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Refer Reply To:

CC:CORP:B01 – PLR-133539-03

Date:

October 01, 2003

Distributing 2 =

M family =

I Corp =

Corp A =

A Entities =

Corp Y =

Distributing 1 =

Controlled 1 =

Controlled 2 =

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B-1 Entities =

B-2 Entities =

Other Entities =

X =

Y =

Partnership B =

Corp W =

Corp W-1 =

Corp W-2 =

Partnership W =

W LLC =

Partnership V =

Partnership C =

Corp C-1 =

Corp D =

Corp D-1 =

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Corp E =

Partnership E-1 =

Partnership E-2 =

Corp F =

Worldwide Corp =

Business A =

Business B =

Business C =

Business D =

Business E =

Business F =

R =

Date 1 =

Date 2 =

k =l =m =n =

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Note S =

Note T =

Note X =

Dear

This letter replies to your May 28, 2003 letter on behalf of Distributing 2 requesting rulings as to certain federal income tax consequences of a series of proposed transactions. Following is a summary of the information in your letter and subsequent correspondence.

Summary of Facts

Before the proposed transactions, members of the M family directly or indirectly own interests in Distributing 2, whose subsidiaries conduct primarily businesses located in the United States, and I Corp, whose subsidiaries conduct primarily businesses located outside the United States.

Distributing 2 is the common parent of a consolidated group of corporations that holds all of the stock of Corp A, the A Entities, and Corp Y. Corp A and the A Entities directly or indirectly conduct Business A. Corp Y is a holding company that owns all of the stock of Distributing 1 and certain inactive entities.

Distributing 1 is a holding company that owns the following entities: Controlled 1, Controlled 2, the B-1 Entities (five corporations that together own an x percent interest in Partnership B), the B-2 Entities, Corp D, Corp E, Corp W, and the Other Entities. Controlled 1, Partnership B, the B-1 Entities, and the B-2 Entities are engaged in Business B. Controlled 1 owns more than 80 percent of the stock of Corp F, which is engaged in Business F. Controlled 2 is a 99 percent limited partner in Partnership C, which conducts Business C; Controlled 2 also owns all the stock of Corp C-1, which owns the 1 percent general partner interest in Partnership C and manages Partnership C. Corp D is indirectly engaged in Business D, and owns the stock of Corp D-1. Corp

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E owns a majority interest in Partnership E-1, which in turn owns a 50 percent interest in Partnership E-2, which is engaged in Business E.

Corp W owns Corp W-1 and 99 percent of the stock of Corp W-2; the other 1 percent of the stock of Corp W-2 is owned by Corp W-1. Corp W and Corp W-1 own all of the partnership interests in Partnership W. Partnership W and Corp W-2 own interests in Partnership V.

The parties have decided to place Business B and Business C in separate corporate groups and to combine the Business B operations controlled by the M family under a newly-formed corporation, Worldwide Corp, which will control the entities conducting both domestic and foreign Business B operations. The parties have submitted information indicating that separating Business B from the other businesses will enable Business B to borrow significantly more money, and on better nonfinancial terms, than Business B under the present corporate structure, and that separating Controlled 2 and Business C from the other businesses will facilitate equity investment by key employees of Controlled 2.

The following proposed transactions will implement the separation of Controlled 1 and Business B, and Controlled 2 and Business C, from the Distributing 2 corporate group:

(i) Corp C-1 will merge into a limited liability company (C-1 LLC) wholly owned by Controlled 2 that will be disregarded as an entity separate from Controlled 2 for federal income tax purposes under § 301.7701-3 of the Income Tax Regulations (hereinafter, a DE). After this step (the Corp C-1 Merger), Partnership C will be treated as a DE owned by Controlled 2, although for non-tax purposes Partnership C will be owned by Controlled 2 and C-1 LLC as partners.

(ii) Corp Y will merge upstream into Distributing 2 (the Corp Y Merger).

(iii) Distributing 2 will transfer the A Entities to Corp A.

(iv) Corp D-1 will merge into a limited liability company wholly owned by Corp D (the Corp D-1 Merger) that will be a DE.

(v) Partnership W will be converted into a limited liability company (W LLC). Then Corp W-1 will merge into Corp W (after which W LLC will be a DE) and Corp W will merge into Distributing 1.

(vi) Distributing 1 will contribute the stock or other interests in the B-1 Entities, the B-2 Entities, its interest in Partnership V, and Corp W-2 to Controlled 1 (the Controlled 1 Contribution).

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(vii) Distributing 1 will contribute cash and operating assets, including its interest in W LLC, to Controlled 2 (the First Controlled 2 Contribution).

(viii) Distributing 1 will contribute the Other Entities to Corp D.

(ix) Distributing 1 will distribute the stock of Controlled 1 to Distributing 2 (the First Controlled 1 Distribution).

(x) Distributing 1 will distribute the stock of Controlled 2 to Distributing 2 (the First Controlled 2 Distribution).

(xi) Controlled 1 will either sell the stock of Corp F or distribute the stock of Corp F to Distributing 2, in which case Distributing 2 may sell the Corp F stock. No rulings are requested regarding the possible distribution of the stock of Corp F.

(xii) Distributing 2 will contribute cash or assets to Controlled 2 (the Second Controlled 2 Contribution). Controlled 1 will grant a license to Controlled 2 to use the R name and trademarks on terms to be negotiated.

(xiii) Distributing 2 will distribute the stock of Controlled 1 to Distributing 2's shareholders (the Second Controlled 1 Distribution).

(xiv) Distributing 2 will distribute the stock of Controlled 2 to Distributing 2's shareholders (the Second Controlled 2 Distribution)

The Second Controlled 1 Distribution is presently scheduled to occur by Date 1. Within k months after the Second Controlled 1 Distribution, Controlled 1 or Worldwide Corp will arrange a post-separation credit facility with a bank to obtain increased borrowing capacity and, in addition, will refinance \$l of Partnership B's debt by drawing on such bank credit facility and/or by issuing new notes.

Within k months after the Second Controlled 2 Distribution, Controlled 2 will grant to certain of its executives an amount of restricted stock that totals more than m percent of the outstanding equity of Controlled 2 and that represents a material amount of compensation to each such executive. Within n years after the Second Controlled 2 Distribution, Controlled 2 will grant a total of n percent of its current outstanding equity to key employees and possibly to an employee stock ownership plan. The grants to employees will be made pursuant to restricted stock agreements, which will provide, among other customary terms, for certain restrictions on the sale of the stock and a n-year vesting schedule.

Following these transactions, a series of other transactions will result in Controlled 1, I Corp, and other entities engaged in Business B being controlled by

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Worldwide Corp. No rulings are requested regarding these other transactions, which are described below:

(xv) Worldwide Corp will be formed as a domestic corporation. Worldwide Corp will then form two wholly-owned subsidiaries, Merger Sub 1 and Merger Sub 2.

(xvi) Merger Sub 1 will merge with and into Controlled 1. After this merger, Controlled 1 will be a wholly-owned subsidiary of Worldwide Corp, and the shareholders of Controlled 1 will become shareholders of Worldwide Corp.

(xvii) Merger Sub 2 will merge with and into I Corp. After this merger, I Corp. will be a wholly-owned subsidiary of Worldwide Corp, and the shareholders of I Corp will be shareholders of Worldwide Corp.

(xviii) Domestic trusts and other entities related to the M family who own, directly or indirectly, y percent of Partnership B will transfer their partnership interests to Worldwide Corp in exchange for Worldwide Corp stock. These partnership interests will then be contributed by Worldwide Corp to Controlled 1, which indirectly owns the other x percent of Partnership B.

(xix) Foreign trusts related to the M family will transfer interests in foreign Business B assets to Worldwide Corp in exchange for Worldwide Corp stock. Worldwide Corp will retransfer those assets to a single-member limited liability company.

Representations

The following representations have been made regarding the Corp C-1 Merger:

(a) Controlled 2, on the date of the adoption of the plan of liquidation, and at all times until the consummation of the Corp C-1 Merger, will be the owner of at least 80 percent of the single outstanding class of Corp C-1 stock.

(b) No shares of Corp C-1 stock will have been redeemed during the 3 years preceding the adoption of the plan of liquidation.

(c) All deemed distributions from Corp C-1 to Controlled 2 pursuant to the Corp C-1 Merger will be made within a single taxable year of Corp C-1.

(d) Upon consummation of the Corp C-1 Merger, Corp C-1 will cease to be a going concern and its activities will be limited to winding up its affairs, paying its debts, and distributing its remaining assets to its shareholders.

(e) Corp C-1 will retain no assets following the Corp C-1 Merger.

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(f) Corp C-1 will not have acquired any assets in any nontaxable transaction during the 3 years preceding the adoption of the plan of liquidation.

(g) No assets of Corp C-1 have been, or will be, disposed of by either Corp C-1 or Controlled 2 except for dispositions in the ordinary course of business.

(h) The Corp C-1 Merger will not be preceded or followed by the reincorporation in, or transfer or sale to, a recipient corporation (Recipient) of any of the businesses or assets of Corp C-1 if persons holding, directly or indirectly, more than 20 percent in value of the Corp C-1 stock also hold, directly or indirectly, more than 20 percent in the value of stock of Recipient. For purposes of this representation, ownership will be determined by application of the constructive ownership rules of § 318(a) of the Code as modified by § 304(c)(3).

(i) Prior to adoption of the plan of liquidation, no assets of Corp C-1 will have been distributed in kind, transferred, or sold to Controlled 2.

(j) Corp C-1 will report all earned income represented by assets that will be distributed to its shareholder such as receivables being reported on a cash basis, unfinished construction contracts, commissions due, etc.

(k) The fair market value of the assets of Corp C-1 will exceed its liabilities both at the date of the adoption of the plan of liquidation and immediately prior to the consummation of the Corp C-1 Merger.

(l) There is no intercorporate debt existing between Controlled 2 and Corp C-1 and none has been cancelled, forgiven, or discounted.

(m) Controlled 2 is not an organization that is exempt from federal income tax under § 501 or any other provision of the Code.

(n) All other transactions undertaken contemporaneously with, in anticipation of, in conjunction with, or in any way related to the Corp C-1 Merger have been fully disclosed.

The following representations have been submitted regarding the Corp Y Merger:

(2a) Distributing 2, on the date of the adoption of the plan of liquidation, and at all times until the consummation of the Corp Y Merger, will be the owner of at least 80 percent of the single outstanding class of Corp Y stock.

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(2b) No shares of Corp Y stock will have been redeemed during the 3 years preceding the adoption of the plan of liquidation.

(2c) All deemed distributions from Corp Y to Distributing 2 pursuant to the Corp Y Merger will be made within a single taxable year of Y Corp.

(2d) Upon consummation of the Corp Y Merger, Corp Y will cease to be a going concern and its activities will be limited to winding up its affairs, paying its debts, and distributing its remaining assets to its shareholders.

(2e) Corp Y will retain no assets following the Corp Y Merger.

(2f) Corp Y will not have acquired any assets in any nontaxable transaction during the 3 years preceding the adoption of the plan of liquidation.

(2g) No assets of Corp Y have been, or will be, disposed of by either Corp Y or Distributing 2 except for dispositions in the ordinary course of business.

(2h) The Corp Y Merger will not be preceded or followed by the reincorporation in, or transfer or sale to, a recipient corporation (Recipient) of any of the businesses or assets of Corp Y if persons holding, directly or indirectly, more than 20 percent in value of the Corp Y stock also hold, directly or indirectly, more than 20 percent in the value of the stock of Recipient. For purposes of this representation, ownership will be determined by application of the constructive ownership rules of § 318(a) of the Code as modified by § 304(c)(3).

(2i) Prior to adoption of the plan of liquidation, no assets of Corp Y will have been distributed in kind, transferred, or sold to Distributing 2, except for (i) transactions occurring in the ordinary course of business and (ii) transactions occurring more than 3 years prior to adoption of the plan of liquidation.

(2j) Corp Y will report all earned income represented by assets that will be distributed to its shareholder such as receivables being reported on a cash basis, unfinished construction contracts, commissions due, etc.

(2k) The fair market value of the assets of Corp Y will exceed its liabilities both at the date of the adoption of the plan of liquidation and immediately prior to the consummation of the Corp Y Merger.

(2l) There is no intercorporate debt existing between Distributing 2 and Corp Y and none has been cancelled, forgiven, or discounted.

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(2m) Distributing 2 is not an organization that is exempt from federal income tax under § 501 or any other provision of the Code.

(2n) All other transactions undertaken contemporaneously with, in anticipation of, in conjunction with, or in any way related to the Corp Y Merger have been fully disclosed.

The following representations have been submitted in connection with the Corp D-1 Merger:

(3a) Corp D, on the date of the adoption of the plan of liquidation, and at all times until the consummation of the Corp D-1 Merger, will be the owner of at least 80 percent of the single outstanding class of Corp D-1 stock.

(3b) No shares of Corp D-1 stock will have been redeemed during the 3 years preceding the adoption of the plan of liquidation.

(3c) All deemed distributions from Corp D-1 to Corp D pursuant to the Corp D-1 Merger will be made within a single taxable year of Corp D-1.

(3d) Upon consummation of the Corp D-1 Merger, Corp D-1 will cease to be a going concern and its activities will be limited to winding up its affairs, paying its debts, and distributing its remaining assets to its shareholders.

(3e) Corp D-1 will retain no assets following the Corp D-1 Merger.

(3f) Corp D-1 will not have acquired any assets in any nontaxable transaction during the 3 years preceding the adoption of the plan of liquidation.

(3g) No assets of Corp D-1 have been, or will be, disposed of by either Corp D-1 or Corp D except for dispositions made in the ordinary course of business and dispositions occurring more than 3 years prior to adoption of the plan of liquidation.

(3h) The Corp D-1 Merger will not be preceded or followed by the reincorporation in, or transfer or sale to, a recipient corporation (Recipient) of any of the businesses or assets of Corp D-1 if persons holding, directly or indirectly, more than 20 percent in value of the Corp D-1 stock also hold, directly or indirectly, more than 20 percent in the value of the stock of Recipient. For purposes of this representation, ownership will be determined by application of the constructive ownership rules of § 318(a) of the Code as modified by § 304(c)(3).

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(3i) Corp D-1 will report all earned income represented by assets that will be distributed to its shareholder such as receivables being reported on a cash basis, unfinished construction contracts, commissions due, etc.

(3j) The fair market value of the assets of Corp D-1 will exceed its liabilities both at the date of the adoption of the plan of liquidation and immediately prior to the consummation of the Corp D-1 Merger.

(3k) Corp D-1 is indebted to Corp D under Note S. On Date 2, which is more than two years before the Corp D-1 Merger, Corp D converted the outstanding balance on a note from Corp D-1 to Corp D (Note T) into capital of Corp D-1. Also, shortly before the date of this ruling letter, Corp D purchased assets from Corp D-1 (the Recent Asset Purchase) in exchange for Note X from D to D-1. While for state law purposes Note X will remain outstanding as an asset of the DE into which Corp D-1 merges, Note X will be deemed to be cancelled for federal income tax purposes in the Corp D-1 Merger.

(3l) Prior to adoption of the plan of liquidation, no assets of Corp D-1 will have been distributed in kind, transferred, or sold to Corp D, except for (i) the Recent Asset Purchase, (ii) transactions occurring in the ordinary course of business and (iii) transactions occurring more than 3 years prior to adoption of the plan of liquidation.

(3m) Corp D is not an organization that is exempt from federal income tax under § 501 or any other provision of the Code.

(3n) All other transactions undertaken contemporaneously with, in anticipation of, in conjunction with, or in any way related to the Corp D-1 Merger have been fully disclosed.

The following representations have been made regarding the First and Second Controlled 1 Distributions:

(4a) No part of the consideration to be distributed by Distributing 1 and Distributing 2 will be received by a Distributing 1 or Distributing 2 shareholder, respectively, as a creditor, employee, or in any capacity other than as a shareholder of Distributing 1 or Distributing 2.

(4b) The five years of financial information submitted on behalf of Controlled 1 is representative of Controlled 1's present operations, and, with regard to Controlled 1, there have been no substantial operational changes since the date of the last financial statement submitted.

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(4c) Immediately after the First Controlled 1 Distribution, at least 90 percent of the fair market value of the gross assets of Distributing 1 will consist of stock or securities of controlled corporations that are engaged in the active conduct of a trade or business as defined in § 355(b)(2) of the Code.

(4d) The five years of financial information submitted on behalf of Corp D and Corp E is representative of Corp D's and Corp E's present operations, and, with regard to Corp D and Corp E, there have been no substantial operational changes since the date of the last financial statement submitted.

(4e) Immediately after the Second Controlled 1 Distribution, at least 90 percent of the fair market value of the gross assets of Distributing 2 will consist of stock or securities of controlled corporations that are engaged in the active conduct of a trade or business as defined in § 355(b)(2) of the Code.

(4f) The five years of financial information submitted on behalf of Corp A is representative of Corp A's present operations, and, with regard to Corp A, there have been no substantial operational changes since the date of the last financial statements submitted.

(4g) Following the Second Controlled 1 Distribution, Distributing 1, Distributing 2, and Controlled 1 will each continue the active conduct of its business, independently and with its separate employees.

(4h) The First Controlled 1 Distribution and the Second Controlled 1 Distribution are being carried out for the corporate business purpose of enabling Business B to borrow significantly more money, and on better nonfinancial terms, than Business B under the present corporate structure. These distributions are motivated, in whole or substantial part, by this corporate business purpose.

(4i) There is no plan or intention to by the shareholders of Distributing 1 or Distributing 2 to sell, exchange, transfer by gift, or otherwise dispose of any stock in, or securities of, Distributing 1, Distributing 2, Controlled 1, or Worldwide Corp, after the Second Controlled 1 Distribution, except for (i) the transactions described above regarding the formation of Worldwide Corp and (ii) transfers of Worldwide Corp stock, after a period of years, within the M family, including family trusts, for no consideration.

(4j) There is no plan or intention by either Distributing 1, Distributing 2, or Controlled 1 to purchase any of its outstanding stock after the Second Controlled 1 Distribution, other than through stock purchases meeting the requirements of § 4.05(1)(b) of Rev. Proc. 96-30.

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(4k) There is no plan or intention to liquidate either Distributing 1, Distributing 2, or Controlled 1, to merge any of such corporations with any other corporation, or to sell or otherwise dispose of the assets of any of such corporations after the Second Controlled 1 Distribution, except in the ordinary course of business and except for the Controlled 2 Distribution and the transactions described above regarding the formation of Worldwide Corp.

(4l) The total adjusted basis and the fair market value of the assets transferred to Controlled 1 by Distributing 1 will each equal or exceed the amount of liabilities assumed (as determined under § 357(d) of the Code) by Controlled 1.

(4m) The liabilities assumed (as determined under § 357(d)) by Controlled 1 were incurred in the ordinary course of business and are associated with the assets being transferred.

(4n) No intercorporate debt will exist between Distributing 1 or Distributing 2 and Controlled 1 at the time of, or subsequent to, the First and Second Controlled 1 Distributions.

(4o) Immediately before the Second Controlled 1 Distribution, items of income, gain, loss, deduction, and credit will be taken into account as required by the applicable intercompany transaction regulations. Distributing 1 and Distributing 2 do not have any excess loss accounts with respect to Controlled 1 stock.

(4p) Payments made in connection with all continuing transactions, if any, between Distributing 1, Distributing 2, Controlled 1, Controlled 2, or their subsidiaries will be for fair market value based on terms and conditions arrived at by the parties bargaining at arms length.

(4q) No parties to the Controlled 1 Distributions are investment companies as defined in § 368(a)(2)(F)(iii) and (iv) of the Code.

The following representations have been made regarding the First and Second Controlled 2 Distributions:

(5a) No part of the consideration to be distributed by Distributing 1 and Distributing 2 will be received by a Distributing 1 or Distributing 2 shareholder, respectively, as a creditor, employee, or in any capacity other than as a shareholder of Distributing 1 or Distributing 2.

(5b) The five years of financial information submitted on behalf of Controlled 2 is representative of Controlled 2's present operations, and, with regard to Controlled 2,

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there have been no substantial operational changes since the date of the last financial statement submitted.

(5c) Immediately after the First Controlled 2 Distribution, at least 90 percent of the fair market value of the gross assets of Distributing 1 will consist of stock or securities of controlled corporations that are engaged in the active conduct of a trade or business as defined in § 355(b)(2) of the Code.

(5d) The five years of financial information submitted on behalf of Corp D and Corp E is representative of Corp D's and Corp E's present operations, and, with regard to Corp D and Corp E, there have been no substantial operational changes since the date of the last financial statement submitted.

(5e) Immediately after the Second Controlled 2 Distribution, at least 90 percent of the fair market value of the gross assets of Distributing 2 will consist of stock or securities of controlled corporations that are engaged in the active conduct of a trade or business as defined in § 355(b)(2) of the Code.

(5f) The five years of financial information submitted on behalf of Corp A is representative of Corp A's present operations, and, with regard to Corp A, there have been no substantial operational changes since the date of the last financial statements submitted.

(5g) Following the Second Controlled 2 Distribution, Distributing 1, Distributing 2, and Controlled 2 will each continue the active conduct of its business, independently and with its separate employees.

(5h) The First Controlled 2 Distribution and the Second Controlled 2 Distribution are carried out for the corporate business purpose of facilitating equity investment by key employees of Controlled 2. These distributions are motivated, in whole or substantial part, by this corporate business purpose.

(5i) There is no plan or intention to by the shareholders of Distributing 1 or Distributing 2 to sell, exchange, transfer by gift, or otherwise dispose of any stock in, or securities of, Distributing 1, Distributing 2, or Controlled 2 after the Second Controlled 2 Distribution.

(5j) There is no plan or intention by either Distributing 1, Distributing 2, or Controlled 2 to purchase any of its outstanding stock after the Second Controlled 2 Distribution, other than through stock purchases meeting the requirements of § 4.05(1)(b) of Rev. Proc. 96-30.

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(5k) There is no plan or intention to liquidate either Distributing 1, Distributing 2, or Controlled 2, to merge any of such corporations with any other corporation, or to sell or otherwise dispose of the assets of any of such corporations after the Second Controlled 2 Distribution, except in the ordinary course of business.

(5l) The total adjusted basis and the fair market value of the assets transferred to Controlled 2 by Distributing 1 should, at the time of the transfer, each equal or exceed the amount of liabilities assumed (as determined under § 357(d) of the Code) by Controlled 2. If this is not the case, Distributing 1 will recognize and report the appropriate amount of gain under § 357(c).

(5m) The total adjusted basis and the fair market value of the assets transferred to Controlled 2 by Distributing 2 will each equal or exceed the amount of liabilities assumed (as determined under § 357(d) of the Code) by Controlled 2.

(5n) The liabilities assumed (as determined under § 357(d)) in the contributions to Controlled 2 were incurred in the ordinary course of business and are associated with the assets being transferred.

(5o) No intercorporate debt will exist between Distributing 1 or Distributing 2 and Controlled 2 at the time of, or subsequent to, the Second Controlled 2 Distribution.

(5p) Immediately before the Second Controlled 2 Distribution, items of income, gain, loss, deduction, and credit will be taken into account as required by the applicable intercompany transaction regulations. Distributing 1 and Distributing 2 do not have any excess loss accounts with respect to Controlled 2 stock.

(5q) Payments made in connection with all continuing transactions, if any, between Distributing 1, Distributing 2, Controlled 1, Controlled 2, and their subsidiaries will be for fair market value based on terms and conditions arrived at by the parties bargaining at arms length.

(5r) No parties to the Controlled 1 Distributions are investment companies as defined in § 368(a)(2)(F)(iii) and (iv) of the Code.

The parties also represent that:

(6a) None of the First Controlled 1 Distribution, the Second Controlled 1 Distribution, the First Controlled 2 Distribution, the Second Controlled 2 Distribution, or the formation of Worldwide Corp is 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 combined voting power of all classes of stock entitled to vote of any of Distributing 1, Distributing 2, Controlled

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1, or Controlled 2 or stock possessing 50 percent or more of the total value of shares of all classes of stock of any of Distributing 1, Distributing 2, Controlled 1, or Controlled 2.

Rulings

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

The Corp C-1 Merger

(1) The Corp C-1 Merger will qualify as a distribution from Corp C-1 to Controlled 2 in complete liquidation of Corp C-1 under § 332.

(2) No gain or loss will be recognized by Controlled 2 on its deemed receipt of the assets and liabilities of Corp C-1 (§ 332(a)).

(3) No gain or loss will be recognized by Corp C-1 on the deemed distribution of its assets and liabilities to Controlled 2 (§§ 336(d)(3) and 337(a)).

(4) The basis of each asset received from Corp C-1 in the hands of Controlled 2 will equal the basis of that asset in the hands of Corp C-1 immediately before the Corp C-1 Merger (§ 334(b)(1)).

(5) The holding period of Controlled 2 in each asset deemed acquired in the Corp C-1 Merger will include the period during which the asset was held by Corp C-1 (§ 1223(2)).

(6) Controlled 2 will succeed to and take into account the items of Corp C-1 described in § 381(c), subject to the conditions and limitations specified in §§ 381, 382, 383, and 384 and the regulations thereunder (§§ 381(a) and 1.381(a)-1)).

(7) Except to the extent they are reflected in Controlled 2's earnings and profits, Controlled 2 will succeed to and take into account the earnings and profits, or deficit in earnings and profits, of Corp C-1 as of the date of the Corp C-1 Merger (§§ 381(c)(2)(A), 1.381-(c)(2)-1, and 1.1502-33(a)(2)). Any deficit in the earnings and profits can be used only to offset earnings and profits accumulated after the date of the Corp C-1 Merger (§ 381(c)(2)(B)).

The Corp Y Merger

(8) The Corp Y Merger will qualify as a distribution from Corp Y to Distributing 2 in complete liquidation of Corp Y under § 332.

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(9) No gain or loss will be recognized by Distributing 2 on its deemed receipt of the assets and liabilities of Corp Y (§ 332(a)).

(10) No gain or loss will be recognized by Corp Y on the deemed distribution of its assets and liabilities to Distributing 2 (§§ 336(d)(3) and 337(a)).

(11) The basis of each asset received from Corp Y in the hands of Distributing 2 will equal the basis of that asset in the hands of Corp Y immediately before the Corp Y Merger (§ 334(b)(1)).

(12) The holding period of Distributing 2 in each asset deemed acquired in the Corp Y Merger will include the period during which the asset was held by Corp Y (§ 1223(2)).

(13) Distributing 2 will succeed to and take into account the items of Corp Y described in § 381(c), subject to the conditions and limitations specified in §§ 381, 382, 383, and 384 and the regulations thereunder (§§ 381(a) and 1.381(a)-1).

(14) Except to the extent they are reflected in Distributing 2's earnings and profits, Distributing 2 will succeed to and take into account the earnings and profits, or deficit in earnings and profits, of Corp Y as of the date of the Corp Y Merger (§§ 381(c)(2)(A), 1.381-(c)(2)-1, and 1.1502-33(a)(2)). Any deficit in the earnings and profits can be used only to offset earnings and profits accumulated after the date of the Corp Y Merger. (§ 381(c)(2)(B)).

The Corp D-1 Merger

(15) The Corp D-1 Merger will qualify as a distribution from Corp D-1 to Corp D in complete liquidation of Corp D-1 under § 332.

(16) No gain or loss will be recognized by Corp D on its deemed receipt of the assets and liabilities of Corp D-1 (§ 332(a)).

(17) No gain or loss will be recognized by Corp D-1 on the deemed distribution of its assets and liabilities to Corp D (§§ 336(d)(3) and 337(a)).

(18) No net gain, loss, income, or deduction will be recognized by Corp D and Corp D-1 as a result of the satisfaction of Note S in connection with the Corp D Merger (§ 1.1502-13(c) and -13(g)).

(19) The basis of each asset received from Corp D-1 in the hands of Corp D will equal the basis of that asset in the hands of Corp D-1 immediately before the Corp D-1 Merger (§ 334(b)(1)).

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(20) The holding period of Corp D in each asset deemed acquired in the Corp D-1 Merger will include the period during which the asset was held by Corp D-1 (§ 1223(2)).

(21) Corp D will succeed to and take into account the items of Corp D-1 described in § 381(c), subject to the conditions and limitations specified in §§ 381, 382, 383, and 384 and the regulations thereunder (§§ 381(a) and 1.381(a)-1).

(22) Except to the extent they are reflected in Corp D's earnings and profits, Corp D will succeed to and take into account the earnings and profits, or deficit in earnings and profits, of Corp D-1 as of the date of the Corp D-1 Merger (§§ 381(c)(2)(A), 1.381-(c)(2)-1, and 1.1502-33(a)(2)). Any deficit in the earnings and profits can be used only to offset earnings and profits accumulated after the date of the Corp D-1 Merger. (§ 381(c)(2)(B)).

The First Controlled 1 Distribution

(23) The Controlled 1 Contribution, followed by the First Controlled 1 Distribution will be a reorganization within the meaning of § 368(a)(1)(D). Distributing 1 and Controlled 1 each will be "a party to a reorganization" under § 368(b).

(24) No gain or loss will be recognized by Distributing 1 on the Controlled 1 Contribution (§ 357(a) and 361(a)).

(25) No gain or loss will be recognized by Controlled 1 on the Controlled 1 Contribution (§ 1032(a)).

(26) Controlled 1's basis in each asset received in the Controlled 1 Contribution will equal the basis of such asset in the hands of Distributing 1 (§ 362(b)).

(27) Controlled 1's holding period in each asset received in the Controlled 1 Contribution will include the holding period of that asset in the hands of Distributing 1 (§ 1223(2)).

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

(29) No gain or loss will be recognized by (and no amount will otherwise be included in the income of) Distributing 2 on its receipt of Controlled 1 stock in the First Controlled 1 Distribution (§ 355(a)).

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(30) The aggregate basis of the Distributing 1 and Controlled 1 stock in the hands of Distributing 2 after the First Controlled 1 Distribution will equal Distributing 2's basis in the Distributing 1 stock held immediately before the Distributions, allocated between the Distributing 1 stock and Controlled 1 stock in proportion to the fair market value of each immediately after the distribution in accordance with § 1.358-2(a)(2) (§ 358(a)(1), (b), and (c)).

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

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

The Second Controlled 1 Distribution

(33) No gain or loss will be recognized by Distributing 2 on the Second Controlled 1 Distribution (§ 355(c)).

(34) No gain or loss will be recognized by (and no amount will otherwise be included in the income of) the shareholders of Distributing 2 on receipt of Controlled 1 stock in the Second Controlled 1 Distribution (§ 355(a)(1)).

(35) The aggregate basis of the Distributing 2 and Controlled 1 stock in the hands of each shareholder of Distributing 2 after the Second Controlled 1 Distribution will equal the shareholders' basis in the Distributing 2 stock held immediately before the Distribution, allocated between the Distributing 2 stock and Controlled 1 stock in proportion to the fair market value of each immediately after the distribution in accordance with § 1.358-2(a)(2) (§ 358(a)(1), (b) and (c)).

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

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

The First Controlled 2 Distribution

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(38) The First Controlled 2 Contribution, followed by the First Controlled 2 Distribution will be a reorganization within the meaning of § 368(a)(1)(D). Distributing 1 and Controlled 2 each will be “a party to a reorganization” under § 368(b).

(39) No gain or loss will be recognized by Distributing 1 on the Controlled 2 Contribution, except to the extent of any gain recognized under § 357(c) on the excess of liabilities assumed by Controlled 2 over the adjusted basis of the assets contributed to Controlled 2 (§ 357(a) and 361(a)).

(40) No gain or loss will be recognized by Controlled 2 on the Controlled 2 Contribution (§ 1032(a)).

(41) Controlled 2’s basis in each asset received in the First Controlled 2 Contribution will equal the basis of such asset in the hands of Distributing 1, increased by the amount of any gain recognized to Distributing 1 on the transfer (§ 362(b)).

(42) Controlled 2’s holding period in each asset received in the First Controlled 2 Contribution will include the holding period of that asset in the hands of Distributing 1 (§ 1223(2)).

(43) No gain or loss will be recognized by Distributing 1 on the First Controlled 2 Distribution (§ 361(c)(1)).

(44) No gain or loss will be recognized by (and no amount will otherwise be included in the income of) Distributing 2 on its receipt of Controlled 2 stock in the First Controlled 2 Distribution (§ 355(a)).

(45) The aggregate basis of the Distributing 1 and Controlled 2 stock in the hands of Distributing 2 after the First Controlled 2 Distribution will equal Distributing 2’s basis in the Distributing 1 stock held immediately before the Distribution, allocated between the Distributing 1 stock and Controlled 2 stock in proportion to the fair market value of each immediately after the distribution in accordance with § 1.358-2(a)(2) (§ 358(a)(1), (b), and (c)).

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

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

The Second Controlled 2 Distribution

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(48) The Second Controlled 2 Contribution, followed by the Second Controlled 2 Distribution will be a reorganization within the meaning of § 368(a)(1)(D). Distributing 2 and Controlled 2 each will be “a party to a reorganization” under § 368(b).

(49) No gain or loss will be recognized by Distributing 2 on the Second Controlled 2 Contribution (§ 361(a) and § 357(a)).

(50) No gain or loss will be recognized by Controlled 2 on the Second Controlled 2 Contribution (§ 1032(a)).

(51) Controlled 2's basis in each asset received in the Second Controlled 2 Contribution will equal the basis of such asset in the hands of Distributing 2 (§ 362(b)).

(52) Controlled 2's holding period in each asset received in the Second Controlled 2 Contribution will include the holding period of that asset in the hands of Distributing 2 (§ 1223(2)).

(53) No gain or loss will be recognized by Distributing 2 on the Second Controlled 2 Distribution (§ 361(c)(1)).

(54) No gain or loss will be recognized by (and no amount will otherwise be included in the income of) the shareholders of Distributing 2 on its receipt of Controlled 2 stock in the Second Controlled 2 Distribution (§ 355(a)).

(55) The aggregate basis of the Distributing 2 and Controlled 2 stock in the hands of the shareholders of Distributing 2 after the Second Controlled 2 Distribution will equal the shareholder's basis in the Distributing 2 stock held immediately before the distribution, allocated between the Distributing 2 stock and Controlled 2 stock in proportion to the fair market value of each immediately after the distribution in accordance with § 1.358-2(a)(2) of the Income Tax Regulations (§ 358(a)(1), (b) and (c)).

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

(57) Earnings and profits will be allocated between Distributing 2 and Controlled 2 in accordance with §§ 312(h), 1.312-10(a), and 1.1502-33(e).

Caveats

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No opinion is expressed about the tax treatment of the proposed transaction under other provisions of the Code or regulations or the tax treatment of any conditions existing at the time of, or effects resulting from, the proposed transaction that are not specifically covered by the above rulings. In particular, no opinion is expressed regarding (i) the liquidation of Corp W-1 and Corp W, (ii) the formation of Worldwide Corp and the related transactions that will follow the Controlled 1 and Controlled 2 Distributions, (iii) the actual or deemed terminations of any partnerships, (iv) the tax treatment of the license granted by Controlled 1 to Controlled 2, and (v) the tax treatment of the Recent Asset Sale and the deemed cancellation of Note X as a result of the Corp D-1 Merger.

The rulings contained in this letter are based on facts and representations submitted by the taxpayer and accompanied by a penalties of perjury statement executed by an appropriate party. This office has not verified any of the materials submitted in support of the request for rulings. Verification of the information, representations, and other data may be required as part of the audit process.

Procedural Statements

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.

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

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

Sincerely,

Michael J. Wilder

Michael J. Wilder
Senior Technician Reviewer
Branch 1
Office of Associate Chief Counsel
(Corporate)