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Date:

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Distributing =

Controlled =

Sub A1 =

Sub A2 =

Sub A3 =

Sub A4 =

Sub A5 =

Sub A6 =

Sub A7 =

Sub A8 =

Sub A9 =

Sub A10 =

Sub A11 =

Sub A12 =

Sub A13 =

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Sub B1 =

Sub B2 =

Sub B3 =

Sub B4 =

Sub B5 =

Sub B6 =

Sub B7 =

Sub C1 =

Sub D1 =

Consultant =

Business X =

Business Y =

Note Z =

Country 1 =

Country 2 =

Country 3 =

Country 4 =

Country 5 =

Country 6 =

Country 7 =

Country 8 =

Country 9 =

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Date 1 =

Date 2 =

Dear :

This responds to your April 30, 1999 request for rulings on certain federal income tax consequences of a proposed transaction and its effects on prior rulings issued by this office in letters dated October 30, December 4, and December 5, 1996, and May 27, 1997 (collectively, the "Prior Rulings").

The rulings contained in this letter are predicated upon the 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 a ruling. Verification of the information, representations and other data may be required as part of the audit process.

Summary of Facts

Publicly traded Distributing is the holding company parent of an extensive corporate group whose includible affiliates join in filing a consolidated federal income tax return (the "Distributing Group"). Distributing has outstanding several series of debentures with an aggregate principal amount of a dollars debentures, varying interest rates, and remaining terms ranging from 5½ years to 25 years (the "Distributing Debentures"). Distributing engages in Business X and Business Y through its subsidiaries.

Distributing wholly owns Controlled, Subs A1 through A4, Subs A6 through A8, Sub A11, Subs A14 through A16, Subs A18 through A24, Sub A26, Sub A27, and Subs A30 through A43. Distributing also owns b percent of Sub A5, c percent of Sub A9, d percent of Sub A10, e percent of Sub A12, c percent of Sub A13, c percent of Sub A17, f percent of Sub A25, g percent of the common and h percent of the junior preferred stock of Sub A28, and i percent of Sub A29. Sub A1 owns the remaining j percent of the common and k percent of the junior preferred stock of Sub A28, while a second class of preferred stock of Sub A28 is owned l percent by third party investors. Sub A24 wholly owns Sub B3, and Sub A29 wholly owns Sub B6 and Sub B7. Sub A 29 recently elected to treat Sub B6 and Sub B7 as branches under section 301.7701-3 of the Income Tax Regulations, effective Date 1 (the "Election"). Sub A28 wholly owns Sub B2 and Sub B5, and Sub B5 wholly owns Sub C1. Sub C1 wholly owns Sub D1, Sub A30 wholly owns Sub B4, and Controlled wholly owns Sub B1.

Nonvoting preferred stock in Sub A1 held by Controlled was repurchased by Sub A1 on Date 2 using funds advanced by Distributing (the “Stock Repurchase”). The funds were then returned to Distributing and used to pay creditors.

Sub A1, Sub A29, Subs A31 through A38, Sub B6, Sub B7, and Sub C1 each conducts Business X. Controlled, Subs A2 through A18, Sub A24, Sub A25, Sub B1, Sub B2, and Sub D1 each conducts Business Y. Sub A4, Subs A19 through A23, Sub A26, Sub A27, Subs A39 through A43, and Sub B4 provide administrative and financial services to the Distributing Group. Sub B3 will provide administrative and financial services for entities in the Controlled group following the proposed transaction described below.

All of the above corporations are domestic except for Sub A5 and Sub A9 (Country 1), Sub A6 (Country 2), Sub A7 (Country 3), Sub A8 and Sub A21 (Country 4), Sub A10 (Country 5), Sub A12 (Country 6), Sub A13 and Sub A25 (Country 7), Sub A17, Sub A29, Sub B6, and Sub B7 (Country 8), Sub A24, Sub A30, Sub A39, Sub A40, Sub A41, Sub B3 and Sub B4 (Country 9), Sub B2 (Country 10), Sub C1 and Sub D1 (Country 11), and Sub A36 (Country 12).

Financial information has been received which indicates that the businesses conducted by Distributing (through Sub A1 and Sub A29) and Controlled (after the Liquidation in step (iv) below) each has had gross receipts and operating expenses representing the active conduct of a trade or business for each of the past five years.

Consultant has recommended to Distributing’s management that Business X implement substantial equity-based compensation programs, including an employee stock ownership plan (“ESOP”) that reflects the performance of Business X only (as compared with the operations of the entire Distributing Group). Because Distributing’s stock is publicly traded, however, Business X may not form such an ESOP while it remains associated with Business Y. See §§ 409(l) and 4975(e)(7) of the Internal Revenue Code. Accordingly, Distributing proposes to separate Business X from Business Y (the “Separation”).

Proposed Transaction

To accomplish the Separation, the following transaction has been proposed:

- (i) Distributing will purchase the stock of Sub B2 from Sub A28 for fair market value in cash.
- (ii) Distributing will purchase the stock of Sub D1 from Sub C1 for fair market value in cash.
- (iii) Distributing will contribute Note Z to Sub A26.

(iv) Sub B1 will merge into Controlled (the “Liquidation”).

(v) Distributing will transfer the stock of Sub A2 though Sub A26, Sub B2, and Sub D1 to Controlled in exchange for a deemed issuance of additional Controlled stock and an actual issuance of Controlled securities having maturities of five years or more and an aggregate principal amount equal to that of the Distributing Debentures (the “Controlled Debentures”).

(vi) Intercompany obligations (other than trade accounts) existing between the domestic members of the Distributing Group will be settled in the following manner (entities remaining affiliated after the proposed transaction is completed are referred to as members of the same “Group”). First, each member of one Group holding a net intercompany obligation (receivable or note) due from a member of the other Group (excluding trade accounts receivable) will transfer the net intercompany obligation to its parent in exchange for an intercompany advance receivable from the parent in an amount equal to the aggregate amount of the net intercompany obligations transferred. Second, each Group’s parent will assume the net intercompany obligation of each member of its Group having a net intercompany obligation to a member of the other Group (excluding trade accounts payable) in exchange for the issuance by each such Group member of an intercompany advance payable to the parent in an amount equal to the aggregate amount of the net intercompany obligations assumed. After the second step, Distributing will have a single net intercompany obligation from Controlled, and all other intercompany obligations (other than trade accounts) will be exclusively between entities that are members of the same Group.

(vii) The intercompany obligations (other than trade accounts) of the foreign entities in the Distributing Group will be settled in the same manner as the settlement of domestic intercompany obligations in step (vi), except that the intercompany obligations due to or from entities owned by Controlled following the proposed transaction will be centralized through Sub B3, and the intercompany obligations due to or from entities owned by Distributing following the proposed transaction will be centralized through Sub B4.

(viii) Distributing will contribute to Controlled the net intercompany obligation due from Controlled after step (vi) above (together with step (v), the “Contribution”).

(ix) Distributing and Controlled will enter into a Debt Allocation Agreement under which Controlled will borrow money under credit facilities, use part of the borrowed funds for working capital, and transfer any excess to Distributing. Distributing will use all of the funds received from Controlled to retire existing debt and defray expenses related to the proposed transaction. Distributing will redeem, prepay, or defease certain indebtedness (including accrued and accreted interest and fees and expenses) of Distributing and certain of the subsidiaries that will remain affiliated with Distributing following the proposed transaction. Distributing will effect the redemptions, prepayments, or defeasances using funds received from borrowings under a

Distributing credit facility to be arranged in connection with the proposed transaction.

(x) Distributing will contribute to Sub A1 all assets still held after the completion of steps (i) through (ix) other than the stock of Controlled and Sub A29 (the “Sub A1 Transfer”).

(xi) Controlled will recapitalize by increasing the number of its outstanding common shares to the number of shares that will be distributed in step (xii) below (the “Recapitalization”).

(xii) Distributing will (a) make a pro rata distribution of its Controlled stock to the Distributing common stockholders and (b) distribute the Controlled Debentures received in step (v) above to holders of Distributing Debentures who tender for Controlled Debentures pursuant to an exchange offer (the “Exchange Offer”) (collectively, the “Distribution”). To each share of Controlled stock will be attached a stock purchase right that will entitle its holder to purchase Controlled stock on the occurrence of certain triggering events (the “Rights”). No fractional shares will be issued.

(xiii) Distributing will establish, solely for the benefit of Distributing employees, an ESOP intended to satisfy the requirements of §§ 401(a) and 4975(e)(7) (the “Distributing ESOP”). Based on historical levels of Business X employee voluntary contributions to the existing Distributing thrift plans and projected employment levels, the Distributing ESOP is expected to receive Distributing stock (as a result of annual matching employer contributions during the five years following the distribution date) having a value representing approximately m percent of the estimated value of the outstanding stock of Distributing on the distribution date. Distributing has no plan or intention to terminate, or cease making contributions to, the Distributing ESOP.

The parties will also enter into agreements covering benefits, tax sharing, and transition services in connection with the proposed transaction.

Liquidation Representations

The taxpayer has made the following representations regarding the Liquidation described above in step (iv):

(a) Controlled, on the date of adoption of the plan to completely liquidate Sub B1 (the “Plan” and the “Plan Adoption”), and at all times until the final liquidating distributing is completed, will be the owner of at least 80 percent of the total combined voting power of all classes of stock of Sub B1 entitled to vote, and the owner of at least 80 percent of the total value of all classes of stock of Sub B1 (excluding nonvoting stock that is limited and preferred as to dividends and otherwise meets the requirements of §1504(a)(4)).

(b) No shares of Sub B1 stock will have been redeemed during the three years preceding the Plan Adoption.

(c) All distributions from Sub B1 to Controlled under the Plan will be made within a single taxable year of Sub B1.

(d) As soon as the first liquidating distributing is made, Sub B1 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 Controlled.

(e) Sub B1 will retain no assets following the final liquidating distribution.

(f) Other than the acquisition of n, Sub B1 will not have acquired assets in any nontaxable transaction at any time, except for acquisitions occurring more than three years before the Plan Adoption date.

(g) No assets of Sub B1 have been, or will be, disposed of by either Sub B1 or Controlled, except for dispositions in the ordinary course of business, and dispositions occurring more than three years before the Plan Adoption.

(h) The liquidation of Sub B1 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 Sub B1, if persons holding, directly or indirectly, more than 20 percent in value of Sub B1 stock also hold, directly or indirectly, more than 20 percent in value of the stock in Recipient. For purposes of this representation, ownership will be determined by application of the constructive ownership rules of § 318(a) as modified by § 304(c)(3).

(i) Before the Plan Adoption, no assets of Sub B1 will have been distributed in kind, transferred, or sold to Controlled except for (i) transactions occurring in the normal course of business, and (ii) transactions occurring more than three years before the Plan Adoption.

(j) Sub B1 will report all earned income represented by assets that will be distributed to Controlled such as receivables being reported on a cash basis, unfinished construction contracts, commissions due, etc.

(k) The fair market value of the assets of Sub B1 will exceed its liabilities both at the Plan Adoption date and immediately before the time the first liquidating distribution is made.

(l) Except for intercompany obligations arising in the ordinary course of business, there is no intercorporate debt existing between Controlled and Sub B1, and none has been canceled, forgiven, or discounted, except for transactions that occurred more than three years before the Plan Adoption date.

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

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

Sub A1 Transfer Representations

The taxpayer has made the following representations regarding the Sub A1 Transfer described above in step (x):

(o) No stock or securities will be issued for services rendered to or for the benefit of Sub A1 in connection with the proposed transaction, and no stock or securities will be issued for indebtedness of Sub A1 that is not evidenced by a security, or for interest on indebtedness of Sub A1 that accrued on or after the beginning of the holding period of Distributing for the debt.

(p) No patents, patent applications, copyrights, franchises, trade names, trademarks, or "knowhow" are being transferred.

(q) None of the stock to be transferred is "section 306" stock under § 306(c).

(r) No part of the transfer is the result of the solicitation by a promoter, broker, or investment house.

(s) Distributing will not retain any rights in the property transferred to Sub A1.

(t) The value of the stock received in exchange for accounts receivable, if any, will equal the net value of the accounts transferred, i.e., the face amount of the accounts receivable previously included in income less the reserve for bad debts.

(u) No debt is being assumed with respect to the stock being transferred, and the stock is not subject to any debt.

(v) The total adjusted basis and fair market value of the assets to be transferred by Distributing to Sub A1 will, in each instance, equal or exceed the liabilities assumed (as determined under § 357(d)) by Sub A1.

(w) The liabilities of Distributing to be assumed (as determined under § 357(d)) by Sub A1 were incurred in the ordinary course of business and are associated with the assets being transferred.

(x) Except for intercompany obligations existing between Distributing and Sub A1 as a result of Distributing's centralized cash management system, and trade payables and advances arising in the ordinary course of each Distributing subsidiary's business, there is no existing indebtedness between Distributing and Sub A1, and there will be no indebtedness created in favor of Distributing as a result of the proposed transaction.

(y) The transfers and exchanges will occur under a plan agreed upon before the proposed transaction in which the rights of the parties are defined.

(z) All transfers and exchanges will occur on approximately the same date.

(aa) There is no plan or intention on the part of Sub A1 to redeem or otherwise reacquire any stock or indebtedness issued in the proposed transaction.

(bb) Taking into account (i) any issuance of additional shares of Sub A1 stock, (ii) any issuance of stock for services, (iii) the exercise of Sub A1 stock rights, warrants, or subscriptions, (iv) a public offering of Sub A1 stock, and (v) the sale, exchange, transfer by gift, or other disposition of any stock of Sub A1 to be received in the exchange, Distributing will be in “control” of Sub A1 under § 368(c).

(cc) Distributing will not receive stock, securities, or other property in exchange for the property transferred to Sub A1 because Sub A1 is wholly owned by Distributing. No stock will be issued for services.

(dd) Sub A1 will remain in existence and retain and use the property transferred to it in a trade or business.

(ee) There is no plan or intention by Sub A1 to dispose of the transferred property other than in the normal course of business operations.

(ff) Each party will pay its own expenses incurred in connection with the transfers and exchanges.

(gg) Sub A1 will not be an investment company under § 351(e)(1) and § 1.351-(c)(1)(ii) of the Income Tax Regulations.

(hh) Distributing is not under the jurisdiction of a court in a title 11 or similar case (under § 368(a)(3)(A)), and none of the stock or securities received in the exchange will be used to satisfy the indebtedness of Distributing .

(ii) Sub A1 will not be a “personal service corporation” under § 269A.

Contribution and Distribution Representations

The taxpayer has made the following representations regarding the Contribution described above in steps (v) and (viii) and the Distribution described above in step (xii):

(jj) None of the Controlled stock distributed by Distributing will be received by a shareholder as a creditor, employee, or in any capacity other than that of a shareholder of Distributing.

(kk) The five years of financial information submitted on behalf of Sub A1, Sub A29, and Controlled (after the Liquidation in step (iv)) represents the present operations of each corporation, and with regard to each corporation, there has been no substantial operational change since the date of the last submitted financial statements.

(ll) Following the proposed transaction, Distributing (through Sub A1 and Sub A29) and Controlled will each continue the active conduct of its business, independently and with its separate employees.

(mm) The Distribution is being carried out for the corporate business purpose of establishing an ESOP for Distributing's Business X employees. The Distribution is motivated, in whole or substantial part, by this and other corporate business purposes.

(nn) Immediately after the proposed transaction, at least 90 percent of the fair market value of the gross assets of Distributing will consist of stock and securities of Sub A1 and Sub A29, each of which is engaged in the active conduct of a trade or business as defined in § 355(b)(2).

(oo) Immediately after the Distribution, the gross assets of the active trade or business carried on by each of Sub A1, Sub A29, and Controlled (after the Liquidation in step (iv)) will have a fair market value equal to at least five percent of the total fair market value of the corporation's gross assets.

(pp) There is no plan or intention by any shareholder who owns five percent or more of the stock of Distributing, and the management of Distributing, to the best of its knowledge, is not aware of any plan or intention on the part of any remaining shareholder or security holder of Distributing to sell, exchange, transfer by gift, or otherwise dispose of any stock in, or securities of, either Distributing or Controlled after the proposed transaction.

(qq) There is no plan or intention by either Distributing or Controlled, directly or through any subsidiary corporation, to purchase any of its outstanding stock after the proposed transaction, other than through stock purchases meeting the requirements of § 4.05(1)(b) of Rev. Proc. 96-30, 1996-1 C.B. 696, 705.

(rr) There is no plan or intention to liquidate either Distributing or Controlled, to merge Distributing or Controlled with any other corporation, or to sell or otherwise dispose of the assets of Distributing or Controlled after the proposed transaction, except in the ordinary course of business.

(ss) The total adjusted basis and fair market value of the assets being transferred by Distributing to Controlled each equals or exceeds the liabilities being assumed (as determined under § 357(d)) by Controlled.

(tt) The liabilities being assumed (as determined under § 357(d)) in the

proposed transaction were incurred in the ordinary course of business and are associated with the assets being transferred.

(uu) To the extent any transfer in the proposed transaction is an early disposition of property for which an investment credit has been (or will be) claimed under § 46, the income tax liability for the taxable year in which the investment credit property (including any building to which § 47(d) applies) is transferred will be adjusted pursuant to § 50(a)(1) or (a)(2) (or § 47, as in effect before amendment by Public Law 101-508, Title 11, 104 Stat. 1388, 536 (1990), if applicable) to reflect the early disposition of the property.

(vv) Except for trade payables and advances arising in the ordinary course of business, and obligations for payments under certain agreements that will be effective for periods after the proposed transaction, no intercorporate debt will exist between Distributing and Controlled at the time of, or after, the Distribution. Any excepted indebtedness will not be stock or securities under § 355.

(ww) Immediately before the Distribution, items of income, gain, loss, deduction, and credit will be taken into account as required by the applicable intercompany transaction regulations (see § 1.1502-13 and § 1.1502-14 as in effect before publication of T.D. 8597, 1995-2 C.B. 147, and as currently in effect; § 1.1502-13 as published by T.D. 8597). Further, any excess loss account Distributing may have in Controlled stock will be included in income immediately before the Distribution to the extent required by applicable regulations (see § 1.1502-19).

(xx) Payments made in all continuing transactions between Distributing and Controlled will be for fair market value based on terms and conditions arrived at by the parties bargaining at arm's length.

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

(zz) The proposed transaction is not part of a plan (or series of related transactions) 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 Distributing or Controlled stock entitled to vote, or 50 percent or more of the total value of all shares of all classes of Distributing or Controlled stock, within the meaning of § 355(e).

(aaa) The Distributing Debentures and Controlled Debentures each will qualify as securities under § 355. The Controlled Debentures will, in each instance, have the same principal amount, maturity date, and fair market value as the Distributing Debentures for which they are exchanged.

(bbb) The Rights cannot be separately traded and are not divisible from the

Controlled stock before the occurrence of certain triggering events. The Rights may not be exercised to obtain common stock of Controlled before the time a certificate is issued with respect to the Rights and the redemption rights of Controlled have expired. Such a certificate will be issued only upon the occurrence of a triggering event (for example, the acquisition of beneficial ownership of 20 percent or more of the outstanding common stock of Controlled by an acquiring person). At the time of the

Distribution, the likelihood that the Rights would be exercised will be both remote and uncertain.

International Representations

The taxpayer has made the following representations regarding international aspects of the proposed transaction:

(ccc) There is no plan or intention to cause Sub A29 to sell or otherwise dispose of the stock (which stock will be ignored for federal income tax purposes assuming the validity of the Election) or the assets (except for the disposition of assets in the ordinary course of business) of Sub B6 or Sub B7.

(ddd) Neither Distributing nor Controlled was a United States real property holding corporation (as defined in § 897(c)(2)) at any time during the five-year period ending on the date of the Distribution, and neither Distributing nor Controlled will be a United States real property holding corporation immediately after the Distribution.

(eee) All foreign corporations included in this ruling request are controlled foreign corporations ("CFCs") under § 957(a).

(fff) No foreign corporation included in this ruling request is a Foreign Investment Company under § 1246, or a Foreign Personal Holding Company under § 552.

Liquidation Rulings

Based solely on the information submitted and representations set forth above, we rule as follows regarding the Liquidation described in step (iv):

(1) The merger of Sub B1 into Controlled (the Liquidation) will be treated for federal income tax purposes as a complete liquidation under § 332 (§ 1.332-2(d)).

(2) No gain or loss will be recognized by Controlled as a result of the Liquidation (§ 332(a)).

(3) No gain or loss will be recognized by Sub B1 as a result of the Liquidation (§ 337(a)).

(4) The basis of each asset received by Controlled in the Liquidation will equal the basis of that asset in the hands of Sub B1 immediately before the Liquidation (§ 334(b)).

(5) The holding period of each asset received by Controlled in the Liquidation will include the period during which that asset was held by Sub B1 (§ 1223(2)).

(6) Controlled will succeed to and take into account the items of Sub B1 described in § 381(c), subject to the conditions and limitations specified in § 381(b) and (c) and the regulations thereunder (§§ 381(a) and 1.381(a)-1).

Sub A1 Transfer Rulings

Based solely on the information submitted and representations set forth above, we rule as follows regarding the Sub A1 Transfer described above in step (x):

(7) No gain or loss will be recognized by Distributing or Sub A1 on the Sub A1 Transfer (§§ 351(a) and 1032(a)).

(8) The basis of each asset received by Sub A1 will equal the basis of that asset in the hands of Distributing immediately before its transfer (§ 362(a)).

(9) The holding period of each asset received by Sub A1 will include the period during which that asset was held by Distributing (§ 1223(2)).

(10) The basis of the Sub A1 stock constructively received by Distributing will equal the basis of the property transferred to Sub A1 (§ 358(a)).

Contribution and Distribution Rulings

Based solely on the information submitted and representations set forth above, and provided that the requirements of the temporary and final regulations under § 367(b) are satisfied (including the notice provisions of §§ 1.367(b)-1(c)(1) and 7.367(b)-1(c)(2) through (d)), we rule as follows regarding the Contribution described above in steps (v) and (viii) and the Distribution described above in step (xii):

(11) The Contribution and the Distribution will be a reorganization under § 368(a)(1)(D). Distributing and Controlled each will be “a party to a reorganization” under § 368(b).

(12) No gain or loss will be recognized by Distributing on the Contribution (§§ 361(b)(1)(A), 361(b)(3), and 357(a)).

(13) No gain or loss will be recognized by Controlled on the Contribution

(§ 1032(a)).

(14) The basis of each Distributing asset received by Controlled will equal the basis of that asset in the hands of Distributing immediately before its transfer (§ 362(b)).

(15) The holding period of each Distributing asset received by Controlled will include the period during which that asset was held by Distributing (§ 1223(2)).

(16) No gain or loss will be recognized by Distributing on the Distribution (§§ 367(e), 1.367(e)-1(c), and 361(c)).

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

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

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

(20) With respect to the stock of the foreign subsidiaries owned by Distributing pursuant to § 1248(a)(2) and transferred by Distributing to Controlled in step (v), the earnings and profits of such foreign corporations to the extent attributable to the stock of such corporations under § 1.1248-2 or 1.1248-3 (whichever is applicable) that were accumulated in taxable years of such corporations beginning after December 31, 1962, during the period Distributing held the stock of the corporations (or was considered as holding it by reason of the application of § 1223) while the corporations were CFCs, shall be attributable to such stock held by Controlled (§ 1.1248-1(a)(1)).

(21) Earnings and profits will be allocated between Distributing and Controlled in accordance with §§ 312(h), 1.312-1(a), and 1.1502-33(e)(3).

(22) Provided that, at the time of the Distribution, the Rights remain contingent, non-exercisable, and subject to redemption if issued, the receipt of the Rights by the Distributing shareholders will not constitute the distribution or receipt of property, an exchange of stock or property (either taxable or non-taxable), or any other event giving

rise to the realization of gross income by either Distributing, Controlled, or the shareholders of Distributing (Rev. Rul. 90-11, 1990-1 C.B. 10).

Miscellaneous Ruling

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

(23) The proposed transaction and rulings contained in this letter will not adversely affect the Prior Rulings.

Caveats

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 tax consequences of the Stock Repurchase;
- (ii) the tax consequences and validity of the Election, including whether the Election results in a liquidation of Sub B6 and Sub B7 and whether § 7.367(b)-5(c) applies;
- (iii) whether gain will be recognized on the sale of Sub B2 stock by Sub A28, as described in step (i), and the extent to which § 1248(a) would apply to such sale;
- (iv) whether the sale of Sub D1 stock by Sub C1, as described in step (ii), is characterized under § 304 or 1001, and whether gain from the sale of the Sub D1 stock will result in foreign personal holding income under § 954(c);
- (v) the tax treatment to holders of Distributing Debentures who tender for Controlled Debentures in the Exchange Offer, as described in step (v);
- (vi) whether the Distributing Debentures or Controlled Debentures qualify as securities under § 355;
- (vii) the tax treatment of any benefits or payments made pursuant to the agreements covering benefits, tax sharing, and transition services, including whether any payments that arise under these agreements, but that relate to a period that ended on or before the date of the proposed transaction, should be considered as distributions under § 301 or 361(b);
- (viii) whether the Recapitalization will qualify under § 368(a)(1)(E); and

(ix) whether the Distributing ESOP will satisfy the requirements of §§ 401(a) and 4975(e)(7).

No opinion is expressed whether any of the foreign corporations described in this letter are passive foreign investment companies under § 1297(a) and the regulations to be promulgated thereunder. If it is determined that any of the foreign corporations are passive foreign investment companies, no opinion is expressed as to the application of §§ 1291 through 1298 to the proposed transaction. 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.

Temporary or final regulations pertaining to one or more issues addressed in this ruling letter have yet to be adopted. Therefore, this letter may be revoked or modified, in whole or in part, by the issuance of such temporary or final regulations (or a notice with respect to their future issuance). See section 12.04 of Rev. Proc. 99-1, 1999-1 I.R.B. 6, which discusses the revocation or modification of ruling letters. However, when the criteria in section 12.05 of Rev. Proc. 99-1 are satisfied, a ruling will not be revoked or modified retroactively except in rare or unusual circumstances.

Procedural Statements

This letter 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 affected by the proposed transaction should attach a copy of this letter to its, his, or her federal tax return for the taxable year in which the proposed transaction is completed.

Under a power of attorney on file in this office, a copy of this letter is being sent to each of your authorized representatives.

Sincerely,

Assistant Chief Counsel (Corporate)

By: _____
Wayne T. Murray
Senior Technician/Reviewer
Branch 4