Internal Revenue Service

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Corp 1 =

Corp 2 =

Corp 3 =

Corp 4 =

Corp 5 =

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 =

State A =

Business 1 =

Business 2 =

X =

Dear

This letter responds to your February 6, 2004, request for rulings regarding the federal income tax consequences of certain proposed transactions. The information submitted in that request is summarized below.

The rulings contained in this letter are based on facts and representations submitted by the taxpayer and are 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.

Corp 1, a State A corporation, is treated as a Subchapter S corporation for U.S. Federal income tax purposes. Corp 1 owns all of the stock of Corp 3, a "qualified subchapter S subsidiary" within the meaning of Section 1361(b)(3)(B). Corp 3 is involved in Business 1. Corp 1 also owns all of the outstanding stock of Corp 2, a State A corporation. Corp 2 is a holding company and is the common parent of an affiliated group of corporations that join in the filing of a consolidated U.S. federal income tax return (the "Corp 2 group"). The Corp 2 group is structured as follows: Corp 2 owns all the stock of (i) Corp 4, a State A Business 2 corporation, (ii) Corp 5, a State A dormant shell corporation, and (iii) 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 and Sub 15 ("Other Subsidiaries").

Proposed Restructuring

The Corp 2 group will cease to be a consolidated group due to a step in a series of transactions that will be undertaken pursuant to a corporate restructuring plan (the

"Proposed Restructuring"). The Proposed Restructuring will be consummated in order to properly align Corp 3's Business 1 and Corp 4's Business 2 into a single entity. After these transactions are executed, all the members of the Corp 2 group, except for Corp 2 and Corp 4, which would be both merged out of existence, intend to join in the filing of a consolidated return with Corp 5 as the new common parent (the "Corp 5 Group"). Each such member is hereinafter referred to as a "Corp 5 Group Member."

The Steps in the Proposed Restructuring are as follows:

1. Corp 2 will merge into Corp 1, with Corp 1 surviving, in a transaction intended to qualify as a tax-free transaction under either Section 332 or Section 368(a)(1)(A).

2. After Step 1 (but on the same day), Corp 1 will transfer all of the former assets of Corp 2 (except the stock of Corp 4 and Corp 5) to Corp 5 solely in exchange for additional shares of Corp 5 common stock (the "Corp 1 Exchange") in a transaction intended to qualify for Section 351 treatment. Corp 5 will not assume any liabilities, or take any assets subject to liabilities, in connection with the Corp 1 Exchange.

3. After Step 2, Corp 4 will merge with and into Corp 3, with Corp 3 surviving, in a transaction that is intended to qualify as a complete liquidation under Section 332.

Step 1 of the above transactions is the point at which the Corp 2 group deconsolidates. Step 2 reaffiliates the previous group, absent Corp 2 and Corp 4, under the new common parent, Corp 5 (the "Corp 5 Group").

Section 1504(a)(1) provides that the term "affiliated group" means one or more chains of includible corporations connected through stock ownership with a common parent corporation which is an includible corporation, but only if (i) the common parent owns directly stock meeting the requirements of Section 1504(a)(2) in at least one of the other includible corporations, and (ii) stock meeting the requirements of Section 1504(a)(2) in each of the includible corporations (except the common parent) is owned directly by 1 or more of the other includible corporations.

Section 1504(a)(2) requires ownership of stock of any corporation (i) that possesses at least 80 percent of the total voting power of the stock of such corporation, and (ii) that has a value equal to at least 80 percent of the total value of the stock of such corporation.

Section 1504(a)(3)(A) provides that, if a corporation is included, or required to be included, in a consolidated return filed by an affiliated group for a taxable year that includes any period after December 31, 1984, and the corporation ceases to be a member of the group for a taxable year beginning after 1984, then the corporation (and any successor of the corporation) may not be included in any consolidated return filed

by the affiliated group or by another affiliated group having the same common parent (or successor) before the 61st month after the first taxable year in which it ceased to be a member of such group.

The following representations have been made in connection with the proposed transaction.

1. Immediately after the Proposed Restructuring, Corp 5 will own directly stock meeting the requirements of Section 1504(a)(2) in at least one of the other Corp 5 Group Members, and stock meeting the requirements of Section 1504(a)(2) in each of the remaining Corp 5 Group Members (except Corp 5) will be owned directly by one or more of the other Corp 5 Group Members.

2. Each Corp 5 Group member will be an includible corporation within the meaning of Section 1504(b).

3. The deconsolidation of the Corp 2 Group and the reconsolidation of the Corp 5 Group will not secure the benefit of a reduction in income, increase in loss, or any other deduction, credit, or allowance that would not otherwise be secured or have been secured had the disaffiliation and reconsolidation not occurred, including, but not limited to, the use of a net operating loss or credit that would have otherwise expired for the Corp 5 Group, or Corp 2 and/or Corp 4 (i.e., the corporations not reconsolidating in the new group).

4. There are no planned or anticipated dividend distributions by Corp 5 in connection with the Proposed Restructuring. It is expected that any post-restructuring distributions by the Corp 5 Group will be made out of current or accumulated earnings and profits of the group.

5. The transfer of assets from Corp 1 to Corp 5 will represent less than X of Corp 1.

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

The Corp 5 Group will have the privilege of filing a consolidated federal income tax return beginning with the first tax year following the Proposed Restructuring with Corp 5 as the common parent of the group.

No opinion is expressed about the federal tax treatment of the proposed transactions under any other provision of the Code or Regulations, or the tax treatment of any condition existing at the time of, or effect resulting from, the proposed transactions that are not specifically covered by the above rulings.

Temporary or final regulations pertaining to one or more of the issues addressed in this ruling have not yet been adopted. Therefore, this ruling will be modified or revoked by

adoption of temporary or final regulations, to the extent the regulations are inconsistent with any conclusions in the ruling. See section 11.04 of Rev. Proc. 2004-1, 2004-1 I.R.B. 1, 46. However, when the criteria in section 11.06 of the revenue procedure are satisfied, a ruling is not revoked or modified retroactively, except in rare or unusual circumstances.

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

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

In accordance with the Power of Attorney on file in this office, a copy of this letter is being sent to the taxpayer and to a second taxpayer representative.

Sincerely yours,

Reginald Mombrun

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Reginald Mombrun
Assistant Branch Chief, Branch 6
Office of Associate Chief Counsel
(Corporate)