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**LEGEND:**

Acquiring =

Target 1 =

Target 2 =

Target 3 =

Target 4 =

Target 5 =

Target 6 =

Target 7 =

Target 8 =

Target 9 =

Target 10 =

Target 11 =

x =

l% =

m# =

n# =

o# =

p# =

q# =

(i) =

(ii) =

(iii) =

(iv) =

(v) =

(vi) =

(vii) =

T1 =

T2 =

State A =

Dear :

This letter responds to a letter dated February 25, 2005, submitted on behalf of Target 1, requesting a private letter ruling regarding a proposed transaction. Additional information was received in letters dated April 18, June 14, July 8, and July 18, 2005. The material information is summarized below.

#### Summary of Facts

Acquiring and Targets 1 through 11 (the Combining Corporations) are closely held corporations. Target 1 owns more than 50% of the stock of each of Acquiring, Target 4, and Target 10. Target 1 and Target 4 together own more than 50% of the stock of Target 5. Acquiring, Target 1, Target 4, and Target 5 together own more than 50% of the stock of the remaining Combining Corporations. There is generally extensive cross ownership of the stock of the Combining Corporations. In addition, a significant amount of the stock of Acquiring and Target 1 is owned by a group (T1) consisting of one of the founders of Target 1 and related persons (including the President of Target 1). The remainder of the stock of the Combining Corporations is owned by unrelated persons, none of whom owns more than 1% of such stock. Each Combining Corporation has a single class of stock outstanding. Each uses the accrual method of accounting.

The Combining Corporations own directly and indirectly stock in approximately m# operating subsidiaries, each of which is engaged in business x. The Combining Corporations collectively act as holding companies for such operating subsidiaries, all of which are closely held. The Combining Corporations were formed partly to address specific business needs of the operating companies.

For non-tax business purposes, Target 1 proposes the following transaction (the Transaction):

- (i) Targets 1 – 11 will merge simultaneously into Acquiring under the laws of State A (the Mergers).
- (ii) Simultaneously with step (i), Acquiring will undergo a n#:o# reverse stock split (the Exchange).

Shareholders of the Combining Corporations who are entitled to receive less than one share of Acquiring in the Transaction will receive only cash for their stock. No more than p# shareholders will be entitled to less than one Acquiring share. Shareholders who are entitled to receive a fractional share in addition to a whole number of shares of Acquiring in the Transaction will receive cash in lieu of the fractional share unless they elect to purchase the remainder of the next whole Acquiring share (the Round-Up Election). Acquiring also offered to redeem shareholders (the Cash-Out Election). This offer was accepted by a small number of shareholders.

Shareholders T1 and T2 have represented that if they are entitled to receive a fractional share in addition to a whole number of Acquiring shares, neither will elect to receive cash in lieu of the fractional share but will elect, under the Round-Up Election, to purchase the remainder of the next whole Acquiring share.

After the Transaction, Acquiring will be authorized to issue q# Class B nonvoting common shares to employees and/or directors of Acquiring to implement an employee stock plan.

## Representations

Except for representation (n) below, the following representations have been made with respect to each of the Mergers between a target corporation (Target) and Acquiring or (where specified) with respect to the Transaction (i.e., each of the Mergers and the Exchange):

- (a) The merger is being effected pursuant to the laws of State A. As a result of the operation of such laws, all of the assets and liabilities (except to the extent satisfied or discharged in the merger) of Target will become the assets and liabilities of Acquiring.
- (b) The fair market value of the Acquiring stock and other consideration received by each Target shareholder will be approximately equal to the fair market value of the Target stock surrendered in the exchange.
- (c) At least 50% of the proprietary interest in Target will be exchanged for Acquiring's stock and will have been preserved within the meaning of section 1.368-1(e) of the Income Tax Regulations.
- (d) Except as described above, neither Acquiring nor any person related to Acquiring within the meaning of section 1.368-1(e)(3) of the Income Tax Regulations has any plan

or intention to redeem or otherwise acquire any shares of Acquiring at any time after or in connection with the Transaction or has any plan or intention to cause any other person or entity to acquire any such stock.

(e) Acquiring has no plan or intention to sell or otherwise dispose of any of the assets of Target acquired in the merger, except for dispositions made in the ordinary course of business or transfers described in section 368(a)(2)(C) of the Internal Revenue Code of 1986.

(f) The liabilities of Target assumed (as determined under section 357(d)) by Acquiring were incurred by Target in the ordinary course of its business.

(g) Following the merger, Acquiring will continue the historic business of Target or use a significant portion of Target's historic business assets in a business.

(h) Acquiring, Target, and the shareholders of Target will pay their respective expenses, if any, incurred in connection with the Transaction.

(i) There is no intercorporate indebtedness existing between Target and Acquiring that was issued, acquired, or will be settled at a discount.

(j) Target is not under the jurisdiction of a court in a Title 11 or similar case within the meaning of section 368(a)(3)(A) of the Code.

(k) The total fair market value of the assets transferred to Acquiring by Target exceeds the sum of (a) the amount of liabilities of Target assumed by Acquiring in connection with the exchange, (b) the amount of liabilities owed to Acquiring by Target that are discharged or extinguished in connection with the exchange, and (c) the amount of any money and the fair market value of any other property (other than stock permitted to be received under section 361(a) without the recognition of gain) received by Target in connection with the exchange. The fair market value of the assets of Acquiring will exceed the amount of its liabilities immediately after the exchange.

(l) The total adjusted bases of the assets transferred to Acquiring by Target equals or exceeds the sum of the total liabilities assumed (within the meaning of §357(d)) by Acquiring.

(m) Each of the operating companies is engaged in one or more of businesses (i) through (vii).

(n) Immediately before the merger of Target 3 into Acquiring, not taking into account the stock held by Target 3 in other Combining Corporations which is being eliminated in the Mergers, Target 3 is an investment company but meets the requirements of section 368(a)(2)(F)(ii) of the Code.

(o) Immediately before the Mergers, a majority of the voting power of the stock of each operating company is held (i) by Target 1 directly or (ii) by Target 1 directly and indirectly through one or more Combining Corporations and operating companies in which the majority of the voting power of the stock is owned directly by Target 1 and one or more Combining Corporations and operating companies that are directly or indirectly controlled by Target 1, such that Target 1 mathematically controls the election of 100% of the board of directors of each operating company.

(p) After the Mergers, a majority of the voting power of the stock of each operating company will be held (i) by Acquiring directly or (ii) by Acquiring directly and indirectly through one or more of the other operating companies in which the majority of the voting power of the stock is owned directly by Acquiring and one or more of the other operating companies that are directly or indirectly controlled by Acquiring, such that Acquiring will mathematically control the election of 100% of the board of directors of each operating company.

(q) After the Mergers, no operating company will own stock directly or indirectly in any other operating company which owns stock in it.

In addition to the above representations referring to the Transaction, the following representations have been made with respect to the Exchange and/or the Transaction:

(r) At the time of the Exchange, Acquiring will not have outstanding any stock options, warrants, convertible securities, or any other right that is convertible into any class of stock or securities of Acquiring. No convertible stock will be issued in the Exchange.

(s) Other than cash in lieu of fractional shares and the limited Cash-Out Election, no shareholder will receive consideration other than Acquiring stock in the Exchange.

(t) Acquiring stock is not section 306 stock (within the meaning of section 306(c) of the Code).

(u) The Transaction is not part of a plan to increase periodically the proportionate interest of any shareholder in the assets or earnings and profits of Acquiring.

(v) Acquiring will be the same entity before and after the Transaction.

(w) The fair market value of the stock to be received by each exchanging shareholder will be approximately equal to the fair market value of the stock surrendered in the Exchange.

(x) Acquiring is not under the jurisdiction of a court in a Title 11 or similar case within the meaning of section 368(a)(3)(A) of the Code.

(y) T1 and T2, and all persons related to them (through the application of the attribution rules of section 318 of the Code) who are eligible to make the Round-Up Election, will elect to purchase the remainder of the next whole Acquiring share.

(z) Acquiring's payment of cash in lieu of fractional shares of Acquiring stock is solely for the purpose of avoiding the expense and inconvenience to Acquiring 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 shareholders instead of issuing fractional shares of Acquiring stock will not exceed three percent of the total consideration that will be issued in the Transaction to the shareholders in exchange for their shares of stock. The fractional share interests of each shareholder will be aggregated, and no shareholder will receive cash in lieu of fractional shares in an amount equal to or greater than one full share of Acquiring stock.

(aa) None of the compensation received by any shareholder-employees of Target will be separate consideration for, or allocable to, any of their shares of Target stock; none of the shares of Acquiring stock received by any shareholder-employees will be separate consideration for, or allocable to, any employment agreement; and the compensation paid to any shareholder-employees will be for services actually rendered and will be commensurate with amounts paid to third parties bargaining at arm's-length for similar services.

## Rulings

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

(1) Each of the Mergers will qualify as a reorganization under 368(a)(1)(A). The Exchange will qualify as a reorganization under 368(a)(1)(E). Acquiring and each Target will be "a party to a reorganization" under 368(b).

(2) No gain or loss will be recognized by any Target in the Mergers (361(a) and 357(a)).

(3) No gain or loss will be recognized by Acquiring in the Transaction (1032(a)).

(4) The basis of each asset received by Acquiring in the Mergers will equal the basis of that asset in the hands of the Target immediately before the Mergers (362(b)).

(5) The holding period of each asset received by Acquiring in the Mergers from a Target will include the period during which the Target held that asset (1223(2)).

(6) No gain or loss will be recognized by the shareholders on the exchange of their stock for Acquiring stock in the Transaction (354(a)(1)).

(7) The basis of the Acquiring stock (including any fractional share interest to which the shareholder may be entitled) received by each shareholder in the Transaction will equal the basis of the stock surrendered by that shareholder in exchange therefor (358(a)(1)). However, the basis of the portion of Acquiring stock purchased pursuant to the Round-Up Election will equal its cost (1012).

(8) The holding period of the Acquiring stock (including any fractional share interest to which the shareholder may be entitled) received by each shareholder in the Transaction will include the holding period of the stock surrendered in exchange therefor, provided the stock exchanged is held as a capital asset on the date of the Transaction (1223(1)). However, the portion of a share purchased pursuant to the Round-Up Election will have a new holding period.

(9) The payment of cash to a shareholder in lieu of fractional shares of Acquiring stock will be treated as though the fractional shares were distributed as part of the Transaction and then redeemed by Acquiring. The cash payment will be treated as determined under section 302 (Rev. Proc. 77-41, 1977-2 C.B. 574).

(10) Where solely cash is received by a shareholder (because such shareholder is entitled to less than one Acquiring share or because of the Cash-Out Election), such cash will be treated as received by that shareholder as a distribution in redemption of his or her stock, subject to the provisions and limitations of section 302 of the Code. If after such distribution such shareholder neither owns any Acquiring stock directly, nor is deemed to own any Acquiring stock under the constructive ownership rules of section 318(a) of the Code, the redemption will be treated as a complete termination of the shareholder's interest in the Target within the meaning of section 302(b)(3) of the Code and will be treated as a distribution in full payment in exchange for the stock redeemed as provided in section 302(a) of the Code.

#### Caveats

Except as expressly provided herein, no opinion is expressed or implied concerning the tax consequences of any aspect of any transaction or item discussed or referenced in this letter.

#### Procedural Statements

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

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.

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

Sincerely,

*Stephen P. Fattman*

Stephen P. Fattman  
Special Counsel to the Associate  
Chief Counsel (Corporate)  
Office of Associate Chief Counsel (Corporate)

cc: