(a)(2)(F)(iii) and (iv).

(n) For purposes of Section 355(d), immediately after the Sub 27 Spin-Off, no person (determined after applying Section 355(d)(7)) will hold stock possessing 50 percent or more of the total combined voting power of all classes of Sub 23 stock entitled to vote or 50 percent or more of the total value of shares of all classes of Sub 23 stock that was acquired by purchase (as defined in Section 355(d)(5) and (8) and by application of Section 1.355-6(b)(2)(iii)) during the five-year period (determined after applying Section 355(d)(6)) ending on the date of the Sub 27 Spin-Off.

(o) For purposes of Section 355(d), immediately after the Sub 27 Spin-Off, no person (determined after applying Section 355(d)(7)) will hold stock possessing 50 percent or more of the total combined voting power of all classes of Sub 27 stock entitled to vote or 50 percent or more of the total value of shares of all classes of Sub 27 stock that was either (i) acquired by purchase (as defined in Section 355(d)(5) and (8)) during the five-year period (determined after applying Section 355(d)(6)) ending on the date of the Sub 27 Spin-Off, or (ii) attributable to distributions on Sub 23 stock that was acquired by purchase (as defined in Section 355(d)(5) and (8)) during the five-year period (determined after applying Section 355(d)(6)) ending on the date of the Sub 27 Spin-Off.

(p) The Sub 27 Spin-Off is not part of a plan or series of related transactions (within the meaning of Treasury Regulation Section 1.355-7) pursuant to which one or more persons will acquire directly or indirectly stock representing a 50-percent or greater interest (within the meaning of Section 355(d)(4)) in Sub 23 or Sub 27 (including any predecessor or successor of any such corporation).

Y. Based solely on the information submitted and the representations set forth above, we rule as follows with respect to the Sub 27 Spin-Off:

1. The Sub 27 Contribution, followed by the Sub 27 Distribution, will qualify as a reorganization within the meaning of Section 368(a)(1)(D). Sub 23 and Sub 27 will each be a "party to a reorganization" within the meaning of Section 368(b).

2. No gain or loss will be recognized by Sub 23 upon the Sub 27 Contribution. Sections 361, 357.

3. No gain or loss will be recognized by Sub 27 upon the Sub 27 Contribution. Section 1032(a).

4. The basis of the assets received by Sub 27 in the Sub 27 Contribution will be the same as the basis of such assets in the hands of Sub 23 immediately before their transfer. Section 362(b).

5. The holding period of the assets transferred to Sub 27 in the Sub 27 Contribution will include the period during which such assets were held by Sub 23. Section 1223(2).

6. No gain or loss will be recognized by Sub 23 on the Sub 27 Distribution. Section 361(c)(1).

7. No gain or loss will be recognized by (and no amount will otherwise be included in the income of) Sub 7 upon receipt of Sub 27 stock in the Sub 27 Spin-Off. Section 355(a)(1).

8. The aggregate basis of the stock of Sub 27 and Sub 23 in the hands of Sub 7 after the Sub 27 Distribution will be the same as the aggregate basis of the Sub 23 stock held by Sub 7 immediately before the Sub 27 Distribution, allocated in proportion to the fair market value of each in accordance with Treasury Regulation Section 1.358-2(a)(2).

9. The holding period of Sub 27 stock received by Sub 7 will include the holding period of the Sub 23 stock on which the Sub 27 Distribution is made, provided the Sub 23 stock is held as a capital asset on the date of the Sub 27 Distribution. Section 1223(1).

10. As provided in Section 312(h), following the distribution of the stock of Sub 27, proper allocation of earnings and profits will be made between Sub 23 and Sub 27 in accordance with Treasury Regulation Sections 1.312-10(a) and 1.1502-33(e)(3).

Z. The taxpayer has made the following representations in connection with the Sub 23 Spin-Off:

(a) Any indebtedness owed by Sub 23 to Sub 7 after the Sub 23 Spin-Off will not constitute stock or securities.

(b) No part of the consideration to be distributed by Sub 7 in the Sub 23 Spin-Off will be received by a shareholder as a creditor, employee or in any capacity other than that of a shareholder of the corporation.

(c) The five years of financial information submitted on behalf of Business B is representative of its present operation, and with regard to Sub 7, except as described herein, there have been no substantial operational changes in Business B since the date of the last financial statements submitted.

(d) The five years of financial information submitted on behalf of Business E is representative of its present operation, and with regard to Sub 23, except as described herein, there have been no substantial operational changes in Business E since the date of the last financial statements submitted.

(e) Following the Proposed Transactions, Sub 7 will continue Business B and Sub 23 will continue Business E independently and with separate employees as described herein.

(f) The distribution of the stock of Sub 23 is carried out in whole or substantial part to separate Controlled and Distributing businesses, and thereby facilitates the Corporate Business Purpose.

(g) The Sub 23 Spin-Off is not used principally as a device for the distribution of the earnings and profits of Sub 7, Sub 23 or both.

(h) No intercorporate debt will exist between Sub 23 and Sub 7 at the time of, or subsequent to, the Sub 23 Spin-Off, except that Sub 7 may owe Sub 23, or Sub 23 may owe Sub 7, (i) amounts payable for goods and services in the ordinary course of business and (ii) amounts payable with respect to Intercompany Transactions.

(i) Immediately before the Sub 23 Spin-Off, items of income, gain, loss, deduction and credit will be taken into account as required by the applicable intercompany regulations.

(j) Except as described above, after the Proposed Transactions, payments made in connection with all continuing transactions, if any, between Sub 7 and Sub 23 will be for fair market value based on terms and conditions arrived at by the parties bargaining at arm's length.

(k) No two parties to the transaction are investment companies as defined in Section 368(a)(2)(F)(iii) and (iv).

(l) For purposes of Section 355(d), immediately after the Sub 23 Spin-Off, no person (determined after applying Section 355(d)(7)) will hold stock possessing 50 percent or more of the total combined voting power of all classes of Sub 7 stock entitled to vote or 50 percent or more of the total value of shares of all classes of Sub 7 stock that was acquired by purchase (as defined in Section 355(d)(5) and (8) and by application of Section 1.355-6(b)(2)(iii)) during the five-

year period (determined after applying Section 355(d)(6)) ending on the date of the Sub 23 Spin-Off.

(m) For purposes of Section 355(d), immediately after the Sub 23 Spin-Off, no person (determined after applying Section 355(d)(7)) will hold stock possessing 50 percent or more of the total combined voting power of all classes of Sub 23 stock entitled to vote or 50 percent or more of the total value of shares of all classes of Sub 23 stock that was either (i) acquired by purchase (as defined in Section 355(d)(5) and (8)) during the five-year period (determined after applying Section 355(d)(6)) ending on the date of the Sub 23 Spin-Off, or (ii) attributable to distributions on Sub 7 stock that was acquired by purchase (as defined in Section 355(d)(5) and (8)) during the five-year period (determined after applying Section 355(d)(6)) ending on the date of the Sub 23 Spin-Off.

(n) The Sub 23 Spin-Off is not part of a plan or series of related transactions (within the meaning of Treasury Regulation Section 1.355-7) pursuant to which one or more persons will acquire directly or indirectly stock representing a 50-percent or greater interest (within the meaning of Section 355(d)(4)) in Sub 7 or Sub 23 (including any predecessor or successor of any such corporation).

AA. Based solely on the information submitted and the representations set forth above, we rule as follows with respect to the Sub 23 Spin-Off:

1. No gain or loss will be recognized by Sub 7 upon the Sub 23 Spin-Off. Section 355(c).
2. No gain or loss will be recognized by (and no amount will otherwise be included in the income of) Distributing upon receipt of the Sub 23 stock from Sub 7 in the Sub 23 Spin-Off. Section 355(a)(1).
3. The aggregate basis of the stock of Sub 7 and Sub 23 in the hands of Distributing after the Sub 23 Spin-Off will be the same as the aggregate basis of the Sub 7 stock held by Distributing immediately before the Sub 23 Spin-Off, allocated in proportion to the fair market value of each in accordance with Treasury Regulation Section 1.358-2(a)(2).
4. The holding period of the Sub 23 stock received by Distributing will include the holding period of the Sub 7 stock on which the Sub 23 Spin-Off is made, provided that the Sub 7 stock is held as a capital asset on the date of the Sub 23 Spin-Off. Section 1223(1).
5. As provided by Section 312(h), following the distribution of the stock of Sub 23, proper allocation of earnings and profits will be made between Sub 7 and Sub 23 in accordance with Treasury Regulation Sections 1.312-10(a) and 1.1502-33(e)(3).

BB. The taxpayer has made the following representations in connection with the New Sub 7 Spin-Off:

- (a) Any indebtedness owed by New Sub 7 to Sub 7 after the New Sub 7 Spin-Off will not constitute stock or securities.
- (b) No part of the consideration to be distributed by Sub 7 in the New Sub 7 Spin-Off will be received by a shareholder as a creditor, employee or in any capacity other than that of a shareholder of the corporation.
- (c) The five years of financial information submitted on behalf of Business B is representative of its present operation, and with regard to Sub 7, except as described herein, there have been no substantial operational changes in Business B since the date of the last financial statements submitted.
- (d) The five years of financial information submitted on behalf of the Business C is representative of its present operation, and with regard to Sub 7, except as described herein, there have been no substantial operational changes in the Business C since the date of the last financial statements submitted.
- (e) Following the Proposed Transactions, Sub 7 will continue Business B and New Sub 7 will continue the Business C, independently and with separate employees as described herein.
- (f) The distribution of the stock of New Sub 7 is carried out in whole or substantial part to separate Controlled and Distributing businesses, and thereby facilitates the Corporate Business Purpose.
- (g) The New Sub 7 Spin-Off is not used principally as a device for the distribution of the earnings and profits of Sub 7, New Sub 7 or both.
- (h) The total adjusted bases and the fair market value of the assets transferred to New Sub 7 by Sub 7 each equals or exceeds the sum of the liabilities assumed by New Sub 7 plus any liabilities to which the transferred assets are subject.
- (i) The liabilities assumed in the 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, except for (i) liabilities relating to certain discontinued operations and disposed-of businesses, (ii) all or a portion of certain potential liabilities relating to the proposed transactions and (iii) certain other liabilities assumed pursuant to the Separation Agreement.
- (j) No intercorporate debt will exist between New Sub 7 and Sub 7 at the time of, or subsequent to, the New Sub 7 Spin-Off, except that Sub 7 may owe New Sub

7, or New Sub 7 may owe Sub 7, (i) amounts payable for goods and services in the ordinary course of business and (ii) amounts payable with respect to Intercompany Transactions.

(k) Immediately before the New Sub 7 Spin-Off, items of income, gain, loss, deduction, and credit will be taken into account as required by the applicable intercompany regulations.

(l) Except as described above, after the Proposed Transactions, payments made in connection with all continuing transactions, if any, between Sub 7 and New Sub 7, 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 the transaction are investment companies as defined in Sections 368(a)(2)(F)(iii) and (iv).

(n) For purposes of Section 355(d), immediately after the New Sub 7 Spin-Off, no person (determined after applying Section 355(d)(7)) will hold stock possessing 50 percent or more of the total combined voting power of all classes of Sub 7 stock entitled to vote or 50 percent or more of the total value of shares of all classes of Sub 7 stock that was acquired by purchase (as defined in Section 355(d)(5) and (8) and by application of Section 1.355-6(b)(2)(iii)) during the five-year period (determined after applying Section 355(d)(6)) ending on the date of the New Sub 7 Spin-Off.

(o) For purposes of Section 355(d), immediately after the New Sub 7 Spin-Off, no person (determined after applying Section 355(d)(7)) will hold stock possessing 50 percent or more of the total combined voting power of all classes of New Sub 7 stock entitled to vote or 50 percent or more of the total value of shares of all classes of New Sub 7 stock that was either (i) acquired by purchase (as defined in Section 355(d)(5) and (8)) during the five-year period (determined after applying Section 355(d)(6)) ending on the date of the New Sub 7 Spin-Off, or (ii) attributable to distributions on Sub 7 stock that was acquired by purchase (as defined in Section 355(d)(5) and (8)) during the five-year period (determined after applying Section 355(d)(6)) ending on the date of the New Sub 7 Spin-Off.

(p) The New Sub 7 Spin-Off is not part of a plan or series of related transactions (within the meaning of Treasury Regulation Section 1.355-7) pursuant to which one or more persons will acquire directly or indirectly stock representing a 50-percent or greater interest (within the meaning of Section 355(d)(4)) in Sub 7 or New Sub 7 (including any predecessor or successor of any such corporation).

CC. Based solely on the information submitted and the representations set forth above, we rule as follows with respect to the New Sub 7 Spin-Off:

1. The New Sub 7 Contribution, followed by the New Sub 7 Distribution, will qualify as a reorganization within the meaning of Section 368(a)(1)(D). Sub 7 and New Sub 7 will each be a "party to a reorganization" within the meaning of Section 368(b).
2. No gain or loss will be recognized by Sub 7 upon the New Sub 7 Contribution. Sections 361, 357.
3. No gain or loss will be recognized by New Sub 7 upon the New Sub 7 Contribution. Section 1032(a).
4. The basis of the assets received by New Sub 7 in the New Sub 7 Contribution will be the same as the basis of such assets in the hands of Sub 7 immediately before their transfer. Section 362(b).
5. The holding period of the assets transferred to New Sub 7 in the New Sub 7 Contribution will include the period during which such assets were held by Sub 7. Section 1223(2).
6. No gain or loss will be recognized by Sub 7 upon the New Sub 7 Distribution. Section 361(c)(1).
7. No gain or loss will be recognized by (and no amount will otherwise be included in the income of) Distributing upon receipt of New Sub 7 stock in the New Sub 7 Spin-Off. Section 355(a)(1).
8. The aggregate basis of the stock of New Sub 7 and Sub 7 in the hands of Distributing after the New Sub 7 Distribution will be the same as the aggregate basis of the Sub 7 stock held by Distributing immediately before the New Sub 7 Distribution, allocated in proportion to the fair market value of each in accordance with Treasury Regulation Section 1.358-2(a)(2).
9. The holding period of New Sub 7 stock received by Distributing will include the holding period of the Sub 7 stock upon which the New Sub 7 Distribution is made, provided the Sub 7 stock is held as a capital asset on the date of the New Sub 7 Distribution. Section 1223(1).
10. As provided in Section 312(h), following the distribution of the stock of New Sub 7, proper allocation of earnings and profits will be made between Sub 7 and New Sub 7 in accordance with Treasury Regulation Sections 1.312-10(a) and 1.1502-33(e)(3).

DD. The taxpayer has made the following representations in connection with the Sub 1 Merger:

(a) Although no shares of Controlled will be issued, Distributing believes that the increase in value of Distributing's stock in Controlled will be approximately equal to the fair market value of the Sub 1's stock surrendered in the exchange.

(b) No Controlled stock will be issued, so Controlled has no plan or intention to reacquire any of its stock issued in the transaction. Controlled may, however, reacquire its stock as part of the Controlled Stock Purchase Program.

(c) Controlled has no plan or intention to sell or otherwise dispose of any of the assets of Sub 1 acquired in the transaction, except for dispositions made in the ordinary course of business or transfers described in Section 368(a)(2)(C) or Treasury Regulation Section 1.368-2(k).

(d) The liabilities of Sub 1 assumed by Controlled and the liabilities to which the transferred assets of Sub 1 are subject were incurred by Sub 1 in the ordinary course of its business and are associated with the assets transferred.

(e) Following the transaction, Controlled will continue the historic business of Sub 1 or use a significant portion of Sub 1's historic business assets in a business.

(f) Controlled, Sub 1 and Distributing will pay their respective expenses, if any, incurred in connection with the transaction.

(g) There is no intercorporate indebtedness existing between Sub 1 and Controlled that was issued, acquired or will be settled at a discount.

(h) No two parties to the transaction are investment companies as defined in Sections 368(a)(2)(F)(iii) and (iv).

(i) Sub 1 is not under the jurisdiction of a court in a Title 11 or similar case within the meaning of Section 368(a)(3)(A).

(j) The fair market value of the assets of Sub 1 transferred to Controlled will equal or exceed the sum of the liabilities assumed by Controlled plus the amount of liabilities, if any, to which the transferred assets are subject.

(k) The merger of Sub 1 into Sub 1 LLC, a disregarded entity subsidiary of Controlled, will be pursuant to state law.

(l) Treating Distributing as constructively receiving Controlled Stock in exchange for its Sub 1's stock, at least 50 percent of the proprietary interest in Sub 1 will be preserved (within the meaning of Treasury Regulation Section 1.368-1(e)) by reason of the constructive exchange of Sub 1's stock held by Distributing for a proprietary interest in the issuing corporation.

(m) The total adjusted basis of the assets of Sub 1 transferred to Controlled will equal or exceed the sum of liabilities assumed by Controlled, if any, plus the amount of liabilities, if any, to which the transferred assets are subject.

EE. Based solely on the information submitted and the representations set forth above, we rule as follows with respect to the Sub 1 Merger:

1. The Sub 1 Merger will constitute a reorganization within the meaning of Section 368(a)(1)(A). Controlled and Sub 1 will each be "a party to a reorganization" within the meaning of Section 368(b).
2. No gain or loss will be recognized by Sub 1 on the transfer of Sub 1's assets to Controlled in constructive exchange for Controlled common stock and the assumption by Controlled of Sub 1 liabilities. Sections 361, 357.
3. No gain or loss will be recognized by Controlled on the receipt of assets of Sub 1 in constructive exchange for Controlled common stock and the assumption of liabilities by Sub 1 of Controlled. Section 1032(a).
4. The basis of Sub 1 assets in the hands of Controlled will be the same as the basis of such assets in the hands of Sub 1. Section 362(b).
5. The holding period of Sub 1 assets received by Controlled will include the period during which the assets were held by Sub 1. Section 1223(2).
6. Controlled will succeed to and take into account as of the close of the date of the Sub 1 Merger, the items of Sub 1 described in Section 381(c) subject to the conditions and limitations specified in Sections 381, 382, 383, and 384 and the Treasury Regulations thereunder.
7. Except to the extent that Sub 1 has earnings and profits reflected in Controlled's earnings and profits, Controlled will succeed to and take into account the earnings and profits or deficit in earnings and profits of Sub 1 as of the date of the Sub 1 Merger. Section 381(c)(2)(A) and Section 1.381(c)(2)-1. Any deficit in the earnings and profits of Controlled and Sub 1 will be used only to offset earnings and profits accumulated after the date of the Sub 1 Merger. Section 381(c)(2)(B).
8. Distributing will not recognize any gain or loss in the Sub 1 Merger. Section 354.

FF. The taxpayer has made the following representations in connection with the Sub 2 Liquidation:

- (a) Controlled, on the date of adoption of the plan of LLC Conversion, and at all times until the LLC Conversion is completed, will be the owner of at least 80 percent of the single outstanding class of Sub 2 stock.
- (b) No shares of Sub 2 stock have been redeemed during the 3 years preceding the adoption of the plan of LLC Conversion of Sub 2.
- (c) The plan of LLC Conversion will be completed within a single taxable year of Sub 2.
- (d) When the LLC Conversion occurs, Sub 2 will cease to exist for federal income tax purposes.
- (e) Sub 2 will not have acquired assets in any nontaxable transaction at any time, except for acquisitions occurring more than 3 years prior to the date of adoption of the plan of LLC Conversion or in connection with the Proposed Transactions.
- (f) There is no plan to dispose of any assets of Sub 2 by either Sub 2 or Controlled except for dispositions in the ordinary course of business, dispositions in connection with the Proposed Transactions, payment of principal and interest on indebtedness and lending of money.
- (g) To the best knowledge of the management of Distributing, the LLC Conversion of Sub 2 will not be preceded or followed by the reincorporation in, or transfer or sale to a recipient corporation (a "Recipient") of any of the business or assets of Sub 2, if after the Proposed Transactions persons holding, directly or indirectly, more than 20 percent in the value of the Sub 2 stock also hold, directly or indirectly, more than 20 percent of the value of the stock in Recipient. For purposes of this representation, the ownership of a corporation is determined by the application of the constructive ownership rules of Section 318(a) as modified by Section 304(c)(3). For purposes of this representation, the value of the Old Class A, Old Class B, Controlled Class A, Controlled Class B, Distributing Class 1 and Distributing Class 2 shares are assumed to be their Exchange X trading prices and stock owned by Mutual Funds will not be taken into account.
- (h) Prior to adoption of the plan of LLC Conversion, no assets of Sub 2 will have been distributed in kind, transferred, or sold to Controlled, except for (i) transactions occurring in the ordinary course of business (ii) transactions occurring more than 3 years prior to adoption of the plan of LLC Conversion, (iii) transactions in connection with the Proposed Transactions and (iv) the payment of principal and interest on indebtedness or lending of money.
- (i) Sub 2 will report all earned income represented by assets that will be distributed to its shareholders such as receivables being reported on a cash basis, unfinished construction contracts, commissions due, etc.

(j) The fair market value of the assets of Sub 2 will exceed its liabilities both at the date of the adoption of the plan of LLC Conversion and immediately before the LLC Conversion.

(k) Controlled is not an organization that is exempt from federal income tax under Section 501 or any other provision of the Code.

(l) All other transactions undertaken contemporaneously with, in anticipation of, in conjunction with, or in any way related to, the Sub 2 Liquidation have been fully disclosed.

(m) Except for intercorporate debt that will be extinguished in the LLC Conversion, no intercorporate debt between Sub 2 and Controlled has been canceled, forgiven or discounted, except for transactions that occurred more than three years before the date of adoption of the plan of LLC Conversion.

GG. Based solely on the information submitted and the representations set forth above, we rule as follows with respect to the Sub 2 Liquidation:

1. The Sub 2 Liquidation will constitute a complete liquidation of Sub 2 under Section 332 and Treasury Regulation Section 1.332-2(d).
2. No gain or loss will be recognized by Controlled or Sub 2 as a result of the Sub 2 Liquidation. Sections 332(a), 336(d)(3), 337(a) and 337(b). No gain or loss will be recognized by Sub 2 with respect to any indebtedness owed to Controlled that is satisfied in the Sub 2 Liquidation. Section 337(b)(1).
3. Controlled's basis in each asset received from Sub 2 in the Sub 2 Liquidation will be the same as the basis of that asset in the hands of Sub 2 immediately before the Sub 2 Liquidation. Section 334(b)(1).
4. Controlled's holding period in each asset received from Sub 2 in the Sub 2 Liquidation will include the period during which that asset was held by Sub 2. Section 1223(2).
5. Controlled will succeed to and take into account the items of Sub 2 described in Section 381(c), subject to the conditions and limitations specified in Sections 381, 382, 383, and 384 and the regulations thereunder. Section 381(a) and Treasury Regulation Section 1.381(a)-1.
6. Except to the extent Sub 2's earnings and profits are reflected in Controlled's earnings and profits, Controlled will succeed to and take into account the earnings and profits, or deficit in earnings and profits, of Sub 2 as of the date of

the Sub 2 Liquidation. Section 381(c)(2)(A) and Treasury Regulation Sections 1.381(c)(2)-1, and 1.1502-33(a)(2).

7. Any deficit in earnings and profits of Sub 2 will be used only to offset earnings and profits accumulated after the date of the Sub 2 Liquidation. Section 381(c)(2)(B).

HH. The taxpayer has made the following representations in connection with the External Spin-Off:

(a) Any indebtedness owed by Controlled to Distributing after the External Spin-Off will not constitute stock or securities.

(b) No part of the Controlled stock to be distributed by Distributing will be received by a shareholder as a creditor, employee or in any capacity other than that of a shareholder of the corporation.

(c) The five years of financial information submitted on behalf of Business A is representative of its present operation, and with regard to Distributing, except as described herein, there have been no substantial operational changes in Business A since the date of the last financial statements submitted.

(d) The five years of financial information submitted on behalf of Business G is representative of its present operation, and with regard to Controlled, except as described herein, there have been no substantial operational changes in Business G since the date of the last financial statements submitted.

(e) Following the Proposed Transactions, Distributing will continue Business A and Controlled will continue Business G, independently and with separate employees as described herein.

(f) The distribution of the stock of Controlled is carried out in whole or substantial part for the Corporate Business Purpose.

(g) The External Spin-Off is not used principally as a device for the distribution of earnings and profits of Distributing, Controlled, or both.

(h) The total adjusted bases and the fair market value of the assets transferred to Controlled by Distributing each equals or exceeds the sum of the liabilities assumed by Controlled plus any liabilities to which the transferred assets are subject.

(i) The liabilities assumed in the 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, except for (i) liabilities

relating to certain discontinued operations and disposed-of businesses, (ii) all or a portion of certain potential liabilities relating to the Proposed Transactions and (iii) certain other liabilities assumed pursuant to the Separation Agreement.

(j) No intercorporate debt will exist between Controlled and Distributing at the time of, or subsequent to, the External Spin-Off, except that Distributing may owe Controlled, or Controlled may owe Distributing, (i) amounts payable for goods and services in the ordinary course of business and (ii) amounts payable under Intercompany Transactions.

(k) Immediately before the External Spin-Off, items of income, gain, loss, deduction, and credit will be taken into account as required by the applicable intercompany regulations. Further, Distributing's excess loss account, if any, with respect to the Controlled stock, will be included in income immediately before the External Spin-Off (see Treasury Regulation Section 1.1502-19).

(l) Except as described above, after the Proposed Transactions, payments made in connection with all continuing transactions, if any, between Distributing and Controlled, 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 the transaction are investment companies as defined in Sections 368(a)(2)(F)(iii) and (iv).

(n) For purposes of Section 355(d), immediately after the External Spin-Off, no person (determined after applying Section 355(d)(7)) will hold stock possessing 50 percent or more of the total combined voting power of all classes of Distributing stock entitled to vote or 50 percent or more of the total value of shares of all classes of Distributing stock that was acquired by purchase (as defined in Section 355(d)(5) and (8) and by application of Section 1.355-6(b)(2)(iii)) during the five-year period (determined after applying Section 355(d)(6)) ending on the date of the External Spin-Off.

(o) For purposes of Section 355(d), immediately after the External Spin-Off, no person (determined after applying Section 355(d)(7)) will hold stock possessing 50 percent or more of the total combined voting power of all classes of Controlled stock entitled to vote or 50 percent or more of the total value of shares of all classes of Controlled stock that was either (i) acquired by purchase (as defined in Section 355(d)(5) and (8)) during the five-year period (determined after applying Section 355(d)(6)) ending on the date of the External Spin-Off, or (ii) attributable to distributions on Distributing stock that was acquired by purchase (as defined in Section 355(d)(5) and (8)) during the five-year period (determined after applying Section 355(d)(6)) ending on the date of the External Spin-Off.

(p) The External Spin-Off is not part of a plan or series of related transactions (within the meaning of Treasury Regulation Section 1.355-7) pursuant to which one or more persons will acquire directly or indirectly stock representing a 50-percent or greater interest (within the meaning of Section 355(d)(4) in Distributing or Controlled (including any predecessor or successor of any such corporation).

II. Based solely on the information submitted and the representations set forth above, we rule as follows with respect to the External Spin-Off:

1. The Controlled Contribution, followed by the Controlled Distribution, will qualify as a reorganization within the meaning of Section 368(a)(1)(D). Distributing and Controlled will each be a “party to a reorganization” within the meaning of Section 368(b).
2. No gain or loss will be recognized by Distributing upon the Controlled Contribution. Sections 361, 357.
3. No gain or loss will be recognized by Controlled upon the Controlled Contribution. Section 1032(a).
4. To the extent Distributing makes payments in respect of Permitted Uses within the Permitted Time Frame, no gain or loss will be recognized by Distributing upon the receipt of Controlled Cash from Controlled or the accrual of the right to receive such Controlled Cash. Section 361(b).
5. The basis of the assets received by Controlled in the Controlled Contribution will be the same as the basis of such assets in the hands of Distributing immediately before their transfer. Section 362(b).
6. The holding period of the assets transferred to Controlled in the Controlled Contribution will include the period during which such assets were held by Distributing. Section 1223(2).
7. No gain or loss will be recognized by Distributing on the Controlled Distribution. Section 361(c)(1).
8. No gain or loss will be recognized by (and no amount will otherwise be included in the income of) any Distributing shareholders upon receipt of Controlled stock. Section 355(a)(1).
9. The aggregate basis of the stock of Controlled and Distributing in the hands of each Distributing shareholder after the Controlled Distribution will, in each instance, be the same as the aggregate basis of the Distributing stock held by such Distributing shareholder immediately before the Controlled Distribution,

allocated in proportion to the fair market value of each in accordance with Treasury Regulation Section 1.358-2(a)(2).

10. The holding period of Controlled stock received by Distributing shareholders will include the holding period of the Distributing stock on which the Controlled Distribution is made, provided the Distributing stock is held as a capital asset on the date of the Controlled Distribution. Section 1223(1).

11. As provided in Section 312(h), following the distribution of the stock of Controlled, proper allocation of earnings and profits will be made between Distributing and Controlled in accordance with Treasury Regulation Section 1.312-10(a).

12. A shareholder who receives cash in lieu of fractional shares of Distributing or Controlled common stock will recognize gain or loss measured by the difference between the basis of the fractional share received, as determined in ruling (9), and the amount of cash received. Section 1001. Any gain or loss will be treated as capital gain or loss, provided such fractional shares of stock are held as capital assets on the date of the External Spin-Off. Sections 1221 and 1222.

13. Payment obligations (and payments made) between Distributing or any of its subsidiaries, on the one hand, and Controlled or any of its subsidiaries, on the other hand, in respect of Pre-Separation Liabilities will be treated as arising (or occurring) immediately before the External Spin-Off.

14. Except to the extent otherwise required by Section 1552 and the Treasury Regulations promulgated thereunder, payment obligations (and payments made) by Distributing or any of its subsidiaries to Controlled or any of its subsidiaries in respect of Pre-Separation Liabilities will be treated as reducing the amount of the Controlled Cash that is distributed by Controlled to Distributing immediately before the External Spin-Off until the amount of the Controlled Cash is equal to zero, and, then as a capital contribution by Distributing to Controlled immediately before the External Spin-Off. No income will be recognized upon receipt of such payment or accrual of the right to such payment. Section 1032(a).

No opinion is expressed about the tax treatment of the proposed transactions under any other provisions of the Code and regulations or the tax treatment of any conditions existing at the time of, or effects resulting from, the proposed transactions that are not specifically covered by the above rulings. In particular, no opinion is expressed regarding whether (i) the Corporate Business Purpose satisfies the business purpose requirement of Treasury Regulation § 1.355-2(b), (ii) the Proposed Transactions are used principally as a device for the distribution of the earnings and profits of Distributing or Controlled or both (see § 355(a)(1)(B) and Treasury Regulation § 1.355-2(d)) and (iii) the Proposed Transactions and an acquisition or acquisitions are part of a plan or series of related transactions pursuant to which one or more persons will acquire, directly or

indirectly, stock representing a 50-percent or greater interest in Distributing or Controlled (see § 355(e) and Treasury Regulation § 1.355-7)).

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

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

A copy of this letter must be attached to any income tax return to which it is relevant.

Sincerely,

Gerald B. Fleming  
Senior Technician Reviewer, Branch 2  
(Corporate)

cc: