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Person to Contact:

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Distributing =

Controlled =

Target 1 =

Target 2 =

Company 1 =

Company 2 =

LLC 1 =

LLC 2 =

LLC 3 =

LLC 4 =

LLC 5 =

LLC 6 =

LLC 7 =

LLC 8 =

LLC 9 =

LLC 10 =

LLC 11 =

LLC 12 =

LLC 13 =

LP 1 =

LP 2 =

Sub 1 =

Sub 2 =

Sub 3 =

Sub 4 =

Sub 5 =

Sub 6 =

Sub 7 =

Sub 8 =

Sub 9 =

Sub 10 =

Sub 11 =

Sub 12 =

Sub 13 =

Sub 14 =

Sub 15 =

Sub 16 =

Sub 17 =

Sub 18 =

Sub 19	=
Sub 20	=
Sub 21	=
Sub 22	=
Sub 23	=
Sub 24	=
Sub 25	=
Sub 26	=
Sub 27	=
Sub 28	=
Sub 29	=
Sub 30	=
Sub 31	=
Sub 32	=
Sub 33	=
Sub 34	=
Sub 35	=
Sub 36	=
Sub 37	=
Sub 38	=
Distributing Common Stock	=

Distributing Business B Common Stock =

Distributing Business C Common Stock =

Distributing Business D Class A Common Stock =

Distributing Business D Class B Common Stock =

Distributing Business E Common Stock =

Distributing Business E Preferred Stock =

Distributing Special Debt Securities =

Controlled Common Stock =

Controlled Business B Common Stock =

Business A =

Business B =

Business C =

Business D =

Business E =

Financial Adviser A =

Financial Adviser B =

Management Consultant =

Date A =

Date B =

Date C =

Date D =

Date E =

Date F =

Date G =

Date H =

Month A =

a =

b =

c =

d =

e =

f =

g =

This letter responds to your May 16, 2001 request for rulings regarding certain federal income tax consequences of a proposed transaction. The information submitted 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 and accompanied by a penalties of perjury statement executed by an appropriate party. This office has not verified any of the materials submitted in support of the request for rulings. Verification of the information, representations, and other data may be required as part of the audit process.

Summary of Facts

Publicly traded Distributing is the common parent of an affiliated group of corporations that files a consolidated federal income tax return. Distributing conducts Business A, Business B, and Business C directly and indirectly and Business D and Business E through corporate subsidiaries and limited liability companies (each of the latter, an "LLC").

Distributing presently has five classes of stock outstanding: Distributing Common Stock, Distributing Business D Class A Common Stock, Distributing Business D Class B Common Stock, Distributing Business E Common Stock, and Distributing Business E Preferred Stock. At the time of the Splint-Off (as defined below), Distributing will have three classes of stock outstanding: Distributing Common Stock, Distributing Business B Common Stock and Distributing Business C Common Stock.

Distributing is restructuring under a plan formally announced on Date A and Date B (the "Overall Restructuring") that will result in four separate, publicly traded companies: (i) Company 1, which owns certain Business D assets previously held by Distributing and certain of its subsidiaries, (ii) Company 2, which will conduct Business E, (iii) Controlled, a new corporation that will be formed to conduct Business A and Business B, and (iv) Distributing, which will conduct Business C. The transactions that are associated with the separation of Company 1 from Distributing were addressed in a private letter ruling issued by the Internal Revenue Service on Date C (PLR-130376-00) and are expected to be completed on Date D. The transactions that are associated with the separation of Company 2 from Distributing were addressed in a private letter ruling issued by the Internal Revenue Service on Date E (PLR-100633-01) and are expected to be completed on or before Date F (the separations of the businesses described in (1) and (2) together, the "Other Transactions").

Distributing wholly owns LLC 1, and LLC 1 wholly owns Sub 1 through Sub 3.

Sub 1 wholly owns Sub 4 through Sub 7. Sub 4 wholly owns LLC 13. Sub 5 wholly owns Sub 8 and Sub 9. Sub 8 wholly owns LLC 8, and Sub 9 wholly owns LLC 10. Sub 6 wholly owns Sub 10. Sub 10 wholly owns LLC 12. Sub 7 wholly owns Sub 11. Sub 11 wholly owns LLC 11 and Sub 12.

Sub 2 wholly owns Sub 13. Sub 13 wholly owns Sub 14. Sub 14 wholly owns Sub 15. Sub 15 wholly owns LLC 9 and Sub 16. Sub 15 also owns an a percent interest in LP 1 and is the general partner. Sub 16 owns the remaining b percent interest in LP 1 and is a limited partner.

Sub 3 wholly owns Sub 17 through Sub 20. Sub 19 wholly owns LLC 5, LLC 6 and Sub 21 through Sub 27. Sub 26 wholly owns LLC 7 and Sub 28. Sub 27 wholly owns Sub 29 through Sub 31. Sub 20 wholly owns Sub 32 through Sub 38. Sub 37 owns a c percent interest in LP 2 and is the general partner. Sub 38 owns the

remaining d percent interest in LP 2 and is a limited partner. Sub 37 wholly owns LLC 2. Sub 38 wholly owns LLC 3. LLC 2 and LLC 3 together hold less than 100 percent of the interests in LLC 4.

LLC 1 through LLC 3 and LLC 5 through LLC 13 are disregarded as entities separate from their owners for federal tax purposes under § 301.7701-3 of the Procedure and Administrative Regulations.

Distributing's financial condition has recently deteriorated because (i) one of Distributing's core businesses has come under serious challenge more rapidly and severely than had been foreseen and (ii) Distributing has acquired capital intensive businesses (principally Target 1 and Target 2) and incurred substantial debt in connection with these acquisitions. As a result, each of the three nationally recognized rating agencies downgraded Distributing's credit rating in Month A. To prevent further downgrades, Distributing has undertaken a reduction of its debt. This reduction is likely to inhibit Business C's ability to pursue its growth strategy in an extremely capital intensive and highly competitive industry.

In addition, Management Consultant has advised Distributing that the coexistence of Business A, Business B, and Business C as separate divisions within the Distributing affiliated group is responsible for substantial management, systemic, and other problems that will be alleviated by the separation of Distributing and Controlled. Among the difficulties that Distributing has experienced are (i) competition among business units for limited resources and for business opportunities, (ii) the evaluation of Distributing's Business C investments and capital expenditures on the basis of their impact on Distributing's earnings notwithstanding that Distributing's Business C competitors are measured on the basis of cash flow, (iii) the inability to adopt compensation plans consistent with competitors in the respective industries in which Business A, Business B, and Business C compete, and (iv) the general inability of the management of each of Business A, Business B, and Business C to focus exclusively on the business needs of its business.

Further, Distributing needs to raise capital that can be used to meet significant financing needs and reduce its debt. Distributing therefore will undertake a public offering (the "Public Offering") of a new class of common stock that will track the separate performance of Business C (the "Distributing Business C Common Stock"). Financial Advisor A and Financial Advisor B have advised Distributing that, if investors are confident that the Distributing Business C Common Stock will be converted into a fully distributed, asset-backed stock at the time of the separation of Distributing from Controlled, Distributing should raise e to f percent more funds per share in the Public Offering than it would without the separation.

Finally, Distributing's Business C competes in an industry that has been consolidating rapidly and in which publicly traded, asset-based stock is the preferred acquisition currency. Financial Adviser B has advised that the separation of Controlled

from Distributing will provide Business C with the acquisition currency it needs to participate effectively in this consolidation.

Proposed Transaction

To accomplish the separation of Controlled from the Distributing group that will allow Distributing and Controlled to address the business needs and concerns just described, Distributing proposes to (i) internally restructure itself, (ii) contribute all of the assets and liabilities that constitute Business A and Business B to Controlled, (iii) cause Controlled, through a combination of exchange offers for Distributing debt, assumptions of debt, and the distribution of proceeds from Controlled borrowings to Distributing, to assume the amount of Distributing debt necessary to establish appropriate capital structures for Distributing and Controlled, (iv) distribute to holders of Distributing Common Stock its entire interest in the Controlled Common Stock, and (v) redeem all the shares of a newly created class of Distributing stock in a mandatory exchange for shares of a new class of Controlled stock. More specifically, the following steps have been or are intended to be undertaken:

(i) Sub 19 converted into a single member LLC that is disregarded as an entity separate from its owner for federal tax purposes under § 301.7701-3. As a result, Sub 3 is treated as receiving and directly holding the assets of Sub 19. The transaction is intended to qualify as a liquidation under §§ 332 and 337.

(ii) Sub 22, a wholly owned subsidiary of Sub 19, merged into Sub 19. As a result, Sub 3 is treated as receiving and directly holding any assets of Sub 22. The transaction is intended to qualify as a liquidation under §§ 332 and 337.

(iii) Sub 21, a wholly owned subsidiary of Sub 19, converted into a single member LLC that is disregarded as an entity separate from its owner for federal tax purposes. As a result, Sub 3 is treated as receiving and directly holding the assets of Sub 21. The transaction is intended to qualify as a liquidation under §§ 332 and 337.

(iv) Sub 23, a wholly owned subsidiary of Sub 19, converted into a single member LLC that is disregarded as an entity separate from its owner for federal tax purposes. As a result, Sub 3 is treated as receiving and directly holding the assets of Sub 23. The transaction is intended to qualify as a liquidation under §§ 332 and 337.

(v) Sub 27, a wholly owned subsidiary of Sub 19, merged into Sub 19. As a result, Sub 3 is treated as receiving and directly holding the assets of Sub 27. The transaction is intended to qualify as a liquidation under §§ 332 and 337.

(vi) Sub 29, a wholly owned subsidiary of Sub 19 after step (v), converted into a single member LLC that is disregarded as an entity separate from its owner for federal tax purposes. As a result, Sub 3 is treated as receiving and directly holding the assets of Sub 29. The transaction is intended to qualify as a liquidation under §§ 332 and 337.

(vii) Sub 30, a wholly owned subsidiary of Sub 19 after step (v), converted into a single member LLC that is disregarded as an entity separate from its owner for federal tax purposes. As a result, Sub 3 is treated as receiving and directly holding the assets of Sub 30. The transaction is intended to qualify as a liquidation under §§ 332 and 337.

(viii) Sub 31, a wholly owned subsidiary of Sub 19 after step (v), merged into Sub 19. As a result, Sub 3 is treated as receiving and directly holding the assets of Sub 31. The transaction is intended to qualify as a liquidation under §§ 332 and 337.

(ix) Sub 24, a wholly owned subsidiary of Sub 19, merged into LLC 5, a newly formed, single member LLC that is also a wholly owned subsidiary of Sub 19 and is disregarded as an entity separate from its owner for federal tax purposes. As a result, Sub 3 is treated as receiving and directly holding the assets of Sub 24. The transaction is intended to qualify as a liquidation under §§ 332 and 337.

(x) Sub 25, a wholly owned subsidiary of Sub 19, converted into a single member LLC that is disregarded as an entity separate from its owner for federal tax purposes. As a result, Sub 3 is treated as receiving and directly holding the assets of Sub 25. The transaction is intended to qualify as a liquidation under §§ 332 and 337.

(xi) Sub 26, a wholly owned subsidiary of Sub 19, merged into LLC 6, a newly formed single member LLC that is also a wholly owned subsidiary of Sub 19 and is disregarded as an entity separate from its owner for federal tax purposes. As a result, Sub 3 is treated as receiving and directly holding the assets of Sub 26. The transaction is intended to qualify as a liquidation under §§ 332 and 337.

(xii) Sub 28, a wholly owned subsidiary of LLC 6 after step (xi), merged into LLC 7, a newly formed single member LLC that was a wholly owned subsidiary of Sub 26 before step (xi) and is disregarded as an entity separate from its owner for federal tax purposes. As a result, Sub 3 is treated as receiving and directly holding the assets of Sub 28. The transaction is intended to qualify as a liquidation under §§ 332 and 337.

(xiii) Sub 17, a wholly owned subsidiary of Sub 3, merged into Sub 3. The transaction is intended to qualify as a liquidation under §§ 332 and 337.

(xiv) Sub 20, a wholly owned subsidiary of Sub 3, merged into Sub 3. The transaction is intended to qualify as a liquidation under §§ 332 and 337.

(xv) Sub 33, a wholly owned subsidiary of Sub 3 after step (xiv), converted into a single member LLC that is disregarded as an entity separate from its owner for federal tax purposes. As a result, Sub 3 is treated as receiving and directly holding the assets of Sub 33. The transaction is intended to qualify as a liquidation under §§ 332 and 337.

(xvi) Sub 34, a wholly owned subsidiary of Sub 3 after step (xiv), converted into a single member LLC that is disregarded as an entity separate from its owner for federal

tax purposes. As a result, Sub 3 is treated as receiving and directly holding the assets of Sub 34. The transaction is intended to qualify as a liquidation under §§ 332 and 337.

(xvii) Sub 35, a wholly owned subsidiary of Sub 3 after step (xiv), merged into Sub 3. The transaction is intended to qualify as a liquidation under §§ 332 and 337.

(xviii) Sub 36, a wholly owned subsidiary of Sub 3 after step (xiv), converted into a single member LLC. As a result, Sub 3 is treated as receiving and directly holding the assets of Sub 36. The transaction is intended to qualify as a liquidation under §§ 332 and 337.

(xix) Sub 32, a wholly owned subsidiary of Sub 3 after step (xiv), merged into Sub 3. The transaction is intended to qualify as a liquidation under §§ 332 and 337.

(xx) Sub 37, a wholly owned subsidiary of Sub 3 after step (xiv), converted into a single member LLC that is disregarded as an entity separate from its owner for federal tax purposes. As a result, Sub 3 is treated as receiving and directly holding the assets of Sub 37. The transaction is intended to qualify as a liquidation under §§332 and 337.

(xxi) Sub 38, a wholly owned subsidiary of Sub 3 after step (xiv), merged into Sub 37. As a result, Sub 3 is treated as receiving and directly holding the assets of Sub 38. The transaction is intended to qualify as a liquidation under §§ 332 and 337 and to cause a deemed liquidation of LP 2 into Sub 3.

(xxii) Sub 18, a wholly owned subsidiary of Sub 3, merged into Sub 3. The transaction is intended to qualify as a liquidation under §§ 332 and 337.

(xxiii) Sub 3, a wholly owned subsidiary of LLC 1, merged into LLC 1. As a result, Distributing is treated as receiving and directly holding the assets of Sub 3. The transaction is intended to qualify as a liquidation under §§ 332 and 337.

(xxiv) Sub 8, a wholly owned subsidiary of Sub 5, contributed all of its assets to LLC 8, a newly formed single member LLC that is disregarded as an entity separate from its owner for federal tax purposes.

(xxv) Sub 8 merged into LLC 1 and, in consideration for the merger, Distributing voting stock was issued to Sub 5. It is intended that Sub 8 be treated as having transferred its assets to Distributing in a transaction qualifying as a reorganization under § 368(a)(1)(C).

(xxvi) Sub 16, a wholly owned subsidiary of Sub 15, merged into Sub 15. The transaction is intended to qualify as a liquidation under §§ 332 and 337 and to cause a deemed liquidation of LP 1 into Sub 15.

(xxvii) Sub 15, a wholly owned subsidiary of Sub 14, contributed all or substantially all of its assets to LLC 9, a newly formed single member LLC that is disregarded as an entity separate from its owner for federal tax purposes.

(xxviii) Sub 15 merged into LLC 1 and, in consideration for the merger, Distributing voting stock was issued to Sub 14. It is intended that Sub 15 be treated as having transferred its assets to Distributing in a transaction qualifying as a reorganization under § 368(a)(1)(C).

(xxix) Sub 9, a wholly owned subsidiary of Sub 5, contributed all of its assets to LLC 10, a newly formed single member LLC that is disregarded as an entity separate from its owner for federal tax purposes.

(xxx) Sub 9 merged into LLC 1 and, in consideration for the merger, Distributing voting stock was issued to Sub 5. It is intended that Sub 9 be treated as having transferred its assets to Distributing in a transaction qualifying as a reorganization under § 368(a)(1)(C).

(xxxi) Sub 12, a wholly owned subsidiary of Sub 11, converted into a single member LLC that is disregarded as an entity separate from its owner for federal tax purposes. As a result, Sub 11 is treated as receiving and directly holding the assets of Sub 12. The transaction is intended to qualify as a liquidation under §§ 332 and 337.

(xxxii) Sub 11, a wholly owned subsidiary of Sub 7, contributed all or substantially all of its assets to LLC 11, a newly formed single member LLC that is disregarded as an entity separate from its owner for federal tax purposes.

(xxxiii) Sub 11 merged into LLC 1 and, in consideration for the merger, Distributing voting stock was issued to Sub 7. It is intended that Sub 11 be treated as having transferred its assets to Distributing in a transaction qualifying as a reorganization under § 368(a)(1)(C).

(xxxiv) Sub 10, a wholly owned subsidiary of Sub 6, contributed all of its assets to LLC 12, a newly formed single member LLC that is disregarded as an entity separate from its owner for federal tax purposes.

(xxxv) Sub 10 merged into LLC 1 and, in consideration for the merger, Distributing voting stock was issued to Sub 6. It is intended that Sub 10 be treated as having transferred its assets to Distributing in a transaction qualifying as a reorganization under § 368(a)(1)(C).

(xxxvi) Sub 4, a wholly owned subsidiary of Sub 1, contributed all of its assets to LLC 13, a newly formed single member LLC that is disregarded as an entity separate from its owner for federal tax purposes.

(xxxvii) Sub 4 merged into LLC 1 and, in consideration for the merger, Distributing voting stock was issued to Sub 1. It is intended that Sub 4 be treated as having transferred its assets to Distributing in a transaction qualifying as a reorganization under § 368(a)(1)(C).

(xxxviii) Steps (i) through (xxxvii) (the "Distributing Restructuring") were effected to cause Business C assets and liabilities conducted indirectly through LLC 1 and its predecessor, Target 1, to be held and operated for federal tax purposes by Distributing (the "Directly Conducted Business C Systems").

(xxxix) Distributing will distribute pro rata to holders of Distributing Common Stock a new class of common stock that will track the separate performance of Business B (the "Distributing Business B Common Stock").

(xl) Distributing will undertake a public offering of Distributing Business C Common Stock.

(xli) In connection with the transaction, approximately g dollars of Distributing debt will be allocated to Controlled, and Controlled will assume or otherwise incur an equal amount of debt through one or more of the mechanisms described in step (xlii) below (the "Controlled Debt"). This amount approximately equals the amount of publicly held Distributing debt maturing between Date G and Date H (the "Existing Distributing Debt") that principally represents the long-term debt issued by Distributing other than (a) debt of Distributing affiliates engaged in Business C (*i.e.*, debt of Target 1 and its subsidiaries or Target 2 and its subsidiaries), (b) debt associated with the assets of these affiliates, and (c) Distributing Special Debt Securities. The actual amount of Controlled Debt will depend on the success of Distributing's plan to reduce its debt and various other factors (*e.g.*, funding needs and operating results).

(xlii) Controlled will assume or otherwise incur the Controlled Debt principally through one or more of the following means. First, any Existing Distributing Debt assumable by its terms will be assumed by Controlled pursuant to such terms. Second, Distributing may conduct an exchange offer or series of exchange offers (the "Assumable Debt Exchange Offer") to holders of the Existing Distributing Debt, offering such holders debt instruments of Distributing that are assumable by Controlled and that have terms substantially similar to those of the Existing Distributing Debt (with such modifications as are necessary to encourage holders of the Existing Distributing Debt to participate in the Assumable Debt Exchange Offer) ("Assumable Debt"). Any Assumable Debt will be assumed by Controlled. Third, Distributing may conduct an exchange offer or series of exchange offers (the "New Debt Exchange Offer") to holders of the Existing Distributing Debt, offering the holders debt instruments of Controlled (which debt instruments will have been transferred to Distributing in exchange for Distributing's contribution of assets and liabilities described in (xliii) below) that have terms substantially similar to those of the Existing Distributing Debt (with such modifications as are necessary to encourage holders of the Existing Distributing Debt to

participate in the New Debt Exchange Offer) (the "New Debt Instruments"). Finally, to the extent the Existing Distributing Debt is not assumed by Controlled or exchanged for Assumable Debt or New Debt Instruments, it is anticipated that Controlled will incur new debt and, pursuant to the plan of reorganization, distribute the proceeds of any such borrowing to Distributing, which will apply the proceeds to repay existing debt.

(xliii) Distributing will contribute all of the assets that constitute Business A and Business B to newly formed Controlled in exchange for Controlled's assumption of liabilities related to the transferred assets (including any Existing Distributing Debt or Assumable Debt) and in exchange for Controlled Common Stock, Controlled Business B Common Stock, New Debt Instruments, and cash (collectively, the "Contribution"). The Controlled Business B Common Stock will track the separate performance of Business B.

(xliv) Distributing will distribute pro rata to the holders of Distributing Common Stock its entire interest in the Controlled Common Stock (the "Spin-Off").

(xlv) Distributing will redeem the Distributing Business B Common Stock in mandatory exchange for shares of Controlled Business B Common Stock (the "Split-Off").

(xlvi) Distributing will issue no fractional shares in the Split-Off or the Spin-Off. 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.

(xlvii) After the separation of Distributing and Controlled, Distributing will redeem the Distributing Business C Common Stock in exchange for shares of Distributing Common Stock.

Representations

The taxpayer has made the following representations concerning the Contribution, the Split-Off, and the Spin-Off (the Split-Off and Spin-Off, together, the "Splint-Off").

(a) The fair market value of the Controlled Business B Common Stock received by each Distributing shareholder in the Split-Off will approximately equal the fair market value of the Distributing Business B Common Stock surrendered by the shareholder in exchange therefor.

(b) 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 Distributing shareholder.

(c) No part of the consideration distributed by Distributing in connection with the New Debt Exchange Offer will be received by a security holder as an employee or in any capacity other than that of a Distributing security holder.

(d) The five years of financial information submitted on behalf of Distributing (regarding Business C) and Controlled (regarding Business A and Business B as conducted by Distributing before the Contribution) represents the present operation of each business, and with regard to each business, there have been no substantial operational changes since the date of the last financial statements submitted.

(e) Following the Splint-Off, and excluding the assets to be disposed of by Distributing in the Other Transactions, the Directly Conducted Business C Systems (i) will have a fair market value that is equal to at least five percent of the total fair market value of the gross assets of Distributing or (ii) will represent at least (a) 5.1 percent of the aggregate revenues of Distributing and its subsidiaries, (b) 5.5 percent of the total Business C customers of Distributing and its subsidiaries, and (c) 5.1 percent of the total employees of Distributing and its subsidiaries or (iii) will satisfy both (i) and (ii). Consequently, immediately after the Splint-Off, the Directly Conducted Business C Systems will not be *de minimis* compared with the other assets or activities of Distributing and its subsidiaries.

(f) Following the Splint-Off, the gross assets of Business A and Business B that are treated as directly conducted by Controlled together will have a fair market value equal to at least five percent of the total fair market value of the gross assets of Controlled.

(g) Following the Splint-Off, Distributing and Controlled each will continue, independently and with its separate employees, the active conduct of Business C and of Businesses A and B, respectively.

(h) The Splint-Off is being carried out for the following corporate business purposes: (i) to allow Distributing to target a capital structure for Business C consistent with similar businesses and thereby alleviate capital constraints imposed on Business C; (ii) to alleviate management, systemic, and other problems that arise from (or are exacerbated by) the coexistence of Business A, Business B, and Business C as separate divisions within the Distributing affiliated group; and (iii) to significantly increase the proceeds realized in the Public Offering. The Splint-Off is motivated in substantial part by these corporate business purposes. It is also motivated in part by other business reasons.

(i) No shareholder owns more than five percent (by vote or value) of Distributing, and the Distributing management, to its best knowledge, is not aware of any plan or intention on the part of any shareholder or security holder of Distributing to sell, exchange, transfer by gift, or otherwise dispose of any stock in, or securities of, Distributing or Controlled after the Splint-Off other than in ordinary market trading.

(j) 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 Splint-Off, other than through stock purchases meeting the requirements of § 4.05(1)(b) of Rev. Proc. 96-30, 1996-1 C.B. 696, 705.

(k) 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 the Splint-Off (with the exception of (i) dispositions of controlled corporation stock by Distributing occurring as part of the Other Transactions and (ii) the disposition by Distributing or Controlled of certain assets with a value not greater than 30 percent of the value of all of such corporation's assets, any consideration from which will be used by the disposing corporation to pay down its debt, to fund the capital requirements of its business activities, or for other corporate business purposes), except in the ordinary course of business.

(l) Any cash or New Debt Instruments received by Distributing from Controlled as a result of the Contribution will be transferred by Distributing to its creditors pursuant to the plan of reorganization.

(m) The total adjusted basis and the fair market value of the assets transferred to Controlled by Distributing in the Contribution will, in each instance, equal or exceed the liabilities assumed (as determined under § 357(d)) by Controlled.

(n) The liabilities assumed (as determined under § 357(d)) in the Contribution were incurred in the ordinary course of business and are associated with the assets being transferred or are being assumed to establish the appropriate liquidity and capital structure for each of Distributing and Controlled.

(o) The income tax liability for the taxable year in which any investment credit property (including any building to which § 47(d) applies) is transferred will be adjusted pursuant to § 50(a)(1) or (a)(2) (or § 47, as in effect before amendment by Public Law 101-508, Title 11, 104 Stat. 1388, 536 (1990), if applicable) to reflect an early disposition of the property.

(p) Except in connection with continuing transactions under intercompany agreements, no intercorporate debt will exist between Distributing and Controlled at the time of, or after, the Splint-Off. Any debt owed by Controlled to Distributing after the Splint-Off will not constitute stock or securities.

(q) Immediately before the Splint-Off, 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 or any direct or indirect Controlled subsidiary will be

included in income immediately before the Splint-Off to the extent required by applicable regulations (*see* § 1.1502-19).

(r) Except for payments under certain services agreements that are transitional in nature and certain licensing and intellectual property agreements that have no third party analog and reflect the historical relationship between Distributing and its affiliates, payments made in connection with 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.

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

(t) The Distributing Business C Common Stock and Distributing Business B Common Stock each is stock of Distributing for federal income tax purposes. The Controlled Business B Common Stock is stock of Controlled for federal income tax purposes.

(u) For purposes of § 355(d), immediately after the Splint-Off, 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 the Splint-Off.

(v) For purposes of § 355(d), immediately after the Splint-Off, 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 the Splint-Off 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 the Splint-Off.

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

(x) The payment of cash in lieu of fractional shares of Controlled Common Stock and Controlled Business B Common Stock is solely for the purpose of avoiding the expense and inconvenience 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 issued in the transaction to the Distributing shareholders in exchange for their shares of Controlled stock. The fractional share interests of each Distributing shareholder will be aggregated, and it is intended that no Distributing shareholder will receive cash in an amount equal to or greater than the value of one full share of Controlled Common Stock or one full share of Controlled Business B Common Stock.

Rulings

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

(1) The Contribution, followed by the Splint-Off, will be a reorganization under § 368(a)(1)(D). Distributing and Controlled each will be "a party to a reorganization" under § 368(b).

(2) No gain or loss will be recognized by Distributing on the Contribution (§§ 361(a), 357(a), 361(b)(3), and 361(c)(3)).

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

(4) The basis of each asset received by Controlled in the Contribution will equal the basis of that asset in the hands of Distributing immediately before the transfer (§ 362(b)).

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

(6) No gain or loss will be recognized by Distributing on the Splint-Off (§§ 355(d) and 361(c)(1)).

(7) No gain or loss will be recognized by (and no amount will otherwise be included in the income of) the holders of Distributing Common Stock or Distributing Business B Common Stock on the Splint-Off (§ 355(a)(1)).

(8) No gain or loss will be recognized by (and no amount will otherwise be included in the income of) a holder of an Existing Distributing Debt instrument or instruments that qualify as securities under § 355(a)(3)(A) on the exchange of such instrument or instruments solely for a New Debt Instrument or New Debt Instruments that also qualify as securities, provided the Existing Distributing Debt instrument or instruments that are surrendered have an aggregate principal amount equal to the

aggregate principal amount of the New Debt Instrument or New Debt Instruments received (§ 355(a)(1)).

(9) A shareholder who receives Controlled Business B Common Stock in the Split-Off will have an aggregate adjusted basis in the Controlled Business B Common Stock immediately after the Split-Off equal to the aggregate adjusted basis of the shareholder's Distributing Business B Common Stock surrendered in the Split-Off (§358(a)(1)).

(10) A shareholder who receives Controlled Common Stock in the Spin-Off will have an aggregate adjusted basis in its Distributing Common Stock and Controlled Common Stock equal to the aggregate adjusted basis of the Distributing Common Stock held immediately before the Spin-Off, allocated between the Distributing Common Stock and the Controlled Common Stock in proportion to the fair market value of each (§§358(b) and 1.358-2(a)(2)).

(11) The holding period of Controlled Business B Common Stock received by a shareholder in the Split-Off will include the holding period of the Distributing Business B Common Stock surrendered in exchange therefor, provided the Distributing Business B Common Stock is held as a capital asset on the date of the Split-Off (§ 1223(1)).

(12) The holding period of Controlled Common Stock received by a shareholder in the Spin-Off will include the holding period of the Distributing Common Stock on which the distribution is made, provided the Distributing Common Stock is held as a capital asset on the date of the Spin-Off (§ 1223(1)).

(13) Earnings and profits will be allocated between Distributing and Controlled in accordance with §§ 312(h), 1.312-10(a), and 1.1502-33(e)(3).

(14) Shareholders of Distributing who receive cash in lieu of fractional shares of Controlled Business B Common Stock or Controlled Common Stock will recognize gain or loss measured by the difference between the basis of the fractional share received and the amount of cash received (§ 1001). If the fractional share qualifies as a capital asset in the hands of the shareholder, the gain or loss will be a capital gain or loss subject to the provisions of Subchapter P of Chapter 1 of the Code.

Caveats

No opinion is expressed about the tax treatment of the Proposed Transaction under other provisions of the Code or regulations or the tax treatment of any conditions existing at the time of, or effects resulting from, the Proposed Transaction that are not specifically covered by the above rulings. In particular, no opinion is expressed on

(i) the Distributing Restructuring, except insofar as it affects the five-year active business requirement of § 355(b);

(ii) the treatment of non-arm's length payments described in representation (r);

(iii) whether the Distributing Business C Common Stock or Distributing Business B Common Stock is stock of Distributing for federal income tax purposes;

(iv) whether the Controlled Business B Common Stock is stock of Controlled for federal income tax purposes; and

(v) whether any Existing Distributing Debt having a term of less than ten years is a security for federal tax purposes.

Procedural Statements

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

Each taxpayer involved in this transaction should attach a copy of this ruling letter to the taxpayer's federal income tax return for the taxable year in which the transaction covered by this letter is completed.

Under a power of attorney on file in this office, a copy of this letter is being sent to your authorized representative.

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