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Legend

Distributing1 =

Distributing2 =

Distributing3 =

Controlled1 =

Controlled2 =

Sub1 =

Sub2 =

Sub3 =

Sub4 =

Sub5 =

Sub6 =

LLC1 =

LLC2 =

LLC3 =

Investor1 =

Investor2 =

Banker1 =

Banker2 =

Banker3 =

Business A =

Business B =

Business C =

Business D =

Date1 =

Date2 =

Date3 =

Exchange =

a =

b =

Dear :

This letter responds to your January 9, 2008 request for rulings on certain federal income tax consequences of a proposed transaction described below. The information provided in that request and in later correspondence is summarized below.

The rulings contained in this letter are based upon 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 material 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. In particular, this office has not reviewed any information pertaining to, and has made no determination regarding, whether any of the Distributions (described below): (i) satisfies the business purpose requirement of § 1.355-2(b) of the Income Tax Regulations, (ii) is used principally as a device for the distribution of the earnings and profits of the distributing corporation or the controlled corporation or both (see § 355(a)(1)(B) of the Internal Revenue Code and § 1.355-2(d)), or (iii) is part of a plan (or series of related transactions) pursuant to which one or more persons will acquire directly or indirectly stock representing a 50-percent or greater interest in the distributing corporation or the controlled corporation (see § 355(e) and § 1.355-7).

Summary of Facts

Distributing3 is a publicly traded corporation and the common parent of an affiliated group of companies (the “Distributing3 Group”) that files a consolidated federal income tax return on a calendar-year basis. Distributing3 has a single class of voting common stock issued and outstanding of which more than five percent (but less than eight percent) is owned directly or indirectly by each of Investor1 and Investor2. The remaining shares of Distributing3 stock are widely held and publicly traded.

Distributing3 also has certain short-term and long-term debt obligations outstanding (the “Term Loan A Debt” and the “Term Loan B Debt,” respectively). The Term Loan A Debt is part of the credit facility, dated Date1, between Distributing3 and Banker1, Banker2, Banker3, and certain other financial institutions (collectively, the “Debt Holders”). The Term Loan B Debt was added to the Distributing3 credit facility on Date2.

Distributing3 wholly owns Sub1 and LLC1, an entity disregarded as separate from its owner for federal income tax purposes under § 301.7701-3 (a “disregarded entity”). LLC1 wholly owns Distributing1 and Sub2. Sub2 wholly owns Sub3, and Sub3 wholly owns Sub4.

Distributing1 wholly owns Distributing2, Sub5, and Sub6. Distributing2 wholly owns LLC2, a disregarded entity. The employees of the Distributing3 Group are formally employed by LLC2, which charges a fee to each Distributing3 entity that uses the employees.

Distributing2 directly conducts Business A and Business C. Distributing1 directly conducts Business B and Business D. Business C is an aspect of Business B, and Business D is an aspect of Business A.

The financial information submitted by Distributing3 indicates that Business A conducted by Distributing2, Business C conducted by Distributing2, and Business D conducted by Distributing1 each has had gross receipts and operating expenses representing the active conduct of a trade or business for each of the past five years.

Distributing3 management has determined that the proposed transaction will serve the following corporate business purposes: (i) enhance the value of the Distributing3 stock, which will in turn enhance the Distributing3 equity incentive programs and make the Distributing3 stock more attractive as acquisition currency, and (ii) improve management fit and focus for Business A and Business B.

Proposed Transaction

For what are represented to be valid business purposes, the Distributing3 Group proposes to effect the following transaction (the “Proposed Transaction”):

- (i) The excess loss accounts in stock of Sub4, Sub5, and Sub6 will be eliminated.
- (ii) Distributing2 will contribute Business C to newly formed and wholly owned Controlled1 in exchange for all of the Controlled1 stock and the assumption by Controlled1 of related liabilities (the “First Contribution”).
- (iii) Controlled1 will form LLC3 as a disregarded entity.
- (iv) LLC2 will distribute the employees of Business B to Distributing2; Distributing2 will contribute the employees of Business B to Controlled1; and Controlled1 will contribute the employees of Business B to LLC3.
- (v) LLC1 will distribute the stock of Distributing1 and Sub2 to Distributing3.
- (vi) Distributing1 will distribute the stock of Distributing2 to Distributing3 (the “First Distribution”).
- (vii) Distributing2 will distribute the stock of Controlled1 to Distributing3 (the “Second Distribution”).
- (viii) Distributing3 will contribute the stock of Sub1 to Distributing1 (the “Sub1 Contribution”).
- (ix) Distributing3 will contribute the stock of Sub2, Distributing1, and Controlled1 (collectively, the “Contributed Subs”) to newly formed and wholly owned Controlled2 in exchange for Controlled2 common stock (the “Controlled2 Stock”), Controlled2 securities (the “Controlled2 Securities”), Controlled2 short-term debt obligations (the “Controlled2 Term Loan A Debt”), and the assumption by Controlled2 of liabilities associated with the businesses of the Contributed Subs, if any (collectively, the “Second Contribution”). The Controlled2 Securities will mature in a years and bear annual interest at a market rate. The Controlled2 Term Loan A Debt will mature in b years and have terms similar to those of the Term Loan A Debt. The Second Contribution will create the group of corporations (the “Controlled2 Group”) that will be distributed in the Third Distribution described below.

- (x) Distributing3 will exchange (i) the Controlled2 Securities for the outstanding Term Loan B Debt, and (ii) the Controlled2 Term Loan A Debt for a portion of the outstanding Term Loan A Debt (together, the “Debt Exchange”). After the Debt Exchange, it is anticipated that the Controlled2 Term Loan A Debt and the Controlled2 Securities will be sold on the open market.
- (xi) Distributing3 will distribute the Controlled2 Stock pro rata to its shareholders (the “Third Distribution” and, together with the First Distribution and the Second Distribution, the “Distributions”). No fractional shares of Controlled2 Stock will be issued in the Third Distribution. Instead, all fractional shares of Controlled2 Stock that Distributing3 shareholders would otherwise be entitled to receive will be aggregated by a transfer agent and, as soon as practicable following the effective time of the Third Distribution, will be sold at the prevailing price on the Exchange. Any Distributing3 shareholder entitled to receive a fractional share of Controlled2 Stock will be entitled to receive a cash payment in an amount equal to such holder’s proportionate interest in the net proceeds from the open market sale.

In connection with the Proposed Transaction, Distributing3 and Controlled2 will enter into various agreements relating to the separation of Business B from Business A. Although the subject matter and terms of these agreements will vary, the arrangements generally will fall into three categories: (i) the tax disaffiliation agreement and the contribution and distribution agreement, both of which involve obligations that arose or will arise for a taxable period ending on or before the Distributions or for a taxable period beginning before and ending after the Distributions but will not become fixed and ascertainable until after the Third Distribution (the “Separation Agreements”); (ii) agreements involving obligations that will arise after the Distributions and relate to transitional and administrative support services that the Distributing3 Group will provide to the Controlled2 Group, or that the Controlled2 Group will provide to the Distributing 3 Group, for an interim period while each Group establishes its own administrative support and corporate service arrangements, none of which will exceed 24 months in duration and all of which will involve cost-reimbursement (the “Transitional Agreements”); and (iii) agreements involving obligations that will arise after the Distributions and relate to the on-going operational and business services that the Distributing3 Group has chosen to obtain from the Controlled2 Group, or that the Controlled2 Group has chosen to obtain from the Distributing3 Group, in each case as its third party vendor, for the period of time and on the terms and conditions the parties will have specifically negotiated as to those services (the “On-Going Transaction Agreements”) ((i), (ii), and (iii), collectively, the “Continuing Transactions”).

Representations

The following representations are made with respect to the First Distribution:

(a) Any indebtedness owed by Distributing2 (or any entity controlled directly or indirectly by Distributing2) to Distributing1 (or any entity controlled directly or indirectly by Distributing1) after the First Distribution will not constitute stock or securities.

(b) No part of the consideration distributed by Distributing1 will be received by Distributing3 as a creditor, employee, or in any capacity other than that of a shareholder of Distributing1.

(c) The five years of financial information submitted on behalf of Business D conducted by Distributing1 and Business A conducted by Distributing2 is representative of the present operations of each business, and there have been no substantial operational changes in either business since the date of the last financial statements submitted.

(d) Neither Business A conducted by Distributing2 nor control of an entity conducting this business was acquired during the five-year period ending on the date of the First Distribution in a transaction in which gain or loss was recognized (or treated as recognized) in whole or in part. Throughout the five-year period ending on the date of the First Distribution, Distributing2 has been the principal owner of the goodwill and significant assets of Business A and will continue to be the principal owner following the First Distribution.

(e) Neither Business D conducted by Distributing1 nor control of an entity conducting this business was acquired during the five-year period ending on the date of the First Distribution in a transaction in which gain or loss was recognized (or treated as recognized) in whole or in part. Since its formation, Distributing1 has been the principal owner of the goodwill and significant assets of Business D and will continue to be the principal owner following the First Distribution.

(f) Apart from the Continuing Transactions, Distributing1 will continue the active conduct of Business D, independently and with its separate employees, following the First Distribution.

(g) The Sub1 Contribution will qualify as a nonrecognition transaction under § 351.

(h) Apart from the Continuing Transactions, Distributing2 will continue the active conduct of Business A, independently and with its separate employees, following the First Distribution.

(i) The First Distribution will be carried out to facilitate the Second Distribution and the Third Distribution, which will be carried out to (i) enhance the value of the Distributing3 stock, which will in turn enhance Distributing3's equity incentive compensation plans and make the Distributing3 stock more attractive as acquisition currency, and (ii) improve management fit and focus for Business A and Business B, both now conducted within the Distributing3 Group. The First Distribution is motivated in whole or substantial part by this corporate business purpose.

(j) The First Distribution will not be used principally as a device for the distribution of the earnings and profits of Distributing1 or Distributing2 or both.

(k) No intercorporate debt will exist between Distributing1 (or any entity controlled directly or indirectly by Distributing1) and Distributing2 (or any entity controlled directly or indirectly by Distributing2) at the time of, or after, the First Distribution, other than intercompany loans or obligations that have arisen, or will arise, between the parties in the ordinary course of business or as a result of the Continuing Transactions.

(l) Payments made in connection with the transactions covered by the On-Going Transaction Agreements between Distributing1 (or any entity controlled directly or indirectly by Distributing1) and Distributing2 (or any entity controlled directly or indirectly by Distributing2) will be for fair market value based on terms and conditions arrived at by the parties bargaining at arm's length.

(m) Immediately before the First 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 1.1502-13-14 as in effect before the publication of T.D. 8597, 1995-2 C.B. 147, and as currently in effect; § 1.1502-13 as published by T.D. 8597). Further, any excess loss account that Distributing1 has in the Distributing2 stock will be included in income immediately before the First Distribution to the extent required by regulations (see § 1.1502-19). At the time of the First Distribution, Distributing1 will not have an excess loss account in the stock of Distributing2.

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

(o) For purposes of § 355(d), immediately after the First Distribution, no person (determined after applying § 355(d)(7)) will hold stock possessing 50 percent or more of the total combined voting power of all classes of Distributing1 stock entitled to vote, or 50 percent or more of the total value of shares of all classes of Distributing1 stock, that was acquired by purchase (as defined in § 355(d)(5) and (8)) during the five-

year period (determined after applying § 355(d)(6)) ending on the date of the First Distribution.

(p) For purposes of § 355(d), immediately after the First Distribution, no person (determined after applying § 355(d)(7)) will hold stock possessing 50 percent or more of the total combined voting power of all classes of Distributing2 stock entitled to vote, or 50 percent or more of the total value of shares of all classes of Distributing2 stock, that was either (i) acquired by purchase (as defined in § 355(d)(5) and (8)) during the five-year period (determined after applying § 355(d)(6)) ending on the date of the First Distribution or (ii) attributable to distributions on Distributing1 stock or securities that were acquired by purchase (as defined in § 355(d)(5) and (8)) during the five-year period (determined after applying § 355(d)(6)) ending on the date of the First Distribution.

(q) The First Distribution is not part of a plan or series of related transactions (within the meaning of § 1.355-7) pursuant to which one or more persons will acquire directly or indirectly stock representing a 50-percent or greater interest (within the meaning of § 355(d)(4)) in Distributing1 or Distributing2 (including any predecessor or successor of any such corporation).

(r) Immediately after the transaction (as defined in § 355(g)(4)), either (i) no person will hold a 50-percent or greater interest (within the meaning of § 355(g)(3)) in Distributing1 or Distributing2, (ii) if any person holds a 50-percent or greater interest (within the meaning of § 355(g)(3)) in any disqualified investment corporation (within the meaning of § 355(g)(2)), such person will have held such interest in such corporation immediately before the transaction, or (iii) neither Distributing1 nor Distributing2 will be a disqualified investment corporation (within the meaning of § 355(g)(2)).

The following representations are made with respect to the First Contribution and Second Distribution:

(s) Any indebtedness owed by Controlled1 (or any entity controlled directly or indirectly by Controlled1) to Distributing2 (or any entity controlled directly or indirectly by Distributing2) after the Second Distribution will not constitute stock or securities.

(t) No part of the consideration distributed by Distributing2 will be received by Distributing3 as a creditor, employee, or in any capacity other than that of a shareholder of Distributing2.

(u) The five years of financial information submitted on behalf of Business A conducted by Distributing2 and Business C conducted by Controlled1 is representative of the present operations of each business, and there have been no substantial

operational changes in either business since the date of the last financial statements submitted.

(v) Neither Business A conducted by Distributing2 nor control of an entity conducting this business was acquired during the five-year period ending on the date of the Second Distribution in a transaction in which gain or loss was recognized (or treated as recognized) in whole or in part. Throughout the five-year period ending on the date of the Second Distribution, Distributing2 has been the principal owner of the goodwill and significant assets of Business A and will continue to be the owner following the Second Distribution.

(w) Neither Business C conducted by Distributing2 nor control of an entity conducting this business was acquired during the five-year period ending on the date of the Second Distribution in a transaction in which gain or loss was recognized (or treated as recognized) in whole or in part. Distributing2 has been the principal owner of the goodwill and significant assets of Business C throughout the five-year period ending on the date of the First Contribution. At the First Contribution, Controlled1 will become the principal owner of the goodwill and significant assets of Business C and will continue to be the principal owner following the Second Distribution.

(x) Apart from the Continuing Transactions, Distributing2 will continue the active conduct of Business A, independently and with its separate employees, following the Second Distribution.

(y) Apart from the Continuing Transactions, Controlled1 will continue the active conduct of Business C, independently and with its separate employees, following the Second Distribution.

(z) The Second Distribution will be carried out to facilitate the Third Distribution, which will be carried out to (i) enhance the value of the Distributing3 stock, which will in turn enhance Distributing3's equity incentive compensation plans and make the Distributing3 stock more attractive as acquisition currency, and (ii) improve management fit and focus for Business A and Business B, both now conducted within the Distributing3 Group. The Second Distribution is motivated in whole or substantial part by this corporate business purpose.

(aa) The Second Distribution will not be used principally as a device for the distribution of the earnings and profits of Distributing2 or Controlled1 or both.

(bb) The total adjusted basis and fair market value of the assets transferred to Controlled1 in the First Contribution will equal or exceed the sum of (i) the total liabilities assumed (as determined under § 357(d)) by Controlled1 and (ii) the total amount of any money and the fair market value of any other property (within the meaning of § 361(b)) received by Distributing2 and transferred to its creditors in connection with the

reorganization. It is not expected that Controlled1 will assume liabilities or distribute property in connection with the First Contribution and Second Distribution.

(cc) Any liabilities assumed (as determined under § 357(d)) by Controlled1 in the First Contribution were incurred in the ordinary course of business and are associated with the assets transferred.

(dd) The total fair market value of the assets transferred to Controlled1 in the First Contribution will exceed the sum of (i) the amount of any liabilities assumed (as determined under § 357(d)) by Controlled1 in connection with the exchange, (ii) the amount of any liabilities owed to Controlled1 by Distributing2 that are discharged or extinguished in connection with the exchange, and (iii) the amount of any cash and the fair market value of any other property (other than stock and securities permitted to be received under § 361(a) without the recognition of gain) received by Distributing2 in connection with the exchange. The fair market value of the assets of Controlled1 will exceed the amount of its liabilities immediately after the exchange.

(ee) No intercorporate debt will exist between Distributing2 (or any entity controlled directly or indirectly by Distributing2) and Controlled1 (or any entity controlled directly or indirectly by Controlled1) at the time of, or after, the Second Distribution, other than intercompany loans or other obligations that have arisen, or will arise, between the parties in the ordinary course of business or as a result of the Continuing Transactions.

(ff) Payments made in connection with the transactions covered by the On-Going Transaction Agreements between Distributing2 (or any entity controlled directly or indirectly by Distributing2) and Controlled1 (or any entity controlled directly or indirectly by Controlled1) will be for fair market value based on terms and conditions arrived at by the parties bargaining at arm's length.

(gg) Immediately before the Second 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 the publication of T.D. 8597, 1995-2 C.B. 147, and as currently in effect; § 1.1502-13 as published by T.D. 8597). Further, any excess loss account that Distributing2 has in the Controlled1 stock will be included in income immediately before the Second Distribution to the extent required by regulations (see § 1.1502-19). At the time of the Second Distribution, Distributing2 will not have an excess loss account in the stock of Controlled1.

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

(ii) For purposes of § 355(d), immediately after the Second Distribution, no person (determined after applying § 355(d)(7)) will hold stock possessing 50 percent or more of the total combined voting power of all classes of Distributing2 stock entitled to vote, or 50 percent or more of the total value of shares of all classes of Distributing2 stock, that was acquired by purchase (as defined in § 355(d)(5) and (8)) during the five-year period (determined after applying § 355(d)(6)) ending on the date of the Second Distribution.

(jj) For purposes of § 355(d), immediately after the Second Distribution, no person (determined after applying § 355(d)(7)) will hold stock possessing 50 percent or more of the total combined voting power of all classes of Controlled1 stock entitled to vote, or 50 percent or more of the total value of shares of all classes of Controlled1 stock, that was either (i) acquired by purchase (as defined in § 355(d)(5) and (8)) during the five-year period (determined after applying § 355(d)(6)) ending on the date of the Second Distribution or (ii) attributable to distributions on Distributing2 stock or securities that were acquired by purchase (as defined in § 355(d)(5) and (8)) during the five-year period (determined after applying § 355(d)(6)) ending on the date of the Second Distribution.

(kk) The Second Distribution is not part of a plan or series of related transactions (within the meaning of § 1.355-7) pursuant to which one or more persons will acquire directly or indirectly stock representing a 50-percent or greater interest (within the meaning of § 355(d)(4)) in Distributing2 or Controlled1 (including any predecessor or successor of any such corporation).

(ll) Immediately after the transaction (as defined in § 355(g)(4)), either (i) no person will hold a 50-percent or greater interest (within the meaning of § 355(g)(3)) in Distributing2 or Controlled1, (ii) if any person holds a 50-percent or greater interest (within the meaning of § 355(g)(3)) in any disqualified investment corporation (within the meaning of § 355(g)(2)), such person will have held such interest in such corporation immediately before the transaction, or (iii) neither Distributing2 nor Controlled1 will be a disqualified investment corporation (within the meaning of § 355(g)(2)).

The following representations are made with respect to the Second Contribution Third Distribution:

(mm) Other than the Controlled2 Securities to be held by Distributing3 before their transfer to the Debt Holders in the Debt Exchange, any indebtedness owed by Controlled2 (or any entity controlled directly or indirectly by Controlled2) to Distributing3 (or any entity controlled directly or indirectly by Distributing3) after the Third Distribution will not constitute stock or securities.

(nn) No part of the consideration distributed by Distributing3 will be received by a Distributing3 shareholder as a creditor, employee, or in any capacity other than that of a shareholder of Distributing3.

(oo) No part of the consideration distributed by Distributing3 will be received by any Distributing3 security holder as an employee or in any capacity other than that of a security holder of Distributing3.

(pp) The five years of financial information submitted on behalf of Business A conducted by Distributing2 (a member of the Distributing3 separate affiliated group ("SAG" as defined in § 355(b)(3)(B))) and Business C conducted by Controlled1 (a member of the Controlled2 SAG) is representative of the present operations of each business, and there have been no substantial operational changes in either business since the date of the last financial statements submitted. Distributing2 is, and immediately after the Third Distribution will be, affiliated with Distributing3 in a manner that satisfies § 1504(a), without regard to § 1504(b). Following the Second Contribution, and immediately after the Third Distribution, Controlled1 will be affiliated with Controlled2 in a manner that satisfies § 1504(a), without regard to § 1504(b).

(qq) Neither Business A conducted by Distributing2 nor control of an entity conducting this business was acquired during the five-year period ending on the date of the Third Distribution in a transaction in which gain or loss was recognized (or treated as recognized) in whole or in part. Throughout the five-year period ending on the date of the Third Distribution, Distributing2 has been the principal owner of the goodwill and significant assets of Business A and will continue to be the owner following the Third Distribution.

(rr) Neither Business C conducted by Distributing2 nor control of an entity conducting this business was acquired during the five-year period ending on the date of the Third Distribution in a transaction in which gain or loss was recognized (or treated as recognized) in whole or in part. Distributing2 has been the principal owner of the goodwill and significant assets of Business C throughout the five-year period ending on the date of the First Contribution. At the First Contribution, Controlled1 will become the principal owner of the goodwill and significant assets of Business C and will continue to be the principal owner following the Third Distribution.

(ss) Apart from the Continuing Transactions, Distributing2 will continue the active conduct of Business A, independently and with its separate employees, following the Third Distribution.

(tt) Apart from the Continuing Transactions, Controlled2 (through Controlled1) will continue the active conduct of Business C, independently and with its separate employees, following the Third Distribution.

(uu) The Third Distribution will be carried out to (i) enhance the value of the Distributing3 stock, which will in turn enhance Distributing3's equity incentive compensation plans and make the Distributing3 stock more attractive as acquisition currency, and (ii) improve management fit and focus for Business A and Business B, both now conducted within the Distributing3 Group. The Third Distribution is motivated in whole or substantial part by these corporate business purposes.

(vv) The Third Distribution will not be used principally as a device for the distribution of the earnings and profits of Distributing3 or Controlled2 or both.

(ww) The total adjusted basis and fair market value of the assets transferred to Controlled2 in the Second Contribution will equal or exceed the sum of (i) the total liabilities assumed (as determined under § 357(d)) by Controlled2 and (ii) the total amount of any money and the fair market value of any other property (within the meaning of § 361(b)) received by Distributing3 and transferred to its creditors in connection with the reorganization.

(xx) Any liabilities assumed (as determined under § 357(d)) by Controlled2 in the Second Contribution will have been incurred in the ordinary course of business and will be associated with the assets transferred.

(yy) The total fair market value of the assets transferred to Controlled2 in the Second Contribution will exceed the sum of (i) the amount of any liabilities assumed (as determined under § 357(d)) by Controlled2 in connection with the exchange, (ii) the amount of any liabilities owed to Controlled2 by Distributing3 that are discharged or extinguished in connection with the exchange, and (iii) the amount of any cash and the fair market value of any other property (other than stock and securities permitted to be received under § 361(a) without the recognition of gain) received by Distributing3 in connection with the exchange. The fair market value of the assets of Controlled2 will exceed the amount of its liabilities immediately after the exchange.

(zz) No intercorporate debt will exist between Distributing3 (or any entity controlled directly or indirectly by Distributing3) and Controlled2 (or any entity controlled directly or indirectly by Controlled2) at the time of, or after, the Third Distribution, except for (i) the Controlled2 Securities issued to Distributing3 in the Second Contribution (which will be transferred to the Debt Holders in the Debt Exchange), (ii) the Controlled2 Term Loan A Debt issued to Distributing3 in the Second Contribution (which will be transferred to the Debt Holders in the Debt Exchange), and (iii) intercompany loans or other obligations that have arisen, or will arise, between the parties in the ordinary course of business or as a result of the Continuing Transactions.

(aaa) Payments made in connection with the transactions covered by the On-Going Transaction Agreements between Distributing3 (or any entity controlled directly or indirectly by Distributing3) and Controlled2 (or any entity controlled directly or

indirectly by Controlled2) will be for fair market value based on terms and conditions arrived at by the parties bargaining at arm's length.

(bbb) Immediately before the Third Distribution, but taking into account ruling (22), items of income, gain, loss, deduction, and credit will be taken into account as required by the applicable intercompany transaction regulations (see §§ 1.1502-13 and 1.1502-14 as in effect before the publication of T.D. 8597, 1995-2 C.B. 147, and as currently in effect; § 1.1502-13 as published by T.D. 8597). Further, any excess loss account that Distributing3 has in the Controlled2 stock (or that a member of the Distributing3 Group may have in the stock of a member of the Controlled2 Group that is required to be taken into account by § 1.1502-19) will be included in income immediately before the Third Distribution to the extent required by regulations (see § 1.1502-19). At the time of the Third Distribution, Distributing3 will not have an excess loss account in the stock of Controlled2, and no member of the Distributing3 Group will have an excess loss account in any member of the Controlled2 Group.

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

(ddd) For purposes of § 355(d), immediately after the Third Distribution, no person (determined after applying § 355(d)(7)) will hold stock possessing 50 percent or more of the total combined voting power of all classes of Distributing3 stock entitled to vote, or 50 percent or more of the total value of shares of all classes of Distributing3 stock, that was acquired by purchase (as defined in § 355(d)(5) and (8)) during the five-year period (determined after applying § 355(d)(6)) ending on the date of the Third Distribution.

(eee) For purposes of § 355(d), immediately after the Third Distribution, no person (determined after applying § 355(d)(7)) will hold stock possessing 50 percent or more of the total combined voting power of all classes of Controlled2 stock entitled to vote, or 50 percent or more of the total value of shares of all classes of Controlled2 stock, that was either (i) acquired by purchase (as defined in § 355(d)(5) and (8)) during the five-year period (determined after applying § 355(d)(6)) ending on the date of the Third Distribution or (ii) attributable to distributions on Distributing3 stock or securities that were acquired by purchase (as defined in § 355(d)(5) and (8)) during the five-year period (determined after applying § 355(d)(6)) ending on the date of the Third Distribution.

(fff) The Third Distribution is not part of a plan or series of related transactions (within the meaning of § 1.355-7) pursuant to which one or more persons will acquire directly or indirectly stock representing a 50-percent or greater interest (within the meaning of § 355(d)(4)) in Distributing3 or Controlled2 (including any predecessor or successor of any such corporation).

(ggg) Immediately after the transaction (as defined in § 355(g)(4)), either (i) no person will hold a 50-percent or greater interest (within the meaning of § 355(g)(3)) in Distributing3 or Controlled2, (ii) if any person holds a 50-percent or greater interest (within the meaning of § 355(g)(3)) in any disqualified investment corporation (within the meaning of § 355(g)(2)), such person will have held such interest in such corporation immediately before the transaction, or (iii) neither Distributing3 nor Controlled2 will be a disqualified investment corporation (within the meaning of § 355(g)(2)).

(hhh) The Controlled2 Securities issued to Distributing3 in the Second Contribution will qualify as “securities” within the meaning of § 361(a).

(iii) The receipt by Distributing3 shareholders of cash in lieu of fractional shares of Controlled2 stock resulting from the open market sale of the fractional shares has been arranged solely for the purpose of avoiding the expense and inconvenience to Distributing3 of issuing fractional shares and does not represent separately bargained-for consideration. It is intended that the total cash consideration to be received by the shareholders of Distributing3 on account of the open market sale of their fractional shares will not exceed one percent of the total consideration that will be distributed in the Third Distribution. It is also intended that no Distributing3 shareholder will receive cash in an amount equal to or greater than the value of one full share of Controlled2 common stock. Controlled2 is not aware of any overall plan (within the meaning of § 355(e)) to acquire an ownership interest in Controlled2 through the purchase of the bundled Controlled2 shares sold in connection with the issuance of cash in lieu of fractional shares.

(jjj) The sum of the Term Loan A Debt and the Term Loan B Debt exchanged for Controlled2 Term Loan A Debt and Controlled2 Securities in the Debt Exchange will not exceed the weighted quarterly average of the Distributing3 debt owed to third parties for the 12-month period ending on the close of business on or about Date3, the last full business day before the date on which Distributing3’s Board of Directors initially discussed the potential separation of Business B.

Rulings

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

(1) No gain or loss will be recognized by Distributing1 on the First Distribution (§ 355(c)(1)).

(2) No gain or loss will be recognized by Distributing3 on the First Distribution (§ 355(a)(1)).

(3) The aggregate basis of the Distributing1 stock and the Distributing2 stock in the hands of Distributing3 immediately after the First Distribution will equal the aggregate basis of the Distributing1 stock held by Distributing3 immediately before the First Distribution, allocated between the stock of Distributing1 and Distributing2 in proportion to the fair market value of each immediately following the First Distribution in accordance with § 1.358-2(a) (§ 358(b)(2) and (c)).

(4) The holding period of the Distributing2 stock received by Distributing3 in the First Distribution will include the holding period of the Distributing1 stock on which the First Distribution is made, provided the Distributing1 stock was held as a capital asset on the date of the First Distribution (§ 1223(1)).

(5) Earnings and profits, if any, will be allocated between Distributing1 and Distributing2 in accordance with § 312(h) and §§ 1.312-10(b) and 1.1502-33.

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

(6) The First Contribution, followed by the Second Distribution, will qualify as a reorganization within the meaning of § 368(a)(1)(D). Distributing2 and Controlled1 will each be “a party to the reorganization” under § 368(b).

(7) No gain or loss will be recognized by Distributing2 on the First Contribution (§§ 361(a) and 357(a)).

(8) No gain or loss will be recognized by Controlled1 on the First Contribution (§ 1032(a)).

(9) The basis of each asset received by Controlled1 in the First Contribution will equal the basis of that asset in the hands of Distributing2 immediately before the First Contribution (§ 362(b)).

(10) The holding period of each asset received by Controlled1 in the First Contribution will include the period during which Distributing2 held in that asset (§ 1223(2)).

(11) No gain or loss will be recognized by Distributing2 on the Second Distribution (§ 361(c)(1)).

(12) No gain or loss will be recognized by Distributing3 on the Second Distribution (§ 355(a)(1)).

(13) The aggregate basis of the Distributing2 stock and the Controlled1 stock in the hands of Distributing3 immediately after the Second Distribution will equal the

aggregate basis of the Distributing2 stock held by Distributing3 immediately before the Second Distribution, allocated between the stock of Distributing2 and Controlled1 in proportion to the fair market value of each immediately following the Second Distribution in accordance with § 1.358-2(a) (§ 358(b)(2) and (c)).

(14) The holding period of the Controlled1 stock received by Distributing3 in the Second Distribution will include the holding period of the Distributing2 stock on which the Second Distribution is made, provided the Distributing2 stock was held as a capital asset on the date of the Second Distribution (§ 1223(1)).

(15) Earnings and profits, if any, will be allocated between Distributing2 and Controlled1 in accordance with § 312(h) and §§ 1.312-10(a) and 1.1502-33.

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

(16) The Second Contribution, followed by the Third Distribution, will qualify as a reorganization within the meaning of § 368(a)(1)(D). Distributing3 and Controlled2 will each be “a party to the reorganization” under § 368(b).

(17) No gain or loss will be recognized by Distributing3 on the Second Contribution (§§ 361(a) and 357(a)).

(18) No gain or loss will be recognized by Controlled2 on the Second Contribution (§ 1032(a)).

(19) The basis of each asset received by Controlled2 in the Second Contribution will equal the basis of that asset in the hands of Distributing3 immediately before the Second Contribution (§ 362(b)).

(20) The holding period of each asset received by Controlled2 in the Second Contribution will include the period during which Distributing3 held in that asset (§ 1223(2)).

(21) No gain or loss will be recognized by Distributing3 on the distribution of the Controlled2 Stock, the Controlled2 Securities, and the Controlled2 Term Loan A Debt in the Third Distribution (§ 361(c)(1), (2), and (3)).

(22) Provided that all of the Controlled 2 Term Loan A Debt and the Controlled 2 Securities are transferred to the Debt Holders in the Debt Exchange, as described in step (x) above, then under the intercompany transaction regulations, no income, gain, loss, or deduction will be recognized by Distributing 3 with respect to the Controlled 2 Term Loan A Debt, the Controlled 2 Securities, and the Debt Exchange, other than any (i) amount of income, gain, loss, or deduction that offsets the Controlled 2

corresponding amount of income, gain, loss, or deduction upon the deemed satisfaction of the Controlled 2 Term Loan A Debt and the Controlled 2 Securities, (ii) deductions attributable to the fact that the Term Loan A or the Term Loan B Debt may be redeemed at a premium, (iii) income attributable to the fact that the Term Loan A or the Term Loan B Debt may be redeemed at a discount, (iv) interest expense accrued with respect to the Term Loan A or the Term Loan B Debt, or (v) income, gain, loss, or deduction realized on the transfer of the Controlled 2 Term Loan A Debt or the Controlled 2 Securities in the Debt Exchange attributable to appreciation or depreciation in the Controlled 2 Term Loan A Debt or the Controlled 2 Securities after the time they are acquired and prior to their disposition by Distributing 3.

(23) No gain or loss will be recognized by any shareholder of Distributing3 on the Third Distribution (§ 355(a)(1)).

(24) The aggregate basis of the Distributing3 stock and the Controlled2 stock in the hands of each shareholder of Distributing3 (including any fractional share interest in Controlled2 to which the shareholder may be entitled) immediately after the Third Distribution will equal the aggregate basis of the Distributing3 stock held by the shareholder immediately before the Third Distribution, allocated between the stock of Distributing3 and Controlled2 in proportion to the fair market value of each immediately following the Third Distribution in accordance with § 1.358-2(a) (§ 358(b)(2) and (c)).

(25) The holding period of the Controlled2 Stock received by each shareholder of Distributing3 in the Third Distribution (including any fractional share interest in Controlled2 to which the shareholder may be entitled) will include the holding period of the Distributing3 stock on which the Third Distribution is made, provided the Distributing3 stock was held as a capital asset on the date of the Third Distribution (§ 1223(1)).

(26) Earnings and profits, if any, will be allocated between Distributing3 and Controlled2 in accordance with § 312(h) and §§ 1.312-10(a) and 1.1502-33. The receipt by Distributing3 shareholders of cash in lieu of fractional shares of Controlled2 common stock will be treated for federal income tax purposes as if the fractional shares had been distributed to the Distributing3 shareholders as part of the Third Distribution and then had been disposed of by such shareholders for the amount of such cash in a sale or exchange. The gain (or loss), if any (determined using the basis allocated to the fractional shares in ruling (24) and the holding period given the fractional shares in ruling (25)), will be treated as a capital gain (or loss), provided the stock was held as a capital asset by the selling shareholder (§ 1001).

(27) Following the Third Distribution, Controlled2 will not be a successor of Distributing3 for purposes of § 1504(a)(3). Therefore, Controlled2 and its direct and indirect subsidiaries that are “includible corporations” under § 1504(b) and satisfy the ownership requirements of § 1504(a)(2) will be members of an affiliated group of

corporations entitled to file a consolidated federal income tax return with Controlled2 as the common parent.

(28) Payments made between Distributing3 (and its affiliates) and Controlled2 (and its affiliates) under the Separation Agreements regarding liabilities, indemnities, or other obligations that (i) have arisen or will arise for a taxable period ending on or before the Third Distribution or for a taxable period beginning before and ending after the Third Distribution, and (ii) will not become fixed and ascertainable until after the Third Distribution, will be treated as occurring immediately before the Third Distribution. (See *Arrowsmith v. Commissioner*, 344 U.S. 6, 73 (1952) (tax character of later transaction will derive from earlier, related transaction); Rev. Rul. 83-73, 1983-1 C.B. 84).

Caveats

No opinion is expressed about the tax treatment of the proposed transaction described above under other provisions of the Code and regulations or the tax treatment of any condition existing at the time of, or effects resulting from, the proposed transaction that is not specifically covered by the above rulings. In particular, no opinion is expressed regarding: (i) whether the proposed transaction satisfies the business purpose requirement of § 1.355-2(b); (ii) whether the proposed transaction is used principally as a device for the distribution of the earnings and profits of the distributing corporation or the controlled corporation or both (see § 355(a)(1)(B) and § 1.355-2(d)); (iii) whether the proposed transaction is part of a plan (or series of related transactions) pursuant to which one or more persons will acquire directly or indirectly stock representing a 50-percent or greater interest in the distributing corporation or the controlled corporation (see § 355(e)(2)(A)(ii) and § 1.355-7); (iv) whether the Sub1 Contribution qualifies as a nonrecognition transaction under § 351; or (v) the federal income tax consequences of any transactions under the Transitional Agreements

Procedural Matters

This ruling is directed only to the taxpayers who requested it. Section 6110(k)(3) provides that it may not be used or cited as precedent. A copy of this letter must be attached to any income tax return to which it is relevant. Alternatively, taxpayers filing their returns electronically may satisfy this requirement by attaching a statement to their return that provides the date and control number of this letter ruling

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

Sincerely,

Richard K. Passales

Richard K. Passales
Senior Counsel, Branch 4
Office of Associate Chief Counsel
(Corporate)