

Internal Revenue Service

Department of the Treasury

Number: **200101006**
Release Date: 1/5/2001
Index Number: 0355.01-00, 0368.04-00

Washington, DC 20224

Person to Contact:

Telephone Number:

Refer Reply To:
CC:CORP:Br4 PLR-109915-00
Date:
October 5, 2000

Distributing =

Controlled =

Sub 1 =

Sub 2 =

Sub 3 =

Sub 4 =

Sub 4A =

Sub 5 =

Sub 6 =

Sub 7 =

Sub 8 =

Sub 8A =

Sub 10 =

Sub 11 =

Sub 12 =

Sub 13 =

Sub 13A =

Sub 14 =

Sub 15 =

Sub 16 =

Sub 17 =

Sub 18 =

Sub 19 =

Sub 20 =

Sub 20A =

Sub 21 =

Sub 22 =

Sub 23 =

Sub 24 =

Sub 25 =

Sub 26 =

Sub 27 =

Sub 27A =

State A =

Country A =
Country B =
Country C =
Country D =

a =
b =
c =
d =
e =
f =
g =
h =
i =
j =
k =

Business A =
Business B =

Shareholder A =

Individual A =
Individual B =

Date A =
Date B =
Date C =
Date D =

Year E =

This letter responds to your May 8, 2000 request for rulings on certain federal income tax consequences of a proposed transaction. The information provided in that request and in later correspondence is summarized below.

The rulings contained in this letter are based on facts and representations submitted by the taxpayer accompanied by a penalty of perjury statement executed by an appropriate party. Verification of these facts and representations may be required as part of the audit process.

Summary of Facts

Publicly traded Distributing is the common parent of an affiliated group that files a consolidated federal income tax return. Distributing conducts Business A and Business B through its subsidiaries. Shareholder A is the only Distributing shareholder that owns more than five percent of Distributing's outstanding stock.

Distributing wholly owns Sub 1, Sub 2, Sub 3, and Sub 4. Sub 1 wholly owns Sub 5, Sub 6, Sub 7, Sub 8, Sub 9, Sub 10, Sub 11, Sub 12, and Sub 13. Sub 2 wholly owns Sub 14, Sub 15, and Sub 16. Sub 14 wholly owns Sub 17. Sub 15 owns all the stock of Sub 18 and a percent of Sub 19 (a Country A corporation). Sub 18 owns the remaining b percent of Sub 19 and wholly owns Sub 20 (a Country B corporation). Sub 20 wholly owns Sub 20A (a Country B limited company), Sub 21, and Sub 22 (both Country B corporations). Sub 20A has elected to be disregarded as separate from Sub 20 under § 301.7701-3(a) of the Procedure and Administration Regulations. Sub 16 wholly owns Sub 23, which owns c percent of Sub 24 (a Country C corporation). Sub 5 wholly owns Sub 26 (a Country D corporation), which owns the remaining d percent of Sub 24. Sub 24 wholly owns Sub 25 (a Country C corporation). Sub 24 owns all of the limited partnership interests in Sub 27 (which is treated as a partnership under Country C law). Sub 27A (a Country C corporation) is the designated general partner of Sub 27. Sub 27 owns e percent of Sub 27A, and Sub 24 owns the remaining f percent of Sub 27A. Sub 27A has no interest in the profits or losses of Sub 27 and is not entitled to receive any assets of Sub 27 upon liquidation. Before Date A Distributing wholly owned Sub 4A, before Date B Sub 8 wholly owned Sub 8A, and before Date C Sub 13 wholly owned Sub 13A. Distributing, Sub 1, Sub 2, Sub 14, Sub 15, Sub 16, and Sub 18 are holding companies.

We have received financial information indicating that Business A (as conducted directly by each of Sub 5, Sub 6, Sub 7, Sub 20 (through Sub 20A), and Sub 24) and Business B (as conducted directly by each of Sub 3, Sub 16, Sub 17, Sub 19, Sub 21, and Sub 25) has each had gross income and operating expenses representing the conduct of an active business during each of the past five years.

On Date A Sub 4A liquidated into Distributing ("Liquidation 1"), on Date B Sub 8A liquidated into Sub 8 ("Liquidation 2"), and on Date C Sub 13A liquidated into Sub 13 ("Liquidation 3"). On Date D Sub 18 transferred foreign currency to Sub 20 (the "Foreign Currency Transfer"). In Year E Sub 23 entered into a gain recognition agreement ("GRA") under § 1.367(a)-3T of the Temporary Income Tax Regulations when it transferred all the stock of Sub 25 to Sub 24.

Business A and Business B have markedly different business growth rates, capital requirements, cash flow profiles, and strategic goals and opportunities. These differences have reduced managerial efficiency by creating tensions in important areas such as business growth strategies, resource allocation, capital structure, and employee retention and compensation. Further, because Business A has expanded

rapidly in recent years to represent an increasingly greater proportion of Distributing's total business, Distributing's management and board of directors have had to devote significantly more time and attention to Business A and correspondingly less to Business B.

To enable the management of each business to focus exclusively on the needs of its own operation, Distributing proposes to separate the two businesses in the following series of transactions:

The Mergers

- (i) Sub 18 will merge into Sub 15 ("Merger 1").
- (ii) Sub 15 will merge into Sub 2 ("Merger 2").
- (iii) Sub 23 will merge into Sub 16 ("Merger 3").

The Country B Restructuring

- (iv) Sub 20 will contribute the stock of Sub 22 to Sub 21 solely in exchange for Sub 21 stock and the assumption by Sub 21 of any related liabilities ("Contribution 1").
- (v) Sub 20 will distribute the stock of Sub 21 to Sub 2 ("Distribution 1").
- (vi) Sub 2 will distribute the stock of Sub 20 to Distributing ("Distribution 2").

The Country C Restructuring

- (vii) Sub 24 will distribute the stock of Sub 25 pro rata to Sub 16 and Sub 26 ("Distribution 3").
- (viii) To fully separate Sub 25 (which conducts Business B) from the Business A operations, Sub 16 will purchase the Sub 25 stock owned by Sub 26 (less than five percent of the Sub 25 stock) for an amount approximately equal to the stock's fair market value (the "Sub 25 Sale").
- (ix) Sub 16 will distribute its c percent interest (more than 80 percent) in Sub 24 to Sub 2 ("Distribution 4").
- (x) Sub 2 will distribute its c percent interest in Sub 24 to Distributing ("Distribution 5").

The U.S. Restructuring

(xi) Sub 2 or one or more of its controlled subsidiaries will borrow g dollars under a new bank credit facility (the "New Debt").

(xii) Sub 2 will use h dollars of the New Debt proceeds to repay the existing indebtedness of its subsidiaries under several commercial term loan facilities and i dollars of the New Debt proceeds to repay existing intercompany debt owed by Sub 2 and its subsidiaries to Distributing and its other subsidiaries. The New Debt proceeds remaining after satisfaction of the term loan facilities and the intercompany debt (j dollars) will be distributed by Sub 2 to Distributing (the "Cash Distribution"). Distributing expects to use the proceeds of the Cash Distribution to repay part of its existing indebtedness under a revolving credit agreement with a third party lender.

(xiii) Distributing will contribute the stock of Sub 2 and Sub 3 to newly formed domestic Controlled solely in exchange for Controlled stock and the assumption by Controlled of any related liabilities ("Contribution 2").

(xiv) Distributing will contribute the Sub 4 stock to Sub 1 in a transaction intended to qualify under § 351 of the Internal Revenue Code.

(xv) Sub 1 will contribute the stock of Sub 8, Sub 9, and Sub 10 to Sub 5 in a transaction intended to qualify under § 351.

(xvi) Sub 1 will contribute the stock of Sub 4, Sub 11, Sub 12, and Sub 13 to Sub 7 in a transaction intended to qualify under § 351.

(xvii) Distributing will distribute the Controlled stock pro rata to its shareholders ("Distribution 6") but will not issue fractional shares. Instead, the distribution agent will aggregate and sell on the open market all fractional shares and distribute the proceeds to those shareholders otherwise entitled to fractional shares.

(xviii) Sub 1 will merge with and into Distributing (the "Sub 1 Merger").

Individual A, an officer of Distributing and chairman of its board of directors, and Individual B, an officer of Distributing, will serve as non-employee directors of Controlled following the proposed transactions. It is expected that the two individuals will at all times constitute a minority of Controlled's board of directors and will at no time be involved in the operating aspects of Business B.

Distributing and Controlled may, for transitional purposes, enter into certain customary, ancillary agreements relating to transitional services, data sharing, tax sharing and indemnification, insurance sharing, employee benefits, real estate, intercompany information, and the use of certain intellectual property and intellectual information, which agreements (other than indemnification provisions) would last for not

more than three years following the proposed transactions (collectively, the "Transitional Agreements").

Representations

Merger 1

Distributing makes the following representations regarding Merger 1:

(1a) Sub 15, on the date of adoption of the plan for merging Sub 18 into Sub 15 ("Merger Plan 1"), and at all times until Merger 1 is completed, will be the owner of at least 80 percent of the single outstanding class of Sub 18 stock.

(1b) No shares of Sub 18 stock will have been redeemed during the three years preceding the adoption of Merger Plan 1.

(1c) Merger 1 will occur within a single taxable year of Sub 18.

(1d) Effective as of the date of Merger 1, the corporate existence of Sub 18 will cease under local law. As of that date, Sub 18 will cease to be a going concern, and its activities will be limited to winding up its affairs, paying its debts, and distributing its remaining assets to its shareholders.

(1e) Sub 18 will retain no assets following Merger 1.

(1f) Sub 18 will not have acquired assets in any nontaxable transaction at any time, except for acquisitions occurring more than three years before the date of adoption of Merger Plan 1

(1g) No assets of Sub 18 have been, or will be, disposed of by either Sub 18 or Sub 15 except for dispositions (i) in the ordinary course of business, (ii) occurring more than three years before the adoption of Merger Plan 1, and (iii) pursuant to Merger 2.

(1h) Except for Merger 2 and Distribution 2, Merger 1 will not be preceded or followed by the reincorporation in, or transfer or sale to, a recipient corporation ("Recipient") of any of the businesses or assets of Sub 18, if persons holding, directly or indirectly, more than 20 percent in value of the Sub 18 stock also hold, directly or indirectly, more than 20 percent in value of the stock in Recipient. For purposes of this representation, ownership will be determined by application of the constructive ownership rules of § 318(a), as modified by § 304(c)(3).

(1i) Before the adoption of Merger Plan 1, no assets of Sub 18 will have been distributed in kind, transferred, or sold to Sub 15, except for (i) transactions occurring in the normal course of business and (ii) transactions occurring more than three years before the adoption of Merger Plan 1.

(1j) Sub 18 will report all earned income, if any, represented by assets that will be deemed distributed to Sub 15 such as receivables being reported on a cash basis, unfinished construction contracts, commissions due, etc.

(1k) The fair market value of the assets of Sub 18 will exceed its liabilities both at the date of the adoption of Merger Plan 1 and immediately before the time when Merger 1 occurs.

(1l) There is no intercorporate debt existing between Sub 15 and Sub 18 other than k dollars owed by Sub 18 to Sub 15, and none has been canceled, forgiven, or discounted, except for transactions that occurred more than three years before the date of adoption of Merger Plan 1. The k dollars of intercorporate debt owed by Sub 18 to Sub 15 was incurred in the ordinary course of business.

(1m) Sub 15 is not an organization that is exempt from federal income tax under § 501 or any other provision of the Code.

(1n) All other transactions undertaken contemporaneously with, in anticipation of, in conjunction with, or in any way related to, Merger 1 have been fully disclosed.

Merger 2

Distributing makes the following representations regarding Merger 2:

(1o) Sub 2, on the date of adoption of the plan for merging Sub 15 into Sub 2 ("Merger Plan 2"), and at all times until Merger 2 is completed, will be the owner of at least 80 percent of the single outstanding class of Sub 15 stock.

(1p) No shares of Sub 15 stock will have been redeemed during the three years preceding the adoption of Merger Plan 2.

(1q) Merger 2 will occur within a single taxable year of Sub 15.

(1r) Effective as of the date of Merger 2, the corporate existence of Sub 15 will cease under local law. As of that date, Sub 15 will cease to be a going concern, and its activities will be limited to winding up its affairs, paying its debts, and distributing its remaining assets to its shareholders.

(1s) Sub 15 will retain no assets following Merger 2.

(1t) Sub 15 will not have acquired assets in any nontaxable transaction at any time, except for acquisitions occurring more than three years before the date of the adoption of Merger Plan 2.

(1u) No assets of Sub 15 have been, or will be, disposed of by either Sub 15 or

Sub 2 except for dispositions (i) in the ordinary course of business, (ii) occurring more than three years before the adoption of Merger Plan 2, and (iii) pursuant to the proposed transactions described above.

(1v) Except for Distribution 2, Merger 2 will not be preceded or followed by the reincorporation in, or transfer or sale to, a recipient corporation ("Recipient") of any of the businesses or assets of Sub 15, if persons holding, directly or indirectly, more than 20 percent in value of the Sub 15 stock also hold, directly or indirectly, more than 20 percent in value of the stock in Recipient. For purposes of this representation, ownership will be determined by application of the constructive ownership rules of § 318(a), as modified by § 304(c)(3).

(1w) Before the adoption of Merger Plan 2, no assets of Sub 15 will have been distributed in kind, transferred, or sold to Sub 2, except for (i) transactions occurring in the normal course of business and (ii) transactions occurring more than three years before the adoption of Merger Plan 2.

(1x) Sub 15 will report all earned income, if any, represented by assets that will be deemed distributed to Sub 2 such as receivables being reported on a cash basis, unfinished construction contracts, commissions due, etc.

(1y) The fair market value of the assets of Sub 15 will exceed its liabilities both at the date of the adoption of Merger Plan 2 and immediately before the time when Merger 2 occurs.

(1z) Other than intercompany items incurred in the ordinary course of business, there is no intercorporate debt existing between Sub 2 and Sub 15, and none has been canceled, forgiven, or discounted, except for transactions that occurred more than three years before the date of adoption of Merger Plan 2.

(2a) Sub 2 is not an organization that is exempt from federal income tax under § 501 or any other provision of the Code.

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

Merger 3

Distributing makes the following representations regarding Merger 3:

(2c) Sub 16, on the date of the adoption of the plan for merging Sub 23 into Sub 16 ("Merger Plan 3"), and at all times until Merger 3 is completed, will be the owner of at least 80 percent of the single outstanding class of Sub 23 stock.

(2d) No shares of Sub 23 stock will have been redeemed during the three years

preceding the adoption of Merger Plan 3.

(2e) Merger 3 will occur within a single taxable year of Sub 23.

(2f) Effective as of the date of Merger 3, the corporate existence of Sub 23 will cease under local law. As of that date, Sub 23 will cease to be a going concern, and its activities will be limited to winding up its affairs, paying its debts, and distributing its remaining assets to its shareholders.

(2g) Sub 23 will retain no assets following Merger 3.

(2h) Sub 23 will not have acquired assets in any nontaxable transaction at any time, except for acquisitions occurring more than three years before the date of the adoption of Merger Plan 3.

(2i) No assets of Sub 23 have been, or will be, disposed of by either Sub 23 or Sub 16 except for dispositions (i) in the ordinary course of business, (ii) occurring more than three years before the adoption of Merger Plan 3, and (iii) pursuant to the proposed transactions described above.

(2j) Merger 3 will not be preceded or followed by the reincorporation in, or transfer or sale to, a recipient corporation ("Recipient") of any of the businesses or assets of Sub 23, if persons holding, directly or indirectly, more than 20 percent in value of the Sub 23 stock also hold, directly or indirectly, more than 20 percent in value of the stock in Recipient. For purposes of this representation, ownership will be determined by application of the constructive ownership rules of § 318(a), as modified by § 304(c) (3).

(2k) Before the adoption of Merger Plan 3, no assets of Sub 23 will have been distributed in kind, transferred, or sold to Sub 16, except for (i) transactions occurring in the normal course of business and (ii) transactions occurring more than three years before the adoption of Merger Plan 3.

(2l) Sub 23 will report all earned income, if any, represented by assets that will be deemed distributed to Sub 16 such as receivables being reported on a cash basis, unfinished construction contracts, commissions due, etc.

(2m) The fair market value of the assets of Sub 23 will exceed its liabilities both at the date of the adoption of Merger Plan 3 and immediately before the time when Merger 3 occurs.

(2n) Other than intercompany items incurred in the ordinary course of business, there is no intercorporate debt existing between Sub 16 and Sub 23, and none has been canceled, forgiven, or discounted, except for transactions that occurred more than three years before the date of the adoption of Merger Plan 3.

(2o) Sub 16 is not an organization that is exempt from federal income tax under § 501 or any other provision of the Code.

(2p) All other transactions undertaken contemporaneously with, in anticipation of, in conjunction with, or in any way related to, Merger 3 have been fully disclosed.

The Country B Restructuring

Contribution 1 and Distribution 1

Distributing makes the following representations regarding Contribution 1 and Distribution 1:

(2q) Any indebtedness owed by Sub 21 to Sub 20 after Distribution 1 will not constitute stock or securities.

(2r) No part of the consideration distributed by Sub 20 will be received by Sub 2 as a creditor, employee, or in any capacity other than that of a shareholder of Sub 20.

(2s) The five years of financial information submitted on behalf of Sub 20 represents Sub 20's present operation, and there have been no substantial operational changes since the date of the last financial statements submitted.

(2t) The five years of financial information submitted on behalf of Sub 21 represents Sub 21's present operation, and there have been no substantial operational changes since the date of the last financial statements submitted.

(2u) Following Distribution 1, Sub 20 and Sub 21 will each continue the active conduct of its business, independently and with its separate employees.

(2v) Distribution 1 is carried out to facilitate Distribution 6, the corporate business purpose for which is to enhance the future success of each of Business A and Business B by resolving substantial problems that have evolved as a result of, and are exacerbated by, the operation of both businesses within a single affiliated group of corporations. Distribution 1 is motivated, in whole or substantial part, by this corporate business purpose.

(2w) There is no plan or intention by Sub 2 to sell, exchange, transfer by gift, or otherwise dispose of any of its stock in, or securities of, either Sub 20 or Sub 21 after the transaction, except in Distribution 2.

(2x) There is no plan or intention by either Sub 20 or Sub 21, directly or through any subsidiary corporation, to purchase any of its outstanding stock after the transaction, other than through stock purchases meeting the requirements of Section 4.05(1)(b) of Rev. Proc. 96-30, 1996-1 C.B. 696, 705.

(2y) There is no plan or intention to liquidate either Sub 20 or Sub 21, to merge either corporation with any other corporation, or to sell or otherwise dispose of the assets of either corporation after Distribution 1, except (i) in the ordinary course of business and (ii) in the proposed transactions described above. However, existing or newly formed subsidiaries of Sub 20 or Sub 21 (or Sub 20 or Sub 21 itself) may seek to acquire related businesses, and some of these acquisitions may be structured as mergers.

(2z) No liabilities will be assumed (as determined under § 357(d)) by Sub 21 in connection with the proposed transaction.

(3a) No intercorporate debt will exist between Sub 20 and Sub 21 at the time of, after, Distribution 1, other than any indebtedness incurred in the ordinary course or for obligations resulting from the Transitional Agreements.

(3b) Payments made in any continuing transactions between Sub 20 and Sub 21 will be for fair market value based on terms and conditions arrived at by the parties bargaining at arm's length, except for certain payments to be made under the transitional Agreements.

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

(3d) Immediately after Distribution 1, the gross assets of the businesses actively conducted (as defined in § 355(b)(2)) by each of Sub 20 and Sub 21 will have a fair market value equal to at least five percent of the total fair market value of the corporation's gross assets.

(3e) Distribution 1 is not part of a plan or series of related transactions (within the meaning of § 355(e)) pursuant to which one or more persons will acquire directly or indirectly stock possessing 50 percent or more of the total combined voting power of all classes of stock of Sub 20 or Sub 21 entitled to vote, or stock possessing 50 percent or more of the total value of all classes of stock of Sub 20 or Sub 21.

(3f) For purposes of § 355(d), immediately after Distribution 1, no person (determined after applying § 355(d)(7)) will hold stock possessing 50 percent or more of the total combined voting power of all classes of Sub 20 stock entitled to vote, or 50 percent or more of the total value of shares of all classes of Sub 20 stock, that was acquired by purchase (as defined in § 355(d)(5) and (8)) during the five-year period (determined after applying § 355(d)(6)) ending on the date of Distribution 1.

(3g) For purposes of § 355(d), immediately after Distribution 1, no person (determined after applying § 355(d)(7)) will hold stock possessing 50 percent or more of the total combined voting power of all classes of **Sub 21** stock entitled to vote, or 50 percent or more of the total value of shares of all classes of Sub 21 stock, that was

either (i) acquired by purchase (as defined in § 355(d)(5) and (8)) during the five-year period (determined after applying § 355(d)(6)) ending on the date of Distributing 1 or (ii) attributable to distributions on Sub 20 stock that was acquired by purchase (as defined in § 355(d)(5) and (8)) during the five-year period (determined after applying § 355(d)(6)) ending on the date of Distribution 1.

Distribution 2

The following representations are made regarding Distribution 2:

(3h) Any indebtedness owed by Sub 20 to Sub 2 after Distribution 2 will not constitute stock or securities.

(3i) No part of the consideration distributed by Sub 2 will be received by Distributing as a creditor, employee, or in any capacity other than that of a shareholder of Sub 2.

(3j) Immediately after Distribution 2, at least 90 percent of the fair market value of the gross assets of Sub 2 will consist of the stock and securities of controlled corporations that are engaged in the active conduct of a trade or business as defined in § 355(b)(2).

(3k) Immediately after Distribution 2, at least 90 percent of the fair market value of the gross assets of Sub 14 will consist of the stock and securities of a controlled corporation (Sub 17) that is engaged in the active conduct of a trade or business as defined in § 355(b)(2).

(3l) The five years of financial information submitted on behalf of Sub 19, Sub 21, Sub 16 (which are all wholly owned subsidiaries of Sub 2 and, together with Sub 14, will in the aggregate represent at least 90 percent of the fair market value of the gross assets of Sub 2 immediately after Distribution 2) and Sub 17 (which is a wholly owned subsidiary of Sub 14 and will represent at least 90 percent of the fair market value of the gross assets of Sub 14 immediately after Distribution 2) represents their present respective operations, and with regard to each corporation, there have been no substantial operational changes since the date of the last financial statements submitted.

(3m) The five years of financial information submitted on behalf of Sub 20 represents Sub 20's present operation, and there have been no substantial operational changes since the date of the last financial statements submitted.

(3n) Following Distribution 2, Sub 2 (through controlled subsidiaries) and Sub 20 will each continue the active conduct of its business, independently and with its separate employees.

(3o) Distribution 2 is carried out to facilitate Distribution 6, the corporate business purpose for which is to enhance the future success of each of Business A and Business B by resolving substantial problems that have evolved as a result of, and are exacerbated by, the operation of both businesses within a single affiliated group of corporations. Distribution 2 is motivated, in whole or substantial part, by this corporate business purpose.

(3p) There is no plan or intention by Distributing to sell, exchange, transfer by gift, or otherwise dispose of any of its stock in, or securities of, either Sub 2 or Sub 20 after the transaction, except in Contribution 2 and Distribution 6.

(3q) There is no plan or intention by either Sub 2 or Sub 20, directly or through any subsidiary corporation, to purchase any of its outstanding stock after the transaction, other than through stock purchases meeting the requirements of Section 4.05(1)(b) of Rev. Proc. 96-30.

(3r) There is no plan or intention to liquidate either Sub 2 or Sub 20, to merge either corporation with any other corporation, or to sell or otherwise dispose of the assets of either corporation after Distribution 2, except (i) in the ordinary course of business and (ii) in Contribution 2 and Distribution 6. However, existing or newly formed subsidiaries of Sub 2 or Sub 20 (or Sub 2 or Sub 20 itself) may seek to acquire related businesses, and some of these acquisitions may be structured as mergers.

(3s) No intercorporate debt will exist between Sub 2 and Sub 20 at the time of, or after, Distribution 2, other than any indebtedness incurred in the ordinary course or for obligations resulting from the Transitional Agreements.

(3t) Payments made in any continuing transactions between Sub 2 and Sub 20 will be for fair market value based on terms and conditions arrived at by the parties bargaining at arm's length, except for certain payments to be made under the Transitional Agreements.

(3u) Immediately after Distribution 2, the gross assets of the businesses actively conducted (as defined in § 355(b)(2)) by each of Sub 19, Sub 21, Sub 16, (which are all wholly owned subsidiaries of Sub 2 and, together with Sub 14, will in the aggregate represent at least 90 percent of the fair market value of the gross assets of Sub 2 immediately after Distribution 2) and Sub 17 (which is a wholly owned subsidiary of Sub 14 and will represent at least 90 percent of the fair market value of the gross assets of Sub 14 immediately after Distribution 2) will have a fair market value equal to at least five percent of the total fair market value of the corporation's gross assets.

(3v) Immediately after Distribution 2, the gross assets of the business actively conducted (as defined in § 355(b)(2)) by Sub 20 will have a fair market value equal to at least five percent of the total fair market value of the corporation's gross assets.

(3w) Distribution 2 is not part of a plan or series of related transactions (within the meaning of § 355(e)) pursuant to which one or more persons will acquire directly or indirectly stock possessing 50 percent or more of the total combined voting power of all classes of stock of Sub 2 or Sub 20 entitled to vote, or stock possessing 50 percent or more of the total value of all classes of stock of Sub 2 or Sub 20.

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

(3y) For purposes of § 355(d), immediately after Distribution 2, no person (determined after applying § 355(d)(7)) will hold stock possessing 50 percent or more of the total combined voting power of all classes of Sub 20 stock entitled to vote, or 50 percent or more of the total value of shares of all classes of Sub 20 stock, that was either (i) acquired by purchase (as defined in § 355(d)(5) and (8)) during the five-year period (determined after applying § 355(d)(6)) ending on the date of Distributing 2 or (ii) attributable to distributions on Sub 2 stock that was acquired by purchase (as defined in § 355(d)(5) and (8)) during the five-year period (determined after applying § 355(d)(6)) ending on the date of Distribution 2.

The Country C Restructuring

Distribution 3

Distributing makes the following representations regarding Distribution 3:

(3z) Any indebtedness owed by Sub 25 to Sub 24 after Distribution 3 will not constitute stock or securities.

(4a) No part of the consideration distributed by Sub 24 will be received by Sub 16 or Sub 26 as a creditor, employee, or in any capacity other than that of a shareholder of Sub 24.

(4b) The five years of financial information submitted on behalf of Sub 24 represents Sub 24's present operation, and there have been no substantial operational changes since the date of the last financial statements submitted.

(4c) The five years of financial information submitted on behalf of Sub 25 represents Sub 25's present operation, and there have been no substantial operational changes since the date of the last financial statements submitted.

(4d) Following Distribution 3, Sub 24 and Sub 25 will each continue the active

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

(4e) Distribution 3 is carried out to facilitate Distribution 6, the corporate business purpose for which is to enhance the future success of each of Business A and Business B by resolving substantial problems that have evolved as a result of, and are exacerbated by, the operation of both businesses within a single affiliated group of corporations. Distribution 3 is motivated, in whole or substantial part, by this corporate business purpose.

(4f) There is no plan or intention by Sub 16 or Sub 26 to sell, exchange, transfer by gift or otherwise dispose of any of its stock in, or securities of, either Sub 24 or Sub 25 after Distribution 3, except in (i) the Sub 25 Sale, (ii) Distribution 4, (iii) Distribution 5, and (iv) Distribution 6.

(4g) There is no plan or intention by either Sub 24 or Sub 25, directly or through any subsidiary corporation, to purchase any of its outstanding stock after the transaction, other than through stock purchases meeting the requirements of Section 4.05(1)(b) of Rev. Proc. 96-30.

(4h) There is no plan or intention to liquidate either Sub 24 or Sub 25, to merge either corporation with any other corporation, or to sell or otherwise dispose of the assets of either corporation after Distribution 3, except (i) in the ordinary course of business and (ii) in the proposed transactions described above. However, existing or newly formed subsidiaries of Sub 24 or Sub 25 (or Sub 24 or Sub 25 itself) may seek to acquire related businesses, and some of these acquisitions may be structured as mergers.

(4i) No intercorporate debt will exist between Sub 24 and Sub 25 at the time of, or after, Distribution 3, other than any indebtedness incurred in the ordinary course or for obligations resulting from the Transitional Agreements.

(4j) Payments made in any continuing transactions between Sub 24 and Sub 25 will be for fair market value based on terms and conditions arrived at by the parties bargaining at arm's length, except for certain payments to be made under the Transitional Agreements.

(4kl) Immediately after Distribution 3, the gross assets of the businesses actively conducted (as defined in § 355(b)(2)) by each of Sub 24 and Sub 25 will have a fair market value equal to at least five percent of the total fair market value of the corporation's gross assets.

(4m) Distribution 3 is not part of a plan or series of related transactions (within the meaning of § 355(e)) pursuant to which one or more persons will acquire directly or indirectly stock possessing 50 percent or more of the total combined voting power of all classes of stock of Sub 24 or Sub 25 entitled to vote, or stock possessing 50 percent or

more of the total value of all classes of stock of Sub 24 or Sub 25.

(4n) For purposes of § 355(d), immediately after Distribution 3, no person (determined after applying § 355(d)(7)) will hold stock possessing 50 percent or more of the total combined voting power of all classes of Sub 24 stock entitled to vote, or 50 percent or more of the total value of shares of all classes of Sub 24 stock, that was acquired by purchase (as defined in § 355(d)(5) and (8)) during the five-year period (determined after applying § 355(d)(6)) ending on the date of Distribution 3.

(4o) For purposes of § 355(d), immediately after Distribution 3, no person (determined after applying § 355(d)(7)) will hold stock possessing 50 percent or more of the total combined voting power of all classes of Sub 25 stock entitled to vote, or 50 percent or more of the total value of shares of all classes of Sub 25 stock, that was either (i) acquired by purchase (as defined in § 355(d)(5) and (8)) during the five-year period (determined after applying § 355(d)(6)) ending on the date of Distributing 3 or (ii) attributable to distributions on Sub 24 stock that was acquired by purchase (as defined in § 355(d)(5) and (8)) during the five-year period (determined after applying § 355(d)(6)) ending on the date of Distribution 3.

Distribution 4

Distributing makes the following representations regarding Distribution 4:

(4p) Any indebtedness owed by Sub 24 to Sub 16 after Distribution 4 will not constitute stock or securities.

(4q) No part of the consideration distributed by Sub 16 will be received by Sub 2 as a creditor, employee, or in any capacity other than that of a shareholder of Sub 16.

(4r) The five years of financial information submitted on behalf of Sub 16 represents Sub 16's present operation, and there have been no substantial operational changes since the date of the last financial statements submitted.

(4s) The five years of financial information submitted on behalf of Sub 24 represents Sub 24's present operation, and there have been no substantial operational changes since the date of the last financial statements submitted.

(4t) Following Distribution 4, Sub 16 and Sub 24 will each continue the active conduct of its business, independently and with its separate employees.

(4u) Distribution 4 is carried out to facilitate Distribution 6, the corporate business purpose for which is to enhance the future success of each of Business A and Business B by resolving substantial problems that have evolved as a result of, and are exacerbated by, the operation of both businesses within a single affiliated group of corporations. Distribution 2 is motivated, in whole or substantial part, by this corporate

business purpose.

(4v) There is no plan or intention by Sub 2 to sell, exchange, transfer by gift or otherwise dispose of any of its stock in, or securities of, either Sub 16 or Sub 24 after Distribution 4, except in Distribution 5 and Distribution 6.

(4w) There is no plan or intention by either Sub 16 or Sub 24, directly or through any subsidiary corporation, to purchase any of its outstanding stock after the transaction, other than through stock purchases meeting the requirements of Section 4.05(1)(b) of Rev. Proc. 96-30.

(4x) There is no plan or intention to liquidate either Sub 16 or Sub 24, to merge either corporation with any other corporation, or to sell or otherwise dispose of the assets of either corporation after Distribution 4, except (i) in the ordinary course of business and (ii) in the proposed transactions described above. However, existing or newly formed subsidiaries of Sub 16 or Sub 24 (or Sub 16 or Sub 24 itself) may seek to acquire related businesses, and some of these acquisitions may be structured as mergers.

(4y) No intercorporate debt will exist between Sub 16 and Sub 24 at the time of, or after, Distribution 4, other than any indebtedness incurred in the ordinary course or for obligations resulting from the Transitional Agreements.

(4z) Payments made in any continuing transactions between Sub 16 and Sub 24 will be for fair market value based on terms and conditions arrived at by the parties bargaining at arm's length, except for certain payments to be made under the Transitional Agreements.

(5ab) Immediately after Distribution 4, the gross assets of the businesses actively conducted (as defined in § 355(b)(2)) by each of Sub 16 and Sub 24 will have a fair market value equal to at least five percent of the total fair market value of the corporation's gross assets.

(5c) Distribution 4 is not part of a plan or series of related transactions (within the meaning of § 355(e)) pursuant to which one or more persons will acquire directly or indirectly stock possessing 50 percent or more of the combined voting power of all classes of stock of Sub 16 or Sub 24 entitled to vote, or stock possessing 50 percent or more of the total value of all classes of stock of Sub 16 or Sub 24.

(5d) For purposes of § 355(d), immediately after Distribution 4, no person (determined after applying § 355(d)(7)) will hold stock possessing 50 percent or more of the total combined voting power of all classes of Sub 16 stock entitled to vote, or 50 percent or more of the total value of shares of all classes of Sub 16 stock, that was acquired by purchase (as defined in § 355(d)(5) and (8)) during the five-year period (determined after applying § 355(d)(6)) ending on the date of Distribution 4.

(5e) For purposes of § 355(d), immediately after Distribution 4, no person (determined after applying § 355(d)(7)) will hold stock possessing 50 percent or more of the total combined voting power of all classes of Sub 24 stock entitled to vote, or 50 percent or more of the total value of shares of all classes of Sub 24 stock, that was either (i) acquired by purchase (as defined in § 355(d)(5) and (8)) during the five-year period (determined after applying § 355(d)(6)) ending on the date of Distributing 4 or (ii) attributable to distributions on Sub 16 stock that was acquired by purchase (as defined in § 355(d)(5) and (8)) during the five-year period (determined after applying § 355(d)(6)) ending on the date of Distribution 4.

Distribution 5

Distributing makes the following representations regarding Distribution 5:

(5f) Any indebtedness owed by Sub 24 to Sub 2 after Distribution 5 will not constitute stock or securities.

(5g) No part of the consideration distributed by Sub 2 will be received by Distributing as a creditor, employee, or in any capacity other than that of a shareholder of Sub 2.

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

(5i) Immediately after Distribution 5, at least 90 percent of the fair market value of the gross assets of Sub 14 will consist of the stock and securities of controlled corporations that are engaged in the active conduct of a trade or business as defined in § 355(b)(2).

(5j) The five years of financial information submitted on behalf of Sub 19, Sub 21, Sub 16, (which are all wholly owned subsidiaries of Sub 2 and, together with Sub 14, will in the aggregate represent at least 90 percent of the fair market value of the gross assets of Sub 2 immediately after Distribution 5) and Sub 17 (which is a wholly owned subsidiary of Sub 14 and will represent at least 90 percent of the fair market value of the gross assets of Sub 14 immediately after Distribution 5) represent their present respective operations, and with regard to each corporation, there have been no substantial operational changes since the date of the last financial statements submitted.

(5k) The five years of financial information submitted on behalf of Sub 24 represents Sub 24's present operation, and there have been no substantial operational changes since the date of the last financial statements submitted.

(5l) Following Distribution 5, Sub 2, through controlled subsidiaries, and Sub 24 will each continue the active conduct of its business, independently and with its separate employees.

(5m) Distribution 5 is carried out to facilitate Distribution 6, the corporate business purpose for which is to enhance the future success of each of Business A and Business B by resolving substantial problems that have evolved as a result of, and are exacerbated by, the operation of both businesses within a single affiliated group of corporations. Distribution 5 is motivated, in whole or substantial part, by this corporate business purpose.

(5n) There is no plan or intention by Distributing to sell, exchange, transfer by gift, or otherwise dispose of any of its stock in, or securities of, either Sub 2 or Sub 24 after the transaction, except in Contribution 2 and Distribution 6.

(5o) There is no plan or intention by either Sub 2 or Sub 24, directly or through any subsidiary corporation, to purchase any of its outstanding stock after the transaction, other than through stock purchases meeting the requirements of Section 4.05(1)(b) of Rev. Proc. 96-30.

(5p) There is no plan or intention to liquidate either Sub 2 or Sub 24, to merge either corporation with any other corporation, or to sell or otherwise dispose of the assets of either corporation after Distribution 5, except (i) in the ordinary course of business and (ii) in Contribution 2 and Distribution 6. However, existing or newly formed subsidiaries of Sub 2 or Sub 24 (or Sub 2 or Sub 24 itself) may seek to acquire related businesses, and some of these acquisitions may be structured as mergers.

(5q) No intercorporate debt will exist between Sub 2 and Sub 24 at the time of, or after, Distribution 5, other than any indebtedness incurred in the ordinary course or for obligations resulting from the Transitional Agreements.

(5r) Payments made in any continuing transactions between Sub 2 and Sub 24 will be for fair market value based on terms and conditions arrived at by the parties bargaining at arm's length, except for certain payments to be made pursuant to the Transitional Agreements.

(5st) Immediately after Distribution 5, the gross assets of the businesses actively conducted (as defined in §355(b)(2)) by each of Sub 19, Sub 21, Sub 16, (which are all wholly owned subsidiaries of Sub 2 and, together with Sub 14, will in the aggregate represent at least 90 percent of the fair market value of the gross assets of Sub 2 immediately after Distribution 5) and Sub 17 (which is a wholly owned subsidiary of Sub 14 and will represent at least 90 percent of the fair market value of the gross assets of Sub 14 immediately after Distribution 5) will have a fair market value equal to at least five percent of the total fair market value of the corporation's gross assets.

(5u) Immediately after Distribution 5, the gross assets of the business actively conducted (as defined in § 355(b)(2)) by Sub 24 will have a fair market value equal to at least five percent of the total fair market value of the corporation's gross assets.

(5v) Distribution 5 is not part of a plan or series of related transactions (within the meaning of § 355(e)), pursuant to which one or more persons will acquire directly or indirectly stock possessing 50 percent or more of the total combined voting power of all classes of stock of Sub 2 or Sub 24 entitled to vote, or stock possessing 50 percent or more of the total value of all classes of stock of Sub 2 or Sub 24.

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

(5x) For purposes of § 355(d), immediately after Distribution 5, no person (determined after applying § 355(d)(7)) will hold stock possessing 50 percent or more of the total combined voting power of all classes of Sub 24 stock entitled to vote, or 50 percent or more of the total value of shares of all classes of Sub 24 stock, that was either (i) acquired by purchase (as defined in § 355(d)(5) and (8)) during the five-year period (determined after applying § 355(d)(6)) ending on the date of Distributing 5 or (ii) attributable to distributions on Sub 2 stock that was acquired by purchase (as defined in § 355(d)(5) and (8)) during the five-year period (determined after applying § 355(d)(6)) ending on the date of Distribution 5.

The U. S. Restructuring

Distributing makes the following representations regarding the contributions described above in steps (xiv), (xv), and (xvi):

(5y) The contribution by Distributing of the stock of Sub 4 to Sub 1 will qualify as a transaction described in § 351.

(5z) The contribution by Sub 1 of the stock of each of Sub 8, Sub 9, and Sub 10 to Sub 5 will qualify as a transaction described in § 351.

(6a) The contribution by Sub 1 of the stock of each of Sub 4, Sub 11, Sub 12, and Sub 13 to Sub 7 will qualify as a transaction described in § 351.

Contribution 2 and Distribution 6

Distributing makes the following representations regarding Contribution 2 and Distribution 6:

(6b) Any indebtedness owed by Controlled to Distributing after Distribution 6 will not constitute stock or securities.

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

(6d) Immediately after Distribution 6, at least 90 percent of the fair market value of the gross assets of Distributing will consist of the stock and securities of Sub 1, Sub 20, and Sub 24, each of which is a controlled corporation engaged in the active conduct of a trade or business as defined in § 355(b)(2).

(6e) Immediately after Distribution 6, at least 90 percent of the fair market value of the gross assets of Sub 1 will consist of the stock and securities of Sub 5, Sub 6, and Sub 7, each of which is a controlled corporation engaged in the active conduct of a trade or business as defined in § 355(b)(2).

(6f) The five years of financial information submitted on behalf of Sub 5, Sub 6, Sub 7, Sub 20, and Sub 24 represents the present operations of each corporation, and with regard to each, there have been no substantial operational changes since the date of the last financial statements submitted.

(6g) Immediately after Distribution 6, at least 90 percent of the fair market value of the gross assets of Controlled will consist of the stock and securities of Sub 2 and Sub 3, each of which is a controlled corporation engaged in the active conduct of a trade or business as defined in § 355(b)(2).

(6h) Immediately after Distribution 6, at least 90 percent of the fair market value of the gross assets of Sub 2 will consist of the stock and securities of Sub 14, Sub 16, Sub 19, and Sub 21, each of which is a controlled corporation engaged in the active conduct of a trade or business as defined in § 355(b)(2).

(6i) Immediately after Distribution 6, at least 90 percent of the fair market value of the gross assets of Sub 14 will consist of the stock and securities of Sub 17, a controlled corporation engaged in the active conduct of a trade or business as defined in § 355(b)(2).

(6j) The five years of financial information submitted on behalf of Sub 3, Sub 16, Sub 17, Sub 19, and Sub 21 represents the operations of each corporation, and with regard to each, there have been no substantial operational changes since the date of the last financial statements submitted.

(6k) Following Distribution 6, Distributing and Controlled, through controlled subsidiaries, will each continue the active conduct of its business, independently and with its separate employees.

(6l) Distribution 6 is carried out for the corporate business purpose of enhancing the future success of each of Business A and Business B by resolving substantial problems that have evolved as a result of, and are exacerbated by, the operation of both businesses within a single affiliated group of corporations. Distribution 6 is motivated, in whole or substantial part, by this corporate business purpose.

(6m) There is no plan or intention by any shareholder who owns five percent or more of the stock of Distributing, and the management of Distributing, to its best knowledge, is not aware of any plan or intention on the part of any particular remaining shareholder or security holder of Distributing to sell, exchange, transfer by gift, or otherwise dispose of any stock in, or securities of, either Distributing or Controlled after Distribution 6.

(6n) There is no plan or intention by either Distributing or Controlled, directly or through any subsidiary corporation, to purchase any of its outstanding stock after the transaction, other than through stock purchases meeting the requirements of section 4.05(1)(b) of Rev. Proc. 96-30.

(6o) There is no plan or intention to liquidate either Distributing or Controlled, to merge either corporation with any other corporation, or to sell or otherwise dispose of the assets of either corporation after Distribution 6, except in the ordinary course of business. However, existing or newly formed subsidiaries of Distributing or Controlled (or Distributing or Controlled itself) may seek to acquire related businesses, and some of these acquisitions may be structured as mergers.

(6p) No liabilities will be assumed (as determined under § 357(d)) by Controlled in connection with the proposed transaction.

(6q) No intercorporate debt will exist between Distributing and Controlled at the time of, or after, Distribution 6, other than any indebtedness incurred in the ordinary course or for obligations resulting from the Transitional Agreements.

(6r) Immediately before Distribution 6, items of income, gain, loss, deduction, and credit will be taken into account as required by the applicable intercompany transaction regulations (see § 1.1502-13 and § 1.1502-14 of the Income Tax Regulations as in effect before the publication of T.D. 8597, 1995-2 C.B. 147, and as currently in effect; § 1.1502-13 as published by T.D. 8597). Further, any excess loss account Distributing may have in the Controlled stock will be included in income immediately before Distribution 6 to the extent required by applicable regulations (§ 1.1502-19).

(6s) Payments made in any continuing transactions 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, except for certain payments to be made pursuant to the Transitional Agreements.

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

(6u) Immediately after Distribution 6, the gross assets of the businesses actively conducted (as defined in § 355(b)(2)) by each of Sub 5, Sub 6, Sub 7, Sub 20, and Sub 24 will have a fair market value equal to at least five percent of the total fair market value of the corporation's gross assets.

(6v) Immediately after Distribution 6, the gross assets of the businesses actively conducted (as defined in § 355(b)(2)) by each of Sub 3, Sub 16, Sub 17, Sub 19, and Sub 21 will have a fair market value equal to at least five percent of the total fair market value of the corporation's gross assets.

(6w) Distribution 6 is not part of a plan or series of related transactions (within the meaning of § 355(e)) pursuant to which one or more persons will acquire directly or indirectly stock possessing 50 percent or more of the total combined voting power of all classes of stock of Distributing or Controlled entitled to vote, or stock possessing 50 percent or more of the total value of all classes of stock of Distributing or Controlled.

(6x) For purposes of § 355(d), immediately after Distribution 6, no person (determined after applying § 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 § 355(d)(5) and (8)) during the five-year period (determined after applying § 355(d)(6)) ending on the date of Distribution 6.

(6y) For purposes of § 355(d), immediately after Distribution 6, no person (determined after applying § 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 § 355(d)(5) and (8)) during the five-year period (determined after applying § 355(d)(6)) ending on the date of Distribution 6, or (ii) attributable to distributions on Distributing stock that was acquired by purchase (as defined in § 355(d)(5) and (8)) during the five-year period (determined after applying § 355(d)(6)) ending on the date of Distribution 6.

(6z) The payment of cash in lieu of fractional shares of Controlled will be solely for the purpose of avoiding the expense and inconvenience to Controlled of issuing fractional shares and does not represent separately bargained for consideration. The total cash consideration that will be paid in the transaction to the Distributing shareholders will not exceed one percent of the total consideration that will be distributed in the proposed transaction. The fractional share interests in Controlled of Distributing shareholders will be aggregated, and no Distributing shareholder will receive cash in an amount equal to or greater than the value of one full share of Controlled stock.

International

(7a) Each of Sub 20, Sub 21, Sub 22, Sub 24, Sub 25, and Sub 26 is a controlled foreign corporation under section 957(a). Each of Sub 8A and Sub 13A was a controlled foreign corporation under § 957(a) before its liquidation.

(7b) None of Sub 20, Sub 21, Sub 22, Sub 24, Sub 25, and Sub 26 has been or will be a United States real property holding corporation, as defined in § 897(c) (2), at any time during the five-year period immediately preceding the date of any of Distributions 1 through 5, and none will be a United States real property holding corporation immediately thereafter. Neither Sub 8A nor Sub 13A was a United States real property holding corporation at any time during the five-year period immediately preceding the date of its liquidation.

(7c) None of Sub 20, Sub 21, Sub 22, Sub 24, Sub 25, and Sub 26 has been or will be a passive foreign investment company, as defined in § 1297(a), or a foreign personal holding company, as defined in § 552, on the date immediately preceding any of Distributions 1 through 5, and none will be a passive foreign investment company or a foreign personal holding company immediately thereafter. Neither Sub 8A nor Sub 13A was a passive foreign investment company or a foreign personal holding company on the date immediately preceding its liquidation.

Rulings

Merger 1

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

(1) For federal income tax purposes, Merger 1 will be treated as a distribution by Sub 18 of all its assets to Sub 15 in complete liquidation under § 332 (§ 1.332-2(d)).

(2) No gain or loss will be recognized by Sub 15 on its receipt of the Sub 18 assets and liabilities in Merger 1 (§ 332(a)).

(3) No gain or loss will be recognized by Sub 18 on the distribution of its assets and liabilities to Sub 15 in Merger 1 (§§ 336(d)(3) and 337(a)).

(4) The basis of each Sub 18 asset in the hands of Sub 15 will equal the basis of that asset in the hands of Sub 18 immediately before Merger 1 (§ 334(b)(1)).

(5) The holding period of each Sub 18 asset received by Sub 15 will include the period during which Sub 18 held the asset (§ 1223(2)).

(6) Sub 15 will succeed to and take into account the items of Sub 18 described

in § 381(c), subject to the provisions and limitations of § 381(b) and (c) and the regulations thereunder (§ 381(a) and § 1.381(a)-1).

(7) Sub 15 will succeed to and take into account the earnings and profits of Sub 18 as of the date of Merger 1 (§ 381(c)(2)(A) and § 1.381(c)(2)-1). Any deficit in earnings and profits of Sub 15 or Sub 18 will be used only to offset earnings and profits accumulated after the date of Merger 1 (§ 381(c)(2)(B)).

Merger 2

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

(8) For federal income tax purposes, Merger 2 will be treated as a distribution by Sub 15 of all its assets to Sub 2 in complete liquidation under § 332 (§ 1.332-2(d)).

(9) No gain or loss will be recognized by Sub 2 on its receipt of the Sub 15 assets and liabilities in Merger 2 (§ 332 (a)).

(10) No gain or loss will be recognized by Sub 15 on the distribution of its assets and liabilities to Sub 15 in Merger 2 (§§ 336(d)(3) and 337(a)).

(11) The basis of each Sub 15 asset in the hands of Sub 2 will equal the basis of that asset in the hands of Sub 15 immediately before Merger 2 (§ 334(b)(1)).

(12) The holding period of each Sub 15 asset received by Sub 2 will include the period during which Sub 15 held the asset (§ 1223(2)).

(13) Sub 2 will succeed to and take into account the items of Sub 15 described in § 381(c), subject to the provisions and limitations of § 381(b) and (c) and the regulations thereunder (§ 381(a) and § 1.381(a)-1).

(14) Sub 2 will succeed to and take into account the earnings and profits of Sub 15 as of the date of Merger 2 (§ 381(c)(2)(A) and § 1.381(c)(2)-1). Any deficit in earnings and profits of Sub 2 or Sub 15 will be used only to offset earnings and profits accumulated after the date of Merger 2 (§ 381(c)(2)(B)).

Merger 3

Based solely on the information submitted and the representations set forth above, we rule as follows on Merger 3:

(15) For federal income tax purposes, Merger 3 will be treated as a distribution by Sub 23 of all its assets to Sub 16 in complete liquidation under § 332 (§ 1.332-2(d)).

(16) No gain or loss will be recognized by Sub 16 on its receipt of the Sub 23 assets and liabilities in Merger 3 (§ 332 (a)).

(17) No gain or loss will be recognized by Sub 23 on the distribution of its assets and liabilities to Sub 16 in Merger 3 (§§ 336(d)(3) and 337(a)).

(18) The basis of each Sub 23 asset in the hands of Sub 16 will equal the basis of that asset in the hands of Sub 23 immediately before Merger 3 (§ 334(b)(1)).

(19) The holding period of each Sub 23 asset received by Sub 16 will include the period during which Sub 23 held the asset (§ 1223(2)).

(20) Sub 16 will succeed to and take into account the items of Sub 23 described in § 381(c), subject to the provisions and limitations of § 381(b) and (c) and the regulations thereunder (§ 381(a) and § 1.381(a)-1).

(21) Sub 16 will succeed to and take into account the earnings and profits of Sub 23 as of the date of Merger 3 (§ 381(c)(2)(A) and § 1.381(c)(2)-1). Any deficit in earnings and profits of Sub 16 or Sub 23 will be used only to offset earnings and profits accumulated after the date of Merger 3 (§ 381(c)(2)(B)).

The Country B Restructuring

Distribution 1

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

(22) Contribution 1, followed by Distribution 1, will be a reorganization under § 368(a)(1)(D). Sub 20 and Sub 21 each will be "a party to a reorganization" under § 368(b).

(23) No gain or loss will be recognized by Sub 20 on Contribution 1 (§§ 361(a) and 357(a)).

(24) No gain or loss will be recognized by Sub 21 on Contribution 1 (§ 1032(a)).

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

(26) No gain or loss will be recognized by Sub 20 on Distribution 1 (§ 361(c)).

(27) The basis of the Sub 22 stock received by Sub 21 will equal the basis of that stock in the hands of Sub 20 immediately before Contribution 1 (§ 362(b)).

(28) The holding period of the Sub 22 stock received by Sub 21 in Contribution 1 will include the period during which such stock was held by Sub 20 (§ 1223(2)).

(29) The holding period for the Sub 21 stock received by Sub 2 in Distribution 1 will include the holding period of the Sub 20 stock upon which the distribution is made, provided the Sub 20 stock is held as a capital asset on the date of Distribution 1 (§ 1223(1)).

Distribution 2

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

(30) No gain or loss will be recognized by Sub 2 on Distribution 2 (§ 355(c)(1)).

(31) No gain or loss will be recognized by (and no amount will otherwise be included in the income of) Distributing on Distribution 2 (§ 355(a)(1)).

(32) The holding period for the Sub 20 stock received by Distributing in Distribution 2 will include the holding period of the Sub 2 stock upon which the distribution is made, provided the Sub 2 stock is held as a capital asset on the date of Distribution 2 (§ 1223(1)).

The Country C Restructuring

Distribution 3

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

(33) No gain or loss will be recognized by Sub 24 on Distribution 3 (§ 355(c)).

(34) No gain or loss will be recognized by (and no amount will otherwise be included in the income of) Sub 16 or Sub 26 on Distribution 3 (§ 355(a)(1)).

(35) The holding period for the Sub 25 stock received by Sub 16 and Sub 26 in Distribution 3 will include the holding period of the Sub 24 stock upon which the distribution is made, provided the Sub 24 stock is held as a capital asset on the date of Distribution 3 (§ 1223(1)).

Distribution 4

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

(36) No gain or loss will be recognized by Sub 16 on Distribution 4 (§ 355(c)).

(37) No gain or loss will be recognized by (and no amount will otherwise be included in the income of) Sub 2 on Distribution 4 (§ 355(a)(1)).

(38) The holding period for the Sub 24 stock received by Sub 2 in Distribution 4 will include the holding period of the Sub 16 stock upon which the distribution is made, provided the Sub 16 stock is held as a capital asset on the date of Distribution 4 (§ 1223(1)).

Distribution 5

Based solely on the information submitted and the representations set forth above, we rule as follows on Distribution 5:

(39) No gain or loss will be recognized by Sub 2 on Distribution 5 (§ 355(c)).

(40) No gain or loss will be recognized by (and no amount will otherwise be included in the income of) Distributing on Distribution 5 (§ 355(a)(1)).

(41) The holding period for the Sub 24 stock received by Distributing in Distribution 5 will include the holding period of the Sub 2 stock upon which the distribution is made, provided the Sub 2 stock is held as a capital asset on the date of Distribution 5 (§ 1223(1)).

The U.S. Restructuring

Contribution 2 and Distribution 6

Based solely on the information submitted and the representations set forth above, we rule as follows on Contribution 2 and Distribution 6:

(42) Contribution 2 followed by Distribution 6 will qualify as a reorganization under § 368(a)(1)(D). Distributing and Controlled each will be a party to the reorganization under § 368(b).

(43) No gain or loss will be recognized by Distributing on Contribution 2 (§§ 361(a) and 357(a)).

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

(45) No gain or loss will be recognized by (and no amount will otherwise be included in the income of) the shareholders of Distributing on Distribution 6 (§ 355(a)).

(46) No gain or loss will be recognized by Distributing on Distribution 6 (§ 361(c)).

(47) The basis of the Sub 2 stock and the Sub 3 stock received by Controlled will equal the basis of the stock in the hands of Distributing immediately before Contribution 2 (§ 362(b)).

(48) The holding period of the Sub 2 stock and the Sub 3 stock received by Controlled will include the period during which the stock was held by Distributing (§ 1223(2)).

(49) The aggregate basis of the Distributing stock and the Controlled stock in the hands of each Distributing shareholder immediately after Distribution 6 will equal the aggregate basis of Distributing stock held by the shareholder immediately before Distribution 6, allocated between the Distributing stock and Controlled stock in proportion to the fair market value of each in accordance with § 1.358-2(a)(2) (§358(b)).

(50) The holding period of the Controlled stock received by each shareholder in Distribution 6 will include the holding period of the Distributing stock upon which the distribution is made, provided the Distributing stock is held as a capital asset on the date of Distribution 6 (§ 1223(1)).

(51) The earnings and profits of Distributing and Controlled will be allocated in accordance with §§ 312(h), 1.312-10(a), and 1.1502-33(e)(3).

(52) The payment of cash, if any, in lieu of fractional shares of Controlled stock will be treated for federal income tax purposes as if the fractional shares had been distributed as part of Distribution 6 and then had been sold by the holders. Accordingly, a shareholder will recognize gain or loss equal to the difference between the cash received and the basis of the fractional share as determined in ruling 49 above (§ 1001). If the Controlled stock is held by the shareholder as a capital asset, the gain or loss will be subject to the provisions and limitations of Subchapter P of Chapter 1 of the Code (§§ 1221 and 1222).

The Cash Distribution

(53) The Cash Distribution will be a distribution under § 301.

International

(54) Immediately following Distribution 2, the basis of the stock of Sub 20 in the hands of Distributing will be the lesser of the adjusted basis of the Sub 20 stock in the hands of Sub 2 or the substituted basis allocated to the Sub 20 stock in accordance with section 1.358-2(a)(2) (§ 1248(f)(2); Notice 87-64, 1987-2 C.B. 375).

(55) Immediately following Distribution 2, Distributing's holding period in the Sub 20 stock received in the § 355 distribution will be the greater of the holding period of the Sub 20 stock in the hands of Sub 2 or the holding period of the Sub 2 stock in the hands of Distributing.

(56) Immediately following Distribution 4, the basis of the stock of Sub 24 in the hands of Sub 2 will be the lesser of the adjusted basis of the Sub 24 stock in the hands of Sub 16 or the substituted basis allocated to the Sub 24 stock in accordance with § 1.358-2(a)(2) (§ 1248(f)(2); Notice 87-64).

(57) Immediately following Distribution 4, Sub 2's holding period in the Sub 24 stock received in the § 355 distribution will be the greater of the holding period of the Sub 24 stock in the hands of Sub 16 or the holding period of the Sub 16 stock in the hands of Sub 2.

(58) Immediately following Distribution 5, the basis of the stock of Sub 24 in the hands of Distributing will be the lesser of the adjusted basis of the Sub 24 stock in the hands of Sub 2 or the substituted basis allocated to the Sub 24 stock in accordance with § 1.358-2(a)(2) (§ 1248(f)(2); Notice 87-64).

(59) Immediately following Distribution 5, Distributing's holding period in the Sub 24 stock received in the § 355 distribution will be the greater of the holding period of the Sub 24 stock in the hands of Sub 2 or the holding period of the Sub 2 stock in the hands of Distributing.

Caveats

We express no opinion about the tax treatment of the transactions under any other provisions of the Code or regulations or the tax treatment of any conditions existing at the time of, or effects resulting from, the transactions that are not specifically covered by the above rulings. In particular, no opinion is expressed concerning:

- (a) The application of § 304 or § 367 to the Sub 25 Sale.
- (b) Whether the contribution by Distributing of Sub 4 stock to Sub 1 described above in step (xiv) qualifies under § 351.
- (c) Whether the contribution by Sub 1 of the stock of Sub 8, Sub 9, and Sub 10 to Sub 5 described in step (xv) qualifies under § 351.
- (d) Whether the contribution by Sub 1 of the stock of Sub 4, Sub 11, Sub 12, and Sub 13 to Sub 7 described in step (xvi) qualifies under § 351.
- (e) The treatment of non-fair market value payments described in steps (3b), (3t), (4j), (4z), (5r), and (6s).

(f) The effect of Distribution 3 on the GRA under § 367(a), § 1.367(a)-3T, and § 1.367(a)-3.

(g) The classification of Sub 20A and Sub 27 under § 7701 and § 301.7701-3.

(h) The application of § 367(a) and § 1.367(a)-5T(d) to the Foreign Currency Transfer.

(j) The application of §367(b) and § 1.367(b)-3 to Liquidation 1, Liquidation 2, or Liquidation 3.

(k) The possible income inclusions and basis reductions that may occur because of the application of § 1.367(b)-5 to the distributions designated Distribution 1 and Distribution 3.

(l) The Sub 1 Merger.

Procedural Statements

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

A copy of this ruling letter should be attached to the federal income tax return of each taxpayer involved for the taxable year in which the transactions are consummated.

Under the power of attorney on file in this office, a copy of this letter is being sent to the taxpayer.

Sincerely yours,
Assistant Chief Counsel
(Corporate)
By: Wayne T. Murray
Senior Technician/Reviewer
Branch 4