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Person to Contact:

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Date:

April 26, 2000

Company =

Parent =

Sub =

IHC =

FS1 =

FS2 =

OFsubs =

S1 =

Branch =

S2 =

S3 =

S4 =

S5 =

S6 =

S7 =

S8 =

S9 =

S10 =

LLC1 =

LLC2 =

S11 =

TAMsubs =

S12 =

S13 =

Osubs =

FOsubs =

S14 =

PAMsubs =

C3 =

LLC4 =

Division =

Newco 1 =

Newco 2 =

Newco 3 =

Newco 4 =

a =

b =

c =

Commissioner =

Eligible
Policyholders=

State A =

State B =

State C =

Country A =

Business A =

Business B =

Business C =

Business D =

Business E =

Business F =

We respond to your letter dated November 15, 1999 requesting rulings on certain federal income tax consequences of several proposed transactions.

The rulings given 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

Company, a mutual life insurance company within the meaning of § 816(a) of the Internal Revenue Code, is the common parent of an affiliated group that has elected under § 1504(c)(2) to file a life-nonlife consolidated federal income tax return with its subsidiaries. As a mutual life insurance company, Company has no authorized, issued, or outstanding stock. Instead, insurance policies entitle their holders to both insurance coverage and certain equity-like rights in Company ("Membership Interests"). Membership Interests include the right, if any, to vote and rights, if any, to surplus not apportioned or declared by the Board of Directors for policyholder dividends, including the right to receive a share of Company's surplus on liquidation or reorganization.

Company wholly owns IHC, FS1, FS2, each of the OFsubs, S1, S2, S14, each of the PAMsubs, LLC3, LLC4, and the Division. S1 wholly owns Branch. S2 wholly owns S3, S7, S11, each of the TAMsubs, S12, and S13. S2 also owns part or all of each of the Osubs and the FOfsubs. S2 also owns a percent of S8. S3 wholly owns S4 and S5. S5 wholly owns S6. S7 owns a percent of S8. S8 wholly owns S9 and S10. S10 wholly owns LLC1, which wholly owns LLC2. LLC1, LLC2, LLC3, and LLC4 are disregarded as entities separate from their owners pursuant to § 301.7701-3(b)(1)(ii) of the Income Tax Regulations.

Company and S1 each conducts Business A. FS1 and FS2 each conducts Business B. LLC1, LLC2, S11, and S14, each conducts Business C. S4 and S6 each conducts Business D. S8 (through S9) and S10 (through LLC1 and LLC2) each conducts Business E. S12 and S13 each conducts Business F. We have received financial information indicating that Business A, Business B, Business C, Business D, Business E, and Business F, as conducted by the specified entities, each has had gross receipts and operating expenses representing the active conduct of a trade or business for each of the past five years.

Subject to approval by the appropriate regulatory authorities and the vote of its policyholders, and for what are represented to be good business reasons, Company intends to convert under State A law into a stock life insurance company wholly owned by a new publicly traded holding company (the "Demutualization"). Immediately after the Demutualization, Company will restructure its affiliated group along business lines (the "Realignment").

Proposed Transactions

Demutualization

Company has contributed nominal capital to newly formed, wholly owned Parent, a State A corporation, in exchange for Parent voting common stock (the "Formation Shares"). Before the Effective Date, as defined in the Plan of Demutualization (the "Plan"), Parent will have no assets (other than the nominal share capital) or liabilities and will not conduct any business.

On the Effective Date, the Demutualization will be completed by operation of State A law, as follows:

- (i) Company will become a stock company, will issue to Parent b shares of its voting common stock in exchange for shares of Parent common stock that will be transferred to Eligible Policyholders in steps (iii) and (iv) below, and will surrender the Formation Shares to Parent for cancellation.
- (ii) All Membership Interests will be extinguished.
- (iii) Certain Eligible Policyholders, including certain Eligible Policyholders who elect to take stock in lieu of cash, will receive Parent common stock in exchange for their extinguished Membership Interests (the "Participating Policyholders").
- (iv) Other Eligible Policyholders will receive either cash or policy credits in exchange for their extinguished Membership Interests.

Public Offering

Concurrently with the Demutualization, additional Parent stock will be issued through an initial public offering undertaken to raise cash for payment to various categories of policyholders and to replenish Company capital (the "IPO"). Participating Policyholders and the investors in the IPO (the "Public Investors") will be referred to collectively as the "Transferors."

Realignment

The proposed Realignment is designed to clearly separate Company's businesses from one another. As a result of the separation, Company's claims paying rating is expected to increase as a result of its reduced exposure to the earnings volatility of certain non-life subsidiaries. Company will also be able to avoid redundant capital charges necessitated by its current relationship with certain regulated subsidiaries.

The Realignment will consist of the following steps, some of which may already

have occurred:

- (v) Parent will contribute the Company stock to newly formed, domestic Sub in exchange for all of the Sub stock.
- (vi) Company will contribute the stock of FS1, FS2, and the OFsubs to recently formed, domestic IHC in constructive exchange for IHC stock ("Contribution 1").
- (vii) Company will distribute the IHC stock to Sub ("Distribution 1").
- (viii) Company, S1, and Country A "nominee" shareholders (required to satisfy Country A shareholder requirements) will transfer cash to newly formed Newco 1, a Country A corporation. In exchange, S1 will receive voting common stock having at least 80 percent of the combined voting power of all Newco 1 stock. Company and the nominees will receive the remaining voting common stock as well as voting preferred stock. S1 then will transfer the Branch assets to Newco 1 in exchange for the cash contributed by S1 to Newco 1 earlier in this step (viii) and the assumption by Newco 1 of related liabilities.
- (ix) As soon as permitted under Country A and State C law, but not more than 12 months after the Demutualization, S1 will distribute its Newco 1 voting common stock to Company ("Distribution 2").
- (x) As soon as permitted under Country A and State A law, but not more than 12 months after the Demutualization, Company will distribute its Newco 1 stock to Sub ("Distribution 3").
- (xi) Sub will contribute the Newco 1 stock to IHC in constructive exchange for IHC stock.
- (xii) Under State B law, S7 will convert to a limited liability company wholly owned by S2, following which it will be disregarded as an entity separate from S2 under § 301.7701-3(b)(1)(ii).
- (xiii) Under State B law, S9 will convert to a limited liability company wholly owned by S8, following which it will be disregarded as an entity separate from S8 under § 301.7701-3(b)(1)(ii).
- (xiv) LLC1 will distribute cash and the LLC2 shares to S10, and S10 will transfer the shares of LLC1 and LLC2 to newly formed, domestic Newco 2 in exchange for Newco 2 stock ("Contribution 3").
- (xv) S10 will distribute the Newco 2 stock to S8 ("Distribution 4").
- (xvi) S8 will distribute the Newco 2 stock to S7, and S7 will distribute the Newco 2 stock to S2 ("Distribution 5").

- (xvii) S2 will distribute the Newco 2 stock to Company ("Distribution 6").
- (xviii) S2 will transfer the TAMsubs stock to S11 in constructive exchange for S11 stock ("Contribution 4").
- (xix) S2 will distribute the S11 stock to Company ("Distribution 7").
- (xx) S2 will distribute the S12 stock to Company ("Distribution 8").
- (xxi) S2 will distribute the S13 stock to Company ("Distribution 9").
- (xxii) S2 will distribute all of its stock in the Osubs and the FOSubs to Company.
- (xxiii) Company will transfer all the stock of S11, S14, the PAMsubs, LLC3, LLC4, and Newco 2, and all the Division assets, to newly formed, domestic Newco 3 in exchange for all of the Newco 3 stock and the assumption by Newco 3 of related liabilities ("Contribution 5").
- (xxiv) Newco 3 will transfer the LLC3 shares to Newco 2 in constructive exchange for Newco 2 stock.
- (xxv) Newco 3 will transfer the LLC4 shares to newly formed, domestic Newco 4 in exchange for all of the Newco 4 stock.
- (xxvi) Newco 3 will transfer the stock of S11 and the PAMsubs, and all of the Division assets to S14 in constructive exchange for S14 stock and the assumption by S14 of related liabilities.
- (xxvii) Company will distribute the Newco 3 stock to Sub ("Distribution 10").
- (xxviii) Company will distribute the S2 stock to Sub ("Distribution 11").
- (xxix) Parent may acquire miscellaneous assets from Company in exchange for cash or the assumption of Company liabilities.

Representations

The Demutualization

Company has made the following representations concerning the Demutualization and Public Offering (consistent with the characterization of the Demutualization in ruling (1) below):

(a1) Company will issue only voting common stock in the Demutualization.

(a2) The fair market value of the common stock issued by Company to each Participating Policyholder approximately equals the fair market value of the Membership Interest surrendered in exchange therefor. Although there is no market for the Membership Interests, the Commissioner is required by State A law to determine that the consideration paid to the policyholders is fair and equitable.

(a3) Company has no plan to redeem or otherwise reacquire any of the stock issued in the Demutualization.

(a4) Company is not under the jurisdiction of a court in a Title 11 or similar case (within the meaning of § 368(a)(3)(A)).

(a5) At the time of the proposed Demutualization, Company 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 Company.

(a6) Company will continue in Business A after the Demutualization, and Businesses B through F will be continued by members of the Parent affiliated group.

(a7) The proposed Demutualization is a single, isolated transaction and is not part of a plan to increase periodically the proportionate interest of any shareholder or policyholder in the assets or earnings and profits of Company.

(a8) Company or Parent will pay the costs of the Demutualization apart from any expenses incurred by the Transferors, which will be paid by the Transferors themselves.

(a9) Following its conversion to a stock company, Company will be treated under State A law as the same corporation that existed as a mutual company.

(a10) A rounding mechanism will be employed so that the Demutualization will not result in the issuance of any fractional shares in Company.

(a11) It is possible that Participating Policyholders will own contracts that entitle them to stock and also be entitled to policy credits as the result of holding certain pension plan contracts for which policy credits are provided. In general, however, Participating Policyholders will not receive any property other than Company voting common stock in the Demutualization. Other Eligible Policyholders may receive cash or policy credits from Company, as described above.

(a12) All distributions made in the Demutualization, whether of stock, policy credits, or cash, will be received by policyholders in exchange for their Membership

Interests as part of a value for value exchange or value for value redemption. Although there is no market for the Membership Interests, the Commissioner is required by State A law to determine that the consideration paid to the policyholders is fair and equitable.

(a13) No Eligible Policyholder has a Membership Interest in Company that exceeds five percent of the value of all Membership Interests in Company or entitles such policyholder to more than five percent of the total voting power in Company.

(a14) Following the Demutualization, each Eligible Policyholder who will receive cash in the Demutualization in redemption of his, her, or its Membership Interest in Company will own (both actually and constructively under § 318 attribution rules) either no stock in Company or less stock than he, she, or it would have owned if the redemption had not occurred.

(a15) None of the Parent common stock will be issued for services rendered to or for the benefit of Parent in connection with the Demutualization.

(a16) None of the Parent common stock will be issued for indebtedness of Parent that is not evidenced by a security or for interest on indebtedness of Parent that accrued on or after the beginning of the holding period of any Transferor for the debt.

(a17) None of the stock to be transferred is "section 306 stock" within the meaning of § 306(c).

(a18) The transfer is not the result of solicitation by a promoter, broker, or investment house.

(a19) The Transferors will not retain any rights in the Company stock and cash transferred to Parent.

(a20) Parent will not assume any indebtedness of the Transferors in connection with its formation.

(a21) Except for the possible acquisition of Parent debt by Transferors in an unrelated public financing, there is no indebtedness between Parent and any of the Transferors. No indebtedness will be created in favor of any of the Transferors in exchange for transferred property as a result of the Demutualization.

(a22) The transfers and exchanges will occur under a plan adopted and approved before the transaction, in which the rights of the parties are defined (the Plan).

(a23) The exchanges will occur on the same day.

(a24) Parent has no plan or intention to redeem or otherwise reacquire any

stock or indebtedness issued in the Demutualization.

(a25) Taking into account any issuance of additional shares of Parent common stock, any issuance of stock for services, the exercise of any Parent stock rights, warrants or subscriptions, any public offering of Parent stock, and the sale, exchange, transfer by gift, or other disposition of any Parent stock received in the exchange, the Transferors will be in “control” of Parent under § 368(c) immediately after the Demutualization.

(a26) Each of the Transferors will receive stock or other property approximately equal to the fair market value of the property transferred to Parent.

(a27) To the best of the knowledge of Parent, there is no plan or intention on the part of the Transferors to sell or otherwise dispose of any Parent stock received by them in the Demutualization. It is expected that there will be a public market for Parent stock following the effective date of the Plan, and Company or Parent may, pursuant to the Plan, facilitate the creation of such a market.

(a28) Except as described above, there is no plan or intention for Parent to sell or otherwise dispose of the transferred property other than in the normal course of its continuing business operations.

(a29) Parent will not be an investment company within the meaning of § 351(e)(1) and § 1.351-1(c)(1)(ii) of the Income Tax Regulations.

(a30) To the best of the knowledge of Company, none of the Transferors is under the jurisdiction of a court in a Title 11 or similar case (within the meaning of § 368(a)(3)(A)), and the stock received in the exchange will not be used to satisfy the indebtedness of such debtor.

(a31) Parent will not be a “personal service corporation” within the meaning of § 269A.

(a32) No actual exchange of contracts will take place as a result of the proposed transactions.

(a33) With the exception of providing policy credits for certain pension plan-related contracts, the Demutualization will not change any of the contractual terms and/or benefits of the life insurance, endowment, annuity, and other insurance contracts involved, including their face values, insurance in force, borrowing terms, amount or pattern of death benefit, premium pattern, interest rate or rates guaranteed on issuance of the contracts, and guaranteed mortality and expense charges.

(a34) No reinsurance agreements will be entered into as part of the

Demutualization.

(a35) Immediately after the Demutualization, Parent and its direct and indirect subsidiaries will continue to own substantially all of the assets that were held directly by Company and its direct and indirect subsidiaries before the Demutualization.

(a36) For the five taxable years of Company preceding taxable year c, Company (i) was in existence and a member of the affiliated group of which Company was the common parent, (ii) was engaged in the active conduct of the insurance business, (iii) did not experience a change in tax character within the meaning of § 1.1502-47(d)(12)(vii), and (iv) did not undergo a disproportionate asset acquisition within the meaning of § 1.1502-47(d)(12)(viii).

Contribution 1 and Distribution 1

Company has made the following representations concerning Contribution 1 and Distribution 1:

(b1) No part of the stock of IHC distributed by Company will be received by Sub as a creditor, employee, or in any capacity other than that of a shareholder of Company.

(b2) The five years of financial information submitted for Business A (as conducted by Company) and Business B (as conducted by each of FS1 and FS2) 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.

(b3) Following Distribution 1, at least 90 percent of the fair market value of the gross assets of IHC will consist of the stock of FS1 and FS2, each of which is engaged in the active conduct of a trade or business as defined in § 355(b)(2).

(b4) Following Distribution 1, Company, FS1, and FS2 each will continue the active conduct of its business, independently and with its separate employees.

(b5) Distribution 1 is being undertaken to (i) increase Company's claims paying rating and (ii) avoid redundant capital charges. Distribution 1 is motivated, in whole or substantial part, by these corporate business purposes and other business reasons.

(b6) There is no plan or intention by Sub to sell, exchange, transfer by gift, or otherwise dispose of any stock in either IHC or Company after Distribution 1.

(b7) There is no plan or intention by IHC or Company, directly or through any subsidiary corporation, to purchase any of its outstanding stock after Distribution 1.

(b8) There is no plan or intention to liquidate IHC or Company, to merge either corporation with any other corporation, or to sell or otherwise dispose of any of the assets of either corporation after Distribution 1.

(b9) The total adjusted basis and the fair market value of the assets transferred to IHC by Company in Contribution 1 will, in each instance, equal or exceed the liabilities assumed (as determined under § 357(d)) by IHC.

(b10) The liabilities assumed (as determined under § 357(d)) in Contribution 1 were incurred in the ordinary course of business and are associated with the assets being transferred.

(b11) No indebtedness will exist between IHC and Company at the time of, or after, Distribution 1.

(b12) 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).

(b13) Payments made in any continuing transactions between IHC and Company will be for fair market value based on terms and conditions arrived at by the parties bargaining at arm's length.

(b14) No two parties to the transaction are investment companies as defined in § 368(a)(2)(F)(iii) and (iv).

(b15) Distribution 1 is not part of a "plan or series of related transactions" (within the meaning of § 355(e)) pursuant to which one or more persons will acquire, directly or indirectly, stock possessing 50 percent or more of the total combined voting power of all classes of stock of either IHC or Company entitled to vote, or stock possessing 50 percent or more of the total value of all classes of stock of either IHC or Company.

(b16) All of the corporations involved in Distributions 1, 2, and 3 are domestic corporations except for FS1, FS2, the OFsubs, and Newco 1.

(b17) Each of FS1, FS2, and the OFsubs will be a controlled foreign corporation within the meaning of § 957(a), before and immediately after the date of Distribution 1.

(b18) Neither Company nor IHC has been or will be a United States real property holding corporation, within the meaning of § 897(c)(2) ("USRPHC"), at any time during the 5-year period ending on the date of Distribution 1, nor will either of them be a USRPHC immediately thereafter.

- (b19) All of the outstanding stock of IHC will be distributed to Sub in Distribution 1.

Contribution 2 and Distribution 2

Company has made the following representations concerning Contribution 2 (defined in ruling (29) below) and Distribution 2 (consistent with the characterization of step (viii) above by ruling (29) below):

(c1) No part of the stock of Newco 1 distributed by S1 will be received by Company as a creditor, employee, or in any capacity other than that of a shareholder of S1.

(c2) The five years of financial information submitted for Business A and Business B (each as conducted by S1) 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.

(c3) Following Distribution 2, Newco 1 will continue the active conduct of its business, independently and with its separate employees, and S1 will continue the active conduct of its business using employees of Company. S1 will reimburse Company for the services of these employees.

(c4) Distribution 2 is being undertaken to (i) increase Company's claims paying rating and (ii) avoid redundant capital charges. Distribution 2 is motivated, in whole or substantial part, by these corporate business purposes and other business reasons.

(c5) There is no plan or intention by Company to sell, exchange, transfer by gift, or otherwise dispose of any stock in either S1 or Newco 1 after Distribution 2, except as described herein.

(c6) There is no plan or intention by S1 or Newco 1, directly or through any subsidiary corporation, to purchase any of its outstanding stock after Distribution 2.

(c7) There is no plan or intention to liquidate S1 or Newco 1, to merge either corporation with any other corporation, or to sell or otherwise dispose of any assets of either corporation after Distribution 2.

(c8) The total adjusted basis and the fair market value of the assets to be transferred to Newco 1 by S1 in Contribution 2 will, in each instance, equal or exceed the liabilities assumed (as determined under § 357(d)) by Newco 1.

(c9) The liabilities assumed (as determined under § 357(d)) in Contribution 2 were incurred in the ordinary course of business and are associated with the assets

being transferred.

(c10) No indebtedness will exist between S1 and Newco 1 at the time of, or after, Distribution 2.

(c11) 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).

(c12) Payments made in any continuing transactions between S1 and Newco 1 will be for fair market value based on terms and conditions arrived at by the parties bargaining at arm's length.

(c13) No two parties to the transaction are investment companies as defined in § 368(a)(2)(F)(iii) and (iv).

(c14) Distribution 2 is not a 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 S1 or Newco 1 entitled to vote, or stock possessing 50 percent or more of the total value of all classes of stock of either S1 or Newco 1.

(c15) S1 and Newco 1 will each be a corporation within the meaning of § 7701(a)(3) at all times before and immediately after the date of Distribution 2.

(c16) Newco 1 will be a controlled foreign corporation within the meaning of § 957(a) before and immediately after the date of Distribution 2.

(c17) Neither S1 nor Newco 1 has been or will be a USRPHC at any time during the 5-year period ending on the date of Distribution 2, and neither S1 nor Newco 1 will be a USRPHC immediately thereafter.

(c18) No assets described in § 1.367(a)-4T or -5T other than foreign currency and accounts receivable will be transferred to Newco 1.

(c19) Regarding Newco 1, Company will be a United States shareholder within the meaning of § 1.367(b)-3(b)(2) immediately before and after Distribution 2.

(c20) Newco 1 is not, and will not be, a passive foreign investment corporation within the meaning of § 1297(a) immediately before and after Distribution 2.

(c21) The Branch has no previously deducted losses within the meaning of § 1.367(a)-6T.

(c22) S1 will transfer all of the assets and liabilities of its Branch to Newco 1.

(c23) Previously there were dual consolidated losses which were utilized to offset the income of S1. The losses were not used to offset the income of another person under the income tax laws of a foreign country.

(c24) The transitory cash returned to S1 immediately after the transfer of Branch assets will be S1's cash for U.S. income tax purposes.

(c25) The transfer by S1 of the Branch to Newco 1 will not be subject to foreign tax.

Distribution 3

Company has made the following representations concerning Distribution 3:

(d1) No part of the stock of Newco 1 distributed by Company will be received by Sub as a creditor, employee, or in any capacity other than that of a shareholder of Company.

(d2) The five years of financial information submitted for Business A (as conducted by Company) and Business B (as conducted by S1) 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.

(d3) Following Distribution 3, Company and Newco 1 each will continue the active conduct of its business, independently and with its separate employees.

(d4) Distribution 3 is being undertaken to (i) increase Company's claims paying rating and (ii) avoid redundant capital charges. Distribution 3 is motivated, in whole or substantial part, by these corporate business purposes and other business reasons.

(d5) There is no plan or intention by Sub to sell, exchange, transfer by gift, or otherwise dispose of any stock in Company or Newco 1 after Distribution 3, except as described herein.

(d6) There is no plan or intention by Company or Newco 1, directly or through any subsidiary corporation, to purchase any of its outstanding stock after Distribution 3.

(d7) There is no plan or intention to liquidate Company or Newco 1, to merge

either corporation with any other corporation, or to sell or otherwise dispose of the assets of either corporation after Distribution 3.

(d8) No indebtedness will exist between Company and Newco 1 at the time of, or after, Distribution 3.

(d9) Immediately before Distribution 3, 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).

(d10) Payments made in any continuing transactions between Company and Newco 1 will be for fair market value based on terms and conditions arrived at by the parties bargaining at arm's length.

(d11) Distribution 3 is not a 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 Company or Newco 1 entitled to vote, or stock possessing 50 percent or more of the total value of all classes of stock of either Company or Newco 1.

(d12) Newco 1 will be a controlled foreign corporation within the meaning of § 957(a), before and immediately after the date of Distribution 3.

(d13) Neither Company nor Newco 1 has been or will be a USRPHC at any time during the five-year period ending on the date of Distribution 3, and neither Company nor Newco 1 will be a USRPHC immediately thereafter.

(d14) With respect to Newco 1, Sub will be a United States shareholder, within the meaning of § 1.367(b)-3(b)(2), immediately before and after Distribution 3.

Contribution 3 and Distribution 4

Company has made the following representations concerning Contribution 3 and Distribution 4:

(e1) No part of the Newco 2 stock distributed by S10 will be received by S8 as a creditor, employee, or in any capacity other than that of a shareholder of S10.

(e2) The five years of financial information submitted for Business C (as conducted by S10 through LLC1 and LLC2) and Business E (as conducted by S10) 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.

(e3) Following Distribution 4, Newco 2 (through LLC1 and LLC2) and S10 each will continue the active conduct of its business, independently and with its separate employees.

(e4) Distribution 4 is being undertaken to (i) increase Company's claims paying rating and (ii) avoid redundant capital charges. Distribution 4 is motivated, in whole or substantial part, by these corporate business purposes and other business reasons.

(e5) There is no plan or intention by S8 to sell, exchange, transfer by gift, or otherwise dispose of any stock in either Newco 2 or S10 after Distribution 4, except as described herein.

(e6) There is no plan or intention by Newco 2 or S10, directly or through any subsidiary corporation, to purchase any of its outstanding stock after Distribution 4.

(e7) There is no plan or intention to liquidate either Newco 2 or S10, to merge either corporation with any other corporation, or to sell or otherwise dispose of the assets of either corporation after Distribution 4.

(e8) The total adjusted basis and the fair market value of the assets transferred to Newco 2 by S10 in Contribution 3 will, in each instance, equal or exceed the liabilities assumed (as determined under § 357(d)) by Newco 2.

(e9) The liabilities assumed (as determined under § 357(d)) in Contribution 3 were incurred in the ordinary course of business and are associated with the assets being transferred.

(e10) No indebtedness will exist between S10 and Newco 2 at the time of, or after, Distribution 4.

(e11) Immediately before Distribution 4, 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).

(e12) Payments made in any continuing transactions between S10 and Newco 2 will be for fair market value based on terms and conditions arrived at by the parties bargaining at arm's length.

(e13) No two parties to the transaction are investment companies as defined in

§ 368(a)(2)(F)(iii) and (iv).

(e14) Distribution 4 is not part of a “plan or series of related transactions” (within the meaning of § 355(e)) pursuant to which one or more persons will acquire, directly or indirectly, stock possessing 50 percent or more of the total combined voting power of all classes of stock of either S10 or Newco 2 entitled to vote, or stock possessing 50 percent or more of the total value of all classes of stock of either S10 or Newco 2.

Distribution 5

Company has made the following representations concerning Distribution 5:

(f1) No part of the Newco 2 stock distributed by S8 will be received by S2 as a creditor, employee, or in any capacity other than that of a shareholder of S8.

(f2) The five years of financial information submitted for Business C (as conducted by S10 through LLC1 and LLC2) and Business E (as conducted by S8, through S9) 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.

(f3) Following Distribution 5, Newco 2 (through LLC1 and LLC2) will continue the active conduct of its business, independently and with its separate employees, and S8 (through S9) will continue the active conduct of its business, independently, using employees of S10. S9 will reimburse S10 for the services of these employees.

(f4) Distribution 5 is being undertaken to (i) increase Company's claims paying rating and (ii) avoid redundant capital charges. Distribution 5 is motivated, in whole or substantial part, by these corporate business purposes and other business reasons.

(f5) There is no plan or intention by S2 to sell, exchange, transfer by gift, or otherwise dispose of any stock in Newco 2 or S8 after Distribution 5, except as described herein.

(f6) There is no plan or intention by Newco 2 or S8, directly or through any subsidiary corporation, to purchase any of its outstanding stock after Distribution 5.

(f7) There is no plan or intention to liquidate Newco 2 or S8, to merge either corporation with any other corporation, or to sell or otherwise dispose of any of the assets of either corporation after Distribution 5.

(f8) No indebtedness will exist between S8 and Newco 2 at the time of, or after, Distribution 5.

(f9) Immediately before Distribution 5, 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).

(f10) Payments made in any continuing transactions between S8 and Newco 2 will be for fair market value based on terms and conditions arrived at by the parties bargaining at arm's length.

(f11) Distribution 5 is not part of a "plan or series of related transactions" (within the meaning of § 355(e)) pursuant to which one or more persons will acquire, directly or indirectly, stock possessing 50 percent or more of the total combined voting power of all classes of stock of either S8 or Newco 2 entitled to vote, or stock possessing 50 percent or more of the total value of all classes of stock of either S8 or Newco 2.

Distribution 6

Company has made the following representations concerning Distribution 6:

(g1) No part of the Newco 2 stock to be distributed by S2 will be received by Company as a creditor, employee, or in any capacity other than that of a shareholder of S2.

(g2) The five years of financial information for Business C (as conducted by S10 through LLC1 and LLC2), Business D (as conducted by each of S4 and S6), and Business E (as conducted by S8 through S9) 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.

(g3) Following Distribution 6: (i) at least 90 percent of the fair market value of the gross assets of S2 will consist of stock and securities of S3 and S8; (ii) at least 90 percent of the fair market value of the gross assets of S3 will consist of stock and securities of S4 and S5; and (iii) at least 90 percent of the fair market value of the gross assets of S5 will consist of stock and securities of S6.

(g4) Following Distribution 6: Newco 2 (through LLC1 and LLC2) will continue the active conduct of its business, independently and with its separate employees; S4 and S6 each will continue the active conduct of its business, independently and using employees of Company; and S8 (through S9) will continue the active conduct of its business, independently and using employees of S10. S4 and S6 each will reimburse Company for the services of Company's employees, and S9 will reimburse S10 for the services of S10's employees.

(g5) Distribution 6 is being undertaken to (i) increase Company's claims paying rating and (ii) avoid redundant capital charges. Distribution 6 is motivated, in whole or substantial part, by these corporate business purposes and other business reasons.

(g6) There is no plan or intention by Company to sell, exchange, transfer by gift or otherwise dispose of any stock in Newco 2 or S2 after Distribution 6, except as described herein.

(g7) There is no plan or intention by Newco 2 or S2, directly or through any subsidiary corporation, to purchase any of its outstanding stock after Distribution 6.

(g8) There is no plan or intention to liquidate Newco 2 or S2, to merge either corporation with any other corporation, or to sell or otherwise dispose of any assets of either corporation after Distribution 6.

(g9) No indebtedness will exist between S2 and Newco 2 at the time of, or after, Distribution 6.

(g10) Immediately before Distribution 6, items of income, gain, loss, deduction, and credit will be taken into account as required by the applicable intercompany transaction regulations (see §§ 1.1502-13 and 1.1502-14 as in effect before the publication of T.D. 8597 and as currently in effect; § 1.1502-13 as published by T.D. 8597).

(g11) Payments made in any continuing transactions between S2 and Newco 2 will be for fair market value based on terms and conditions arrived at by the parties bargaining at arm's length.

(g12) Distribution 6 is not a 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 S2 or Newco 2 entitled to vote, or stock possessing 50 percent or more of the total value of all classes of stock of either S2 or Newco 2.

Contribution 4 and Distribution 7

Company has made the following representations concerning Contribution 4 and Distribution 7:

(h1) No part of the S11 stock distributed by S2 will be received by Company as a creditor, employee, or in any capacity other than that of a shareholder of S2.

(h2) The five years of financial information submitted for Business C (as

conducted by S11), Business D (as conducted by each of S4 and S6), and Business E (as conducted by S8, through S9) 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.

(h3) Following Distribution 7: (i) at least 90 percent of the fair market value of the gross assets of S2 will consist of stock and securities of S3 and S8; (ii) at least 90 percent of the fair market value of the gross assets of S3 will consist of the stock and securities of S4 and S5; and (iii) at least 90 percent of the fair market value of the gross assets of S5 will consist of the stock and securities of S6.

(h4) Following Distribution 7: S11 will continue the active conduct of its business, independently and using employees of Company; S4 and S6 each will continue the active conduct of its business, independently and using employees of Company; and S8 (through S9) will continue the active conduct of its business, independently and using employees of S10. S11, S4, and S6 each will reimburse Company for the services of Company's employees, and S9 will reimburse S10 for the services of S10's employees.

(h5) Distribution 7 is being undertaken to (i) increase Company's claims paying rating and (ii) avoid redundant capital charges. Distribution 7 is motivated, in whole or substantial part, by these corporate business purposes and other business reasons.

(h6) There is no plan or intention by Company to sell, exchange, transfer by gift, or otherwise dispose of any stock in either S2 or S11 after Distribution 7, except as described herein.

(h7) There is no plan or intention by S2 or S11, directly or through any subsidiary corporation, to purchase any of its outstanding stock after Distribution 7.

(h8) There is no plan or intention to liquidate either S2 or S11, to merge either corporation with any other corporation, or to sell or otherwise dispose of any assets of either corporation after Distribution 7.

(h9) The total adjusted basis and the fair market value of the assets transferred by S2 to S11 in Contribution 4 will, in each instance, equal or exceed the liabilities assumed (as determined under § 357(d)) by S11.

(h10) The liabilities assumed (as determined under § 357(d)) in Contribution 4 were incurred in the ordinary course of business and are associated with the stock being transferred.

(h11) No indebtedness will exist between S2 and S11 at the time of, or after, Distribution 7.

(h12) Immediately before Distribution 7, 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).

(h13) Payments made in any continuing transactions between S2 and S11 will be for fair market value based on terms and conditions arrived at by the parties bargaining at arm's length.

(h14) No two parties to the transaction are investment companies as defined in § 368(a)(2)(F)(iii) and (iv).

(h15) Distribution 7 is not a 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 S2 or S11 entitled to vote, or stock possessing 50 percent or more of the total value of all classes of stock of either S2 or S11.

Distribution 8

Company has made the following representations concerning Distribution 8:

(i1) No part of the S12 stock distributed by S2 will be received by Company as a creditor, employee, or in any capacity other than that of a shareholder of S2.

(i2) The five years of financial information submitted for Business D (as conducted by each of S4 and S6), Business E (as conducted by S8, through S9), and Business F (as conducted by S12) represents the present operation of each, and regarding each business, there have been no substantial operational changes since the date of the last financial statements submitted.

(i3) Following Distribution 8: (i) at least 90 percent of the fair market value of the gross assets of S2 will consist of stock and securities of S3 and S8; (ii) at least 90 percent of the fair market value of the gross assets of S3 will consist of the stock and securities of S4 and S5; and (iii) at least 90 percent of the fair market value of the gross assets of S5 will consist of the stock and securities of S6.

(i4) Following Distribution 8: S12 will continue the active conduct of its business, independently and using employees of S13; S4 and S6 each will continue the active conduct of its business, independently and using employees of Company; and S8 (through S9) will continue the active conduct of its business, independently and using employees of S10. S4 and S6 each will reimburse Company for the services of Company's employees, S9 will reimburse S10 for the services of S10's employees, and

S12 will reimburse S13 for the services of S13's employees.

(i5) Distribution 8 is being undertaken to (i) increase Company's claims paying rating and (ii) avoid redundant capital charges. Distribution 8 is motivated, in whole or substantial part, by these corporate business purposes and other business reasons.

(i6) There is no plan or intention by Company to sell, exchange, transfer by gift, or otherwise dispose of any stock in S2 or S12 after Distribution 8, except as described herein.

(i7) There is no plan or intention by S2 or S12, directly or through any subsidiary corporation, to purchase any of its outstanding stock after Distribution 8.

(i8) There is no plan or intention to liquidate either S2 or S12, to merge either corporation with any other corporation, or to sell or otherwise dispose of any of the assets of either corporation after Distribution 8.

(i9) No indebtedness will exist between S2 and S12 at the time of, or after, Distribution 8.

(i10) Immediately before Distribution 8, items of income, gain, loss, deduction, and credit will be taken into account as required by the applicable intercompany transactions 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).

(i11) Payments made in any continuing transactions between S2 and S12 will be for fair market value based on terms and conditions arrived at by the parties bargaining at arm's length.

(i12) Distribution 8 is not a 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 S2 or S12 entitled to vote, or stock possessing 50 percent or more of the total value of all classes of stock of either S2 or S12.

Distribution 9

Company has made the following representations concerning Distribution 9:

(j1) No part of the S13 stock distributed by S2 will be received by Company as a creditor, employee, or in any capacity other than that of a shareholder of S2.

(j2) The five years of financial information submitted for Business D (as

conducted by each of S4 and S6), Business E (as conducted by S8, through S9), and Business F (as conducted by S13) 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.

(j3) Following Distribution 9: (i) at least 90 percent of the fair market value of the gross assets of S2 will consist of stock and securities of S3 and S8; (ii) at least 90 percent of the fair market value of the gross assets of S3 will consist of the stock and securities of S4 and S5; and (iii) at least 90 percent of the fair market value of the gross assets of S5 will consist of the stock and securities of S6.

(j4) Following Distribution 9: S13 will continue the active conduct of its business, independently and with its separate employees; S4 and S6 each will continue the active conduct of its business, independently and using employees of Company; and S8 (through S9) will continue the active conduct of its business, independently and using employees of S10. S4 and S6 each will reimburse Company for the services of Company's employees, and S9 will reimburse S10 for the services of S10's employees.

(j5) Distribution 9 is being undertaken to (i) increase Company's claims paying rating and (ii) avoid redundant capital charges. Distribution 9 is motivated, in whole or substantial part, by these corporate business purposes and other business reasons.

(j6) There is no plan or intention by Company to sell, exchange, transfer by gift, or otherwise dispose of any stock in S2 or S13 after Distribution 9, except as described herein.

(j7) There is no plan or intention by S2 or S13, directly or through any subsidiary corporation, to purchase any of its outstanding stock after Distribution 9.

(j8) There is no plan or intention to liquidate either S2 or S13, to merge either corporation with any other corporation, or to sell or otherwise dispose of any of the assets of either corporation after Distribution 9.

(j9) No indebtedness will exist between S2 and S13 at the time of, or after, Distribution 9.

(j10) Immediately before Distribution 9, 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).

(j11) Payments made in any continuing transactions between S2 and S13 will be for fair market value based on terms and conditions arrived at by the parties bargaining

at arm's length.

(j12) Distribution 9 is not a 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 S2 or S13 entitled to vote, or stock possessing 50 percent or more of the total value of all classes of stock of either S2 or S13.

Contribution 5

Company has made the following representations concerning Contribution 5:

(k1) None of the Newco 3 common stock will be issued for services rendered to or for the benefit of Newco 3 in connection with the proposed transactions, and none of the Newco 3 common stock will be issued for indebtedness of Newco 3 or for interest on indebtedness of Newco 3 that is not evidenced by a security or for interest on indebtedness of Newco 3 accrued on or after the beginning of the holding period of Company for the debt.

(k2) None of the stock to be transferred is "section 306 stock" within the meaning of § 306(c).

(k3) Contribution 5 is not the result of solicitation by a promoter, broker or investment house.

(k4) Company will not retain any rights in the property transferred to Newco 3.

(k5) The total adjusted basis and the fair market value of the property transferred to Newco 3 by Company in Contribution 5 will, in each case, equal or exceed the liabilities assumed (as determined under § 357(d)) by Newco 3.

(k6) The liabilities assumed (as determined under § 357(d)) in Contribution 5 were incurred in the ordinary course of business and are associated with the assets being transferred.

(k7) There is no indebtedness between Newco 3 and Company, and no indebtedness will be created in favor of Company in exchange for transferred property as a result of Contribution 5.

(k8) All transfers and exchanges in connection with Contribution 5 will occur pursuant to a plan that will be agreed upon before the transaction and in which the rights of the parties will be defined.

(k9) All exchanges that are part of Contribution 5 will occur on approximately the

same date.

(k10) There is no plan or intention on the part of Newco 3 to redeem or otherwise reacquire any stock issued in Contribution 5.

(k11) Taking into account any issuance of additional shares of Newco 3 common stock, any issuance of stock for services, the exercise of stock rights, warrants or subscriptions, a public offering of Newco 3, and the sale, exchange, transfer by gift, or other disposition of any of the stock of Newco 3 received in Contribution 5, the Company will be in "control" of Newco 3 within the meaning of § 368(c).

(k12) Company will receive stock of Newco 3 equal to the fair market value of the property transferred to Newco 3.

(k13) Newco 3 will remain in existence after the transaction and will continue to hold, directly and indirectly, the property transferred in Contribution 5.

(k14) There is no plan or intention by Newco 3 to dispose of the transferred property other than in the normal course of business and as described herein.

(k15) Each of parties to the transaction will pay its expenses, if any, incurred in connection with Contribution 5.

(k16) Newco 3 will not be an investment company within the meaning § 351(e)(1) and § 1.351-1(c)(1)(ii).

(k17) Company is not under the jurisdiction of a court in a Title 11 or similar case (within the meaning of § 368(a)(3)(A)), and the stock or securities received in the exchange will not be used to satisfy indebtedness of Company.

(k18) Newco 3 will not be a "personal service corporation" within the meaning § 269A.

Distribution 10

Company has made the following representations concerning Distribution 10:

(l1) No part of the Newco 3 stock distributed by Company will be received by Sub as a creditor, employee, or in any capacity other than that of a shareholder of Company.

(l2) The five years of financial information submitted for Business A (as conducted by Company) and Business C (as conducted by S10, through LLC1 and LLC2, and S14) 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.

(I3) Following Distribution 10, at least 90 percent of the fair market value of the gross assets of Newco 3 will consist of the stock and securities of S14 and Newco 2, each of which is engaged in the active conduct of a trade or business as defined in § 355(b)(2).

(I4) Following Distribution 10, Company, S14, and Newco 2 each will continue the active conduct of its business, independently and with its separate employees.

(I5) Distribution 10 is being undertaken to (i) increase Company's claims paying rating and (ii) avoid redundant capital charges. Distribution 10 is motivated, in whole or substantial part, by these corporate business purposes and other business reasons.

(I6) There is no plan or intention by the shareholders or security holders of Company to sell, exchange, transfer by gift, or otherwise dispose of any stock in Company or Newco 3 after Distribution 10.

(I7) There is no plan or intention by either Company or Newco 3, directly or through any subsidiary corporation, to purchase any of its outstanding stock after Distribution 10.

(I8) There is no plan or intention to liquidate either Company or Newco 3, to merge either corporation with any other corporation, or to sell or otherwise dispose of the assets of either corporation after Distribution 10.

(I9) No indebtedness will exist between Company and Newco 3 at the time of, or after Distribution 10.

(I10) Immediately before Distribution 10, 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).

(I11) Payments made in any continuing transactions between Company and Newco 3 will be for fair market value based on terms and conditions arrived at by the parties bargaining at arm's length.

(I12) No two parties to the transaction are investment companies as defined in § 368(a)(2)(F)(iii) and (iv).

(I13) Distribution 10 is not a 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 Company or Newco 3 entitled to vote, or stock possessing 50 percent or more of the total value of all classes of stock of either Company or Newco 3.

Distribution 11

Company has made the following representations concerning Distribution 11:

(m1) No part of the S2 stock distributed by Company will be received by Sub as a creditor, employee, or in any capacity other than that of a shareholder of Company.

(m2) The five years of financial information submitted for Business A (as conducted by Company), Business D (as conducted by S4 and S6), and Business E (as conducted by S8, through S9) 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.

(m3) Following Distribution 11: (i) at least 90 percent of the fair market value of the gross assets of S2 will consist of the stock and securities of S3 and S8; (ii) at least 90 percent of the fair market value of the gross assets of S3 will consist of the stock and securities of S4 and S5; and (iii) at least 90 percent of the fair market value of the gross assets of S5 will consist of stock and securities of S6.

(m4) Following Distribution 11: Company will continue the active conduct of its business, independently and with its separate employees; S4 and S6 each will continue the active conduct of its business, independently and using employees of Company; and S8 (through S9) will continue the active conduct of its business, independently and using employees of S10. S4 and S6 each will reimburse Company for the services of Company's employees, and S9 will reimburse S10 for the services of S10's employees.

(m5) Distribution 11 is being undertaken to (i) increase Company's claims paying rating and (ii) avoid redundant capital charges. Distribution 11 is motivated, in whole or substantial part, by these corporate business purposes and other business reasons.

(m6) There is no plan or intention by Sub to sell, exchange, transfer by gift, or otherwise dispose of any stock in Company or S2 after Distribution 11.

(m7) There is no plan or intention by either Company or S2, directly or through any subsidiary corporation, to purchase any of its outstanding stock after Distribution 11.

(m8) There is no plan or intention to liquidate either Company or S2, to merge either corporation with any other corporation, or to sell or otherwise dispose of any assets of either corporation after Distribution 11.

(m9) No indebtedness will exist between Company and S2 at the time of, or after, Distribution 11.

(m10) Immediately before Distribution 11, 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).

(m11) Payments made in any continuing transactions between Company and S2 will be for fair market value based on terms and conditions arrived at by the parties bargaining at arm's length.

(m12) Distribution 11 is not a 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 all classes of stock of either Company or S2 entitled to vote, or stock possessing 50 percent or more of the total value of all classes of stock of either Company or S2.

General International Representations

(n1) All of the corporations whose shares will be distributed in step (xxii) are domestic corporations except for the FOsubs.

(n2) Each of the FOsubs will be a controlled foreign corporation within the meaning of § 957(a), before and immediately after step (xxii).

(n3) Neither S2 nor Company has been or will be a United States real property holding corporation within the meaning of § 897(c)(2) (a "USRPHC") at any time during the five-year period ending on the date of step (xxii), nor will either of them be a USRPHC immediately thereafter.

(n4) All of the FOsubs stock owned by S2 will be distributed to Company in step (xxii).

(n5) With respect to each of the FOsubs, Company will be a United States shareholder within the meaning of § 1.367(b)-3(b)(2) immediately before and after step (xxii).

Rulings

The Demutualization

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

(1) For federal income tax purposes, steps (i) through (iv) described above will be treated as if the Eligible Policyholders had exchanged their Membership Interests in Company for shares of Company stock, cash, and/or policy credits and then had transferred the Company stock to Parent in exchange for newly issued Parent stock.

(2) The conversion from a mutual life insurance company to a stock life insurance company and the exchange by Participating Policyholders of their Membership Interests in Company for Company stock will be a reorganization under § 368(a)(1)(E). Company will be “a party to a reorganization” under § 368(b).

(3) Company will retain all of its tax attributes following the conversion (see Rev. Rul. 54-482, 1954-2 C.B. 148).

(4) No gain or loss will be recognized by Company on the issuance of its stock in exchange for Membership Interests (§ 1032(a)).

(5) No gain or loss will be recognized by Participating Policyholders on their exchange of Membership Interests for Company stock (§ 354(a)(1)).

(6) The holding period of the Company stock received by each Participating Policyholder will include the period during which the Membership Interest exchanged therefor was held, provided the Membership Interest is held as a capital asset on the date of the exchange (§ 1223(1)).

(7) The basis of each Eligible Policyholder's Membership Interest is zero (Rev. Rul. 71-233, 1971-1 C.B. 113; see Rev. Rul. 74-277, 1974-1 C.B. 88). Therefore the basis of Company stock received by each Eligible Policyholder in exchange for the Membership Interest will be zero (§ 358(a)(1)).

(8) Eligible Policyholders receiving cash for their Membership Interests will recognize gain to the extent the cash received exceeds the adjusted basis of the Membership Interests exchanged therefor (§§ 302 and 1001).

(9) The Participating Policyholders (as to their transfer of Company stock to Parent) and the Public Investors (as to their transfer of cash to Parent in the IPO) will be treated together as participating in an exchange under § 351(a) (§ 1.351-1(a)(3)(i)). As a result, the Participating Policyholders will recognize no gain or loss on their transfer of Company stock to Parent in exchange for Parent stock.

(10) No gain or loss will be recognized by Parent on the receipt of property transferred to Parent in exchange for shares of Parent stock (§ 1032(a)).

(11) The basis of the Parent stock received by each Transferor will equal the amount of cash and/or the basis of the Company stock transferred to Parent in exchange therefor (§ 358(a)(1)).

(12) The holding period of Parent stock received by each Participating Policyholder will include the period during which the Participating Policyholder held its, his, or her Company stock (as determined under ruling (6)), provided the Company stock is held as a capital asset on the date of the exchange (§ 1223(1)).

(13) The Demutualization and the related tax-free exchanges will not have any effect on the date that any Company contract was issued, purchased, or entered into for purposes of §§ 72(e)(4), 72(e)(5), 72(e)(10), 72(e)(11), 72(q), 72(s), 72(u), 72(v), 101(f), 264(a)(1), 264(a)(3), 264(a)(4), 264(f), 7702, 7702A, and 7702B. Moreover, the Demutualization and tax-free exchanges will not require retesting or the start of new test periods for the contracts under §§ 264(d)(1), 7702(f)(7)(B) through (E), and 7702A(c).

(14) The affiliated group of which Company was the common parent immediately before the proposed transactions will remain in existence following the transaction with Parent as the common parent, and the election to file a life-nonlife consolidated return will remain in effect (§§ 1.1502-47(d)(12)(vi) and 1.1502-75(d)(2)(ii); Rev. Rul. 82-152, 1982-2 C.B. 205).

(15) Company will remain an “eligible member” of the life-nonlife group (§ 1.1502-47(d)(12)).

(16) Parent will be an “eligible member” of the life-nonlife group (§ 1.1502-47(d)(12)).

(17) The proposed transactions will qualify as a “group structure change” under § 1.1502-33(f).

(18) The basis of the shares of Company in the hands of Parent immediately after the group structure change will be Company’s net asset basis determined under § 1.1502-31(c), subject to the adjustments described in § 1.1502-31(d) (§ 1.1502-31(b)(2)).

(19) The earnings and profits of Parent will be adjusted immediately after Parent becomes the new common parent to reflect the earnings and profits of Company immediately before Company ceases to be the common parent (§ 1.1502-33(f)).

Contribution 1 and Distribution 1

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

(20) Contribution 1, followed by Distribution 1, will be a reorganization under § 368(a)(1)(D). Company and IHC each will be “a party to a reorganization” under § 368(b).

(21) No gain or loss will be recognized by Company on Contribution 1 (§§ 357(a) and 361(a)).

(22) No gain or loss will be recognized by IHC on Contribution 1 (§ 1032(a)).

(23) The basis of each asset received by IHC in Contribution 1 will equal the basis of that asset in the hands of Company immediately before Contribution 1 (§ 362(b)).

(24) The holding period of each asset received by IHC in Contribution 1 will include the period during which Company held the asset (§ 1223(2)).

(25) No gain or loss will be recognized by Sub on Distribution 1 (§ 355(a)).

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

(27) The holding period of the IHC stock received by Sub in Distribution 1 will include the holding period of the Company stock on which Distribution 1 is made, provided the Company stock is held as a capital asset on the date of Distribution 1 (§ 1223(1)).

(28) Earnings and profits will be allocated between Company and IHC in accordance with §§ 312(h), 1.312-10(a), and 1.1502-33(f)(2).

Contribution 2 and Distribution 2

Based solely on the information submitted and the representations made, we rule as follows on Contribution 2 and Distribution 2:

(29) For federal income tax purposes, the cash transferred by S1 to Newco 1 and then returned by Newco 1 to S1 in step (xiii) above will be disregarded, and the transaction instead will be treated as if S1 had transferred the Branch assets to Newco 1 in exchange for Newco 1 common stock representing control of Newco 1 under § 368(c) and the assumption by Newco 1 of related liabilities (“Contribution 2”).

(30) Contribution 2, followed by Distribution 2, will be a reorganization under § 368(a)(1)(D). S1 and Newco 1 each will be a “party to a reorganization” under § 368(b).

(31) No gain or loss will be recognized by S1 on Contribution 2 (§§ 357(a) and 361(a)).

(32) No gain or loss will be recognized by Newco 1 on Contribution 2 (§ 1032(a)).

(33) The basis of each asset received by Newco 1 in Contribution 2 will equal the basis of that asset in the hands of S1 immediately before Contribution 2 (§ 362(b)).

(34) The holding period of each asset received by Newco 1 in Contribution 2 will include the period during which S1 held the asset (§ 1223(2)).

(35) No gain or loss will be recognized by Company on Distribution 2 (§ 355(a)).

(36) No gain or loss will be recognized by S1 on Distribution 2 (§ 361(c)).

(37) The holding period of the Newco 1 stock received by Company in Distribution 2 will include the holding period of the S1 stock on which Distribution 2 is made, provided the S1 stock is held as a capital asset on the date of Distribution 2 (§ 1223(1)).

(38) Earnings and profits will be allocated between S1 and Newco 1 in accordance with §§ 312(h), 1.312-10(a), and 1.1502-33(f)(2).

Distribution 3

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

(39) No gain or loss will be recognized by Sub on Distribution 3 (§ 355(a)).

(40) No gain or loss will be recognized by Company on Distribution 3 (§ 355(c)).

(41) The holding period of the Newco 1 stock received by Sub will include the holding period of the Company stock on which Distribution 3 is made, provided the Company stock is held as a capital asset on the date of Distribution 3 (§ 1223(1)).

(42) Earnings and profits will be allocated between Company and Newco 1 in accordance with §§ 312(h), 1.312-10(b), and 1.1502-33(f)(2).

Contribution 3 and Distribution 4

Based solely on the information submitted and the representations made, we rule as follows on Contribution 3 and Distribution 4:

(43) Contribution 3, followed by Distribution 4, will be a reorganization under § 368(a)(1)(D). S10 and Newco 2 each will be “a party to a reorganization” under § 368(b).

(44) No gain or loss will be recognized by S10 on Contribution 3 (§§ 357(a) and 361(a)).

(45) No gain or loss will be recognized by Newco 2 on Contribution 3 (§ 1032(a)).

(46) The basis of each asset received by Newco 2 in Contribution 3 will equal the basis of that asset in the hands of S10 immediately before Contribution 3 (§ 362(b)).

(47) The holding period of the property received by Newco 2 in Contribution 3 will include the period during which S10 held the property (§ 1223(2)).

(48) No gain or loss will be recognized by S8 on Distribution 4 (§ 355(a)).

(49) No gain or loss will be recognized by S10 on Distribution 4 (§ 361(c)).

(50) The holding period of the Newco 2 stock received by S8 in Distribution 4 will include the holding period of the S10 stock on which Distribution 4 is made, provided the S10 stock is held as a capital asset on the date of Distribution 4 (§ 1223(1)).

(51) Earnings and profits will be allocated between Company and IHC in accordance with §§ 312(h), 1.312-10(a), and 1.1502-33(f)(2).

Distribution 5

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

(52) No gain or loss will be recognized by S2 on Distribution 5 (§ 355(a)).

(53) No gain or loss will be recognized by S8 on Distribution 5 (§ 355(c)).

(54) The holding period of the Newco 2 stock received by S2 in Distribution 5 will

include the holding period of the S8 stock on which Distribution 5 is made, provided the S8 stock is held as a capital asset on the date of Distribution 5 (§ 1223(1)).

(55) Earnings and profits will be allocated between S8 and Newco 2 in accordance with §§ 312(h), 1.312-10(b), and 1.1502-33(f)(2).

Distribution 6

Based solely on the information submitted and the representations made, we rule as follows on Distribution 6:

(56) No gain or loss will be recognized by Company on Distribution 6 (§ 355(a)).

(57) No gain or loss will be recognized by S2 on Distribution 6 (§ 355(c)).

(58) The holding period of the Newco 2 stock received by Company in Distribution 6 will include the holding period of the S2 stock on which Distribution 6 is made, provided the S2 stock is held as a capital asset on the date of Distribution 6 (§ 1223(1)).

(59) Earnings and profits will be allocated between S2 and Newco 2 in accordance with §§ 312(h), 1.312-10(b), and 1.1502-33(f)(2).

Contribution 4 and Distribution 7

Based solely on the information submitted and the representations made, we rule as follows on Contribution 4 and Distribution 7:

(60) Contribution 4, followed by Distribution 7, will be a reorganization under § 368(a)(1)(D). S2 and S11 each will be a “party to a reorganization” under § 368(b).

(61) No gain or loss will be recognized by S2 on Contribution 4 (§§ 357(a) and 361(a)).

(62) No gain or loss will be recognized by S11 on Contribution 4 (§ 1032(a)).

(63) The basis of each asset received by S11 in Contribution 4 will equal the basis of that asset in the hands of S2 immediately before Contribution 4 (§ 362(b)).

(64) The holding period of each asset received by S11 in Contribution 4 will include the period during which S2 held the asset (§ 1223(2)).

(65) No gain or loss will be recognized by Company on Distribution 7 (§ 355(a)).

(66) No gain or loss will be recognized by S2 on Distribution 7 (§ 361(c)).

(67) The holding period of the S11 stock received by Company in Distribution 7 will include the holding period of the S2 stock on which Distribution 7 is made, provided the S2 stock is held as a capital asset on the date of Distribution 7 (§ 1223(1)).

(68) Earnings and profits will be allocated between S2 and S11 in accordance with §§ 312(h), 1.312-10(a), and 1.1502-33(f)(2).

Distribution 8

Based solely on the information submitted and the representations made, we rule as follows on Distribution 8:

(69) No gain or loss will be recognized by Company on Distribution 8 (§ 355(a)).

(70) No gain or loss will be recognized by S2 on Distribution 8 (§ 355(c)).

(71) The holding period of the S12 stock received by Company will include the holding period of the S2 stock on which Distribution 8 is made, provided the S2 stock is held as a capital asset on the date of Distribution 8 (§ 1223(1)).

(72) Earnings and profits will be allocated between S2 and S12 in accordance with §§ 312(h), 1.312-10(b), and 1.1502-33(f)(2).

Distribution 9

Based solely on the information submitted and the representations made, we rule as follows on Distribution 9:

(73) No gain or loss will be recognized by Company on Distribution 9 (§ 355(a)).

(74) No gain or loss will be recognized by S2 on Distribution 9 (§ 355(c)).

(75) The holding period of the S13 stock received by Company will include the holding period of the S2 stock on which Distribution 9 is made, provided the S2 stock is held as a capital asset on the date of Distribution 9 (§ 1223(1)).

(76) Earnings and profits will be allocated between S2 and S13 in accordance with §§ 312(h), 1.312-10(b), and 1.1502-33(f)(2).

Contribution 5

Based solely on the information submitted and the representations made, we rule as follows on Contribution 5:

(77) No gain or loss will be recognized by Company on Contribution 5 (§§ 351(a) and 357(a)).

(78) No gain or loss will be recognized by Newco 3 on Contribution 5 (§ 1032(a)).

(79) The basis of each asset received by Newco 3 in Contribution 5 will equal the basis of that asset in the hands of Company immediately before Contribution 5 (§ 362(b)).

(80) The holding period of each asset received by Newco 3 in Contribution 5 will include the period during which Company held the asset (§ 1223(2)).

Distribution 10

Based solely on the information submitted and the representations made, we rule as follows on Distribution 10:

(81) No gain or loss will be recognized by Sub on Distribution 10 (§ 355(a)).

(82) No gain or loss will be recognized by Company on Distribution 10 (§ 355(c)).

(83) The holding period of the Newco 3 stock received by Sub in Distribution 10 will include the holding period of the Company stock on which Distribution 10 is made, provided the Company stock is held as a capital asset on the date of Distribution 10 (§ 1223(1)).

(84) Earnings and profits will be allocated between Company and Newco 3 in accordance with §§ 312(h), 1.312-10(b), and 1.1502-33(f)(2).

Distribution 11

Based solely on the information submitted and the representations made, we rule as follows on Distribution 11:

(85) No gain or loss will be recognized by Sub on Distribution 11 (§ 355(a)).

(86) No gain or loss will be recognized by Company on Distribution 11 (§ 355(c)).

(87) The holding period of the S2 stock received by Sub will include the holding period of the Company stock on which Distribution 11 is made, provided the Company stock is held as a capital asset on the date of Distribution 11 (§ 1223(1)).

(88) Earnings and profits will be allocated between Company and S2 in accordance with §§ 312(h), 1.312-10(b), and 1.1502-33(f)(2).

International

(89) The transfer of foreign currency by S1 to Newco 1 will be subject to § 367(a)(1) (§ 1.367(a)-5T(d)(1)). The gain to be recognized under § 367(a)(1) on the outbound transfer of foreign currency to Newco 1 is limited to the gain realized on the transfer of such property over any loss realized as part of the same transaction on the transfer of such property (§ 1.367(a)-5T(d)(3)).

(90) The transfer of accounts receivable by S1 to Newco will be subject to § 367(a) to the extent that they have not been included by the taxpayer in taxable income (§ 1.367(a)-5T(c)).

(91) The earnings and profits of FS1, FS2, and each of the OFsubs, to the extent attributable to such stock under § 1.1248-2 or 1.1248-3 (whichever is applicable) that were accumulated in taxable years of such foreign subsidiaries beginning after December 31, 1962, during the period Company held stock in such foreign subsidiaries (or was considered as holding it by reason of the application of § 1223) while the foreign subsidiaries were controlled foreign corporations will be attributable to such stock held by IHC (§ 1.1248-1(a)(1)).

(92) The earnings and profits of each FOSub to the extent attributable to such stock under § 1.1248-2 or 1.1248-3 (whichever is applicable) that were accumulated in taxable years of such foreign subsidiary beginning after December 31, 1962, during the period S2 held stock in such foreign subsidiary (or was considered as holding it by reason of the application of § 1223) while the foreign subsidiary was a controlled foreign corporation will be attributable to such stock held by Company (§ 1.1248-1(a)(1)).

Caveats

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

(a) The transfer by Parent of Company stock to Sub in described above in step (v);

- (b) The transfer by Sub of Newco 1 stock to IHC in step (xi);
- (c) The conversion of S7 into a limited liability company in step (xii);
- (d) The conversion of S9 into a limited liability company in step (xiii);
- (e) The distribution by S2 of the Osubs and FOsubs to Company in step (xxii);
- (f) The contribution by Newco 3 of LLC3 shares to Newco 2 in step (xxiv);
- (g) The contribution by Newco 3 of LLC4 shares to Newco 4 in step (xxv);
- (h) The transfer by Newco 3 of S11, the PAMsubs, and the Division to S14 in step (xxvi);
- (i) The acquisition by Parent of Company assets in step (xxix);
- (j) The tax consequences of the structure of the transaction by which Newco 1 is created, including the transfer of the Taiwan branch assets and liabilities to Newco 1. If the transfer is subject to foreign tax, no opinion is expressed regarding whether S1 would be entitled to a foreign tax credit for such foreign tax. See § 6038B for the reporting requirements regarding S1's transfer of property to Newco 1.
- (k) Whether any or all of the FS1, FS2, the OFsubs, Newco 1, and the FOsubs are passive foreign investment companies (within the meaning of § 1297(a) and the regulations to be promulgated thereunder). If it is determined that any or all of the above-described foreign corporations are passive foreign corporations, no opinion is expressed on the application of §§ 1291 through 1298 to the proposed transactions. In particular, in a transaction in which gain is not otherwise recognized, regulations under § 1291(f) may require gain recognition notwithstanding any other provision of the Code.
- (l) The reporting or withholding obligations in step (iv).

Procedural Statements

Temporary or final regulations pertaining to one or more issues addressed in this ruling letter (including regulations under § 358(g)) have yet to be adopted. Therefore, this ruling letter may be revoked or modified if adopted temporary or final regulations are inconsistent with any conclusions reached herein. See § 12.04 of Rev. Proc. 2000-1, 2000-1 I.R.B. 46, which addresses in greater detail when a ruling will be revoked or modified. However, when the criteria in § 12.05 of Rev. Proc. 2000-1 are satisfied, a ruling is seldom revoked or modified retroactively, except in rare or unusual circumstances.

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

Parent and its affiliated members that are involved in these transactions should attach a copy of this ruling letter to their federal income tax return for the taxable year in which the transactions covered by this letter are completed.

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

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