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### LEGEND

ACO =

Amalco TC 2 =

Amalco TC 3 =

Amalco TC 4 =

Amalco TC 5 =

BCO =

BCO Partnership =

BCO Subco =

CCO =

DC =

DC 1 =

DC 1 Subco A =

DC 2 =

DC 2 Holdco =

DC 2 Subco A =

DC 2 Subco B =

DC 3 =

DC 3 Holdco =

DC 3 Partnership =

DC 3 Subco A =

DC 3 Subco B =

DC 3 Subco C =

DC 3 Tax  
Obligation =

DC 4 =

DC 4 Subco =

DC 5 =

DC 5 Subco A =

DC 5 Subco B =

DC 5 Subco C =

DC 5 Subco D =

DC 5 Subco E =

DC 5 Subco F =

DC 5 Subco G =

DC 5 Subco H =

DC 5 Subco I =

DC 5 Subco K =

DC 5 Subco L =

DC 5 Subco M =

DCO =

Finco-1 =

Finco-2 =

Finco-3 =

Foreign Newco 1 =

Foreign Newco 4 =

Foreign Newco 6 =

Holdco 2 =

Holdco 3 =

Holdco 4 =

Holdco 5 =

Holdco A =

Holdco B U.S. =

Holdco C =

Holdco M U.S. =

Holdco O U.S. =

Holdco P U.S. =

MCO-1 U.S. =

MCO-2 U.S. =

NCO U.S. =

New Amalco TC 2 =

New Amalco TC 3 =

New Amalco TC 5 =

New DC 5 =

New Holdco C =

New VCO-2 =

New VCO-3 =

New VCO-4 =

New VCO-5 =

Newco TC 2 =

Newco TC 3 =

Newco TC 4 =

Newco TC 5 =

OCO U.S. =

PCO U.S. =

QCO U.S. =

Subs =

VCO-1 =

VCO-2 =

XCO =

YCO =

Country A =

Country B =

Country C =

Country D =

Province 1 =

Province 2 =

Province 3 =

Province 4 =

State 1 =

State 2 =

Act =

Business 1 =

Business 1a =

Business 2 =

Business 2a =

Business 2b =

Business 3 =

Business 4 =

Business 4a =

Business 4b =

Business 5 =

Business 5a =

Court =

DC Rights =

TC 2 Rights =

TC 3 Rights =

TC 4 Rights =

TC 5 Rights =

w =

x =

y =

z =

Date =

This letter responds to a letter dated April 17, 2001, in which rulings are requested regarding certain Federal income tax consequences of a proposed transaction. Additional information was submitted in letters dated May 30, June 28, July 3, August 5, August 7, August 26, August 28, September 6, September 10, September 13, September 20, September 23, September 24, October 2, October 25, October 29, November 12, and November 27, 2001. The information submitted for consideration is summarized below.

## SUMMARY OF FACTS

DC, a publicly traded Country A corporation, has outstanding common stock and preferred stock. DC believes that a significant amount of its common stock, and none or a nominal amount of its preferred stock, is held by U.S. residents. No owner of DC common stock owns five percent or more of such stock. DC and its predecessors have operated Business 4 for many years. As it exists today, the DC group of companies is a diversified operation that engages, through its subsidiaries, in five lines of business: (1) Business 1 (which includes Business 1a), (2) Business 2 (which includes Business 2a and Business 2b), (3) Business 3, (4) Business 4 (which includes Business 4a and Business 4b) and (5) Business 5 (which includes Business 5a). DC is the indirect owner of an affiliated group of U.S. corporations engaged in the United States in Business 1, Business 2a and Business 4a.

Prior to any of the transactions discussed herein, which have occurred or will occur prior to the External Spin-offs, defined below, the DC corporate structure is as follows. DC owns all of the stock of the Subs, which own all of the stock of ACO. DC owns all of the stock (other than certain tracking interests, discussed below) of DC 5, BCO, Holdco C and Finco-1. Finco-1 owns a tracking interest in Holdco C.

DC 5 owns all of the stock of DC 5 Subco A and DC 5 Subco B. DC 5 Subco A owns all of the stock of DC 5 Subco C, a tracking interest in Holdco C, and all of the common shares of DC 5 Subco G. Holdco C owns w preferred shares of DC 5 Subco G and all of the stock of XCO and YCO. DC 5 Subco G owns all the stock of DC 5 Subco L. DC 5 Subco B owns all of the stock of DC 5 Subco D, DC 5 Subco E and DC 5 Subco F. DC 5 Subco C owns all of the stock of DC 5 Subco H and DC 5 Subco I, which are engaged in Business 5a. DC 5 Subco F owns all of the stock of DC 5 Subco K. DC 5 Subco K owns all of the stock of DC 5 Subco M.

ACO owns all of the stock of CCO. CCO owns all of the stock of DC 1. DC 1

owns all of the stock of DC 1 Subco A, which is engaged in Business 1a. DC 1 Subco A also owns a tracking interest in Finco-1.

ACO owns all of the stock of DCO. DCO owns all of the stock of DC 4, which is engaged in Business 4b. DC 4 owns all of the stock of DC 4 Subco, all of the common stock of, and certain tracking interests in, Holdco A, and a tracking interest in Finco-1. In addition to regular common stock, Holdco A has 8 classes of tracking stock, owned by DC 2, DC 4 Subco, DC 1, DC 1 Subco A and DC 4.

Holdco A owns all of the stock of Holdco B U.S., which includes regular common stock and 8 classes of tracking stock, except for preferred shares held by YCO. Holdco B U.S. is the common parent of an affiliated group of U.S. corporations that files a consolidated Federal income tax return on a calendar year basis. Holdco B U.S. owns all the stock of Holdco M U.S., Holdco O U.S. (except for preferred shares of Holdco O U.S. held by YCO), Holdco P U.S., NCO U.S. and QCO U.S. Holdco M U.S. owns all of the stock of MCO-1 U.S. and MCO-2 U.S., which is engaged in Business 2a. Holdco O U.S. owns all of the stock of OCO U.S., which is engaged in Business 4a. Holdco P U.S. owns all of the stock of PCO U.S., which also is engaged in Business 4a.

ACO owns all of the stock of DC 2 Holdco. DC 2 Holdco owns all of the stock of DC 2 and certain real estate located in Country A and in the United States. In addition to certain tracking interests in Holdco A, described above, DC 2 owns all of the stock of DC 2 Subco A and DC 2 Subco B.

ACO owns all of the stock of DC 3 Holdco. DC 3 Holdco owns approximately  $x$  percent of the stock of DC 3, a publicly traded Country A corporation. The public owns the remainder of the DC 3 stock. DC 3 owns all of the stock of DC 3 Subco A, DC 3 Subco B, and DC 3 Subco C. DC 3 also holds approximately  $y$  percent of the partnership interests in DC 3 Partnership, with DC 3 Subco A, DC 3 Subco B, and DC 3 Subco C holding the remainder.

Finco-1 owns all of the common stock of Finco-2, which owns all of the stock of Finco-3. Holdco C owns all of the preferred stock of Finco-2.

BCO owns all of the stock of BCO Subco. BCO Subco owns an interest in the BCO Partnership, which participates in financing Business 5.

All of the entities described above are organized under the federal laws of Country A, except for Finco-2, DC 2 Subco B, DC 3 Subco A, DC 3 Subco B, DC 3 Subco C, the DC 3 Partnership, DC 5, and DC 5 Subco A, which are organized under the laws of Province 1; Finco-1, which is organized under the laws of Province 2; BCO Subco and the BCO Partnership, which are organized under the laws of Province 3; DC 5 Subco B, DC 5 Subco D, DC 5 Subco E, DC 5 Subco G, DC 5 Subco L, XCO, YCO, and Holdco C, which are organized under the laws of Country B; DC 5 Subco F, DC 5 Subco K and DC 5 Subco M, which are organized under the laws of Country C; Finco-3,



which is organized under the laws of Country D; Holdco B U.S., Holdco M U.S., MCO-1 U.S., MCO-2 U.S., NCO U.S., Holdco P U.S., PCO U.S. and QCO U.S., which are State 1 corporations; and Holdco O U.S. and OCO U.S. which are State 2 corporations.

In connection with the External Spin-offs, we have received financial information indicating that Business 5a (as conducted by DC 5 Subco H and DC 5 Subco I before the transaction) Business 1a (as conducted by DC 1 Subco A before the transaction), Business 4b (as conducted by DC 4 before the transaction), Business 2b (as conducted by DC 2 Subco A before the transaction) and Business 3 (as conducted by DC 3 before the transaction) each has had gross receipts and operating expenses representing the active conduct of a trade or business for each of the past five years. In connection with the internal distribution of MCO-2 U.S. to DC 2 Subco A (the "MCO-2 U.S. Spin-off"), described below, we have received financial information indicating that Business 2a (as conducted by MCO-2 U.S. before the transaction) and Business 4a (as conducted by OCO U.S. and PCO U.S. before the transaction) each has had gross receipts and operating expenses representing the active conduct of a trade or business for each of the past five years. The diversification of DC was a natural part of its development, but its conglomerate structure is no longer optimal. The requirement to possess expertise in five different businesses places a significant strain on management resources. The five businesses have different business cycles, serve different marketplaces and customer bases, are subject to different competitive forces and must be managed with different strategies. Separating DC's businesses into separate public companies will allow the management of each company to react decisively to the competitive forces in its own market and pursue short-term and long-term strategies that are appropriate to its industry.

## TRANSACTION

DC intends to consummate the tax-free separation of Business 2 (the "DC 2 Spin-off"), Business 3 (the "DC 3 Spin-off"), Business 4 (the "DC 4 Spin-off") and Business 5 (the "DC 5 Spin-off") (collectively, the "External Spin-offs"), retaining only Business 1 and certain other nominal interests.

### Facilitating Transactions

To facilitate the External Spin-offs, the following transactions have occurred or will occur. The facilitating transactions will separate the existing ownership interconnections so that all assets related to a particular business will be held in a single corporate chain. Several of the steps are required solely to comply with Country A tax law, which would treat a straightforward distribution by a Country A corporation of the stock of any of its subsidiaries as a taxable transaction under Country A law. As a result, several of the facilitating transactions will take the form of a "butterfly," which is a complex series of pre-arranged, interrelated transactions that accomplish this result without triggering Country A tax. The facilitating transactions, which have occurred or

will occur prior to the External Spin-offs, are numbered for clarity of description as transaction steps i through xlv, below. There will be, however, a significant overlap in the actual timing of the transactions identified as transaction steps i through xlv.

- i Holdco A exchanges all of the Holdco B U.S. tracking shares for shares of Holdco B U.S. regular common stock.
- ii MCO-1 U.S. transfers certain receivables owed to it by Holdco B U.S. subsidiaries to NCO U.S. in exchange for the assumption by NCO U.S. of certain liabilities of MCO-1 U.S. and a small amount of cash.
- iii Holdco B U.S. distributes the shares of NCO U.S. to Holdco A, as a dividend in-kind.
- iv DC 4 Subco liquidates.
- v Holdco O U.S. distributes cash to Holdco B U.S.
- vi Holdco B U.S. redeems the Holdco B U.S. preferred shares held by YCO for fair market value cash consideration.
- vii Holdco O U.S. redeems the Holdco O U.S. preferred shares held by YCO for fair market value cash consideration.
- viii DC 1 contributes to DC 1 Subco A the Holdco A tracking shares that it owns in exchange for additional shares of DC 1 Subco A stock.
- ix DC 2 contributes to DC 2 Subco A the Holdco A tracking shares that it owns and its interest in DC 2 Subco B in exchange for additional shares of DC 2 Subco A stock.
- x MCO-2 U.S. pays a dividend to Holdco M U.S. in the form of a demand note (the "MCO-2 U.S. Note") the fair market value of which equals that portion of the fair market value of MCO-2 U.S. that is not represented by the Holdco A tracking shares held by DC 2 Subco A.
- xi Holdco P U.S. contributes to PCO U.S. a portion of the debt that PCO U.S. owes to Holdco P U.S. in exchange for additional shares of PCO U.S. stock.
- xii Holdco P U.S. liquidates.
- xiii Holdco B U.S. transfers to Holdco O U.S. all of the assets and liabilities received and assumed on the liquidation of Holdco P U.S. in exchange for additional shares of Holdco O U.S. stock and the assumption of such liabilities by Holdco O U.S.

- xiv Holdco B U.S. contributes the stock of QCO U.S. to Holdco O U.S. in exchange for additional shares of Holdco O U.S. stock.
- xv Holdco O U.S. contributes the stock of QCO U.S. to PCO U.S. in exchange for additional shares of PCO U.S. stock.
- xvi Holdco M U.S. liquidates.
- xvii Holdco B U.S. transfers the stock of MCO-1 U.S. to Holdco O U.S. in exchange for additional shares of Holdco O U.S. stock.
- xviii Holdco O U.S. transfers the stock of MCO-1 U.S. to OCO U.S. in exchange for additional shares of OCO U.S. stock.
- xix Holdco B U.S. liquidates, distributing its remaining assets (the stock of Holdco O U.S., the stock of MCO-2 U.S., the MCO-2 U.S. Note and a small amount of cash) to Holdco A.

As a result of these steps, Holdco A holds directly all of the outstanding shares of Holdco O U.S., MCO-2 U.S. and NCO U.S., the MCO-2 U.S. Note and a small amount of cash.

- xx Holdco A distributes a portion of the shares of NCO U.S. to DC 1 Subco A by means of a butterfly transaction. The value of this portion equals the value of DC 1 Subco A's holdings of Holdco A tracking shares. As a result of this transaction, DC 1 Subco A owns none of the stock of Holdco A.
- xxi Holdco A distributes the shares of MCO-2 U.S. to DC 2 Subco A by means of a butterfly transaction, as follows:
  - (i) Holdco A transfers the stock of MCO-2 U.S. to DC 2 Subco A in exchange for DC 2 Subco A special shares, which are redeemable at any time for an amount equal to the aggregate fair market value of the MCO-2 U.S. stock received therefor.
  - (ii) DC 2 Subco A redeems from Holdco A all of the DC 2 Subco A special shares, for an amount equal to the aggregate of the redemption amounts of the shares so redeemed, in exchange for a demand note issued by DC 2 Subco A.
  - (iii) Holdco A redeems from DC 2 Subco A all of the Holdco A tracking shares held by DC 2 Subco A, for an amount equal to the fair market value thereof, in exchange for a demand note issued by Holdco A. The principal amount of the note from Holdco A to DC 2 Subco A resulting from this step equals the principal amount of the note from DC 2 Subco A

to Holdco A resulting from the previous step.

- (iv) The notes due to and from Holdco A are set off against each other, marked “paid-in-full” and canceled.

As a result of this transaction, DC 2 Subco A owns all of the stock of MCO-2 U.S. and none of the stock of Holdco A. (Step xxi may be referred to as the “MCO-2 U.S. Spin-off”).

- xxii DC 2 Subco A acquires the MCO-2 U.S. Note for cash equal to its fair market value, and DC 1 Subco A acquires the remaining shares of NCO U.S. for cash equal to their fair market value.

Following these steps, DC 2 Subco A owns all of the stock of MCO-2 U.S. and the MCO-2 U.S. Note. DC 1 Subco A owns all of the stock of NCO U.S. Holdco A will remain in existence as a wholly owned subsidiary of DC 4, holding the shares of Holdco O U.S.

- xxiii The Subs transfer all of the stock of ACO to DC. ACO, BCO, CCO and DCO liquidate.
- xxiv Finco-3 distributes cash and certain of its receivables from MCO-1 U.S. to Finco-2.
- xxv Finco-2 uses a portion of the distribution received in step xxiv to redeem its outstanding preferred shares held by Holdco C.
- xxvi Finco-1 contributes some of the stock of Finco-2 to a newly formed subsidiary, Foreign Newco 1. Finco-2 distributes the stock of Finco-3 to Foreign Newco 1 by means of a butterfly transaction. Finco-1 distributes the stock of Foreign Newco 1 and other property to DC 4 by means of a butterfly transaction.
- xxvii Finco-1 distributes its stock in Holdco C and other property to DC 1 Subco A, which distributes such stock to DC 1, which distributes such stock to DC. These distributions take the form of butterfly transactions.
- xxviii DC contributes the stock of Holdco C to DC 5, which contributes the stock to DC 5 Subco A.
- xxix DC 5 contributes the stock of DC 5 Subco B to DC 5 Subco A.
- xxx Holdco C, XCO, YCO, DC 5 Subco B, DC 5 Subco D, DC 5 Subco E, DC 5 Subco G, and DC 5 Subco L merge to form New Holdco C.
- xxxi New Holdco C's assets that are not related to Business 5 and additional cash are distributed from New Holdco C to DC 5 Subco A, distributed from DC 5 Subco A to DC 5, and distributed from DC 5 to DC. DC contributes certain receivables from MCO-1 U.S. down the chain to a Country D company owned indirectly by DC 1 Subco A.

- xxxii In accordance with applicable law, DC 5 Subco A amalgamates with DC 5 to form New DC 5.
- xxxiii DC 2 Holdco transfers all of the stock of DC 2 to Foreign Newco 4, a newly formed Country A corporation, in exchange for stock of Foreign Newco 4, as part of a butterfly transaction. Pursuant to this transaction, Foreign Newco 4 becomes a wholly owned subsidiary of DC.
- xxxiv BCO Subco distributes its interest in the BCO Partnership by means of a butterfly transaction to DC, which contributes the interest to New DC 5, which may contribute such interest further down the chain.
- xxxv DC 1 Subco A transfers Business 1a to VCO-1, a newly formed Province 2 unlimited liability company, in exchange for stock of VCO-1, as part of a butterfly transaction. Pursuant to this transaction, VCO-1 becomes wholly owned by DC 1.
- xxxvi DC 1 transfers all of the stock of VCO-1 to VCO-2, a newly formed Province 2 unlimited liability company, in exchange for stock of VCO-2, as part of a butterfly transaction. Pursuant to this transaction, VCO-2 becomes wholly owned by DC.
- xxxvii VCO-1 and VCO-2 amalgamate in accordance with Country A corporate law to form New VCO-2.
- xxxviii Each of DC 5 Subco C, DC 5 Subco H and DC 5 Subco I is continued as a Province 2 corporation and amalgamated with a newly formed sister company to form New VCO-5, New VCO-4 and New VCO-3, respectively. Each of New VCO-3, New VCO-4 and New VCO-5 is a Province 2 unlimited liability company.
- xxxix DC 3 Holdco transfers all of the stock of DC 3 that it owns to Foreign Newco 6, a newly formed Country A corporation, in exchange for stock of Foreign Newco 6, as part of a butterfly transaction. Pursuant to this transaction, Foreign Newco 6 becomes a wholly owned subsidiary of DC.
- xl DC contributes to Foreign Newco 4, which contributes to DC 2, cash equal to the amount paid by DC 2 Subco A to acquire the MCO-2 U.S. Note in step xxii, above.
- xli DC contributes to DC 1 cash equal to the amount paid by DC 1 Subco A to acquire the NCO U.S. stock in step xxii, above.
- xl ii DC 3 borrows an amount of money and distributes borrowed funds plus cash from operations to Foreign Newco 6 and the DC 3 minority shareholders as a dividend on the DC 3 shares. Foreign Newco 6 distributes the funds to DC.
- xl iii DC 4 arranges for financing and uses a portion of such funds to make an interest bearing loan to DC. DC repays the loan in full prior to the DC 4 Spin-off, with the

proceeds of a distribution from DC 4. The amount of this distribution will include (i) the amount paid by DC 2 Subco A to acquire the MCO-2 U.S. Note in step xxii, above, and (ii) the amount paid by DC 1 Subco A to acquire the NCO U.S. stock in step xxii, above.

- xliv New Holdco C and subsidiaries arrange financing to repay existing intercompany debt owed to DC. DC uses the funds received to repay existing debt.

#### External Spin-offs

Following the facilitating transactions described above, DC will own all of the stock of Foreign Newco 4 (which will, in turn, own all of the stock of DC 2), all of the stock of Foreign Newco 6 (which will, in turn, own approximately x percent of the stock of DC 3), all of the stock of DC 4, and all of the stock of New DC 5. DC will operate Business 1a directly; Foreign Newco 4 will operate Business 2b indirectly; Foreign Newco 6 will operate Business 3 indirectly; DC 4 will operate Business 4b directly; and New DC 5 will operate Business 5a directly.

The transactions to separate Business 1, Business 2, Business 3, Business 4 and Business 5 will be butterfly transactions. They will occur pursuant to a Plan of Arrangement approved by at least two-thirds of the shareholders of DC voting together as one class and by the Court and also approved, at least as to certain steps, by at least two-thirds of the shareholders of DC 3. Any such DC or DC 3 shareholder will have the right to dissent from the transaction and be paid the fair value of such shareholder's DC stock or DC 3 stock, as applicable. Under the Plan of Arrangement, any such dissenting shareholder will be deemed to have transferred his DC or DC 3 shares to DC or DC 3, respectively, and such shares will be deemed to have been canceled immediately prior to the effective date of the Plan of Arrangement.

The External Spin-off transactions will proceed as follows:

- xlv DC incorporates four new Country A corporations: Holdco 2, Holdco 3, Holdco 4, and Holdco 5. DC contributes all of the stock of Foreign Newco 4, Foreign Newco 6, DC 4 and New DC 5 to Holdco 2, Holdco 3, Holdco 4 and Holdco 5, respectively. The consideration for each of these transfers is all of the stock of the transferee corporation and the assumption by the transferee corporation of DC's existing obligations under employee stock option and stock appreciation rights plans.
- xlvi DC adopts a shareholder rights plan under which DC Rights will be issued with respect to every newly issued share of DC common or special stock. All references in the transaction steps below to DC common or special shares include the associated DC Rights. The DC Rights are rights to purchase DC common stock at a discount upon a triggering event.
- xlvi DC recapitalizes and each DC common share is exchanged for a fraction of a

new DC common share, one DC/TC 2 special share, one DC/TC 3 special share, one DC/TC 4 special share and one DC/TC 5 special share. Each class of special shares is a class of DC stock which is redeemable at any time for an amount based on the aggregate fair market value of the stock of Holdco 2, Holdco 3, Holdco 4 or Holdco 5, respectively.

*DC 2 Spin-off*

- xlvi An officer of DC incorporates Newco TC 2 as a Country A corporation. Newco TC 2 is authorized to issue common shares, convertible shares and special shares. The special shares are redeemable at any time for a fixed redemption amount. The DC officer receives one common share in exchange for a de minimis amount of cash.
- xlix Newco TC 2 adopts a shareholder rights plan under which TC 2 Rights will be issued with respect to every newly issued share of Newco TC 2 common or convertible stock. All references in the transaction steps below to Newco TC 2 common or convertible shares include the associated TC 2 Rights. The TC 2 Rights are rights to purchase Newco TC 2 common stock at a discount upon a triggering event.
- I Newco TC 2 acquires from the non-dissenting DC common shareholders all of the DC/TC 2 special shares, in exchange for common and convertible shares of Newco TC 2.
- li DC transfers to Newco TC 2 all of the stock of Holdco 2 in exchange for special shares of Newco TC 2.
- lii DC redeems all of the DC/TC 2 special shares held by Newco TC 2 in exchange for a demand note issued by DC.
- liii Newco TC 2 redeems all of the Newco TC 2 special shares held by DC in exchange for a note issued by Newco TC 2. In each case, the principal amount of the note due to DC resulting from this step equals the principal amount of the note due from DC resulting from the previous step.
- liv The notes due to and from DC are set off against each other, marked "paid-in-full" and canceled.
- lv The Newco TC 2 convertible shares are converted into Newco TC 2 common shares.
- lvi Newco TC 2, Holdco 2 and Foreign Newco 4 amalgamate immediately to form Amalco TC 2, a Country A corporation, owning all of the stock of DC 2. The TC 2 Rights associated with the Newco TC 2 common shares remain associated with the Amalco TC 2 common shares following this amalgamation.

*DC 3 Spin-off*

- Ivii An officer of DC incorporates Newco TC 3 as a Country A corporation. Newco TC 3 is authorized to issue common shares, convertible shares and special shares. The special shares are redeemable at any time for a fixed redemption amount. The DC officer receives one common share in exchange for a de minimis amount of cash.
- Iviii Newco TC 3 adopts a shareholder rights plan under which TC 3 Rights will be issued with respect to every newly issued share of Newco TC 3 common or convertible stock. All references in the transaction steps below to Newco TC 3 common or convertible shares include the associated TC 3 Rights. The TC 3 Rights are rights to purchase Newco TC 3 common stock at a discount upon a triggering event.
- lix Newco TC 3 acquires from the non-dissenting DC common shareholders all of the DC/TC 3 special shares, in exchange for common and convertible shares of Newco TC 3.
- Ix DC transfers to Newco TC 3 all of the stock of Holdco 3 in exchange for special shares of Newco TC 3.
- Ixi Newco TC 3 acquires from the non-dissenting minority shareholders of DC 3 all of their DC 3 shares, in exchange for common and convertible shares of Newco TC 3.
- Ixii Newco TC 3 contributes the DC 3 stock received from the DC 3 minority shareholders in the previous transaction step to Holdco 3 in exchange for additional shares of Holdco 3 stock, and Holdco 3 contributes such stock to Foreign Newco 6 in exchange for additional shares of Foreign Newco 6 stock.
- Ixiii DC redeems all of the DC/TC 3 special shares held by Newco TC 3 in exchange for a demand note issued by DC.
- Ixiv Newco TC 3 redeems all of the Newco TC 3 special shares held by DC in exchange for a note issued by Newco TC 3. The principal amount of the note due to DC resulting from this step equals the principal amount of the note due from DC resulting from the previous step.
- Ixv The notes due to and from DC are set off against each other, marked "paid-in-full" and canceled.
- Ixvi The Newco TC 3 convertible shares are converted into Newco TC 3 common shares.
- Ixvii Newco TC 3, Holdco 3 and Foreign Newco 6 amalgamate immediately to form Amalco TC 3, a Country A corporation, owning all of the stock of DC 3. The TC 3



Rights associated with the Newco TC 3 common shares remain associated with the Amalco TC 3 common shares following this amalgamation.

*DC 4 Spin-off*

- lxxviii An officer of DC incorporates Newco TC 4 as a Country A corporation. Newco TC 4 is authorized to issue common shares, convertible shares and special shares. The special shares are redeemable at any time for a fixed redemption amount. The DC officer receives one common share in exchange for a de minimis amount of cash.
- lxxix Newco TC 4 adopts a shareholder rights plan under which TC 4 Rights will be issued with respect to every newly issued share of Newco TC 4 common or convertible stock. All references in the transaction steps below to Newco TC 4 common or convertible shares include the associated TC 4 Rights. The TC 4 Rights are rights to purchase Newco TC 4 common stock at a discount upon a triggering event.
- lxxx Newco TC 4 acquires from the non-dissenting DC common shareholders all of the DC/TC 4 special shares, in exchange for common and convertible shares of Newco TC 4.
- lxxxi DC transfers to Newco TC 4 all of the stock of Holdco 4 in exchange for special shares of Newco TC 4.
- lxxxii DC redeems all of the DC/TC 4 special shares held by Newco TC 4 in exchange for a demand note issued by DC.
- lxxxiii Newco TC 4 redeems all of the Newco TC 4 special shares held by DC in exchange for a note issued by Newco TC 4. The principal amount of the note due to DC resulting from this step equals the principal amount of the note due from DC resulting from the previous step.
- lxxxiv The notes due to and from DC are set off against each other, marked "paid-in-full" and canceled.
- lxxxv The Newco TC 4 convertible shares are converted into Newco TC 4 common shares.
- lxxxvi Newco TC 4 and Holdco 4 amalgamate immediately to form Amalco TC 4, a Country A corporation, owning all of the stock of DC 4. The TC 4 Rights associated with the Newco TC 4 common shares remain associated with the Amalco TC 4 common shares following this amalgamation.

*DC 5 Spin-off*

- lxxxvii An officer of DC incorporates Newco TC 5 as a Country A corporation. Newco TC 5 is authorized to issue common shares, convertible shares and special

shares. The special shares are redeemable at any time for a fixed redemption amount. The DC officer receives one common share in exchange for a de minimis amount of cash.

- lxxviii Newco TC 5 adopts a shareholder rights plan under which TC 5 Rights will be issued with respect to every newly issued share of Newco TC 5 common or convertible stock. All references in the transaction steps below to Newco TC 5 common or convertible shares include the associated TC 5 Rights. The TC 5 Rights are rights to purchase Newco TC 5 common stock at a discount upon a triggering event.
- lxxix Newco TC 5 acquires from the non-dissenting DC common shareholders all of the DC/TC 5 special shares, in exchange for common and convertible shares of Newco TC 5.
- lxxx DC transfers to Newco TC 5 all of the stock of Holdco 5 in exchange for special shares of Newco TC 5.
- lxxxi DC redeems all of the DC/TC 5 special shares in exchange for a demand note issued by DC.
- lxxxii Newco TC 5 redeems all of the Newco TC 5 special shares held by DC in exchange for a note issued by Newco TC 5. The principal amount of the note due to DC resulting from this step equals the principal amount of the note due from DC resulting from the previous step.
- lxxxiii The notes due to and from DC are set off against each other, marked "paid-in-full" and canceled.
- lxxxiv The Newco TC 5 convertible shares are converted into Newco TC 5 common shares.
- lxxxv Newco TC 5 and Holdco 5 are amalgamated immediately to form Amalco TC 5, which is continued as a Province 4 corporation, owning all of the stock of New DC 5. The TC 5 Rights associated with the Newco TC 5 common shares remain associated with the Amalco TC 5 common shares following this amalgamation.

#### *Fractional Shares*

- lxxxvi Non-dissenting DC common shareholders will receive cash in lieu of any fractional shares of new DC common stock, Amalco TC 2 common stock, Amalco TC 3 common stock, Amalco TC 4 common stock or Amalco TC 5 common stock otherwise issuable to them. All such fractional shares will be aggregated, rounded up to the nearest whole number and issued to a Country A trust company on behalf of the non-dissenting DC common shareholders otherwise entitled thereto. The trust company will sell such shares for cash in the public market and distribute a pro rata share of such cash to each non-dissenting DC

common shareholder.

*DC Preferred Stock*

lxxxvii Pursuant to the Terms of the Plan of Arraignment, as approved by the DC shareholders and the Court, the DC preferred stock will be redeemed for cash.

Second Round Amalgamations

- lxxxviii Amalco TC 2, DC 2 and DC 2 Subco A amalgamate on Date to form New Amalco TC 2, a Country A corporation. The TC 2 Rights associated with the Amalco TC 2 common shares remain associated with the New Amalco TC 2 common shares following this amalgamation.
- lxxxix Amalco TC 3 and DC 3 amalgamate on Date to form New Amalco TC 3, a Country A corporation. The TC 3 Rights associated with the Amalco TC 3 common shares remain associated with the New Amalco TC 3 common shares following this amalgamation.
- xc Amalco TC 5 and New DC 5 amalgamate on Date to form New Amalco TC 5, a Province 4 corporation. The TC 5 Rights associated with the Amalco TC 5 common shares remain associated with the New Amalco TC 5 common shares following this amalgamation.

REPRESENTATIONS

General Representations

- A. None of the foreign corporations participating in any of the transactions in this ruling and identified in the Legend are passive foreign investment companies within the meaning of § 1297.
- B. None of the foreign corporations participating in any of the transactions in this ruling and identified in the Legend are controlled foreign corporations within the meaning of § 957.

Facilitating Transactions Representations

- A. Holdco B U.S., NCO U.S., Holdco P U.S., PCO U.S., Holdco O U.S., OCO U.S., MCO-2 U.S., and Holdco M U.S. are each a U.S. real property holding corporation within the meaning of § 897 ("USRPHC"). QCO U.S. and MCO-1 U.S. are not USRPHCs.
- B. Holdco A will comply with the filing requirements of § 1.897-5T(d)(1)(iii) of the Income Tax Regulations, as modified by Notice 89-57, 1989-1 C.B. 698, with respect to the exchange of stock in step i.
- C. The distribution by Holdco B U.S. to Holdco A of the stock of NCO U.S. is a dividend for U.S. Federal income tax purposes.

- D. With respect to each foreign corporation that is liquidated into a foreign corporation parent, the liquidating corporation will not distribute as part of its liquidation qualified property as described in § 1.367(e)-2(b)(2)(i)(B), that is used by the liquidating corporation in the conduct of a trade or business within the United States at the time of the distribution, or property that had ceased to be used by the liquidating corporation in the conduct of a U.S. trade or business within the 10 year period ending on the date of the distribution and that would have been subject to § 864(c)(7) had it been disposed of.
- E. NCO U.S. is a USRPHC immediately after (i) the distribution of its stock by Holdco B U.S. to Holdco A, (ii) the distribution of a portion of its stock by Holdco A to DC 1 Subco A, and (iii) the sale of the remainder of its stock by Holdco A to DC 1 Subco A.
- F. At the time of Holdco B U.S.'s liquidation, Holdco B U.S.'s only assets will be the stock of Holdco O U.S. and MCO-2 U.S., both of which are USRPHCs, the MCO-2 U.S. note, and a small amount of cash or cash equivalents.
- G. The redemptions by Holdco B U.S. and Holdco O U.S. of preferred shares held by YCO are dividends for U.S. Federal income tax purposes.
- H. The butterfly transaction involving the transfer of NCO U.S. to DC1 Subco A does not qualify for tax-free treatment under § 355 and will be treated as a taxable dividend of the NCO U.S. stock.
- I. The sale by Holdco A of its shares in NCO U.S. to DC1 Subco A is a sale of stock of a USRPHC and gain or loss, if any, recognized by Holdco A on such sale is taken into account under § 897(a)(1) as if such gain or loss were effectively connected with a United States trade or business carried on by Holdco A during the taxable year in which such sale occurs.
- J. With respect to the Holdco B U.S. liquidation, no gain will result from the distribution of the MCO-2 U.S. note from Holdco B U.S. to Holdco A because the adjusted tax basis that Holdco B U.S. will have in the note will equal its fair market value.

#### MCO-2 U.S. Spin-off Representations

- A. The tracking shares of Holdco A constitute stock of Holdco A for Federal tax purposes.
- B. The fair market value of the MCO-2 U.S. stock to be received by DC 2 Subco A in the MCO-2 U.S. Spin-off will be approximately equal to the fair market value of the Holdco A tracking shares surrendered by DC 2 Subco A in exchange therefor.
- C. No part of the consideration to be distributed by Holdco A in the MCO-2 U.S. Spin-off will be received by a shareholder as a creditor, employee, or in any

capacity other than that of a shareholder of the corporation.

- D. Immediately after the MCO-2 U.S. Spin-off, the gross assets of Business 2a conducted by MCO-2 U.S. will have a fair market value equal to at least five percent of the total fair market value of MCO-2 U.S.'s gross assets.
- E. The five years of financial information submitted on behalf of MCO-2 U.S. is representative of MCO-2 U.S.'s present operation, and with regard to MCO-2 U.S., there have been no substantial operational changes since the date of the last financial statements submitted.
- F. Immediately after the MCO-2 U.S. Spin-off, at least ninety percent of the fair market value of the gross assets of Holdco A will consist of the stock and securities of Holdco O U.S.
- G. Immediately after the MCO-2 U.S. Spin-off, at least ninety percent of the fair market value of the gross assets of Holdco O U.S. will consist of the stock and securities of OCO U.S. and PCO U.S., controlled corporations that are engaged in the active conduct of a trade or business as defined in § 355(b)(2).
- H. Immediately after the MCO-2 U.S. Spin-off, the gross assets of Business 4a conducted by OCO U.S. and PCO U.S. will have a fair market value equal to at least five percent of the total fair market value of OCO U.S.'s and PCO U.S.'s gross assets, respectively.
- I. The five years of financial information submitted on behalf of OCO U.S. and PCO U.S. is representative of OCO U.S.'s and PCO U.S.'s present operations, and there have been no substantial operational changes since the date of the last financial statements submitted.
- J. Following the MCO-2 U.S. Spin-off, MCO-2 U.S. will continue the active conduct of its business, independently and with its separate employees.
- K. Following the MCO-2 U.S. Spin-off, OCO U.S. and PCO U.S. will each continue the active conduct of its business, independently and with its separate employees.
- L. The MCO-2 U.S. Spin-off is being undertaken for the business purpose described above. The MCO-2 U.S. Spin-off is motivated, in whole or substantial part, by this corporate business purpose.
- M. There is no plan or intention by DC 2 Subco A to sell, exchange, transfer by gift, or otherwise dispose of any stock in, or securities of, MCO-2 U.S. after the MCO-2 U.S. Spin-off.
- N. There is no plan or intention by Holdco A or MCO-2 U.S., directly or through any subsidiary corporation, to purchase any of such corporation's outstanding stock

after the MCO-2 U.S. Spin-off.

- O. There is no plan or intention to liquidate either Holdco A or MCO-2 U.S., to merge Holdco A or MCO-2 U.S. with any other corporation, or to sell or otherwise dispose of the assets of either Holdco A or MCO-2 U.S. after the MCO-2 U.S. Spin-off, except in the ordinary course of business.
- P. The MCO-2 U.S. Spin-off is not part of a plan or series of related transactions, within the meaning of § 355(e), pursuant to which one or more persons will acquire, directly or indirectly, stock possessing 50 percent or more of the total combined voting power of all classes of stock of either Holdco A or MCO-2 U.S., or stock possessing 50 percent or more of the total value of all classes of stock of either Holdco A or MCO-2 U.S.
- Q. Other than the MCO-2 U.S. Note, no intercorporate debt will exist between Holdco A and MCO-2 U.S. at the time of, or subsequent to, the MCO-2 U.S. Spin-off.
- R. Payments made in connection with all continuing transactions, if any, between Holdco A and MCO-2 U.S., and their respective subsidiaries, will be for fair market value based on terms and conditions arrived at by the parties bargaining at arm's length.
- S. The basis of the MCO-2 U.S. stock distributed in the MCO-2 U.S. Spin-off in the hands of DC 2 Subco A will be equal to or less than the basis of the MCO-2 U.S. common stock in the hands of Holdco A immediately before the MCO-2 U.S. Spin-off.
- T. MCO-2 U.S. will have been a USRPHC during the five-year period ending on the date of the MCO-2 U.S. Spin-off, and MCO-2 U.S. will be a USRPHC immediately after the MCO-2 U.S. Spin-off.
- U. Holdco A will not have been a controlled foreign corporation (as defined in § 957(a)) ("CFC") during the five-year period ending on the date of the MCO-2 U.S. Spin-off, and will not be a CFC immediately after the MCO-2 U.S. Spin-off.
- V. Holdco A will not be a passive foreign investment company (as defined in § 1297(a)) ("PFIC") on the date of the MCO-2 U.S. Spin-off or immediately after the MCO-2 U.S. Spin-off.

External Spin-offs Representations (applicable to all of the External Spin-offs)

- A. Immediately after the External Spin-offs, the gross assets of Business 1a conducted by DC, through a disregarded entity, will have a fair market value equal to at least five percent of the total fair market value of DC's gross assets.
- B. The five years of financial information submitted on behalf of DC is representative

of the present operation of Business 1a and with regard to Business 1a there have been no substantial operational changes since the date of the last financial statements submitted.

- C. Following the External Spin-offs, DC will continue the active conduct of its business, independently and with its separate employees and employees of DC 1 Subco A.
- D. The management of DC, to its best knowledge, is not aware of any plan or intention on the part of any particular shareholder or security holder of DC to sell, exchange, transfer by gift, or otherwise dispose of any stock in, or securities of, DC, Amalco TC 2, Amalco TC 3, Amalco TC 4 or Amalco TC 5 after the transaction.
- E. Except for accounts receivable arising in the ordinary course of business from the continuing transactions described herein and the DC 3 Tax Obligation, no intercorporate debt will exist between DC and any of Newco TC 2, Amalco TC 2, Newco TC 3, Amalco TC 3, Newco TC 4, Amalco TC 4, Newco TC 5 or Amalco TC 5 at the time of, or subsequent to, the External Spin-offs.
- F. DC neither accumulated its receivables nor made extraordinary payment of its payables in anticipation of the transaction.
- G. Each of DC, Amalco TC 2, Amalco TC 3, Amalco TC 4 and Amalco TC 5 will use the accrual method of accounting.
- H. DC does not join in the filing of a consolidated U.S. Federal income tax return.
- I. Payments made in connection with all continuing transactions, if any, between DC, Amalco TC 2, Amalco TC 3, Amalco TC 4 and Amalco TC 5, and their respective subsidiaries, will be for fair market value based on terms and conditions arrived at by the parties bargaining at arm's length.
- J. There is no plan or intention to liquidate DC, to merge DC with any other corporation, or to sell or otherwise dispose of the assets of DC after the transaction, except (i) assets sold in the ordinary course of business, (ii) insignificant assets not used in Business 1 or Business 1a, (iii) roughly \$z of undeveloped real estate in Country A, the proceeds of which will be reinvested in Business 1.
- K. There is no plan or intention by DC, directly or through any subsidiary corporation, to purchase any of DC's outstanding stock after the External Spin-offs, other than possibly through stock purchases meeting the requirements of § 4.05(1)(b) of Rev. Proc. 96-30.
- L. None of DC, Newco TC 2, Amalco TC 2, Newco TC 3, Amalco TC 3, Newco TC 4, Amalco TC 4, Newco TC 5 or Amalco TC 5 is an investment company as

defined in § 368(a)(2)(F)(iii) and (iv).

- M. The payment of cash in lieu of fractional shares of new DC common stock will be solely for the purpose of avoiding the expense and inconvenience to DC of distributing fractional shares and does not represent separately bargained-for consideration. The total cash consideration to be paid in lieu of fractional shares of new DC common stock will not exceed one percent of the total value of new DC common stock that will be issued to non-dissenting DC common shareholders. The fractional share interests of each non-dissenting DC common shareholder will be aggregated with respect to the exchange of DC common shares for new DC common shares, and no such shareholder will receive cash in an amount equal to or greater than the value of one full share of new DC common stock in such exchange.
- N. The DC Rights associated with new DC common stock cannot be separately traded and are not divisible from the new DC common stock before certain triggering events occur. Before the occurrence of these events, such DC Rights may be redeemed by DC. At the time of the External Spin-offs, the likelihood that such DC Rights will be exercised will be both remote and uncertain.
- O. Prior to the occurrence of a triggering event, the DC Rights, TC 2 Rights, TC 3 Rights, TC 4 Rights and TC 5 Rights are substantially identical to the rights described in Rev. Rul. 90-11, 1990-1 C.B. 10. In particular, the DC Rights, TC 2 Rights, TC 3 Rights, TC 4 Rights and TC 5 Rights grant the holder the right to purchase common stock of the respective issuing corporation at a discount upon the occurrence of a triggering event.
- P. (i) The total adjusted bases and the fair market value of the assets transferred (or deemed transferred under rulings (2) through (5)) by DC to Amalco TC 2, Amalco TC 3, Amalco TC 4 or Amalco TC 5 each equals or exceeds the sum of the liabilities assumed by the transferee corporation (as determined under § 357(d)); and (ii) the liabilities assumed in the transaction (as determined under § 357(d)) were incurred in the ordinary course of business and are associated with the assets being transferred.
- Q. Immediately before the termination of the Holdco B U.S. consolidated group on account of the liquidation of Holdco B U.S., items of income, gain, loss, deduction, and credit will be taken into account as required by the applicable intercompany transaction regulations. Further, excess loss accounts, if any, within the Holdco B U.S. affiliated group will be included in income immediately before the distribution.
- R. Neither DC, nor any of the respective Amalco, Newco or Holdco corporations, DC 5, New DC 5, DC 4, Foreign Newco 4, DC 2, DC 2 Subco A, Foreign Newco 6 or DC 3 will have been:



- (1) A USRPHC at any time during the five-year period ending on the date of the respective External Spin-off, and none will be a USRPHC immediately after the External Spin-offs;
  - (2) A CFC at any time during the five-year period ending on the date of the respective External Spin-off, and none will be a CFC immediately after the External Spin-offs; and
  - (3) A PFIC on the date of the respective External Spin-off or immediately after the External Spin-offs.
- S. Except for DC 3 Holdco, no individual or entity beneficially owns five percent or more of the outstanding DC 3 common shares. Each U.S. person that owns DC 3 stock will own less than 5 percent (applying the attribution rules of § 318, as modified by § 958(b)) of both the total voting power and total value of the stock of either Newco TC 3 (if such corporation were not disregarded for Federal income tax purposes) or Amalco TC 3.
- T. DC is the sole owner of New VCO-2.
- U. New VCO-2 was or will be organized under section 9(c) of the Act. Under the organizational documents of New VCO-2, the liability of DC is unlimited within the meaning of § 301.7701-3(b)(2)(ii).
- V. No election has been or will be filed under § 301.7701-3(c) for New VCO-2 to be treated as an association.

#### DC 2 Spin-off Representations

- A. No part of the consideration to be distributed by DC in the DC 2 Spin-off will be received by a shareholder as a creditor, employee, or in any capacity other than that of a shareholder of the corporation.
- B. Immediately after the DC 2 Spin-off, at least ninety percent of the fair market value of the gross assets of Amalco TC 2 will consist of stock or securities of DC 2, a controlled corporation. Immediately after the DC 2 Spin-off, at least ninety percent of the gross assets of DC 2 will consist of stock or securities of DC 2 Subco A, a controlled corporation that is engaged in the active conduct of a trade or business as defined in § 355(b)(2).
- C. Immediately after the DC 2 Spin-off, the gross assets of Business 2b conducted by DC 2 Subco A will have a fair market value equal to at least five percent of the total fair market value of DC 2 Subco A's gross assets.
- D. The five years of financial information submitted on behalf of DC 2 Subco A is representative of the present operation of DC 2 Subco A, and with regard to DC 2 Subco A, there have been no substantial operational changes since the date of

the last financial statements submitted.

- E. Following the DC 2 Spin-off, DC 2 Subco A will continue the active conduct of its business, independently and with its separate employees.
- F. The DC 2 Spin-off is being undertaken for the business purpose described above. The DC 2 Spin-off is motivated, in whole or substantial part, by this corporate business purpose.
- G. There is no plan or intention by Amalco TC 2, directly or through any subsidiary corporation, to purchase any of its outstanding stock after the DC 2 Spin-off, other than possibly through stock purchases meeting the requirements of § 4.05(1)(b) of Rev. Proc. 96-30.
- H. Except for the proposed amalgamation described in step lxxxviii, there is no plan or intention to liquidate Amalco TC 2, to merge Amalco TC 2 with any other corporation, or to sell or otherwise dispose of the assets of Amalco TC 2 after the DC 2 Spin-off, except in the ordinary course of business.
- I. The payment of cash in lieu of fractional shares of Amalco TC 2 stock will be solely for the purpose of avoiding the expense and inconvenience to DC of distributing fractional shares and does not represent separately bargained-for consideration. The total cash consideration to be paid in lieu of fractional shares of Amalco TC 2 stock will not exceed one percent of the total consideration that will be issued in the DC 2 Spin-off to non-dissenting DC common shareholders. The fractional share interests of each non-dissenting DC common shareholder will be aggregated with respect to the DC 2 Spin-off, and no such shareholder will receive cash in an amount equal to or greater than the value of one full share of Amalco TC 2 stock in the DC 2 Spin-off.
- J. The TC 2 Rights associated with Amalco TC 2 stock cannot be separately traded and are not divisible from the Amalco TC 2 stock before certain triggering events occur. Before the occurrence of these events, such TC 2 Rights may be redeemed by Amalco TC 2. At the time of the DC 2 Spin-off, the likelihood that such TC 2 Rights will be exercised will be both remote and uncertain.

#### DC 3 Spin-off Representations

- A. No part of the consideration to be distributed by DC in the DC 3 Spin-off will be received by a shareholder as a creditor, employee, or in any capacity other than that of a shareholder of the corporation.
- B. Immediately after the DC 3 Spin-off, at least ninety percent of the fair market value of the gross assets of Amalco TC 3 will consist of stock or securities of DC 3, a controlled corporation that is engaged in the active conduct of a trade or

business as defined in § 355(b)(2).

- C. Immediately after the DC 3 Spin-off, the gross assets of Business 3 conducted by DC 3 will have a fair market value equal to at least five percent of the total fair market value of DC 3's gross assets.
- D. The five years of financial information submitted on behalf of DC 3 is representative of DC 3's present operation, and with regard to DC 3, there have been no substantial operational changes since the date of the last financial statements submitted.
- E. Following the DC 3 Spin-off, DC 3 will continue the active conduct of its business, independently and with its separate employees.
- F. The DC 3 Spin-off is being undertaken for the business purpose described above. The DC 3 Spin-off is motivated, in whole or substantial part, by this corporate business purpose.
- G. There is no plan or intention by Amalco TC 3, directly or through any subsidiary corporation, to purchase any of its outstanding stock after the DC 3 Spin-off, other than possibly through stock purchases meeting the requirements of § 4.05(1)(b) of Rev. Proc. 96-30.
- H. Except for the proposed amalgamation described in step lxxxix, there is no plan or intention to liquidate Amalco TC 3, to merge Amalco TC 3 with any other corporation, or to sell or otherwise dispose of the assets of Amalco TC 3 after the DC 3 Spin-off, except in the ordinary course of business.
- I. The payment of cash in lieu of fractional shares of Amalco TC 3 stock will be solely for the purpose of avoiding the expense and inconvenience to DC of distributing fractional shares and does not represent separately bargained-for consideration. The total cash consideration to be paid in lieu of fractional shares of Amalco TC 3 stock will not exceed one percent of the total consideration that will be issued in the DC 3 Spin-off to non-dissenting DC common shareholders. The fractional share interests of each non-dissenting DC common shareholder will be aggregated with respect to the DC 3 Spin-off, and no such shareholder will receive cash in an amount equal to or greater than the value of one full share of Amalco TC 3 stock in the DC 3 Spin-off.
- J. The TC 3 Rights associated with Amalco TC 3 stock cannot be separately traded and are not divisible from the Amalco TC 2 stock before certain triggering events occur. Before the occurrence of these events, such TC 3 Rights may be redeemed by Amalco TC 3. At the time of the DC 3 Spin-off, the likelihood that such TC 3 Rights will be exercised will be both remote and uncertain.

- K. DC 3 will borrow the funds distributed in step xlii from unrelated lenders based solely on its own borrowing capacity. Such borrowing will not be funded, supported or facilitated by any contribution to, or credit support or enhancement of, DC 3 by any other party.
- L. The DC 3 Tax Obligation will not constitute stock or securities.
- M. No election has been or will be filed under § 301.7701-3(c) for the DC 3 Partnership to be treated as an association.

Representations with respect to the deemed exchange by DC and the non-dissenting minority DC 3 shareholders of DC 3 stock for Amalco TC 3 stock for the purpose of determining the tax treatment of the minority shareholders on the deemed exchange

- A. No stock or securities will be issued for services rendered to or for the benefit of the transferee in connection with the proposed transaction, and no stock or securities will be issued for indebtedness of the transferee that is not evidenced by a security or for interest on indebtedness of the transferee which accrued on or after the beginning of the holding period of the transferors for the debt.
- B. None of the stock to be transferred is “§ 306 stock” within the meaning of § 306(c).
- C. The transfer is not the result of the solicitation by a promoter, broker, or investment house.
- D. The transferors will not retain any rights in the property transferred to the transferee.
- E. The value of the stock received in exchange for accounts receivable will be equal to the net value of the accounts transferred, i.e., the face amount of the accounts receivable previously included in income less the amount of the reserve for bad debts.
- F. Any debt relating to the stock being transferred that is being assumed (or to which such stock is subject) was incurred to acquire such stock and was incurred when such stock was acquired, and each transferor is transferring all of the stock for which the acquisition indebtedness being assumed (or to which such stock is subject) was incurred.
- G. The adjusted basis and the fair market value of the assets to be transferred by the transferors to the transferee will, in each instance, be equal to or exceed the

sum of the liabilities to be assumed by the transferee (as determined under § 357(d)).

- H. The liabilities of the transferors to be assumed by the transferee (as determined under § 357(d)) were incurred in the ordinary course of business and are associated with the assets to be transferred.
- I. Except for the DC 3 Tax Obligation, there is no indebtedness between the transferee and the transferors and there will be no indebtedness created in favor of the transferors as a result of the transaction.
- J. The transfers and exchanges will occur under a plan agreed upon before the transaction in which the rights of the parties are defined.
- K. All exchanges will occur on approximately the same date.
- L. There is no plan or intention on the part of the transferee to redeem or otherwise reacquire any stock or indebtedness to be issued in the proposed transaction, other than possibly through stock purchases of transferee stock meeting the requirements of § 4.05(b)(1) of Rev. Proc. 96-30.
- M. Taking into account any issuance of additional shares of transferee stock; any issuance of stock for services; the exercise of any transferee stock rights, warrants, or subscriptions; a public offering of transferee stock; and the sale, exchange, transfer by gift, or other disposition of any of the stock of the transferee to be received in the exchange, the transferors will be in "control" of the transferee within the meaning of § 368(c).
- N. Each transferor will receive stock, securities or other property approximately equal to the fair market value of the property transferred to the transferee or for services rendered or to be rendered for the benefit of the transferee.
- O. The transferee (or its successor in the proposed amalgamation described in transaction step lxxxix), will remain in existence and retain and use the property transferred to it in a trade or business.
- P. There is no plan or intention by the transferee (or its successor in the proposed amalgamation described in transaction step lxxxix) to dispose of the transferred property other than in the normal course of business operations.
- Q. Each of the parties to the transaction will pay its or his/her own expenses, if any, incurred in connection with the proposed transaction.

- R. The transferee will not be an investment company within the meaning of § 351(e)(1) and § 1.351-1(c)(1)(ii).
- S. The transferors are 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 the indebtedness of such debtor.
- T. The transferee will not be a “personal service corporation” within the meaning of § 269A.

DC 4 Spin-off Representations

- A. No part of the consideration to be distributed by DC in the DC 4 Spin-off will be received by a shareholder as a creditor, employee, or in any capacity other than that of a shareholder of the corporation.
- B. Immediately after the DC 4 Spin-off, at least ninety percent of the fair market value of the gross assets of Amalco TC 4 will consist of stock or securities of DC 4, a controlled corporation engaged in the active conduct of a trade or business as defined in § 355(b)(2).
- C. Immediately after the DC 4 Spin-off, the gross assets of Business 4b conducted by DC 4 will have a fair market value equal to at least five percent of the total fair market value of DC 4’s gross assets.
- D. The five years of financial information submitted on behalf of DC 4 is representative of the present operation of Business 4b, and with regard to Business 4b, there have been no substantial operational changes since the date of the last financial statements submitted.
- E. Following the DC 4 Spin-off, DC 4 will continue the active conduct of its business, independently and with its separate employees.
- F. The DC 4 Spin-off is being undertaken for the business purpose described above. The DC 4 Spin-off is motivated, in whole or substantial part, by this corporate business purpose.
- G. There is no plan or intention by Amalco TC 4, directly or through any subsidiary corporation, to purchase any of its outstanding stock after the DC 4 Spin-off, other than possibly through stock purchases meeting the requirements of § 4.05(1)(b) of Rev. Proc. 96-30.
- H. There is no plan or intention to liquidate Amalco TC 4, to merge Amalco TC 4 with

any other corporation, or to sell or otherwise dispose of the assets of Amalco TC 4 after the DC 4 Spin-off except in the ordinary course of business.

- I. The payment of cash in lieu of fractional shares of Amalco TC 4 stock will be solely for the purpose of avoiding the expense and inconvenience to DC of distributing fractional shares and does not represent separately bargained-for consideration. The total cash consideration to be paid in lieu of fractional shares of Amalco TC 4 stock will not exceed one percent of the total consideration that will be issued in the DC 4 Spin-off to non-dissenting DC common shareholders. The fractional share interests of each non-dissenting DC common shareholder will be aggregated with respect to the DC 4 Spin-off, and no such shareholder will receive cash in an amount equal to or greater than the value of one full share of Amalco TC 4 stock in the DC 4 Spin-off.
- J. The TC 4 Rights associated with Amalco TC 4 stock cannot be separately traded and are not divisible from the Amalco TC 4 stock before certain triggering events occur. Before the occurrence of these events, such TC 4 Rights may be redeemed by Amalco TC 4. At the time of the DC 4 Spin-off, the likelihood that such TC 4 Rights will be exercised will be both remote and uncertain.

#### DC 5 Spin-off Representations

- A. No part of the consideration to be distributed by DC in the DC 5 Spin-off will be received by a shareholder as a creditor, employee, or in any capacity other than that of a shareholder of the corporation.
- B. Immediately after the DC 5 Spin-off, at least ninety percent of the fair market value of the gross assets of Amalco TC 5 will consist of stock or securities of New DC 5, a controlled corporation that is engaged in the active conduct of a trade or business as defined in § 355(b)(2).
- C. Immediately after the DC 5 Spin-off, the gross assets of Business 5a conducted by New DC 5, through disregarded entities, will have a fair market value equal to at least five percent of the total fair market value of New DC 5's gross assets.
- D. The five years of financial information submitted on behalf of New DC 5 is representative of the present operation of Business 5a, and with regard to Business 5a, there have been no substantial operational changes since the date of the last financial statements submitted.
- E. Following the DC 5 Spin-off, New DC 5 will continue the active conduct of its business, independently and with its separate employees.

- F. The DC 5 Spin-off is being undertaken for the business purpose described above. The DC 5 Spin-off is motivated, in whole or substantial part, by this corporate business purpose.
- G. There is no plan or intention by Amalco TC 5, directly or through any subsidiary corporation, to purchase any of its outstanding stock after the DC 5 Spin-off, other than possibly through stock purchases meeting the requirements of § 4.05(1)(b) of Rev. Proc. 96-30.
- H. Except for the proposed amalgamation described in step xc, there is no plan or intention to liquidate Amalco TC 5, to merge Amalco TC 5 with any other corporation, or to sell or otherwise dispose of the assets of Amalco TC 5 after the DC 5 Spin-off, except in the ordinary course of business.
- I. The payment of cash in lieu of fractional shares of Amalco TC 5 stock will be solely for the purpose of avoiding the expense and inconvenience to DC of distributing fractional shares and does not represent separately bargained-for consideration. The total cash consideration to be paid in lieu of fractional shares of Amalco TC 5 stock will not exceed one percent of the total consideration that will be issued in the DC 5 Spin-off to non-dissenting DC common shareholders. The fractional share interests of each non-dissenting DC common shareholder will be aggregated with respect to the DC 5 Spin-off, and no such shareholder will receive cash in an amount equal to or greater than the value of one full share of Amalco TC 5 stock in the DC 5 Spin-off.
- J. The TC 5 Rights associated with Amalco TC 5 stock cannot be separately traded and are not divisible from the Amalco TC 5 stock before certain triggering events occur. Before the occurrence of these events, such TC 5 Rights may be redeemed by Amalco TC 5. At the time of the DC 5 Spin-off, the likelihood that such TC 5 Rights will be exercised will be both remote and uncertain.
- K. New DC 5 will be the sole owner of DC 5 Subco C, and DC 5 Subco C will be the sole owner of DC 5 Subco H and DC 5 Subco I, immediately prior to the date each of these corporations amalgamates with a newly formed sister company in step xxxviii.
- L. New DC 5 will be the sole owner of New VCO-5, and New VCO-5 will be the sole owner of New VCO-3 and New VCO-4 following such amalgamations.
- M. DC 5 Subco C, DC 5 Subco H and DC 5 Subco I each will be classified as a corporation under § 301.7701-2(b) immediately prior to the date of such amalgamations.



- N. Each of New VCO-3, New VCO-4 and New VCO-5 will be organized under section 9(c) of the Act. Under their organizational documents, the liability of their respective owners is unlimited within the meaning of § 301.7701-3(b)(2)(ii).
- O. No election has been or will be filed under § 301.7701-3(c) for any of New VCO-3, New VCO-4 or New VCO-5 to be treated as an association.

#### Second Round Amalgamations Representations

##### Amalgamation of Amalco TC 2, DC 2 and DC 2 Subco A:

- A. The fair market value of the New Amalco TC 2 stock and other consideration to be received by each shareholder of Amalco TC 2 will be approximately equal to the fair market value of the stock of Amalco TC 2 to be surrendered in the exchange.
- B. There is no plan or intention for New Amalco TC 2 (the issuing corporation as defined in § 1.368-1(b), or any person related (as defined in § 1.368-1(e)(3)) to New Amalco TC 2, to acquire, during the five year period beginning on the date of the proposed transaction, with consideration other than New Amalco TC 2 stock, New Amalco TC 2 stock furnished in exchange for a proprietary interest in Amalco TC 2, DC 2, or DC 2 Subco A in the proposed transaction, either directly or through any transaction, agreement, or arrangement with any other person, other than through possible stock repurchases meeting the requirements of § 4.05(1)(b) of Rev. Proc. 96-30. Prior to the amalgamation, no shareholder of Amalco TC 2, DC 2 or DC 2 Subco A received consideration, either in a redemption of the stock of Amalco TC 2, DC 2, or DC 2 Subco A or in a distribution with respect to the stock of Amalco TC 2, DC 2, or DC 2 Subco A, that is treated as other property or money received in the exchange for purposes of § 356, or would be so treated if such shareholder had received stock of New Amalco TC 2 in exchange for stock owned by such shareholder in Amalco TC 2, DC 2, or DC 2 Subco A except for the stock repurchases described in DC 2 Spin-off Representation G, above. The aggregate value of the acquisitions, redemptions and distributions discussed in this paragraph will not exceed 50 percent of the value (without giving effect to the acquisitions, redemptions, and distributions) of the proprietary interest in Amalco TC 2, DC 2, or DC 2 Subco A on the effective date of the amalgamation.
- C. New Amalco TC 2 will hold at least ninety percent of the fair market value of the net assets and at least seventy percent of the fair market value of the gross assets held by Amalco TC 2, DC 2 and DC 2 Subco A immediately prior to the amalgamation. For purposes of this representation, amounts paid to dissenters,

amounts paid by to shareholders who receive cash or other property, amounts used by Amalco TC 2, DC 2 and DC 2 Subco A to pay their reorganization expenses, and all redemptions and distributions (except for regular, normal dividends) made by Amalco TC 2, DC 2 and DC 2 Subco A immediately preceding the transfer will be included as assets of Amalco TC 2, DC 2 and DC 2 Subco A held immediately prior to the transaction.

- D. After the transaction, the shareholders of Amalco TC 2 will be in control of New Amalco TC 2 within the meaning of § 368(a)(2)(H).
- E. New Amalco TC 2 has no plan or intention to sell or otherwise dispose of the assets of Amalco TC 2, DC 2 or DC 2 Subco A acquired in the amalgamation, except for dispositions made in the ordinary course of business.
- F. The liabilities of Amalco TC 2, DC 2 and DC 2 Subco A to be assumed by New Amalco TC 2, as determined under § 357(d), were incurred by Amalco TC 2, DC 2 and DC 2 Subco A in the ordinary course of their respective businesses and are associated with the assets transferred.
- G. Following the amalgamation, New Amalco TC 2 will continue the historic business of Amalco TC 2, DC 2 and DC 2 Subco A.
- H. At the time of the amalgamation, New Amalco TC 2 will not have outstanding any warrants, options, convertible securities, or any other type of right pursuant to which any person could acquire stock in New Amalco TC 2 that, if exercised or converted, would affect Amalco TC 2 shareholders' retention of control of New Amalco TC 2, as defined in § 368(a)(2)(H).
- I. New Amalco TC 2, Amalco TC 2, DC 2, DC 2 Subco A and the shareholders of Amalco TC 2 will pay their respective expenses, if any, incurred in connection with the amalgamation.
- J. There is no intercorporate indebtedness between any of New Amalco TC 2, Amalco TC 2, DC 2 and DC 2 Subco A that was issued, acquired or will be settled at a discount.
- K. None of New Amalco TC 2, Amalco TC 2, DC 2 or DC 2 Subco A is, or at the time of the amalgamation will be, an investment company as defined by §§ 368(a)(2)(F)(iii) and (iv).
- L. The adjusted basis and the fair market value of the assets that will be transferred to New Amalco TC 2 by Amalco TC 2, DC 2 and DC 2 Subco A will equal or exceed the sum of the liabilities of Amalco TC 2, DC 2 and DC 2 Subco A

assumed by New Amalco TC 2 (as determined under § 357(d)), on the date of the transfer.

- M. Neither Amalco TC 2, DC 2 nor DC 2 Subco A is under the jurisdiction of a court in a title 11 or similar case within the meaning of § 368(a)(3)(A).

Amalgamation of Amalco TC 3 and DC 3

- A. The fair market value of the New Amalco TC 3 stock and other consideration to be received by each shareholder of Amalco TC 3 will be approximately equal to the fair market value of the stock of Amalco TC 3 to be surrendered in the exchange.
- B. There is no plan or intention for New Amalco TC 3 (the issuing corporation as defined in § 1.368-1(b), or any person related (as defined in § 1.368-1(e)(3)) to New Amalco TC 3, to acquire, during the five year period beginning on the date of the proposed transaction, with consideration other than New Amalco TC 3 stock, New Amalco TC 3 stock furnished in exchange for a proprietary interest in Amalco TC 3 or DC 3 in the proposed transaction, either directly or through any transaction, agreement, or arrangement with any other person, other than through possible stock repurchases meeting the requirements of § 4.05(1)(b) of Rev. Proc. 96-30. Prior to the amalgamation, no shareholder of Amalco TC 3 or DC 3 received consideration, either in a redemption of the stock of Amalco TC 3 or DC 3, or in a distribution with respect to the stock of Amalco TC 3 or DC 3, that is treated as other property or money received in the exchange for purposes of § 356, or would be so treated if such shareholder had received stock of New Amalco TC 3 in exchange for stock owned by such shareholder in Amalco TC 3 or DC 3, except for (i) the stock repurchases described in DC 3 Spin-off Representation G, above, and (ii) certain open-market repurchases of the stock of DC 3 prior to the DC 3 spin-off pursuant to an issuer repurchase plan. The aggregate value of the acquisitions, redemptions and distributions discussed in this paragraph will not exceed 50 percent of the value (without giving effect to the acquisitions, redemptions, and distributions) of the proprietary interest in Amalco TC 3 or DC 3 on the effective date of the amalgamation.
- C. New Amalco TC 3 will hold at least ninety percent of the fair market value of the net assets and at least seventy percent of the fair market value of the gross assets held by Amalco TC 3 and DC 3 immediately prior to the amalgamation. For purposes of this representation, amounts paid by Amalco TC 3 to dissenters, amounts paid by Amalco TC 3 to shareholders who receive cash or other property, amounts used by Amalco TC 3 and DC 3 to pay their reorganization expenses, and all redemptions and distributions (except for regular, normal

dividends) made by Amalco TC 3 and DC 3 immediately preceding the transfer will be included as assets of Amalco TC 3 and DC 3 held immediately prior to the transaction.

- D. After the transaction, the shareholders of Amalco TC 3 will be in control of New Amalco TC 3 within the meaning of § 368(a)(2)(H).
- E. New Amalco TC 3 has no plan or intention to sell or otherwise dispose of the assets of Amalco TC 3 or DC 3 acquired in the amalgamation, except for dispositions made in the ordinary course of business.
- F. The liabilities of Amalco TC 3 and DC 3 to be assumed by New Amalco TC 3 (as determined under § 357(d)) were incurred by Amalco TC 3 and DC 3 in the ordinary course of their respective businesses and are associated with the assets transferred.
- G. Following the amalgamation, New Amalco TC 3 will continue the historic business of Amalco TC 3 and DC 3.
- H. At the time of the amalgamation, New Amalco TC 3 will not have outstanding any warrants, options, convertible securities, or any other type of right pursuant to which any person could acquire stock in New Amalco TC 3 that, if exercised or converted, would affect Amalco TC 3 shareholders' retention of control of New Amalco TC 3, as defined in § 368(a)(2)(H).
- I. New Amalco TC 3, Amalco TC 3, DC 3 and the shareholders of Amalco TC 3 will pay their respective expenses, if any, incurred in connection with the amalgamation.
- J. There is no intercorporate indebtedness between any of New Amalco TC 3, Amalco TC 3, and DC 3 that was issued, acquired or will be settled at a discount.
- K. None of New Amalco TC 3, Amalco TC 3, or DC 3 is, or at the time of the amalgamation will be, an investment company as defined by §§ 368(a)(2)(F)(iii) and (iv).
- L. The adjusted basis and the fair market value of the assets that will be transferred to New Amalco TC 3 by Amalco TC 3 and DC 3 will equal or exceed the sum of the liabilities of Amalco TC 3 and DC 3 assumed by New Amalco TC 3 (as determined under § 357(d)) on the date of the transfer.
- M. Neither Amalco TC 3 nor DC 3 is under the jurisdiction of a court in a title 11 or

similar case within the meaning of § 368(a)(3)(A).

Amalgamation of Amalco TC 5 and New DC 5

- A. The fair market value of the New Amalco TC 5 stock and other consideration to be received by each shareholder of Amalco TC 5 will be approximately equal to the fair market value of the stock of Amalco TC 5 to be surrendered in the exchange.
- B. There is no plan or intention for New Amalco TC 5 (the issuing corporation as defined in § 1.368-1(b), or any person related (as defined in § 1.368-1(e)(3)) to New Amalco TC 5, to acquire, during the five year period beginning on the date of the proposed transaction, with consideration other than New Amalco TC 5 stock, New Amalco TC 5 stock furnished in exchange for a proprietary interest in Amalco TC 5 or New DC 5 in the proposed transaction, either directly or through any transaction, agreement, or arrangement with any other person, other than through possible stock repurchases meeting the requirements of § 4.05(1)(b) of Rev. Proc. 96-30. Prior to the amalgamation, no shareholder of Amalco TC 5 or New DC 5 received consideration, either in a redemption of the stock of Amalco TC 5 or New DC 5, or in a distribution with respect to the stock of Amalco TC 5 or New DC 5, that is treated as other property or money received in the exchange for purposes of § 356, or would be so treated if such shareholder had received stock of New Amalco TC 5 in exchange for stock owned by such shareholder in Amalco TC 5 or New DC 5, except for the stock repurchases described in DC 5 Spin-off Representation G, above. The aggregate value of the acquisitions, redemptions and distributions discussed in this paragraph will not exceed 50 percent of the value (without giving effect to the acquisitions, redemptions, and distributions) of the proprietary interest in Amalco TC 5 or New DC 5, on the effective date of the amalgamation.
- C. New Amalco TC 5 will hold at least ninety percent of the fair market value of the net assets and at least seventy percent of the fair market value of the gross assets held by Amalco TC 5 and New DC 5 immediately prior to the amalgamation. For purposes of this representation, amounts paid by Amalco TC 5 to dissenters, amounts paid by Amalco TC 5 to shareholders who receive cash or other property, amounts used by Amalco TC 5 and New DC 5 to pay their reorganization expenses, and all redemptions and distributions (except for regular, normal dividends) made by Amalco TC 5 and New DC 5 immediately preceding the transfer will be included as assets of Amalco TC 5 and New DC 5 held immediately prior to the transaction.
- D. After the transaction, the shareholders of Amalco TC 5 will be in control of New

Amalco TC 5 within the meaning of § 368(a)(2)(H).

- E. New Amalco TC 5 has no plan or intention to sell or otherwise dispose of the assets of Amalco TC 5 or New DC 5 acquired in the amalgamation, except for dispositions made in the ordinary course of business.
- F. The liabilities of Amalco TC 5 and New DC 5 to be assumed by New Amalco TC 5 (as determined under § 357(d)) were incurred by Amalco TC 5 and New DC 5 in the ordinary course of their respective businesses and are associated with the assets transferred.
- G. Following the amalgamation, New Amalco TC 5 will continue the historic business of Amalco TC 5 and New DC 5.
- H. At the time of the amalgamation, New Amalco TC 5 will not have outstanding any warrants, options, convertible securities, or any other type of right pursuant to which any person could acquire stock in New Amalco TC 5 that, if exercised or converted, would affect Amalco TC 5 shareholders' retention of control of New Amalco TC 5, as defined in § 368(a)(2)(H).
- I. New Amalco TC 5, Amalco TC 5, New DC 5 and the shareholders of Amalco TC 5 will pay their respective expenses, if any, incurred in connection with the amalgamation.
- J. There is no intercorporate indebtedness between any of New Amalco TC 5, Amalco TC 5 and New DC 5 that was issued, acquired or will be settled at a discount.
- K. None of New Amalco TC 5, Amalco TC 5 or New DC 5 is, or at the time of the amalgamation will be, an investment company as defined by §§ 368(a)(2)(F)(iii) and (iv).
- L. The adjusted basis and the fair market value of the assets that will be transferred to New Amalco TC 5 by Amalco TC 5 and New DC 5 will equal or exceed the sum of the liabilities of Amalco TC 5 and New DC 5 assumed by New Amalco TC 5 (as determined under § 357(d)) on the date of the transfer.
- M. Neither Amalco TC 5 nor New DC 5 is under the jurisdiction of a court in a title 11 or similar case within the meaning of § 368(a)(3)(A).

## RULINGS

Based solely on the information submitted and the representations set forth

above, we rule as follows:

- (1) For Federal income tax purposes, the transfers and exchanges described in step xxi, above, will be treated as if Holdco A had distributed all of the stock of MCO-2 U.S. in exchange for the Holdco A tracking stock held by DC 2 Subco A (Rev. Rul. 83-142, 1983-2 C.B. 68; Rev. Rul. 77-191, 1977-1 C.B. 94; Rev. Rul. 73-427, 1973-2 C.B. 301; Rev. Rul. 67-448, 1967-2 C.B. 144).
- (2) For Federal income tax purposes, the transfers and exchanges described above in steps xlviii through lvi, in step xlv to the extent pertaining to Holdco 2, and in step xlvii to the extent pertaining to DC/TC 2 special shares and associated DC Rights, will be treated as if DC had (i) transferred to a newly-formed corporation, Amalco TC 2, all of the stock of DC 2 in exchange for all of the stock of Amalco TC 2, associated TC 2 Rights and the assumption of employee plan liabilities and (ii) distributed all of the stock of Amalco TC 2 and associated TC 2 Rights to non-dissenting DC common shareholders. The transitory existence of Foreign Newco 4 will be disregarded for Federal income tax purposes. DC's transfer to Amalco TC 2 of all of the stock of DC 2 in exchange for all of the stock of Amalco TC 2, associated TC 2 Rights and the assumption of employee plan liabilities followed by the distribution of all of the stock of Amalco TC 2 and associated TC 2 Rights to non-dissenting DC common shareholders shall be treated as a reorganization within the meaning of § 368(a)(1)(D). DC and Amalco TC 2 will each be "a party to a reorganization" within the meaning of § 368(b) (Rev. Rul. 83-142, 1983-2 C.B. 68; Rev. Rul. 77-191, 1977-1 C.B. 94; Rev. Rul. 73-427, 1973-2 C.B. 301; Rev. Rul. 67-448, 1967-2 C.B. 144).
- (3) For Federal income tax purposes, the transfers and exchanges described above in steps lvii through lxvii, in step xlv to the extent pertaining to Holdco 3, and in step xlvii to the extent pertaining to the DC/TC 3 special shares and associated DC Rights, will be treated as if (i) DC and the non-dissenting minority DC 3 shareholders had transferred to a newly-formed corporation, Amalco TC 3, all of the stock of DC 3 in exchange for all of the stock of Amalco TC 3, associated TC 3 Rights and assumption of employee plan liabilities and (ii) DC had distributed all of the stock of Amalco TC 3 and associated TC 3 Rights held by it to non-dissenting DC common shareholders. The transitory existence of Foreign Newco 6 will be disregarded for Federal income tax purposes. DC's transfer to Amalco TC 3 of all of the stock of DC 3 in exchange for stock of Amalco TC 3, associated TC 3 Rights and the assumption of employee plan liabilities followed by the distribution of all of the stock of Amalco TC 3 and associated TC 3 Rights received by DC to non-dissenting DC common shareholders shall be treated as a reorganization within the meaning of § 368(a)(1)(D). DC and Amalco TC 3 will each be "a party to a reorganization" within the meaning of § 368(b) (Rev. Rul. 83-142, 1983-2 C.B. 68; Rev. Rul. 77-191, 1977-1 C.B. 94; Rev. Rul. 73-427, 1973-2 C.B. 301; Rev. Rul. 67-448, 1967-2 C.B. 144).

(4) For Federal income tax purposes, the transfers and exchanges described above in steps lxviii through lxxvi, in step xlv to the extent pertaining to Holdco 4, and in step xlvii to the extent pertaining to the DC/TC 4 special shares and associated DC Rights, will be treated as if DC had (i) transferred to a newly-formed corporation, Amalco TC 4, all of the stock of DC 4 in exchange for all of the stock of Amalco TC 4, associated TC 4 Rights and assumption of employee plan liabilities and (ii) distributed all of the stock of Amalco TC 4 and associated TC 4 Rights to non-dissenting DC common shareholders. DC's transfer to Amalco TC 4 of all of the stock of DC 4 in exchange for all of the stock of Amalco TC 4, associated TC 4 Rights and the assumption of employee plan liabilities followed by the distribution of all of the stock of Amalco TC 4 and associated TC 4 Rights to non-dissenting DC common shareholders shall be treated as a reorganization within the meaning of § 368(a)(1)(D). DC and Amalco TC 4 will each be "a party to a reorganization" within the meaning of § 368(b) (Rev. Rul. 83-142, 1983-2 C.B. 68; Rev. Rul. 77-191, 1977-1 C.B. 94; Rev. Rul. 73-427, 1973-2 C.B. 301; Rev. Rul. 67-448, 1967-2 C.B. 144).

(5) For Federal income tax purposes, the transfers and exchanges described above in steps lxxvii through lxxxv, in step xlv to the extent pertaining to Holdco 5, and in step xlvii to the extent pertaining to the DC/TC 5 special shares and associated DC Rights, will be treated as if DC had (i) transferred to a newly-formed corporation, Amalco TC 5, all of the stock of New DC 5 in exchange for all of the stock of Amalco TC 5, associated TC 5 Rights and assumption of employee plan liabilities and (ii) distributed all of the stock of Amalco TC 5 and associated TC 5 Rights to non-dissenting DC common shareholders. DC's transfer to Amalco TC 5 of all of the stock of New DC 5 in exchange for all of the stock of Amalco TC 5, associated TC 5 Rights and the assumption of employee plan liabilities followed by the distribution of all of the stock of Amalco TC 5 and associated TC 5 Rights to non-dissenting DC common shareholders shall be treated as a reorganization within the meaning of § 368(a)(1)(D). DC and Amalco TC 5 will each be "a party to a reorganization" within the meaning of § 368(b) (Rev. Rul. 83-142, 1983-2 C.B. 68; Rev. Rul. 77-191, 1977-1 C.B. 94; Rev. Rul. 73-427, 1973-2 C.B. 301; Rev. Rul. 67-448, 1967-2 C.B. 144).

(6) Provided that the filing requirements of § 1.897-5T(d)(1)(iii), as modified by Notice 89-57, 1989-1 C.B. 698, are met, Holdco A will recognize no gain or loss on its distribution in the MCO-2 U.S. Spin-off of all of the common stock of MCO-2 U.S. in exchange for the Holdco A tracking stock held by DC 2 Subco A (§§ 355(c), 897(d)(2), § 1.897-5T(c)(3) of the Income Tax Regulations).

(7) The basis of the stock of MCO-2 U.S. in the hands of DC 2 Subco A will equal DC 2 Subco A's basis in the tracking stock of Holdco A exchanged therefor in the MCO-2 U.S. Spin-off (§ 358(a)(1); § 1.897-5T(c)(3)).



(8) The holding period of the stock of MCO-2 U.S. distributed to DC 2 Subco A in the MCO-2 U.S. Spin-off will include the holding period of the tracking stock of Holdco A exchanged therefor, provided that DC 2 Subco A holds the tracking stock of Holdco A as a capital asset on the date of the MCO-2 U.S. Spin-off (§ 1223(1)).

(9) No gain or loss will be recognized by (and no amount shall be included in the income of) non-dissenting DC common shareholders on receipt of Amalco TC 2 stock in the DC 2 Spin-off (§ 355(a)(1)).

(10) The holding period of the Amalco TC 2 stock (including any fractional share deemed distributed under ruling (29), below) received by each non-dissenting DC common shareholder in the DC 2 Spin-off will include the holding period of the DC stock on which the distribution is made, provided that the DC stock is held as a capital asset on the date of the DC 2 Spin-off (§ 1223(1)).

(11) Provided that at the time of the DC 2 Spin-off the TC 2 Rights remain contingent, non-exercisable and subject to redemption, the receipt of TC 2 Rights by a non-dissenting DC common shareholder will not be a distribution or receipt of property, an exchange of stock or property (either taxable or nontaxable), or any other event that gives rise to the realization of income or gain by such shareholder (Rev. Rul. 90-11, 1990-1 C.B. 10).

(12) No gain or loss will be recognized by (and no amount shall be included in the income of) non-dissenting DC common shareholders on receipt of Amalco TC 3 common stock in the DC 3 Spin-off (§ 355(a)(1)).

(13) The holding period of the Amalco TC 3 stock (including any fractional share deemed distributed under ruling (29), below) received by each non-dissenting DC common shareholder in the DC 3 Spin-off will include the holding period of the DC stock on which the distribution is made, provided that the DC common stock is held as a capital asset on the date of the DC 3 Spin-off (§ 1223(1)).

(14) Provided that, at the time of the DC 3 Spin-off, the TC 3 Rights remain contingent, non-exercisable and subject to redemption, the receipt of TC 3 Rights by a non-dissenting DC common shareholder will not be a distribution or receipt of property, an exchange of stock or property (either taxable or nontaxable), or any other event that gives rise to the realization of income or gain by such shareholder (Rev. Rul. 90-11, 1990-1 C.B. 10).

(15) No gain or loss will be recognized by (and no amount shall be included in the income of) non-dissenting DC common shareholders on receipt of Amalco TC 4 stock in the DC 4 Spin-off (§ 355(a)(1)).

(16) The holding period of the Amalco TC 4 stock (including any fractional share deemed distributed under ruling (29), below) received by each non-dissenting DC common shareholder in the DC 4 Spin-off will include the holding period of the DC stock on which the distribution is made, provided that the DC stock is held as a capital asset on the date of the DC 4 Spin-off (§ 1223(1)).

(17) Provided that, at the time of the DC 4 Spin-off, the TC 4 Rights remain contingent, non-exercisable and subject to redemption, the receipt of TC 4 Rights by a non-dissenting DC common shareholder will not be a distribution or receipt of property, an exchange of stock or property (either taxable or nontaxable), or any other event that gives rise to the realization of income or gain by such shareholder (Rev. Rul. 90-11, 1990-1 C.B. 10).

(18) No gain or loss will be recognized by (and no amount shall be included in the income of) non-dissenting DC common shareholders on receipt of Amalco TC 5 stock in the DC 5 Spin-off (§ 355(a)(1)).

(19) The holding period of the Amalco TC 5 stock (including any fractional share deemed distributed under ruling (29), below) received by each non-dissenting DC common shareholder in the DC 5 Spin-off will include the holding period of the DC stock on which the distribution is made, provided that the DC stock is held as a capital asset on the date of the DC 5 Spin-off (§ 1223(1)).

(20) Provided that, at the time of the DC 5 Spin-off, the TC 5 Rights remain contingent, non-exercisable and subject to redemption, the receipt of TC 5 Rights by a non-dissenting DC common shareholder will not be a distribution or receipt of property, an exchange of stock or property (either taxable or nontaxable), or any other event that gives rise to the realization of income or gain by such shareholder (Rev. Rul. 90-11, 1990-1 C.B. 10).

(21) No gain or loss will be recognized by non-dissenting DC common shareholders on the exchange of DC common stock for new DC common stock described in step xlvii, above (§ 1036(a)).

(22) The holding period of the new DC common stock received in such exchange will include the holding period of the DC common stock exchanged, provided that the DC common stock is held as a capital asset on the date of the exchange (§ 1223(1)).

(23) Provided that, at the time of the exchange described in step xlvii, above, the DC Rights remain contingent, non-exercisable and subject to redemption, the receipt of DC Rights by a non-dissenting DC common shareholder will not be a distribution or receipt of property, an exchange of stock or property (either taxable or nontaxable), or any other event that gives rise to the realization of income or gain by such shareholder (Rev. Rul.

90-11, 1990-1 C.B. 10).

(24) The aggregate basis of the new DC common stock, Amalco TC 2 stock, Amalco TC 3 stock, Amalco TC 4 stock and Amalco TC 5 stock (including any fractional shares deemed received under ruling (29), below) in the hands of each non-dissenting DC common shareholder immediately after the External Spin-offs will equal the aggregate basis of the DC common stock held by that shareholder immediately before the External Spin-offs, allocated in proportion to the fair market values of each (§§ 358(a)(1), (b) and (c); § 1.358-2(a)).

(25) No gain or loss will be recognized by (and no amount shall be included in the income of) non-dissenting minority DC 3 shareholders on the exchange of DC 3 stock for Amalco TC 3 stock (§ 351(a); Rev. Rul. 77-11, 1977-1 C.B. 93).

(26) The holding period of the Amalco TC 3 stock received by each non-dissenting DC 3 minority shareholder in exchange for DC 3 stock will include the holding period of the DC 3 stock exchanged, provided that the DC 3 stock is held as a capital asset on the date of the exchange (§ 1223(1)).

(27) The basis of the Amalco TC 3 stock received by each non-dissenting minority DC 3 shareholder in exchange for DC 3 stock will equal the basis of the DC 3 stock exchanged therefor (§ 358(a)(1)).

(28) Provided that, at the time of the exchange described in step (xlvii) and ruling (21), above, the TC 3 Rights remain contingent, non-exercisable and subject to redemption, the receipt of TC 3 Rights by a non-dissenting minority DC 3 shareholder will not be a distribution or receipt of property, an exchange of stock or property (either taxable or nontaxable), or any other event that gives rise to the realization of income or gain by such shareholder (Rev. Rul. 90-11, 1990-1 C.B. 10).

(29) To the extent a non-dissenting DC common shareholder receives cash in lieu of a fractional share in DC, Amalco TC 2, Amalco TC 3, Amalco TC 4 or Amalco TC 5, the shareholder will be deemed to have received such fractional share and exchanged it for such cash, and will recognize gain or loss measured by the difference between the cash received and the basis of such fractional share, as determined under ruling (24), above. Such gain or loss will be capital gain or loss if the DC stock is held as a capital asset on the date of the exchange (§ 1001).

(30) No gain or loss will be recognized by the holders of the stock of Amalco TC 2 on the exchange of such stock for New Amalco TC 2 stock pursuant to the amalgamation described in step lxxxviii, above (§ 354(a)(1)).

(31) The holding period of the New Amalco TC 2 stock received by holders of Amalco

TC 2 stock in such exchange will include the holding period of the Amalco TC 2 stock exchanged, provided that the Amalco TC 2 stock is held as a capital asset on the date of the exchange (§ 1223(1)).

(32) The basis of the New Amalco TC 2 stock received by each holder of Amalco TC 2 stock in such exchange will equal the basis of the Amalco TC 2 stock exchanged therefor (§ 358(a)(1)).

(33) No gain or loss will be recognized by the holders of the stock of Amalco TC 3 on the exchange of such stock for New Amalco TC 3 stock pursuant to the amalgamation described in step lxxxix, above (§ 354(a)(1)).

(34) The holding period of the New Amalco TC 3 stock received by holders of Amalco TC 3 stock in such exchange will include the holding period of the Amalco TC 3 stock exchanged, provided that the Amalco TC 3 stock is held as a capital asset on the date of the exchange (§ 1223(1)).

(35) The basis of the New Amalco TC 3 stock received by each holder of Amalco TC 3 stock in such exchange will equal the basis of the Amalco TC 3 stock exchanged therefor (§ 358(a)(1)).

(36) No gain or loss will be recognized by the holders of the stock of Amalco TC 5 on the exchange of such stock for New Amalco TC 5 stock pursuant to the amalgamation described in step xc, above (§ 354(a)(1)).

(37) The holding period of the New Amalco TC 5 stock received by holders of Amalco TC 5 stock in such exchange will include the holding period of the Amalco TC 5 stock exchanged, provided that the Amalco TC 5 stock is held as a capital asset on the date of the exchange (§ 1223(1)).

(38) The basis of the New Amalco TC 5 stock received by each holder of Amalco TC 5 stock in such exchange will equal the basis of the Amalco TC 5 stock exchanged therefor (§ 358(a)(1)).

#### Caveats.

1. No opinion is expressed as to the U.S. tax consequences of Holdco A's exchange of its Holdco B U.S. tracking shares for Holdco B U.S. common shares. In particular, no opinion is expressed regarding the consequences of the exchange under § 897(e) and § 1.897-6T (step i).

2. With respect to the distribution by Holdco B U.S. of the shares of NCO U.S. to Holdco A as a dividend in-kind, no opinion is expressed regarding the treatment of the dividend

under the United States-Country A income tax treaty (step iii).

3. No opinion is expressed regarding the application of § 367(e)(2) to the liquidation of DC 4 Subco (step iv).

4. No opinion is expressed regarding whether the redemption of the Holdco B U.S. preferred stock and the Holdco O U.S. preferred stock results in any withholding obligation under § 1442 (steps vi and vii).

5. No opinion is expressed with regard to the application of §§ 367(e)(2) and 897(e) to the Holdco B U.S. liquidation (step xix).

6. No opinion is expressed concerning the U.S. tax consequences of the distribution from Holdco A to DC 1 Subco A of a portion of the stock of NCO U.S. under § 897 (step xx).

7. No opinion is expressed regarding the consequences under § 367(e)(2) of the liquidations of ACO, BCO, CCO, and DCO (step xxiii).

Further, except as specifically ruled above, we express no opinion about the Federal income tax treatment of this transaction under other provisions of the Code and regulations or about the tax treatment of any conditions existing at the time of, or effects resulting from, this transaction that are not specifically covered by the above rulings. Specifically, no opinion is requested and no opinion expressed concerning steps i through xx, and steps xxii through xlv. No opinion is requested and no opinion is expressed as to the redemption of the preferred stock in step lxxxvii. Additionally, no opinion is expressed regarding whether any or all of the above-referenced foreign corporations are passive foreign investment companies (within the meaning of § 1297(a)). If it is determined that any or all of the above-described foreign corporations are passive foreign investment companies, no opinion is expressed with respect to 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. Additionally, no opinions are expressed regarding any requirement to withhold under §1445 that may be triggered by any part of the transactions.

The rulings contained in this letter are based on the facts and representations submitted under penalties of perjury in support of the request. Verification of that information may be required as part of the audit process.

Temporary or final regulations pertaining to one or more issues addressed in this ruling letter have not yet been adopted. Therefore, this ruling letter may be revoked or modified, in whole or in part, on the issuance of temporary or final regulations (or a

notice with respect to their future issuance). See § 12.04 of Rev. Proc. 2001-1, 2001-1 I.R.B. 1, 47, which discusses the revocation or modification of ruling letters. However, when the criteria in § 12.05 of Rev. Proc. 2001-1 are satisfied, a ruling will not be revoked or modified retroactively, except in rare or unusual circumstances.

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

A copy of this ruling letter should be attached to the Federal income tax return, if any, of each affected taxpayer for the taxable year in which this transaction is completed.

Pursuant to a power of attorney on file in this office, we are forwarding a copy of this letter to the taxpayer.

Sincerely yours,  
Ken Cohen  
Senior Technician Reviewer, Branch 3  
Office of Associate Chief Counsel (Corporate)

cc: