

Internal Revenue Service

Number: **200432017**

Release Date: 08/06/2004

Index Numbers: 368.04-00;355.01-00

Department of the Treasury
Washington, DC 20224

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CC:CORP:4 PLR-133887-03

Date:

January 23, 2004

Distributing 2 =

Distributing 1 =

Sub 1 =

Sub 2 =

Sub 3 =

Controlled =

Sub 4 =

Sub 5 =

Sub 6 =

Partnership 1 =

Sub 7 =

Sub 8 =

Sub 9 =

LLC 1 =

Sub 10 =

Sub 11 =

Sub 2 LLCs =

Business A =

Business B =

Business C =

Business D =

Business E =

Business F =

W =

X =

Y =

Z =

Shareholder A =

Shareholder B =

Shareholder C =

Shareholder D =

Shareholder E =

Shareholder F =

Shareholder G =

Shareholder H =

Shareholder I =

a =

b =

c =

d =

e =

f =

g =

h =

Date 1 =

Date 2 =

Date 3 =

Date 4 =

Month X =

Month Y =

State X =

State Z =

Distributing 2 Note =

Sub 2 Facility =

Distributing 1 Facility =

Business A Facility =

Service A =

Dear

This letter responds to your May 30, 2003, request for rulings on certain federal income tax consequences of the Proposed Transactions (defined below). 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 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

Distributing 2 is the common parent of an affiliated group whose includible corporations join in filing a consolidated federal income tax return (the "Distributing 2 Group" or the "Group"). Distributing 2 has outstanding two classes of voting common stock: Class W common stock and Class X common stock. The Class W common stock is publicly traded and listed on an exchange. The Class X common stock is held by a group of related shareholders. Based on public securities filings, Distributing 2 believes that (i) Shareholder A, Shareholder B, Shareholder C, Shareholder D, Shareholder E, and Shareholder F are the only owners of record of five percent or more of the outstanding Distributing 2 Class W common stock, and (ii) Shareholder G and Shareholder H are the only owners of record of five percent or more of the outstanding Distributing 2 Class X common stock.

Distributing 1 has outstanding one class of voting common stock, all of which is owned by Distributing 2, and three series of voting preferred stock: Series W, Series Y, and Series Z. Distributing 1 has no outstanding non-voting stock. The Distributing 1 common stock owned by Distributing 2 represents more than 80 percent of the total combined voting power of all classes of Distributing 1 stock entitled to vote. The Distributing 1 Series W preferred stock is not publicly traded and, subject to the Put Right (defined below), is owned entirely by Shareholder I. The Series Y preferred stock and Series Z preferred stock are not listed on a national exchange but are publicly traded. Distributing 1 believes that there are no owners of record of five percent or more of the Series Y or Series Z preferred stock.

Shareholder I has notified Distributing 1 of its irrevocable intent to have Distributing 1 redeem the Series W preferred stock for either (at Distributing 1's election) cash or registered equity securities of Distributing 2 (the "Put Right"). Distributing 2 represents that the agreement creating the Put Right was negotiated and executed before the plan to effect the Proposed Transactions was formulated.

Distributing 1 wholly owns Sub 1 and Sub 2. Sub 2 wholly owns Sub 3, Controlled, Sub 4, Sub 5, Sub 6, Sub 7, Sub 8, Sub 9, Sub 10, Sub 11, and the Sub 2 LLCs. Each of Sub 2 and the Sub 2 LLCs is an entity intended to be disregarded as separate from its owner for federal tax purposes under § 301.7701-3 of the Procedure and Administrative Regulations (a "disregarded entity"). Controlled, Sub 4, Sub 5, and Sub 6 own b, b, a, and a percent general partnership interests, respectively, in Partnership 1, a general partnership. Sub 7, Sub 8, and Sub 9 own c (at least 80), a, and a percent membership interests, respectively, in LLC 1, a limited liability company ("LLC") treated as a partnership for federal tax purposes. Sub 7 is the managing member of, and shares six officers with, LLC 1. Distributing 1, Sub 1, Sub 3, Controlled, Sub 4, Sub 5, Sub 6, Sub 7, Sub 8, Sub 9, Sub 10, and Sub 11 are members of the Distributing 2 Group and are affiliated with Distributing 2 under § 1.355-3(b)(4)(iv) of the Income Tax Regulations.

Distributing 2 is a holding company whose only asset is the stock of Distributing 1. Distributing 1 directly and indirectly conducts Business A and indirectly conducts (among other businesses) Business B, Business C, Business D, Business E, and Business F. Sub 2 indirectly conducts Business B, Business C, and Business D through affiliated corporations and wholly owned or controlled partnerships and LLCs, including Partnership 1 and LLC 1. Partnership 1 conducts (directly and indirectly through one or more disregarded entities) Business B and Business D. LLC 1 directly conducts Business C. Sub 7, through the six officers it shares with LLC 1, (i) performs active and substantial management functions for Business C, including the decision-making regarding significant business issues of Business C and (ii) regularly participates in the overall supervision, direction, and control of the LLC 1 employees in their conduct of Business C. Sub 3 directly conducts Business F, a start-up venture that has recently begun operations (see below).

During the five-year period preceding the Distributions (defined below in step (xiv) of the Proposed Transactions), the identity of the partnership conducting Business C and the identity of the corporate partners in that partnership will have changed several times, in some cases when a partnership interest has been acquired by or from an unrelated party in a transaction producing recognition of gain or loss. Throughout this period, however, Business C and its officers and managers will have remained essentially unchanged, and at least 80 percent of the partnership interests will have been held at all times by entities that are or were related to Distributing 2 (each, a "Related Partner"). Further, all but one of the officers will at all times have been employed simultaneously as officers of the partnership and each Related Partner.

On Date 1, under a plan adopted in Month X, Sub 2 converted from a State X corporation into a State X single member LLC in a transaction intended to qualify under §§ 332 and 337(a) of the Internal Revenue Code (the “Sub 2 Liquidation”). Sub 2 has since been treated as a disregarded entity, and no election has been or will be made to treat Sub 2 as other than a disregarded entity.

Distributing 1 is the obligor on the Business A Facility. Distributing 1’s disregarded entity, Sub 2, is the obligor on the Sub 2 Facility and on the Distributing 1 Facility. Until the Distributing 2 Note Refinancing (described below), Distributing 2 was the obligor on the Distributing 2 Note. Each of the Distributing 2 Note, the Business A Facility, the Sub 2 Facility, and the Distributing 1 Facility was issued to, and is or was held by, a party unrelated to any member of the Distributing 2 Group.

On Date 2, Distributing 1 borrowed funds under its Business A Facility and distributed the proceeds to Distributing 2, which used the proceeds to repay the Distributing 2 Note (the “Distributing 2 Note Refinancing”). On Date 3, Distributing 1, through its disregarded entity, Sub 2, borrowed funds under the Distributing 1 Facility and used the proceeds to repay the amounts borrowed under the Business A Facility (the “Sub 2 Borrowing”). To facilitate the Sub 2 Borrowing, Distributing 1 contributed the stock of Sub 5, Sub 6, Sub 8, and Sub 9 to Sub 2 (these contributions, together with the Sub 2 Borrowing, the “Refinancing Transactions”). Distributing 2 management represents that the decision to effect a refinancing of the Distributing 2 Note through a subsequent borrowing, subject to market conditions, was made in Month Y (at least d months before the decision to cause the Cash Distribution described below in step (x) of the Proposed Transactions), and that the Distributing 2 Note Refinancing and the Refinancing Transactions are wholly independent of, and unrelated to, the Cash Distribution.

Financial information submitted by Distributing 2 indicates that Business A (as conducted directly by Distributing 1) and Business C (as conducted by Sub 7, LLC 1, and their predecessors) each has had gross receipts and operating expenses representing the active conduct of a trade or business for each of the past five years.

Business A is the core business of the Distributing 2 Group. Business A, Business B, Business C, and Business D are mature, and each has a generally stable cash flow. Business F has recently begun operations in an industry whose other participants are more established. Although the Distributing 2 Group has invested heavily in this start-up venture, its full development will require substantially more capital. The Group's access to funding for Business F (and for Business A as well) is significantly restricted, however, by the perception of equity and credit ratings agencies and analysts that Business F involves greater risk than the other businesses. Access is further restricted by the Group's desire to reduce its overall leverage. The resulting uncertainty over how to meet the Group's capital needs and the associated absence of a definitive financing strategy for Business F have produced a need for immediate resolution.

In response to these concerns, the management and the boards of directors of Distributing 2 and Distributing 1 have decided, after consulting their financial advisors, that the most efficient way to fund the ongoing capital needs of both Business A and Business F is to combine Business F with Business B, Business C, and Business D in Controlled and separate Controlled from Business A and the Distributing 2 Group (the “Separation”). It is expected that the Separation will also significantly reduce financing costs for the aggregate operations of both Controlled and the Distributing 2 Group and will permit both to attract and retain key employees with improved equity-based compensation arrangements. Distributing 2 represents that the purpose or purposes for the Separation that are corporate business purposes (as defined in § 1.355-2(b)(2)) are, without more, enough to justify the decision of management and the directors to separate Business F from Business A.

Management and the boards of directors of Distributing 1 and Distributing 2 intend that the Proposed Transactions will benefit the Distributing 2 shareholders as a group by achieving the purposes described above and by enhancing the value of the stock they hold. The Proposed Transactions are not designed to benefit any particular shareholder or specific group of shareholders notwithstanding that (i) the Controlled Class W common stock described below in step (xi) of the Proposed Transactions will be registered for public trading and listed on an established securities market, and (ii) the number of outstanding shares of Controlled common stock will be determined to ensure that the Controlled Class W common stock will have adequate trading liquidity in the public markets. Further, management and the boards of directors of Distributing 1 and Distributing 2 have no intent to increase the level of trading activity for any class of Controlled or Distributing 2 stock following the Distributions relative to the trading activity for any class of Distributing 1 or Distributing 2 stock before the Distributions.

None of Shareholder A, Shareholder C, Shareholder D, Shareholder E, Shareholder F (each, a mutual fund shareholder), and Shareholder B (i) has a representative on the board of directors of Distributing 1, Distributing 2, or Controlled, (ii) has participated in the management or control of Distributing 1, Distributing 2, or Controlled, (iii) has in any way been notified or informed by the management of the Distributing 2 Group of its plan for either of the Distributions, other than by means of, or after, the public announcement of the Distributions, (iv) has acted in a manner designed to influence the decision to make the Distributions, (v) has requested or otherwise suggested to any officer or director of Distributing 1, Distributing 2, or Controlled that it favored or otherwise supported a separation of Business F and one or more of the Distributing 2 Group’s other businesses, and (vi) has participated in the negotiation or execution of any of the agreements or arrangements related to the Distributions.

Proposed Transactions

To effect the Separation, the Distributing 2 Group has proposed the following series of transactions (the “Proposed Transactions”):

(i) On Date 4, Partnership 1 and LLC 1 distributed their cash on hand of e dollars, through their partners and members, and through Sub 2, to Distributing 1 (the “Partnership 1 Distribution,” and that part of the Partnership 1 Distribution that was distributed by Controlled, the “Controlled Distribution”).

(ii) At least one day before step (iii) and the other following steps, Sub 7 will merge into Controlled under applicable state law (the “Sub 7 Merger”). As a result, Controlled will acquire Sub 7’s c percent membership interest in LLC 1. Distributing 2 represents that the Sub 7 Merger will qualify as a tax-free reorganization under §§ 368(a)(1)(A) and 368(a)(1)(D).

(iii) Partnership 1 will convert under applicable state law from a general partnership to an LLC. Sub 5 will exchange its a percent common interest, and Sub 6 will exchange an f percent common interest, in Partnership 1 for nonvoting, pay-in-kind preferred interests having an aggregate face and fair market value of g dollars (the “Partnership 1 Recapitalization”).

(iv) Sub 5 will merge into Sub 2 under applicable state law (the “Sub 5 Liquidation”). Distributing 2 represents that the Sub 5 Liquidation will qualify as a tax-free liquidation under §§ 332 and 337(a).

(v) Sub 6 will distribute its preferred interest in Partnership 1 to Sub 2, which for federal tax purposes will be treated as a distribution to Distributing 1 (the “Sub 6 Distribution”).

(vi) Sub 4 will merge into Controlled under applicable state law (the “Sub 4 Merger”). Distributing 2 represents that the Sub 4 Merger will qualify as a tax-free reorganization under §§ 368(a)(1)(A) and 368(a)(1)(D).

(vii) Controlled will change its name and will change its state of incorporation from State Z to State X (the “Controlled Reincorporation”). Distributing 2 represents that the Controlled Reincorporation will qualify as a tax-free reorganization under § 368(a)(1)(F).

(viii) Sub 8 and Sub 9 each will merge into Controlled under applicable state law (these mergers, together with the Sub 7 Merger, the “LLC 1 Roll-up”). As a result of the LLC 1 Roll-up, Controlled will wholly own LLC 1, and LLC 1 will become a disregarded entity. No election will be made to treat LLC 1 as other than a disregarded entity. Distributing 2 represents that the mergers of Sub 8 and Sub 9 into Controlled each will qualify as a tax-free reorganization under §§ 368(a)(1)(A) and 368(a)(1)(D).

(ix) Distributing 1, through its disregarded entity, Sub 2, will contribute all the stock of Sub 3, Sub 6, Sub 10, and Sub 11 and the member interests in the Sub 2 LLCs to Controlled in constructive exchange for additional Controlled stock, the assumption by Controlled of related liabilities, and the Cash Distribution described below in step (x)

(collectively, the “Contribution”). When the Contribution is complete, Controlled will own all the operations of Business B, Business C, Business D, and Business F.

(x) Because the aggregate value of Business B, Business C, and Business D is substantial and in excess of that necessary to provide Business F with a sufficient initial capital structure to carry out its business plan, management and the boards of directors of Distributing 2 and Distributing 1 have decided that some of this value should be reserved for the benefit of the Distributing 2 Group. Consequently, Partnership 1 and LLC 1 will borrow h dollars and distribute i dollars of the loan proceeds to Controlled (in the case of Partnership 1, in part directly and in part through its partner, Sub 6), and Controlled will distribute the j dollar amount to Sub 2 and Distributing 1 (such distribution, together with the Controlled Distribution described above in step (i), the “Cash Distribution”). The Cash Distribution will be used to repay existing debt of Distributing 1 and Sub 2 (the debt of which will be treated as debt of Distributing 1 for federal tax purposes). It is expected that this debt will include the Sub 2 Facility and the Distributing 1 Facility, although it is possible that the Cash Distribution may be used to satisfy one or more different debt obligations of Sub 2 or Distributing 1. All payments of Cash Distribution amounts by Sub 2 and Distributing 1 to creditors will be for debt existing at the time of the Distributions that was not incurred in connection with the decision to effect the Proposed Transactions.

(xi) Sub 2 will exchange its Controlled common stock for newly issued Controlled Class W common stock and Class X common stock having voting rights that mirror those of the Distributing 2 Class W common stock and Class X common stock (the “Controlled Recapitalization”). Controlled will issue to Sub 2 the number of shares of Controlled Class W common Stock and Class X common stock that its financial advisor determines will permit the Controlled Class W common stock to initially trade at an acceptable price. Distributing 2 represents that the Controlled Recapitalization will qualify as a tax-free reorganization under § 368(a)(1)(E) and as an exchange under § 1036.

(xii) Sub 2 will distribute all of the Controlled Class W common stock and Class X common stock to Distributing 1.

(xiii) Distributing 1 will distribute all of the Controlled Class W common stock and Class X common stock to Distributing 2 (“Distribution 1”). No stock or securities of Controlled will be retained by Distributing 1.

(xiv) Distributing 2 will distribute (i) the Controlled Class W common stock to the holders of Distributing 2 Class W common stock and (ii) the Controlled Class X common stock to holders of Distributing 2 Class X common stock (“Distribution 2,” and, together with Distribution 1, the “Distributions”). No stock or securities of Controlled will be retained by Distributing 2. Instead of issuing fractional shares of Controlled common stock directly to its shareholders, Distributing 2 will deliver the fractional shares to an exchange agent who will aggregate and sell the shares on the open market and transfer the cash proceeds to shareholders having a right to a fractional share interest.

In connection with the Proposed Transactions, the Distributing 2 Group and the Controlled group will enter into agreements for (i) transitional administrative services (“Back Office Services”) for a period not expected to exceed two years (the “Transition Period”) following the effective time of the Distributions, (ii) tax sharing and allocations, and (iii) certain other contractual relationships the terms of which will be negotiated at arm’s length (e.g., contracts relating to Service A) (collectively, the “Transition Agreements”). The Back Office Services may be compensated on a cost basis during the Transition Period but will be compensated on an arm’s-length basis if the service period is extended.

It is expected that the terms of certain compensatory stock options, restricted shares of stock, and stock appreciation rights (together, the “Employee Rights”) on Distributing 2 Class W common stock that are outstanding at the time of the Distributions will be adjusted and that some of the Employee Rights on Distributing 2 Class W common stock will be converted into Employee Rights on Controlled Class W common stock (together, the “Employee Rights Modifications”).

Representations

Contribution and Distribution 1

Distributing 2 makes the following representations regarding the Contribution and Distribution 1 described above in steps (i), (ix), (x), and (xiii):

(a) Any indebtedness owed by Controlled to Distributing 1 after Distribution 1 will not constitute stock or securities.

(b) No part of the consideration distributed by Distributing 1 in Distribution 1 will be received by Distributing 2 as a creditor, employee, or in any capacity other than that of a shareholder of Distributing 1.

(c) The five years of financial information submitted on behalf of Business A (as directly conducted by Distributing 1) and Business C (as conducted by Sub 7, LLC 1, and their predecessors) represents the present operations of each business, and regarding each business, there have been no substantial operational changes since the date of the last financial statements submitted.

(d) Following Distribution 1, Distributing 1 and Controlled will each continue the active conduct of its business, independently and with its separate employees.

(e) Immediately after Distribution 1, the fair market value of the gross assets of Business A will equal at least five percent of the total fair market value of the gross assets of Distributing 1.

(f) Immediately after Distribution 1, the fair market value of the gross assets of Business C will equal at least five percent of the total fair market value of the gross assets of Controlled.

(g) Distribution 1 is being carried out to facilitate Distribution 2, which in turn is being carried out for the following corporate business purposes (as that term is defined in § 1.355-2(b)(2)): (A) to resolve and satisfy the funding requirements of Business F in a manner that will not adversely affect the core business of the Distributing 2 Group; (B) to achieve substantial cost savings; and (C) to provide a more attractive equity-based compensation arrangement for both the Distributing 2 Group and Controlled so that each may more effectively attract and retain key employees. The Distributions are motivated, in whole or substantial part, by one or more of these corporate business purposes. The corporate business purposes for the Distributions are, without more, enough to justify the decision of management and the directors to separate Business F from Business A.

(h) Distribution 1 is not used principally as a device for the distribution of the earnings and profits of Distributing 1 or Controlled or both.

(i) The total adjusted basis and the fair market value of the assets transferred to Controlled by Distributing 1 (or by Sub 2) in the Contribution each equals or exceeds the sum of the liabilities assumed (within the meaning of § 357(d)) by Controlled plus amounts received by Distributing 1 in the Cash Distribution; and (ii) the liabilities assumed (within the meaning of § 357(d)) in the Contribution were incurred in the ordinary course of business and are associated with the assets being transferred.

(j) Other than accounts payable incurred in the ordinary course of business, including those under the Transition Agreements, no intercorporate debt will exist between Distributing 1 and Controlled at the time of, or after, Distribution 1.

(k) Immediately before Distribution 1, 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 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). At the time of Distribution 1, Distributing 1 will not have an excess loss account in the Controlled stock (see § 1.1502-19).

(l) Except for payments made for Back Office Services during the Transition Period, payments made in all continuing transactions between Distributing 1 and Controlled will be for fair market value based on terms and conditions arrived at by the parties bargaining at arm's length.

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

(n) Distribution 1 is not part of a plan or series of related transactions (within the meaning of § 1.355-7T) pursuant to which one or more persons will acquire directly or indirectly stock representing a 50-percent or greater interest (within the meaning of § 355(d)(4)) in Distributing 1 or Controlled (including any predecessor or successor of either corporation).

(o) 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 Distributing 1 stock entitled to vote, or 50 percent or more of the total value of shares of all classes of Distributing 1 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.

(p) 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 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 1 or (ii) attributable to distributions on Distributing 1 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

Distributing 2 makes the following representations regarding Distribution 2 described above in step (xiv):

(q) Any indebtedness owed by Controlled to Distributing 2 after Distribution 2 will not constitute stock or securities.

(r) Other than shares received by holders of Distributing 2 restricted stock, no part of the consideration to be distributed by Distributing 2 in Distribution 2 will be received by a shareholder as a creditor, employee, or in any capacity other than that of a shareholder of Distributing 2.

(s) The five years of financial information submitted on behalf of Business A (as directly conducted by Distributing 1) and Business C (as conducted by Sub 7, LLC 1, and their predecessors) represents the present operation of each business, and regarding each business, there have been no substantial operational changes since the date of the last financial statements submitted.

(t) Following Distribution 2, Distributing 2 (through Distributing 1) and Controlled will each continue the active conduct of its business, independently and with its separate employees.

(u) Immediately after Distribution 2, the fair market value of the gross assets of Business A will equal at least five percent of the total fair market value of the gross assets of Distributing 1.

(v) Immediately after Distribution 2, the fair market value of the gross assets of Business C will equal at least five percent of the total fair market value of the gross assets of Controlled.

(w) Immediately after Distribution 2, at least 90 percent of the fair market value of the gross assets of Distributing 2 will consist of the stock of a controlled corporation (Distributing 1) that is engaged in the active conduct of a trade or business as defined in § 355(b)(2).

(x) Distribution 2 is being carried out for the following corporate business purposes (as that term is defined in § 1.355-2(b)(2)): (A) to resolve and satisfy the funding requirements of Business F in a manner that will not adversely affect the core business of the Distributing 2 Group; (B) to achieve substantial cost savings; and (C) to provide a more attractive equity-based compensation arrangement for both the Distributing 2 Group and Controlled so that each may more effectively attract and retain key employees. The Distributions are motivated, in whole or substantial part, by one or more of these corporate business purposes. The corporate business purposes for the Distributions are, without more, enough to justify the decision of management and the directors to separate Business F from Business A.

(y) Distribution 2 is not used principally as a device for the distribution of the earnings and profits of Distributing 2 or Controlled or both.

(z) Other than accounts payable incurred in the ordinary course of business, including those under the Transition Agreements, no intercorporate debt will exist between Distributing 2 and Controlled at the time of, or after, Distribution 2.

(aa) Immediately before Distribution 2, 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 as in effect before the publication of T.D. 8597, and as currently in effect; § 1.1502-13 as published by T.D. 8597). Further, any excess loss account Distributing 2 may have in the Controlled stock will be included in income immediately before Distribution 2 to the extent required by applicable regulations (see § 1.1502-19).

(bb) Except for payments made for Back Office Services during the Transition Period, payments made in all continuing transactions between Distributing 2 and Controlled will be for fair market value based on terms and conditions arrived at by the parties bargaining at arm's length.

(cc) Distribution 2 is not part of a plan or series of related transactions (within the meaning of § 1.355-7T) pursuant to which one or more persons will acquire directly or

indirectly stock representing a 50-percent or greater interest (within the meaning of § 355(d)(4)) in Distributing 2 or Controlled (including any predecessor or successor of either corporation).

(dd) 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 Distributing 2 stock entitled to vote, or 50 percent or more of the total value of shares of all classes of Distributing 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.

(ee) 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 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 2 or (ii) attributable to distributions on Distributing 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.

(ff) The payment of cash in lieu of fractional shares of Controlled stock by the exchange agent is solely for the purpose of avoiding the expense and inconvenience to Controlled of issuing fractional shares and will not represent separately bargained-for consideration. The total cash consideration to be paid in lieu of fractional shares of Controlled stock will not exceed one percent of the total consideration that will be issued in Distribution 2. The fractional share interests of each Controlled shareholder will be aggregated, and no Distributing 2 shareholder will receive cash in an amount equal to or greater than the value of one full share of Controlled stock.

(gg) Controlled common stock distributed in Distribution 2 to holders of Distributing 2 restricted stock will not exceed 20 percent of the Controlled common stock outstanding immediately before Distribution 2.

Rulings

Contribution and Distribution 1

Based solely on the information submitted and the representations set forth above, we rule as follows on the Contribution and Distribution 1 (steps (i), (ix), (x), and (xiii)):

(1) The Contribution, followed by Distribution 1, will qualify as a reorganization under § 368(a)(1)(D). Distributing 1 and Controlled each will be a “party to a reorganization” under § 368(b).

(2) No gain or loss will be recognized by Distributing 1 on the Contribution (§§ 357(a), 361(a), 361(b)(1)(A), and 361(b)(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 1 immediately before its transfer (§ 362(b)).

(5) The holding period of each asset received by Controlled in the Contribution will include the period during which Distributing 1 held that asset (§ 1223(2)).

(6) No gain or loss will be recognized by Distributing 1 on Distribution 1 (§ 361(c)).

(7) No gain or loss will be recognized by (and no amount will otherwise be included in the income of) Distributing 2 on its receipt of Controlled stock in Distribution 1 (§ 355(a)(1); § 1.355-2(b) (a transaction is carried out for a corporate business purpose if it is motivated, in whole or substantial part, by one or more corporate business purposes; in determining whether the required motivation is present, all corporate business purposes are aggregated; the corporate business purpose for a distribution must, by itself (or, if multiple purposes, by themselves in the aggregate), justify the decision to separate businesses); see, e.g., Rev. Rul. 2003-52, 2003-22 I.R.B. 960 (going own way purpose for distribution, by itself (in isolation from shareholder purposes), justifies the decision to separate two farm businesses); cf. Rev. Rul. 77-22, 1977-1 C.B. 91 (distribution enhanced access to additional financing for both Distributing and Controlled)).

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

(9) Earnings and profits, if any, will be allocated between Distributing 1 and Controlled in accordance with §§ 312(h), 1.312-10(a), and 1.1502-33(f)(2).

(10) Distributing 1's distribution of the proceeds of the Business A Facility to Distributing 2 in the Distributing 2 Note Refinancing will be treated for federal income tax purposes as an intercompany distribution to which §§ 301 and 1.1502-13(f)(2) apply.

Distribution 2

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

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

(12) No gain or loss will be recognized by (and no amount will otherwise be included in the income of) any shareholder of Distributing 2 on the receipt of Controlled stock in Distribution 2 (§ 355(a)(1); § 1.355-2(b) (a transaction is carried out for a corporate business purpose if it is motivated, in whole or substantial part, by one or more corporate business purposes; in determining whether the required motivation is present, all corporate business purposes are aggregated; the corporate business purpose for a distribution must, by itself (or, if multiple purposes, by themselves in the aggregate), justify the decision to separate businesses); see, e.g., Rev. Rul. 2003-52, 2003-22 I.R.B. 960 (going own way purpose for distribution, by itself (in isolation from shareholder purposes), justifies the decision to separate two farm businesses); cf. Rev. Rul. 77-22, 1977-1 C.B. 91 (distribution enhanced access to additional financing for both Distributing and Controlled)).

(13) The aggregate basis of the Distributing 2 stock and Controlled stock in the hands of each Distributing 2 shareholder immediately after Distribution 2 (including any fractional share of Controlled stock to which the shareholder would be entitled) will equal the shareholder's aggregate basis in the Distributing stock held immediately before Distribution 2. Such aggregate basis will be allocated between the Distributing 2 stock and the Controlled stock in proportion to the fair market value of each in accordance with § 1.358-2(a)(2) (§ 358(b) and (c)).

(14) The holding period of the Controlled stock received by each Distributing 2 shareholder in Distribution 2 will include the holding period of the Distributing 2 stock on which Distribution 2 is made, provided the Distributing 2 stock is held as a capital asset on the date of Distribution 2 (§ 1223(1)).

(15) Earnings and profits, if any, will be adjusted as required by §§ 312(h), 1.312-10(b), and 1.1502-33(e)(3).

(16) If cash is received by a Distributing 2 shareholder as a result of the sale of a fractional share of Controlled stock by the exchange agent on behalf of the shareholder, the shareholder will recognize gain or loss measured by the difference between the amount of the cash received and the basis of the fractional share (as determined under ruling (13) above) (§ 1001). If the fractional share interest is a capital asset in the hands of the exchanging shareholder, the gain or loss will be capital gain or loss subject to the provisions and limitations of Subchapter P of Chapter 1 of the Code (§§ 1221 and 1222).

Caveats

We express no opinion about the tax treatment of the Proposed Transactions under other provisions of the Code and regulations or the tax treatment of any

conditions existing at the time of, or effects resulting from, the Proposed Transactions that are not specifically covered by the above rulings.

In particular, we express no opinion regarding the correctness of the taxpayer's representations that (i) each of the Distributions satisfies the business purpose requirement of § 1.355-2(b), (ii) the Proposed Transactions are not used principally as a device for the distribution of the earnings and profits of Distributing 1, Distributing 2, or Controlled under § 355(a)(1)(B), and (iii) neither Distribution 1 nor Distribution 2 and an acquisition or acquisitions are part of a plan (or series of related transactions) under § 355(e)(2)(A)(ii).

In addition, we express no opinion regarding the federal income tax consequences of:

- (i) The exercise of the Put Right described above in the Summary of Facts;
- (ii) The Sub 2 Liquidation described above in the Summary of Facts;
- (iii) The Refinancing Transactions described above in the Summary of Facts;
- (iv) The Partnership 1 Distribution described above in step (i);
- (v) The Sub 7 Merger described above in step (ii);
- (vi) The Partnership 1 Recapitalization described above in step (iii);
- (vii) The Sub 5 Liquidation described above in step (iv);
- (viii) The Sub 6 Distribution described above in step (v);
- (ix) The Sub 4 Merger described above in step (vi);
- (x) The Controlled Reincorporation described above in step (vii);
- (xi) The LLC 1 Roll-up described above in step (viii);
- (xii) The Controlled Recapitalization described above in step (xi);
- (xiii) Payments made under the Transition Agreements during the Transition Period for Back Office Services; and
- (xiv) The Employee Rights Modifications, if any.

Procedural Statements

This ruling letter is directed only to the taxpayers who requested it and applies only to the facts of the Proposed Transactions. Section 6110(k)(3) provides that it may not be used or cited as precedent.

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

Under a 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,

Associate Chief Counsel
(Corporate)

By: _____
Wayne T. Murray
Special Counsel to the
Associate Chief Counsel