

## Internal Revenue Service

Department of the Treasury  
Washington, DC 20224

Number: **201308002**

Release Date: 2/22/2013

Index Number: 332.00-00, 332.01-00, 368.04-  
00, 355.01-00

Third Party Communication: None

Date of Communication: Not Applicable

Person To Contact:

, ID No.

Telephone Number:

Refer Reply To:

CC:CORP:B01

PLR-110687-12

Date:

October 25, 2012

### LEGEND:

Distributing     =  
Parent

Distributing 1   =

Distributing 2   =

Distributing 3   =

Distributing 4   =

Distributing 5   =

Distributing 6   =

Distributing 7   =

Distributing 8 =

Distributing 9 =

Distributing  
10 =

Distributing  
11 =

Distributing  
12 =

Distributing  
13 =

Distributing  
14 =

Distributing  
15 =

Distributing  
16 =

Distributing  
17 =

Distributing  
18 =

Distributing  
19 =

Distributing  
20 =

Distributing  
21 =

Distributing  
22 =

Distributing  
23 =

Distributing     =  
24

Distributing     =  
25

Controlled       =  
Parent

Controlled 1     =

Controlled 2     =

Controlled 3     =

Controlled 4     =

Controlled 5     =

Controlled 6     =

Controlled 7     =

Controlled 8     =

Controlled 9     =

Controlled 10    =

Controlled 11    =

Controlled 12    =

Controlled 13    =

PLR-110687-12

4

Controlled 14 =

Controlled 15 =

Controlled 16 =

Controlled 17 =

Controlled 18 =

Controlled 19 =

Controlled 20 =

Controlled 21 =

Controlled 22 =

Controlled 23 =

Sub 1 =

Sub 2 =

Sub 3 =

Sub 4 =

Sub 5 =

Sub 6 =

Sub 7 =

Sub 8 =

Sub 9 =

Sub 10 =

Sub 11 =

Sub 12 =

Sub 13 =

Sub 14 =

Sub 15 =

Sub 16 =

Sub 17 =

Sub 18 =

Sub 19 =

Sub 20 =

Sub 21 =

LLC 1 =

LLC 2 =

LLC 3 =

LLC 4 =

LLC 5 =

LLC 6 =

LLC 7 =

LLC 8 =

LLC 9 =

LLC 10 =

LLC 11 =

LLC 12 =

LLC 13 =

FSUB 1 =

FSUB 2 =

FSUB 3 =

FSUB 4 =

FSUB 5 =

FSUB 6 =

FSUB 7 =

FSUB 8 =

FSUB 9 =

FSUB 10 =

FSUB 11 =

FSUB 12 =

FSUB 13 =

FSUB 14 =

FSUB 15 =

FSUB 16 =

FSUB 17 =

FSUB 18 =

FSUB 19 =

FSUB 20 =

FSUB 21 =

FSUB 22 =

FSUB 23 =



FSUB 24 =

FSUB 25 =

FSUB 26 =

FSUB 27 =

FSUB 28 =

FSUB 29 =

FSUB 30 =

FSUB 31 =

FSUB 32 =

FSUB 33 =

FSUB 34 =

FSUB 35 =

FSUB 36 =

FSUB 37 =

FSUB 38 =

FSUB 39 =

FSUB 40 =

Corporation  
X =

Business A =

Business B =

Business C =

Business D =

Other  
Businesses =

Segment 1 =

Segment 2 =

Drug  
Compound A =

Drug B =

Drug C =

Drug B  
Agreement =

Global  
Restructuring =

Investment  
Bank =

Stockholder  
1 =

a =

b =

c =

d =

e =

f =

g =

h =

i =

j =

k =

l =

m =

n =

o =

p =

q =

r =

s =

t =

u =

v =

w =

x =

y =

z =

aa =

bb =

cc =

Building =

Year 1 =

Year 2 =

Year 3 =

Year 4 =

Year 5 =

Year 6 =

Year 7 =

State X =

State Y =

State Z =  
Country A =  
Country 1 =  
Country 2 =  
Country 3 =  
Country 4 =  
Country 5 =  
Country 6 =  
Country 7 =  
Country 8 =  
Country 9 =  
Country 10 =  
Country 11 =  
Country 12 =  
Country 13 =  
Country 14 =  
Country 15 =  
Country 16 =  
Country 17 =  
Country 18 =  
Country 19 =  
Country 20 =  
Country 21 =  
Country 22 =  
Date 1 =

Date 2 =

Date 3 =

Date 4 =

Dear :

This letter responds to your March 8, 2012, letter requesting rulings on certain federal income tax consequences of the Proposed Transactions (defined below). The material information provided in that letter and in subsequent correspondence is summarized below.

The rulings contained in this letter are based upon information and representations submitted by the taxpayer and are accompanied by a penalty of perjury statement executed by an appropriate party. While this office has not verified any of the material submitted in support of the request for rulings, it is subject to verification on examination. Moreover, this office has not reviewed any information pertaining to, and has made no determination regarding, whether any distribution occurring as part of the Proposed Transactions and for which qualification under section 355 of the Internal Revenue Code (the "Code") is sought will (i) satisfy the business purpose requirement of Treas. Reg. § 1.355-2(b), (ii) be used principally as a device for the distribution of the earnings and profits of the distributing corporation or the controlled corporation or both (see section 355(a)(1)(B) and Treas. Reg. § 1.355-2(d)), or (iii) be 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 section 355(e) and Treas. Reg. § 1.355-7).

### **SUMMARY OF FACTS**

Distributing Parent is the common parent of a group of domestic and foreign corporations, the includible affiliates of which join in filing a consolidated federal income tax return (the "Distributing Parent Group"). The Distributing Parent Group engages in Business A, Business B, Business C and Business D. Distributing Parent has outstanding one class of common stock, which is widely held and publicly traded ("Distributing Parent Common Stock"). Based on public filings with the Securities and Exchange Commission, Distributing Parent believes that only one stockholder, Stockholder 1, which owns c percent of Distributing Parent Common Stock, owns more than 5 percent of its stock. Stockholder 1 and the other stockholders of Distributing Parent Common Stock are referred to as the "Distributing Parent Stockholders." Certain employees of Distributing Parent hold Distributing Parent Common Stock subject to vesting issued to them in connection with the performance of services (the "Distributing Parent Restricted Stock"). For purposes of this letter, the term "Restricted Stock" means stock granted to employees subject to vesting.

Prior to the Proposed Transactions (defined below), Distributing Parent wholly owned Sub 1, engaged in Business A and Other Businesses; Sub 2, engaged in Business A and Other Businesses; Sub 19, engaged in Business A and Other Businesses; LLC 1, which has elected to be treated as an entity disregarded from its owner for federal income tax purposes (each such entity a "disregarded entity") and engaged in Business A and Other Businesses; Sub 3, engaged in Business A; Sub 4, engaged in Business A and Other Businesses; Sub 5, engaged in Business A and Other Businesses; Sub 6, engaged in Business A and Other Businesses; LLC 3, treated as a disregarded entity and engaged in Business A and Other Businesses; Sub 7, engaged in Business A; Sub 8, engaged in Business A; Sub 9, engaged in Business A and Other Businesses; and Sub 10, a holding company. Distributing Parent also wholly owns other entities that are solely engaged in Other Businesses.

Sub 10 wholly owns Sub 11, a holding company engaged in Other Businesses. Sub 11 wholly owns Sub 12, a holding company. Sub 12 wholly owns Sub 13, a holding company. Sub 13 wholly owns Sub 14, a holding company, Distributing 13, a holding company engaged in Business A and Other Businesses, and Distributing 22, engaged in Business A and Other Businesses. Sub 14 wholly owns Sub 15, engaged in Business A and Other Businesses. Sub 15 wholly owns LLC 4 a disregarded entity engaged in Business A and Other Businesses.

Distributing 13 wholly owns FSUB 1, a disregarded entity, Distributing 2, engaged in Business A and Other Businesses, and g percent of Distributing 12, engaged in Business A and Other Businesses. FSUB 1 owns h percent of Distributing 12. Distributing 12 wholly owns FSUB 2. FSUB 2 wholly owns Distributing 11, engaged in Business A and Other Businesses and Distributing 10, engaged in Business A and Other Businesses. FSUB 2 holds all of the convertible preferred equity certificates ("CPECs") issued by Distributing 11 and Distributing 10. Distributing 2 wholly owns Distributing 1, engaged in Business A and Other Businesses.

Distributing 11 wholly owns Distributing 23, engaged in Business A and Other Businesses; Distributing 3, engaged in Business A and Other Businesses; LLC 12, a disregarded entity; Distributing 9, engaged in Business A and Other Businesses; Distributing 14, engaged in Business A and Other Businesses; Distributing 15, engaged in Business A and Other Businesses; Distributing 16, engaged in Business A and Other Businesses; Distributing 17, engaged in Business A and Other Businesses; Distributing 18, engaged in Business A and Other Businesses; and Distributing 19, engaged in Business A and Other Businesses.

Distributing 11 owns i percent of the stock of Distributing 5, engaged in Business A and Other Businesses and Distributing 13 owns j percent of the stock of Distributing 5. Distributing 5 wholly owns FSUB 3, a disregarded entity and k percent of Distributing 4, engaged in Business A and Other Businesses. FSUB 3 owns l percent of Distributing 4.

Sub 12 owns m percent of Distributing 7, engaged in Business A and Other Businesses, and LLC 12 owns n percent of Distributing 7.

Distributing 10 wholly owns FSUB 4, a disregarded entity. FSUB 4 wholly owns Distributing 21, engaged in Business A and Other Businesses, and g percent of Distributing 24, engaged in Business A and Other Businesses and which has elected to be treated as an association for federal income tax purposes. Sub 16 owns p percent of Distributing 24.

Distributing 21, engaged in Business A and Other Businesses, wholly owns FSUB 5, a disregarded entity, FSUB 6, FSUB 7 and FSUB 15. Distributing 21 also owns g percent of Distributing 25, engaged in Business A and Other Businesses. FSUB 5 wholly owns FSUB 8, which has elected to be treated as a disregarded entity, h percent of FSUB 9, a disregarded entity and r percent of Distributing 25. FSUB 8 owns g percent of FSUB 9. FSUB 9 wholly owns Distributing 6, engaged in Business A and Other Businesses. Distributing 6 wholly owns FSUB 10, a disregarded entity.

Distributing 25, engaged in Business A and Other Businesses, wholly owns all the voting power of FSUB 11, a disregarded entity. FSUB 11 wholly owns FSUB 12, a disregarded entity. FSUB 12 wholly owns Distributing 20, engaged in Business A and Other Businesses, and FSUB 13.

Distributing 24, engaged in Business A and Other Businesses, wholly owns FSUB 14, a disregarded entity. FSUB 14 wholly owns Distributing 8, engaged in Business A and Other Businesses.

Sub 9, engaged in Business A and Other Businesses, wholly owns FSUB 18, a disregarded entity. FSUB 18 wholly owns FSUB 20, a disregarded entity. FSUB 18 owns g percent of the stock of FSUB 22, and FSUB 20 owns p percent of the stock of FSUB 22, a disregarded entity. FSUB 22 owns s percent of the stock of FSUB 23.

The Distributing Parent Group engaged in the Global Restructuring and certain other transactions. In Year 5, Distributing 13 distributed \$e in cash to Sub 13 ("Global Restructuring Distribution 1"). In Year 6, Distributing distributed \$f in cash to Sub 13 ("Global Restructuring Distribution 2"). These amounts were distributed successively by Sub 13, Sub 12, Sub 11 and Sub 10 to its shareholder (the "Foreign Distributions"). The distributions were not made in connection with, and are independent of, the proposed separation of Segment 1 and would have been made regardless of whether the separation occurs. The funds were used by Distributing Parent in its operations.

Distributing Parent has incurred significant research and experimental expenditures within the meaning of section 174 (the "R&D Expenses") with respect to development projects undertaken for all of its product segments. Most of these expenses in any year are related to the development of Business A products and significantly less to the Other Business product segments combined. Distributing Parent elected to capitalize \$d of its R&D Expenses under section 59(e) for Year 4, an unamortized portion of which remained outstanding at the end of Year 6 but not for any other year. The amount of such expenses for any year for which an election had been, or will be, made under section 59(e) by Distributing Parent to the extent related to Segment 1, is, for each such year, a "Section 59(e) Amount".



Sub 11 has a value of at least \$a and the value of its assets that will be transferred in the Proposed Transactions to Sub 21 will have a value of less than \$b.

On Date 1, Distributing Parent and certain subsidiaries purchased Business A from Corporation X, an unrelated party. One of the assets indirectly acquired in the purchase of Business A was Drug Compound A. Following a series of restructurings in Year 1, Drug Compound A was owned through disregarded entities by Sub 9.

On Date 2, the rights and assets related to Drug Compound A were sold by FSUB 30 and FSUB 31, each a disregarded entity, to FSUB 32 and FSUB 33 at a total price of \$bb (the "Drug Compound A Sale"). The successor of FSUB 30 and FSUB 31 is FSUB 22, also a disregarded entity wholly-owned by Sub 9. The successor of FSUB 32 is FSUB 33. Beginning with the tax year, Year 2, Distributing Parent has taken into account as gross income an adjustment asserted by the Commissioner pursuant to section 482 arising from the Drug Compound A Sale.

LLC 3 transferred on Date 3, the Drug B Agreement to Distributing 21 in a transaction that qualified for tax-free treatment under section 351 (the "Agreement Transfer"). The Drug B Agreement, among other things, provides that Distributing Parent would be supplied Drug B and Drug C in bulk and also grants Distributing Parent certain rights to manufacture Drug B. Through subsequent transactions, the Drug B Agreement has been acquired by FSUB 34 a wholly-owned indirect subsidiary of Distributing 21. Beginning with the tax year, Year 3, Distributing Parent has taken into account as gross income an adjustment asserted by the Commissioner pursuant to section 367(d) arising from the Agreement Transfer.

Through a series of transactions, including the Proposed Transactions, Distributing Parent Group will split Business A so that, following the Proposed Transactions, Controlled Parent and its subsidiaries (the "Controlled Parent Group") will engage in Segment 1 and the Distributing Parent Group will engage in Segment 2 (and Other Businesses). Business A will be relied on to satisfy the active trade or business requirement of section 355(b) for the distributions in the Proposed Transactions seeking qualification under section 355, except where otherwise indicated. Financial information has been received indicating that Segment 1 and Segment 2 of Business A have had gross receipts and operating expenses representative of the active conduct of a trade or business for each of the past five years. The Distributing Parent Group will continue to actively conduct Segment 2 and the Other Businesses following the External Distribution. The Controlled Parent Group will continue to actively conduct Segment 1 following the External Distribution.

Distributing Parent has determined that Segment 1 and Segment 2 (and the Other Businesses) represent operations having differing financial, operating, regulatory, and risk characteristics. Segment 1 is based and relies on significant research and development for its products and on developed markets for the sale of its products, which are highly regulated. In particular, Segment 1 products have different approval and life cycles and face substantial regulatory hurdles. In contrast, Segment 2 (and the

Other Businesses) products require only a limited amount of research and development and their sales growth is primarily in emerging and less regulated markets. The Segment 1 business model involves substantially more risk than Segment 2 or the Other Businesses and requires significant funding for research and development to maintain a product line. The risk associated with Segment 1 products has had an adverse affect on the value of the company overshadowing the performance of Segment 2 (and the Other Businesses). These differences have resulted in certain operational inefficiencies and the performance and success of each group would be enhanced if Segment 1 and Segment 2 (and Other Businesses) were separated.

The Proposed Transactions are designed to separate Segment 1 and Segment 2 (and Other Businesses) from one another and: (i) to enable the management team of these businesses to focus on the relevant business and its requirements and performance without the distraction of one or more businesses operating under a different business model; (ii) to enhance and align the equity-based incentive programs of Distributing Parent and Controlled Parent with performance related solely to its business or businesses; (iii) to provide Distributing Parent and Controlled Parent with a more attractive equity currency for acquisitions; and (iv) to achieve other corporate purposes attributable to a higher aggregate equity value for Distributing Parent and Controlled Parent than for Distributing Parent if the External Distribution did not occur (collectively, the "Corporate Business Purposes").

### **THE PROPOSED TRANSACTIONS**

For what are represented to be valid business reasons, Distributing Parent proposes to engage in numerous transactions to separate and transfer Segment 1 to the Controlled Parent Group. As relevant here, the Distributing Parent Group will undertake and has partially completed the following series of transactions (the "Proposed Transactions"):

#### **The U.S. Restructuring**

- (i) Sub 10 converted into LLC 5 ("the Sub 10 Conversion"), Sub 11 converted into LLC 6 ("the Sub 11 Conversion"), Sub 12 merged with and into LLC 2 ("the Sub 12 Conversion"), and then Sub 13 converted into LLC 7 ("the Sub 13 Conversion").
- (ii) LLC 5 distributed the shares of LLC 6 to Distributing Parent.
- (iii) LLC 6 distributed the shares of LLC 2 to Distributing Parent.
- (iv) LLC 6 converted to Sub 21 (the "LLC 6 Conversion").
- (v) Distributing Parent formed Controlled Parent.
- (vi) Sub 1 formed LLC 8 and contributed its Segment 1 to it.
- (vii) Sub 1 distributed LLC 8 to Distributing Parent, which then transferred LLC 8 to Controlled Parent.
- (viii) Sub 2 formed Sub 17 and contributed its Segment 1 to it.

- (ix) Sub 2 distributed Sub 17 to Distributing Parent.
- (x) Sub 19 formed Sub 18 and contributed its Segment 1 to it.
- (xi) Sub 19 distributed Sub 18 to Distributing Parent.
- (xii) LLC 1 formed LLC 9 and contributed its Other Business assets to it.
- (xiii) LLC 1 distributed LLC 9 to Distributing Parent.
- (xiv) Sub 3 distributed Building to Distributing Parent.
- (xv) Sub 20 distributed its Other Business trademarks to Sub 4.
- (xvi) Sub 4 distributed the Other Business trademarks, received from Sub 20, to Distributing Parent.
- (xvii) LLC 11 distributed its Other Business trademarks and patents to Sub 5.
- (xviii) Sub 5 distributed Other Business trademarks and patents, received from LLC 11, and a third party license agreement, to Distributing Parent.
- (xix) LLC 2 distributed its Segment 1 assets to Distributing Parent.
- (xx) Sub 6 distributed its Segment 1 assets to Distributing Parent.
- (xxi) LLC 3 distributed its Segment 1 assets to Distributing Parent.
- (xxii) Distributing Parent contributed its Segment 1 assets; shares of Sub 5, shares of Sub 7; shares of Sub 4; shares of Sub 3; shares of Sub 8; shares of Sub 2; shares of Sub 18; and membership interests in LLC 1 to Controlled Parent in exchange for shares of Controlled Parent.
- (xxiii) Sub 14 liquidated pursuant to State X law ("Liquidation 1").
- (xxiv) Sub 15 converted into LLC 10, a disregarded entity (the "Sub 15 Conversion").
- (xxv) LLC 4 transferred its Other Business trademarks and patents to Distributing Parent for no consideration.
- (xxvi) LLC 10 transferred its Other Business trademarks and third party license agreements to Distributing Parent for no consideration.

### **The Foreign Restructuring**

#### **The Country 1 and Country 2 Restructuring**

- (xxvii) FSUB 10 transferred, by way of distribution or sale, its non-Country 1 situated assets to Distributing 6.
- (xxviii) FSUB 10 transferred its management and control from Country 2 to Country 1.

- (xxix) Controlled 6 was formed with one share held by an unrelated party (the "Other Share").
- (xxx) FSUB 10 transfers its Segment 1 to Controlled 6 in exchange for the issuance of shares to Distributing 6, which also purchased the Other Share ("Controlled 6 Contribution").
- (xxxii) Distributing 6 distributes the shares of Controlled 6 to FSUB 9, a disregarded entity, ("Reorganization 6"), which distributes this stock to FSUB 8 and FSUB 5, both disregarded entities, pro rata. FSUB 8 distributes its interest in Controlled 6 to FSUB 5.
- (xxxiii) FSUB 5 formed FSUB 27, a disregarded entity. FSUB 5 contributed the assets of its Other Businesses, the shares of FSUB 8 and all of its interest in FSUB 9 to FSUB 27.
- (xxxiv) FSUB 5 distributed all of the interests of FSUB 27 to Distributing 21.

### **The Country 3 Restructuring**

- (xxxv) Distributing 20 formed Controlled 20.
- (xxxvi) Distributing 20 contributed its Segment 1 to Controlled 20 in exchange for Class A shares, having t percent of the par value and Class B shares having u percent of the par value (collectively the "Controlled 20 Shares") (the "Controlled 20 Contribution").
- (xxxvii) Distributing 20 distributed the Controlled 20 Shares to FSUB 12, a disregarded entity, which in turn distributed these shares to FSUB 11, a disregarded entity, FSUB 11 distributed the Controlled 20 Shares to Distributing 25 ("Reorganization 20").
- (xxxviii) Distributing 25 distributed the Controlled 20 Shares to its shareholders, Distributing 21 and FSUB 5, a disregarded entity, on a pro rata basis ("Distribution 1").
- (xxxix) Distributing 21 formed FSUB 28 and FSUB 29, both of which elected to be disregarded entities.
- (xl) Distributing 21 contributed the Class A shares of Controlled 20 to FSUB 28 and the Class B shares of Controlled 20 to FSUB 29.
- (xli) Distributing 21 contributed the shares of FSUB 29 to FSUB 28.
- (xlii) Distributing 21 contributed the shares of FSUB 6 to Distributing 25. Distributing 25 contributed the shares of FSUB 6 to FSUB 11, a disregarded entity.

### **The Country 4 Restructuring**

- (xlii) Distributing 21 formed Controlled 21 and contributed its Segment 2 assets and Other Businesses consisting of all of the stock of FSUB 27, a disregarded entity, FSUB 7 and 74.14% of its interest in Distributing 25 (the "Controlled 21 Contribution").
- (xliii) Distributing 21 distributed the shares of Controlled 21 to FSUB 4, a disregarded entity ("Reorganization 21").

### **The Country 5 Restructuring**

- (xliv) Distributing 8 transferred its Segment 1 assets to Controlled 8, which issued its shares to FSUB 14, a disregarded entity. FSUB 14 is owned by Distributing 24.
- (xlv) FSUB 14 sold the shares of Controlled 8 to Distributing 10 for cash.
- (xlvi) FSUB 14 distributed the cash to Distributing 24, which distributed the cash to FSUB 4, a disregarded entity, and FSUB 4 distributed the cash to Distributing 10 (Steps (xlv) and (xlvi) together, "Distribution 2").
- (xlvii) FSUB 4 formed FSUB 17. FSUB 17 elected to be a disregarded entity.
- (xlviii) FSUB 4 contributed the shares of its subsidiaries that held Segment 1 business assets to FSUB 17 in exchange for shares of FSUB 17.
- (xlix) FSUB 4 distributed the shares of FSUB 17 to Distributing 10.
- (l) Distributing 10 contributed its Segment 1 assets, including the shares of FSUB 17, to Controlled 10 (the "Controlled 10 Contribution") in exchange for shares of Controlled 10.
- (li) Distributing 10 distributed the shares of Controlled 10 to FSUB 2, a disregarded entity.

### **The Country 6, Country 7, Country 8, Country 9, Country 10, Country 11, Country 12, Country 13, Country 14, Country 15, Country 16, Country 17 Restructuring**

- (lii) FSUB 2, a disregarded entity, forms Controlled 11.
- (liii) Distributing 4 transfers its Segment 1 assets to Controlled 4, owned pro-rata by Distributing 4's shareholders, Distributing 5 and FSUB 3, a disregarded entity.
- (liv) Distributing 5 transfers its Segment 1 assets and its interest in Controlled 4 to Controlled 5, owned pro rata by Distributing 5's shareholders, Distributing 11 and Distributing 13.
- (lv) FSUB 3, a disregarded entity sells its interest in Controlled 4 to Controlled 11.

- (lvi) LLC 12 redomesticates into Country 8 forming FSUB 24 and a check-the-box election is made to treat it as a disregarded entity.
- (lvii) Distributing 7 transfers its Segment 1 assets to Controlled 7 which issues its shares to FSUB 24 and LLC 2.
- (lviii) Distributing 11 distributes a portion of the shares of FSUB 24 equal to the value of Controlled 7 to FSUB 2, a disregarded entity.
- (lix) FSUB 2 contributes the shares of FSUB 24 to Controlled 11.
- (lx) FSUB 24 liquidates, distributing its shares of Controlled 7 to Controlled 11 and its shares of Distributing 7 to Distributing 11.
- (lxi) Distributing 19 forms Controlled 19 and transfers its Segment 1 assets to Controlled 19 in exchange for shares of Controlled 19 (the "Controlled 19 Contribution").
- (lxii) Distributing 19 distributes the shares of Controlled 19 to Distributing 11 ("Reorganization 19").
- (lxiii) Distributing 14 forms Controlled 14 and contributes its Segment 1 assets to it in exchange for shares of Controlled 14 (the "Controlled 14 Contribution").
- (lxiv) Distributing 14 distributes the shares of Controlled 14 to Distributing 11 ("Reorganization 14").
- (lxv) Distributing 15 transfers its Segment 1 assets to Controlled 15. Controlled 15 issues its shares to Distributing 15's shareholder, Distributing 11, which had formed Controlled 15.
- (lxvi) Distributing 16 transfers its Segment 1 to Controlled 16. Controlled 16 issues its shares to Distributing 16's shareholder, Distributing 11, which had acquired Controlled 16, a shelf company.
- (lxvii) Distributing 17 transfers its Segment 1 assets to Controlled 17, a shelf company that had been acquired by Distributing 11.
- (lxviii) Distributing 18 transfers its Segment 1 assets to Controlled 18 which issues shares to Distributing 11 which had formed Controlled 18.
- (lix) Distributing 9 transfers its Segment 1 assets to Controlled 9, which issues shares to Distributing 11, which had formed Controlled 9.
- (lxx) Distributing 23 transfers its Segment 1 assets to Controlled 23, which issues shares to Distributing 11, which had acquired the shares of Controlled 23, a shelf company.

- (lxxi) Distributing 11 distributes the shares of Distributing 3 to its shareholder, FSUB 2, a disregarded entity, and FSUB 2 distributes the shares of Distributing 3 to Distributing 12 ("Distribution 3").
- (lxxii) Distributing 11 transfers its Segment 1 assets, including shares of subsidiaries, to Controlled 11, which issues shares to FSUB 2, a disregarded entity.

### **The Country 18 Restructuring**

- (lxxiii) FSUB 2, a disregarded entity, forms FSUB 25 and transfers its Segment 1 assets and its shares of Controlled 11 to FSUB 25, which will elect to be a disregarded entity effective on the date it is formed. FSUB 2 distributes the shares of FSUB 25 to Distributing 12.
- (lxxiv) FSUB 2 distributes the shares of Controlled 10 to Distributing 12 ("Reorganization 10").
- (lxxv) Distributing 12 distributes the shares of Controlled 10 to its shareholders, Distributing 13 and FSUB 1, a disregarded entity, pro rata. FSUB 1 distributes the shares of Controlled 10 to Distributing 13 ("Distribution 4").
- (lxxvi) Distributing 12 distributes the shares of Distributing 3 to its shareholders, Distributing 13 and FSUB 1, a disregarded entity, pro rata and FSUB 1 distributes the shares that it received to Distributing 13 ("Distribution 5").
- (lxxvii) Distributing 12 and Distributing 13 form Controlled 12. A check-the-box election will be made to treat Controlled 12 as a corporation for federal income tax purposes effective on the date Controlled 12 is formed.
- (lxxviii) Distributing 12 transfers its Segment 1 assets and its shares of FSUB 25 to Controlled 12 ("Controlled 12 Contribution"). Distributing 12 distributes the shares of Controlled 12 to its shareholders, Distributing 13 and FSUB1, pro rata.
- (lxxix) FSUB 1, a disregarded entity, forms FSUB 26, which elects to be a disregarded entity.
- (lxxx) FSUB 1 contributes its interest in Controlled 12 to FSUB 26.
- (lxxxi) FSUB 1 distributes FSUB 26 to Distributing 13 ("Reorganization 12").

### **The Country 19 Foreign Restructuring**

- (lxxxii) Distributing 2 forms Controlled 1.
- (lxxxiii) Distributing 1, owned by Distributing 2, transfers its Segment 1 assets to Controlled 1.
- (lxxxiv) Distributing 2 sells the shares of Distributing 1 to Controlled 2, which will be formed by Distributing 13, for a receivable ("Receivable 1").

- (lxxxv) Distributing 2 will distribute Receivable 1 to Distributing 13. Distributing 13 will contribute Receivable 1 to Controlled 2, extinguishing Receivable 1.

### **The Country 17 and 20 Restructuring**

- (lxxxvi) Distributing 13 forms Controlled 13.
- (lxxxvii) Distributing 13 contributes (a) its interest in Controlled 12, (b) all of the shares of FSUB 26 and (c) its interest in other subsidiaries conducting Segment 1 to Controlled 13 (the "Controlled 13 Contribution").
- (lxxxviii) Distributing 13 distributes all of the shares of Controlled 13 and other foreign subsidiaries to LLC 7 ("Reorganization 13").
- (lxxxix) Distributing 13 distributes the shares of Controlled 10 to LLC 7 ("Distribution 6").
- (xc) Distributing 13 distributes the shares of Distributing 3 to LLC 7.
- (xci) Distributing 3 exchanges all of its issued and outstanding common and preferred shares for one class of preferred shares ("PS1") with fair market value ("FMV") equal to the FMV of its Segment 1 business and newly issued common shares with a FMV equal to the FMV of the remaining business.
- (xcii) Controlled Parent forms FSUB 16.
- (xciii) Distributing Parent, Controlled Parent and FSUB 16 enter into a share exchange agreement providing for the following transactions:
  - a. FSUB 16 agrees to pay the purchase price for PS1 by issuing its shares to Controlled Parent having a FMV equal to the FMV of PS1 that would be transferred by Distributing Parent in (b);
  - b. Distributing Parent agrees to pay the purchase price for the shares of Controlled Parent described in (c) by transferring to FSUB 16 PS1 having a FMV equal to the FMV of the Controlled Parent shares.
  - c. Controlled Parent agrees to pay the purchase price for the shares of FSUB 16 by issuing shares to Distributing Parent having a FMV equal to the FMV of the shares of FSUB 16 issued by FSUB 16 in (a).
- (xciv) Distributing 3 forms a new company under Country 17 law ("Controlled 3") and contributes its Segment 1 assets to it.
- (xcv) Distributing 3 transfers the shares of Controlled 3 to FSUB 16 in exchange for preferred shares of FSUB 16.
- (xcvi) FSUB 16 redeems its preferred shares in exchange for a note ("Note 1").



- (xcvii) Distributing 3 redeems its PS1 shares held by FSUB 16 in exchange for a note ("Note 2"). Note 1 and Note 2 are offset against each other.

### **LLC 7 Restructuring**

- (xcviii) LLC 7 distributes the shares of Distributing 3 to LLC 2. LLC 2 distributes the shares of Distributing 3 to Distributing Parent ("Distribution 7").
- (xcix) LLC 7 transfers the shares of Controlled 10 to Controlled Parent.
- (c) LLC 7 transfers LLC 10 to Controlled Parent for no consideration.
- (ci) LLC 7 transfers shares received from Distributing 13 in Step lxxxv to Controlled Parent for no consideration.

### **The Country 21 Restructuring**

- (cii) Distributing 22 forms Controlled 22. Controlled 22 will form a branch in Country A (the "Country A Branch"). The Country A Branch of Distributing 22 will transfer its Segment 1 assets to the Country A Branch of Controlled 22 (the "Controlled 22 Contribution").
- (ciii) Distributing 22 distributes the shares of Controlled 22 to LLC 7 (the "Reorganization 22").
- (civ) LLC 7 contributes the shares of Distributing 22 to Distributing 13. Distributing 13 contributes the shares of Distributing 22 to Distributing 12 and FSUB 1 pro rata. FSUB 1 contributes Distributing 22 to Distributing 12. Distributing 12 contributes the shares to FSUB 2, a disregarded entity. FSUB 2 contributes the shares of Distributing 22 to Distributing 11. Distributing 11 transfers the beneficial ownership of the Segment 1 activities remaining in Distributing 22 to Controlled 11.

### **The Country 22 Restructuring:**

- (cv) FSUB 18 forms FSUB 19 which will be elect to be a disregarded entity.
- (cvi) FSUB 18, FSUB 20 and FSUB 19 form FSUB 21. FSUB 18 and FSUB 20 are the limited partners of FSUB 21, holding participation in its capital of o percent and p percent, respectively, and FSUB 19 is the general partner without participation in the capital of FSUB 21.
- (cvii) FSUB 18 sells and transfers the shares in FSUB 19 to FSUB 21 so that FSUB 21 holds the shares in its general partner. FSUB 21 will elect to be a disregarded entity.
- (cviii) Sub 9 converts to LLC 13 ("the Sub 9 Conversion").
- (cix) FSUB 22 transfers its Segment 1 assets, including its interest in FSUB 23 but excluding Segment 1 real estate, to FSUB 21 in exchange for partnership interests issued to FSUB 18 and FSUB 20. The Segment 1

real estate will be sold in a separate transaction to a company formed under the laws of Country 22.

- (cx) FSUB 20 sells its interest in the capital of FSUB 21 to FSUB 18 at FMV. (After the sale and transfer of the partnership interest in FSUB 21 from FSUB 20 to FSUB 18, FSUB 18 will hold all of the participations in the capital of FSUB 21.)
- (cxi) FSUB 18 sells its interest in FSUB 21 to LLC 13 in exchange for a Euro-denominated note ("Note 3").
- (cxii) LLC 13 distributes its interest in FSUB 21 to Distributing Parent
- (cxiii) Distributing Parent contributes its interest in FSUB 21 to Controlled Parent.

Distributing Parent's contribution (through LLC 7) of Controlled 10 in Step (xcix), LLC 10 in Step (c), shares received from Distributing 13 in Step (ci), its Segment 1 assets, Sub 5, Sub 7, Sub 4, Sub 3, Sub 8, Sub 2, Sub 18, and LLC 1 in Step (xxii) to Controlled Parent in exchange for Controlled Parent stock, Controlled Securities (as described below), and the Special Distribution (as described below) is the "External Contribution". Following the External Contribution, Distributing Parent will distribute all of the Controlled Parent Common Stock (including Controlled Parent Restricted Stock) pro rata to the Distributing Parent Stockholders (and holders of Distributing Parent Restricted Stock) (i.e., the External Distribution).

From the signing of the Distribution Agreement until the closing of the Proposed Transactions, Distributing Parent will not declare or pay any dividend or other distribution in respect of its capital stock or otherwise make any payments to its shareholders other than dividends paid in the regular course.

In connection with the External Contribution, Controlled Parent may issue debt to Distributing Parent (the "Controlled Securities") with an aggregate principal amount expected to be \$aa.

Controlled Parent may borrow cash on its own account from unrelated financial institutions and investors (the "Controlled Parent Debt") in connection with the External Contribution in an approximate amount of \$y, as determined by Distributing Parent management based on recommendations from financial advisors. The Controlled Parent Debt will have varying maturity dates. Approximately \$w of the proceeds from the Controlled Parent Debt will be distributed to Distributing Parent (the "Special Distribution"). Distributing Parent will deposit the Special Distribution in a segregated account.

In connection with the External Distribution, Distributing Parent will use all of the proceeds of the Special Distribution as follows: (a) to make distributions to its shareholders, (b) to repurchase outstanding Distributing Parent common stock, and/or (c) to repay Distributing Parent debt owed to unrelated third parties

("Distributing Debt"), in each case possibly prior to, but in no event later than 12 months following the External Distribution and pursuant to the plan of reorganization.

Distributing Parent will exchange the Controlled Securities for Distributing Debt held by the Investment Bank (the "External Debt Exchange") prior to, or following, the External Distribution to retire debt that will not be retained by the Distributing Parent Group or assumed by the Controlled Parent Group in the External Contribution. To achieve this goal, Distributing Parent will transfer all of the Controlled Securities received by it in connection with the External Contribution to Investment Bank in exchange for Distributing Debt, which is expected to consist of commercial paper acquired by Investment Bank as principal for its own account (either in a direct issuance by Distributing Parent to Investment Banks of short-term debt ("Distributing Commercial Paper") for cash or by purchases in the secondary market) at least 14 days prior to the External Debt Exchange. Distributing Parent would use cash received for the Distributing Commercial Paper for general corporate purposes, including the payment of Distributing Debt. Distributing Parent expects to consummate the External Debt Exchange in accordance with an exchange agreement entered into by it and Investment Bank no sooner than 5 days after Investment Bank acquires the Distributing Debt, pursuant to which the parties will agree to exchange an amount of Distributing Debt to be determined by the parties bargaining at arm's-length for the Controlled Securities received by Distributing Parent and occurring no sooner than 14 days after Investment Bank acquires the Distributing Debt. Following the External Debt Exchange, Distributing Parent anticipates that Investment Bank will sell the Controlled Securities received in the External Debt Exchange to unrelated third parties with the cooperation of Controlled Parent.

No fractional shares of Controlled Common Stock will be issued in the External Distribution. Instead, all fractional shares of Controlled Common Stock that Distributing Parent Stockholders otherwise would be entitled to receive will be aggregated by a transfer agent and, as soon as practicable following the effective time of the External Distribution, will be sold at the prevailing price on the New York Stock Exchange. Any Distributing Parent Stockholder entitled to receive a fractional share of Controlled Common Stock will be entitled to receive a cash payment in an amount equal to the shareholder's proportionate interest in the net proceeds from the open market sale.

In connection with the External Distribution, Distributing Parent and Controlled Parent will enter into (i) a distribution agreement (the "Distribution Agreement"), (ii) a tax sharing agreement (the "Tax Sharing Agreement"), (iii) transition services agreements (the "Transition Services Agreements"), (iv) intellectual property transfer and license agreements (the "IP Agreements") covering, among other things, trademarks associated with certain brands that will be owned by the Distributing Parent Group following the External Distributions (the "Trademark IP Agreements"), (v) operating agreements regarding the operations of certain Segment 1 businesses outside the United States where legal title to the relevant assets cannot be

transferred to the Controlled Parent Group until after the External Distribution because of legal or contractual restrictions or other business reasons but for which the beneficial ownership will be transferred to the Controlled Parent Group prior to the External Distribution (the "Delayed Transfer Assets") (the "International Commercial Operations Agreements") (vi) an agreement relating to certain products that the Distributing Parent Group and the Controlled Parent Group will sell but in different territories, (vii) master lease and sublease agreements covering certain real estate, (viii) manufacturing and supply agreements regarding products that are manufactured by one party but that will be sold following the External Distribution by the other party, and (ix) certain other agreements required to effectuate the separation of Segment 1 to Controlled Parent (collectively with the other agreements, the "Separation Agreements").

The Distribution Agreement will contain general indemnification provisions related to the transfer of Segment 1 to Controlled Parent. The Tax Sharing Agreement will contain indemnification provisions relating to tax matters (including tax liabilities resulting from certain of the Proposed Transactions).

After the External Distribution, pursuant to (a) the Tax Sharing Agreement, (b) the indemnity provisions of the Distribution Agreement, (c) the Employee Matters Agreement and (d) other agreements, Distributing Parent may transfer to Controlled Parent and Controlled Parent may transfer to Distributing Parent, as the case may be, amounts attributable to the pre-closing period (collectively, (a) through (d) are referred to as the "Pre-Closing Payment Items"). Taking into account all transfers of cash from Distributing Parent to Controlled Parent or Controlled Parent to Distributing Parent arising out of or in connection with transactions related to the External Distribution but made after the External Distribution (including any payment for the Delayed Transfer Assets (if any) and for Pre-Closing Payment Items), if the total cash that Distributing Parent received from Controlled Parent for such items exceeds the total cash that Distributing Parent transferred to Controlled Parent pursuant to such items (the "Net Excess"), Distributing Parent will either (a) distribute the Net Excess to its shareholders, or (b) transfer the Net Excess to creditors of Distributing Parent. Distributing Parent will not transfer an amount of the Net Excess to its creditors that exceeds the basis of the assets (including cash) that Distributing Parent transferred to Controlled Parent in the External Contribution, reduced by the sum of the liabilities assumed (as determined under section 357(c)) by Controlled Parent in the External Contribution and the amount of the Special Distribution. Distributing Parent will reduce the Net Excess amount by any cash that it distributes to its shareholders or pays to its creditors.

After the External Distribution, Distributing Parent and Controlled Parent will operate as independent companies with separate boards of directors. Distributing Parent has x members on its board and Controlled Parent's board is expected to have at least y members. Initially, it is expected that z members of the Distributing Parent board that are not officers of either Distributing Parent or Controlled Parent will also serve on the Controlled Parent board, but the number of overlapping directors is

expected to decline, including through retirement and failure to seek re-election following the External Distribution. The overlapping members are being asked to serve on both boards to provide a sense of management and business continuity to reassure the financial markets and investors.

## **REPRESENTATIONS**

### **Distributing Parent has made the following representation with respect to the Global Restructuring:**

With respect to the Global Restructuring Distribution 1, Global Restructuring Distribution 2, and the Foreign Distributions, there were no regulatory, legal, contractual, or economic compulsion or requirement that Distributing or its subsidiaries make part or all of the distributions as a condition to the External Distribution.

### **Distributing Parent has made the following representations with respect to the Proposed Transaction:**

#### **The Sub 10 Conversion**

(1a) Distributing Parent and Sub 10 adopted a plan of conversion under State X law to convert Sub 10 into a limited liability company (the “Plan of Liquidation”), and the Sub 10 Conversion occurred pursuant to the Plan of Liquidation.

(1b) Distributing Parent, on the date of adoption of the Plan of Liquidation (the “Plan Date”), and at all times thereafter until the Sub 10 Conversion was completed, owned one hundred percent of the single outstanding class of Sub 10 stock and Sub 10 had no (and will have no) outstanding warrants, options, convertible securities, or other obligations that may be classified as equity for federal income tax purposes.

(1c) No shares of Sub 10 had been redeemed during the three years preceding the Plan Date, and any intercompany gain previously realized with respect to the stock of Sub 10 or with respect to an asset to which Sub 10 stock is a successor asset (within the meaning of Treas. Reg. §1.1502-13(j)(2)), and not previously taken into account, was taken into account immediately before the Sub 10 Conversion.

(1d) All distributions from Sub 10 to Distributing Parent pursuant to the Sub 10 Conversion were made within a single taxable year of Sub 10.

(1e) As soon as the Sub 10 Conversion occurred, Sub 10 ceased to be regarded as an entity separate from Distributing Parent for federal income tax purposes.

(1f) Effective as of the Sub 10 Conversion, all of the stock of Sub 10 was cancelled, and it ceased to exist as a corporation, for federal income tax purposes.

(1g) Sub 10 did not retain any assets following the Sub 10 Conversion.

(1h) Sub 10 did not acquire assets in any nontaxable transaction at any time, except for (i) acquisitions occurring more than three years prior to the Plan Date, (ii) the shares of FSUB 35, FSUB 36, FSUB 37, FSUB 38, FSUB 39 and Distributing 14, none of which were acquired in anticipation of or in connection with the Sub 10 Conversion, or (iii) in connection with the Proposed Transactions.

(1i) No assets of Sub 10 had been, or will have been, disposed of by either Sub 10 or Distributing Parent, except for dispositions in the ordinary course of business, dispositions occurring more than three years prior to the Plan Date, or dispositions in connection with the Proposed Transactions.

(1j) The Sub 10 Conversion was not 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 10, if persons holding, directly or indirectly, more than 20 percent in value of Sub 10 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 section 318(a) as modified by section 304(c)(3).

(1k) Following the Sub 10 Conversion, there is no plan or intention to undertake any action (e.g., an election to be treated as an association taxable as a corporation for federal income tax purposes under Treas. Reg. § 301.7701-3, etc.), and no other circumstances will exist (e.g., the existence of a second regarded owner of a member interest), that will prevent Sub 10 from being treated as disregarded from Distributing Parent for federal income tax purposes under Treas. Reg. §§ 301.7701-2 and 301.7701-3.

(1l) Prior to the Plan Date, no assets of Sub 10 had been distributed in kind, transferred, or sold to Distributing Parent, except for (i) transactions occurring in the normal course of business, (ii) Sub 10's distribution in the Proposed Transactions, and (iii) transactions occurring more than three years prior to the Plan Date.

(1m) Sub 10 will report all earned income represented by assets that will be deemed distributed to Distributing Parent, such as receivables being reported on a cash basis, unfinished construction contracts, commissions due, etc.

(1n) The fair market value of the assets of Sub 10 exceeded its liabilities, both at the Plan Date and immediately prior to the time the Sub 10 Conversion was effective.

(1o) Other than obligations arising in the ordinary course of business, there was no intercorporate debt existing between Distributing Parent and Sub 10 and none has been cancelled, forgiven, or discounted, except for transactions that occurred more than three years prior to the Plan Date.

(1p) Distributing Parent is not an organization that is exempt from federal income tax under section 501 or another provision of the Code.

(1q) All other transactions undertaken contemporaneously with, in anticipation of, in conjunction with, or in any way related to the Sub 10 Conversion have been fully disclosed.

(1r) No distribution will have been made with respect to the stock of Sub 10, other than ordinary, normal, regular dividend distributions made pursuant to the historic dividend paying practice of Sub 10 or the Foreign Distributions, either directly or through any transaction, agreement, or arrangement with any other person.

### **The Sub 11 Conversion**

(2a) Distributing Parent and Sub 11 adopted a plan of conversion under State X law to convert Sub 11 into a limited liability company (the “Plan of Liquidation”), and the Sub 11 Conversion occurred pursuant to the Plan of Liquidation.

(2b) Distributing Parent, on the date of adoption of the Plan of Liquidation (the “Plan Date”), and at all times thereafter until the Sub 11 Conversion was completed, owned 100 percent of the single outstanding class of Sub 11 stock and Sub 11 had no (and will have no) outstanding warrants, options, convertible securities, or other obligations that may be classified as equity for federal income tax purposes.

(2c) No shares of Sub 11 stock had been redeemed during the three years preceding the Plan Date, and any intercompany gain previously realized with respect to the stock of Sub 11 or with respect to an asset to which Sub 11 stock is a successor asset (within the meaning of Treas. Reg. §1.1502-13(j)(2)), and not previously taken into account, was taken into account immediately before the Sub 11 Conversion.

(2d) All distributions from Sub 11 to Distributing Parent pursuant to the Sub 11 Conversion were made within a single taxable year of Sub 11.

(2e) As soon as the Sub 11 Conversion occurred, Sub 11 ceased to be regarded as an entity separate from Distributing Parent for federal income tax purposes.

(2f) Effective as of the Sub 11 Conversion, all of the stock of Sub 11 was cancelled, and it ceased to exist as a corporation, for federal income tax purposes.

(2g) Sub 11 did not retain any assets following the Sub 11 Conversion.

(2h) Sub 11 did not acquire assets in any nontaxable transaction at any time, except for (i) acquisitions occurring more than three years prior to the Plan Date, (ii) the shares of FSUB 35, FSUB 36, FSUB 37, FSUB 38, FSUB 39 and Distributing 14, none of which was acquired in anticipation of or in connection with the Sub 11 Conversion, or (iii) in connection with the Proposed Transactions.

(2i) No assets of Sub 11 had been, or will have been, disposed of by Sub 11 or Distributing Parent, except for dispositions in the ordinary course of business, dispositions occurring more than three years prior to the Plan Date, or dispositions in connection with the Proposed Transactions.

(2j) The Sub 11 Conversion was not 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 11, if persons holding, directly or indirectly, more than 20 percent in value of Sub 11 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 section 318(a) as modified by section 304(c)(3).

(2k) Following the Sub 11 Conversion, other than the LLC 6 Conversion, there is no plan or intention to undertake any action (e.g., an election to be treated as an association taxable as a corporation for federal income tax purposes under Treas. Reg. § 301.7701-3, etc.), and no other circumstances will exist (e.g., the existence of a second regarded owner of a member interest), that will prevent Sub 11 from being treated as disregarded from the owner of its membership interests for federal income tax purposes under Treas. Reg. §§ 301.7701-2 and 301.7701-3.

(2l) Prior to the Plan Date, no assets of Sub 11 had been distributed in kind, transferred, or sold to Distributing Parent, except for (i) transactions occurring in the normal course of business, (ii) Sub 11's distribution in the Proposed Transactions, and (iii) transactions occurring more than three years prior to the Plan Date.

(2m) Sub 11 will report all earned income represented by assets that will be deemed distributed to Distributing Parent, such as receivables being reported on a cash basis, unfinished construction contracts, commissions due, etc.

(2n) The fair market value of the assets of Sub 11 exceeded its liabilities, both at the Plan Date and immediately prior to the time the Sub 11 Conversion was effective.

(2o) Other than obligations arising in the ordinary course of business, there was no intercorporate debt existing between Distributing Parent and Sub 11 and none has been cancelled, forgiven, or discounted, except for transactions that occurred more than three years prior to the Plan Date.

(2p) Distributing Parent is not an organization that is exempt from federal income tax under section 501 or another provision of the Code.

(2q) All other transactions undertaken contemporaneously with, in anticipation of, in conjunction with, or in any way related to the Sub 11 Conversion have been fully disclosed.

(2r) No distribution will have been made with respect to the stock of Sub 11, other than ordinary, normal, regular dividend distributions made pursuant to the historic dividend paying practice of Sub 11 or the Foreign Distributions, either directly or through any transaction, agreement, or arrangement with any other person.

### **The Sub 12 Conversion**

(3a) Distributing Parent and Sub 12 adopted a plan of conversion under State Y law to convert Sub 12 into a limited liability company (the "Plan of Liquidation"), and the Sub 12 Conversion occurred pursuant to the Plan of Liquidation.

(3b) Distributing Parent, on the date of adoption of the Plan of Liquidation (the "Plan Date"), and at all times thereafter until the Sub 12 Conversion was completed, owned 100 percent of the single outstanding class of Sub 12 stock and Sub 12 had no (and will



have no) outstanding warrants, options, convertible securities, or other obligations that may be classified as equity for federal income tax purposes.

(3c) No shares of Sub 12 stock had been redeemed during the three years preceding the Plan Date, and any intercompany gain previously realized with respect to the stock of Sub 12 or with respect to an asset to which Sub 12 stock is a successor asset (within the meaning of Treas. Reg. § 1.1502-13(j)(2)), and not previously taken into account, was taken into account immediately before the Sub 12 Conversion.

(3d) All distributions from Sub 12 to Distributing Parent pursuant to the Sub 12 Conversion were made within a single taxable year of Sub 12.

(3e) As soon as the Sub 12 Conversion occurred, Sub 12 ceased to be regarded as an entity separate from Distributing Parent for federal income tax purposes.

(3f) Effective as of the Sub 12 Conversion, all of the stock of Sub 12 was cancelled, and it ceased to exist as a corporation, for federal income tax purposes.

(3g) Sub 12 did not retain any assets following the Sub 12 Conversion.

(3h) Sub 12 did not acquire assets in any nontaxable transaction at any time, except for (i) acquisitions occurring more than three years prior to the Plan Date, (ii) the shares of FSUB 35, FSUB 36, FSUB 37, FSUB 38, FSUB 39, and Distributing 14, none of which was acquired in anticipation of or in connection with the Sub 12 Conversion, or (iii) in connection with the Proposed Transactions.

(3i) No assets of Sub 12 had been, or will have been, disposed of by either Sub 12 or Distributing Parent, except for dispositions in the ordinary course of business, dispositions occurring more than three years prior to the Plan Date, or dispositions in connection with the Proposed Transactions.

(3j) The Sub 12 Conversion was not 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 12, if persons holding, directly or indirectly, more than 20 percent in value of Sub 12 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 section 318(a) as modified by section 304(c)(3).

(3k) Following the Sub 12 Conversion, there is no plan or intention to undertake any action (e.g., an election to be treated as an association taxable as a corporation for federal income tax purposes under Treas. Reg. § 301.7701-3, etc.), and no other circumstances will exist (e.g., the existence of a second regarded owner of a member interest), that will prevent Sub 12 from being treated as disregarded from the owner of its membership interests for federal income tax purposes under Treas. Reg. §§ 301.7701-2 and 301.7701-3.

(3l) Prior to the Plan Date, no assets of Sub 12 had been distributed in kind, transferred, or sold to Distributing Parent, except for (i) transactions occurring in the normal course

of business, (ii) Sub 12's distribution in the Proposed Transactions, and (iii) transactions occurring more than three years prior to the Plan Date.

(3m) Sub 12 will report all earned income represented by assets that will be deemed distributed to Distributing Parent, such as receivables being reported on a cash basis, unfinished construction contracts, commissions due, etc.

(3n) The fair market value of the assets of Sub 12 exceeded its liabilities, both at the Plan Date and immediately prior to the time the Sub 12 Conversion was effective.

(3o) Other than obligations arising in the ordinary course of business, there was no intercorporate debt existing between Distributing Parent and Sub 12 and none has been cancelled, forgiven, or discounted, except for transactions that occurred more than three years prior to the Plan Date.

(3p) Distributing Parent is not an organization that is exempt from federal income tax under section 501 or another provision of the Code.

(3q) All other transactions undertaken contemporaneously with, in anticipation of, in conjunction with, or in any way related to the Sub 12 Conversion have been fully disclosed.

(3r) No distribution will have been made with respect to the stock of Sub 12, other than ordinary, normal, regular dividend distributions made pursuant to the historic dividend paying practice of Sub 12 or the Foreign Distributions, either directly or through any transaction, agreement, or arrangement with any other person.

### **The Sub 13 Conversion**

(4a) Distributing Parent and Sub 13 adopted a plan of conversion under State X law to convert Sub 13 into a limited liability company (the "Plan of Liquidation"), and the Sub 13 Conversion occurred pursuant to the Plan of Liquidation.

(4b) Distributing Parent, on the date of adoption of the Plan of Liquidation (the "Plan Date"), and at all times thereafter until the Sub 13 Conversion was completed, owned 100 percent of the single outstanding class of Sub 13 stock and Sub 13 had no (and will have no) outstanding warrants, options, convertible securities, or other obligations that may be classified as equity for federal income tax purposes.

(4c) No shares of Sub 13 stock had been redeemed during the three years preceding the Plan Date, and any intercompany gain previously realized with respect to the stock of Sub 13 or with respect to an asset to which Sub 13 stock is a successor asset (within the meaning of Treas. Reg. §1.1502-13(j)(2)), and not previously taken into account, was taken into account immediately before the Sub 13 Conversion.

(4d) All distributions from Sub 13 to Distributing Parent pursuant to the Sub 13 Conversion were made within a single taxable year of Sub 13.

(4e) As soon as the Sub 13 Conversion occurred, Sub 13 ceased to be regarded as an entity separate from Distributing Parent for federal income tax purposes.

(4f) Effective as of the Sub 13 Conversion, all of the stock of Sub 13 was cancelled, and it ceased to exist as a corporation, for federal income tax purposes.

(4g) Sub 13 did not retain any assets following the Sub 13 Conversion.

(4h) Sub 13 did not acquire assets in any nontaxable transaction at any time, except for (i) acquisitions occurring more than three years prior to the Plan Date, (ii) the shares of FSUB 35, FSUB 36, FSUB 37, FSUB 38, FSUB 39, and Distributing 14, none of which was acquired in anticipation with the Sub 13 Conversion, or (iii) in connection with the Proposed Transactions.

(4i) No assets of Sub 13 had been, or will have been, disposed of by either Sub 13 or Distributing Parent, except for dispositions in the ordinary course of business, dispositions occurring more than three years prior to the Plan Date, or dispositions in connection with the Proposed Transactions.

(4j) The Sub 13 Conversion was not 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 13, if persons holding, directly or indirectly, more than 20 percent in value of Sub 13 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 section 318(a) as modified by section 304(c)(3).

(4k) Following the Sub 13 Conversion, there is no plan or intention to undertake any action (e.g., an election to be treated as an association taxable as a corporation for federal income tax purposes under Treas. Reg. § 301.7701-3, etc.), and no other circumstances will exist (e.g., the existence of a second regarded owner of a member interest), that will prevent Sub 13 from being treated as disregarded from the owner of its membership interests for federal income tax purposes under Treas. Reg. §§ 301.7701-2 and 301.7701-3.

(4l) Prior to the Plan Date, no assets of Sub 13 had been distributed in kind, transferred, or sold to Distributing Parent, except for (i) transactions occurring in the normal course of business, (ii) Sub 13's distribution in the Proposed Transactions, and (iii) transactions occurring more than three years prior to the Plan Date.

(4m) Sub 13 will report all earned income represented by assets that will be deemed distributed to Distributing Parent, such as receivables being reported on a cash basis, unfinished construction contracts, commissions due, etc.

(4n) The fair market value of the assets of Sub 13 exceeded its liabilities, both at the Plan Date and immediately prior to the time the Sub 13 Conversion was effective.

(4o) Other than obligations arising in the ordinary course of business, there was no intercorporate debt existing between Distributing Parent and Sub 13 and none has been cancelled, forgiven, or discounted, except for transactions that occurred more than three years prior to the Plan Date.

(4p) Distributing Parent is not an organization that is exempt from federal income tax under section 501 or another provision of the Code.

(4q) All other transactions undertaken contemporaneously with, in anticipation of, in conjunction with, or in any way related to the Sub 13 Conversion have been fully disclosed.

### **The Sub 15 Conversion**

(5a) Distributing Parent and Sub 15 adopted a plan of conversion under State Z law to convert Sub 15 into a limited liability company (the “Plan of Liquidation”), and the Sub 15 Conversion occurred pursuant to the Plan of Liquidation.

(5b) Distributing Parent, on the date of adoption of the Plan of Liquidation (the “Plan Date”), and at all times thereafter until the Sub 15 Conversion was completed, owned 100 percent of the single outstanding class of Sub 15 stock and Sub 15 had no (and will have no) outstanding warrants, options, convertible securities, or other obligations that may be classified as equity for federal income tax purposes.

(5c) No shares of Sub 15 stock had been redeemed during the three years preceding the Plan Date, and any intercompany gain previously realized with respect to the stock of Sub 15 or with respect to an asset to which Sub 15 stock is a successor asset (within the meaning of Treas. Reg. §1.1502-13(j)(2)), and not previously taken into account, was taken into account immediately before the Sub 15 Conversion.

(5d) All distributions from Sub 15 to Distributing Parent pursuant to the Sub 15 Conversion were made within a single taxable year of Sub 15.

(5e) As soon as the Sub 15 Conversion occurred, Sub 15 ceased to be regarded as an entity separate from Distributing Parent for federal income tax purposes.

(5f) Effective as of the Sub 15 Conversion, all of the stock of Sub 15 was cancelled, and it ceased to exist as a corporation for federal income tax purposes.

(5g) Sub 15 did not retain any assets following the Sub 15 Conversion.

(5h) Sub 15 did not acquire assets in any nontaxable transaction at any time, except for (i) acquisitions occurring more than three years prior to the Plan Date or (ii) in connection with the Proposed Transactions.

(5i) No assets of Sub 15 had been, or will have been, disposed of by either Sub 15 or Distributing Parent, except for dispositions in the ordinary course of business, dispositions occurring more than three years prior to the Plan Date, or dispositions in connection with the Proposed Transactions.

(5j) The Sub 15 Conversion was not 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 15, if persons holding, directly or indirectly, more than 20 percent in value of the Sub 15 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 section 318(a) as modified by section 304(c)(3).

(5k) Following the Sub 15 Conversion, there is no plan or intention to undertake any action (e.g., an election to be treated as an association taxable as a corporation for federal income tax purposes under Treas. Reg. § 301.7701-3, etc.), and no other circumstances will exist (e.g., the existence of a second regarded owner of a member interest), that will prevent Sub 15 from being treated as disregarded from the owner of its membership interests for federal income tax purposes under Treas. Reg. §§ 301.7701-2 and 301.7701-3.

(5l) Prior to the Plan Date, no assets of Sub 15 had been distributed in kind, transferred, or sold to Distributing Parent, except for (i) transactions occurring in the normal course of business, (ii) Sub 15's distribution in the Proposed Transactions, and (iii) transactions occurring more than three years prior to the Plan Date.

(5m) Sub 15 will report all earned income represented by assets that will be deemed distributed to Distributing Parent, such as receivables being reported on a cash basis, unfinished construction contracts, commissions due, etc.

(5n) The fair market value of the assets of Sub 15 exceeded its liabilities, both at the Plan Date and immediately prior to the time the Sub 15 Conversion was effective.

(5o) Other than obligations arising in the ordinary course of business, there was no intercorporate debt existing between Distributing Parent and Sub 15 and none has been cancelled, forgiven, or discounted, except for transactions that occurred more than three years prior to the Plan Date.

(5p) Distributing Parent is not an organization that is exempt from federal income tax under section 501 or another provision of the Code.

(5q) All other transactions undertaken contemporaneously with, in anticipation of, in conjunction with, or in any way related to the Sub 15 Conversion have been fully disclosed.

### **The Sub 9 Conversion**

(6a) Distributing Parent and Sub 9 will adopt a plan of conversion under State X law to convert Sub 9 into a limited liability company (the "Plan of Liquidation"), and the Sub 9 Conversion occurred pursuant to the Plan of Liquidation.

(6b) Distributing Parent, on the date of adoption of the Plan of Liquidation (the "Plan Date"), and at all times thereafter until the Sub 9 Conversion was completed, owned 100 percent of the single outstanding class of Sub 9 stock and Sub 9 had no (and will have no) outstanding warrants, options, convertible securities, or other obligations that may be classified as equity for federal income tax purposes.

(6c) No shares of Sub 9 stock had been redeemed during the three years preceding the Plan Date, and any intercompany gain previously realized with respect to the stock

of Sub 9 or with respect to an asset to which Sub 9 stock is a successor asset (within the meaning of Treas. Reg. §1.1502-13(j)(2)), and not previously taken into account, was taken into account immediately before the Sub 9 Conversion.

(6d) All distributions from Sub 9 to Distributing Parent pursuant to the Sub 9 Conversion were made within a single taxable year of Sub 9.

(6e) As soon as the Sub 9 Conversion occurred, Sub 9 ceased to be regarded as an entity separate from Distributing Parent for federal income tax purposes.

(6f) Effective as of the Sub 9 Conversion, all of the stock of Sub 9 was cancelled, and it ceased to exist as a corporation, for federal income tax purposes.

(6g) Sub 9 did not retain any assets following the Sub 9 Conversion.

(6h) Sub 9 did not acquire assets in any nontaxable transaction at any time, except for (i) acquisitions occurring more than three years prior to the Plan Date or (ii) in connection with the Proposed Transactions.

(6i) No assets of Sub 9 had been, or will have been, disposed of by Sub 9 or Distributing Parent, except for dispositions in the ordinary course of business, dispositions occurring more than three years prior to the Plan Date, or dispositions in connection with the Proposed Transactions.

(6j) The Sub 9 Conversion was not 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 9, if persons holding, directly or indirectly, more than 20 percent in value of Sub 9 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 section 318(a) as modified by section 304(c)(3).

(6k) Following the Sub 9 Conversion, there is no plan or intention to undertake any action (e.g., an election to be treated as an association taxable as a corporation for federal income tax purposes under Treas. Reg. § 301.7701-3, etc.), and no other circumstances will exist (e.g., the existence of a second regarded owner of a member interest), that will prevent Sub 9 from being treated as disregarded from the owner of its membership interests for federal income tax purposes under Treas. Reg. §§ 301.7701-2 and 301.7701-3.

(6l) Prior to the Plan Date, no assets of Sub 9 had been distributed in kind, transferred, or sold to Distributing Parent, except for (i) transactions occurring in the normal course of business, (ii) Sub 9's distribution in the Proposed Transactions, and (iii) transactions occurring more than three years prior to the Plan Date.

(6m) Sub 9 will report all earned income represented by assets that will be deemed distributed to Distributing Parent, such as receivables being reported on a cash basis, unfinished construction contracts, commissions due, etc.

(6n) The fair market value of the assets of Sub 9 exceeded its liabilities, both at the Plan Date and immediately prior to the time the Sub 9 Conversion was effective.

(6o) Other than obligations arising in the ordinary course of business, there was no intercorporate debt existing between Distributing Parent and Sub 9 and none has been cancelled, forgiven, or discounted, except for transactions that occurred more than three years prior to the Plan Date.

(6p) Distributing Parent is not an organization that is exempt from federal income tax under section 501 or another provision of the Code.

(6q) All other transactions undertaken contemporaneously with, in anticipation of, in conjunction with, or in any way related to the Sub 9 Conversion have been fully disclosed.

### **Liquidation 1**

(7a) Sub 14 adopted a plan of liquidation (the “Plan of Liquidation”), and Liquidation 1 occurred pursuant to the Plan of Liquidation.

(7b) Distributing Parent, on the date of adoption of the Plan of Liquidation (the “Plan Date”), and at all times thereafter until Liquidation 1 was completed, owned 100 percent of the single outstanding class of Sub 14 stock and Sub 14 had no (and will have no) outstanding warrants, options, convertible securities, or obligations that may be classified as equity for federal income tax purposes.

(7c) No shares of Sub 14 stock had been redeemed during the three years preceding the Plan Date, and any intercompany gain previously realized with respect to the stock of Sub 14 or with respect to an asset to which Sub 14 stock is a successor asset (within the meaning of Treas. Reg. §1.1502-13(j)(2)), and not previously taken into account, was taken into account immediately before Liquidation 1.

(7d) All distributions from Sub 14 to Distributing Parent pursuant to Liquidation 1 were made within a single taxable year of Sub 14.

(7e) As soon as Liquidation 1 occurred, Sub 14 ceased to be regarded as an entity separate from Distributing Parent for federal income tax purposes.

(7f) Effective as of the Liquidation 1, all of the stock of Sub 14 was cancelled, and it ceased to exist as a corporation, for federal income tax purposes.

(7g) Sub 14 did not retain any assets following the Liquidation 1.

(7h) Sub 14 did not acquire assets in any nontaxable transaction at any time, except for (i) acquisitions occurring more than three years prior to the Plan Date or (ii) in connection with the Proposed Transactions.

(7i) No assets of Sub 14 had been, or will have been, disposed of by Sub 14 or Distributing Parent, except for dispositions in the ordinary course of business,

dispositions occurring more than three years prior to the Plan Date or dispositions in connection with the Proposed Transactions.

(7j) Liquidation 1 was not 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 14, if persons holding, directly or indirectly, more than 20 percent in value of Sub 14 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 section 318(a) as modified by section 304(c)(3).

(7k) Following Liquidation 1, there is no plan or intention to undertake any action (e.g., an election to be treated as an association taxable as a corporation for federal income tax purposes under Treas. Reg. § 301.7701-3, etc.), and no other circumstances will exist (e.g., the existence of a second regarded owner of a member interest), that will prevent Sub 14 from being treated as disregarded from the owner of its membership interests for federal income tax purposes under Treas. Reg. §§ 301.7701-2 and 301.7701-3.

(7l) Prior to the Plan Date, no assets of Sub 14 had been distributed in kind, transferred, or sold to Distributing Parent, except for (i) transactions occurring in the normal course of business, (ii) Sub 14's distribution in the Proposed Transactions, and (iii) transactions occurring more than three years prior to the Plan Date.

(7m) Sub 14 will report all earned income represented by assets that will be deemed distributed to Distributing Parent, such as receivables being reported on a cash basis, unfinished construction contracts, commissions due, etc.

(7n) The fair market value of the assets of Sub 14 exceeded its liabilities, both at the Plan Date and immediately prior to the time Liquidation 1 was effective.

(7o) Other than obligations arising in the ordinary course of business, there was no intercorporate debt existing between Distributing Parent and Sub 14 and none has been cancelled, forgiven, or discounted, except for transactions that occurred more than three years prior to the Plan Date.

(7p) Distributing Parent is not an organization that is exempt from federal income tax under section 501 or another provision of the Code.

(7q) All other transactions undertaken contemporaneously with, in anticipation of, in conjunction with, or in any way related to Liquidation 1 have been fully disclosed.

## **Distribution 1**

(8a) Any indebtedness owed by Controlled 20 to Distributing 25 after Distribution 1 will not constitute stock or securities.

(8b) No part of the consideration to be distributed by Distributing 25 in Distribution 1 will be received by any shareholder of Distributing 25 as a creditor, employee, or in any capacity other than that of a shareholder of Distributing 25.



(8c) In applying section 355(b)(2)(A) regarding the conduct of an active trade or business, Distributing 25 and Controlled 20 will treat all members of its respective SAG as one corporation.

(8d) The five years of financial information submitted on behalf of Segment 1 and Segment 2 of Business A, conducted by Distributing 25, is representative of the present operation of Segment 1 and Segment 2 of Business A and with regard to such business, there have been no substantial operational changes since the date of the last financial statements submitted.

(8e) The Distributing 25 SAG neither acquired Segment 1 or Segment 2 of Business A nor acquired control of an entity conducting Segment 1 or Segment 2 of Business A during the five-year period ending on the date of Distribution 1 in a transaction in which gain or loss was recognized (or treated as recognized) in whole or in part.

(8f) Following Distribution 1, the Distributing 25 SAG will continue the active conduct of Segment 2 of Business A and the Controlled 25 SAG will continue the active conduct of Segment 1 of Business A, independently and with their separate employees (except as provided pursuant to the Separation Agreements).

(8g) Distribution 1 will be carried out to facilitate the External Distribution and is motivated, in whole or substantial part, by one or more corporate business purposes.

(8h) Distribution 1 is not being used principally as a device for the distribution of the earnings and profits of Distributing 25 or Controlled 20 or both.

(8i) No intercorporate debt will exist between Distributing 25 (and its subsidiaries) and Controlled 20 (and its subsidiaries) at the time of, or after, Distribution 1, other than obligations arising in the ordinary course of business or obligations arising pursuant to intercompany agreements. Specifically, no indebtedness between Distributing 25 (and its subsidiaries) and Controlled 20 (and its subsidiaries) has been or will be settled or cancelled in connection with Distribution 1 other than the settlement of intercompany loans and intercompany open account balances attributable to the normal business operations of Distributing 25 and its subsidiaries and Controlled 20 and its subsidiaries prior to Distribution 1.

(8j) Payments made in connection with all continuing transactions, if any, between Distributing 25 (and its subsidiaries) and Controlled 20 (and its subsidiaries) will be for fair market value based on terms and conditions arrived at by the parties bargaining at arm's length, except for payments made in connection with the Separation Agreements.

(8k) No two parties to Distribution 1 are investment companies as defined in section 368(a)(2)(F)(iii) and (iv).

(8l) Distribution 1 is not part of a plan or series of related transactions (within the meaning of Treas. Reg. § 1.355-7) pursuant to which one or more persons will acquire, directly or indirectly, stock representing a 50% or greater interest (within the meaning of

section 355(d)(4)) in Distributing 25 or Controlled 20 (including any predecessor or successor of any such corporation).

(8m) Except for certain specified costs and expenses, Distributing 25 and Controlled 20 will each pay its own expenses incurred in connection with Distribution 1.

(8n) For purposes of section 355(d), immediately after Distribution 1, no person (determined after applying section 355(d)(7)) will hold stock possessing 50% or more of the total combined voting power of all classes of Distributing 25 stock entitled to vote, or 50% or more of the total value of shares of all classes of Distributing 25 stock, that was acquired by purchase (within the meaning of sections 355(d)(5) and (8)) during the five-year period (determined after applying section 355(d)(6)) ending on the date of Distribution 1.

(8o) For purposes of section 355(d), immediately after Distribution 1, no person (determined after applying section 355(d)(7)) will hold stock possessing 50% or more of the total combined voting power of all classes of Controlled 20 stock entitled to vote, or 50% or more of the total value of shares of all classes of Controlled 20 stock, that was either (i) acquired by purchase (within the meaning of sections 355(d)(5) and (8)) during the five-year period (determined after applying section 355(d)(6)) ending on the date of Distribution 1 or (ii) attributable to distributions on Distributing 25 stock or securities that were acquired by purchase (within the meaning of sections 355(d)(5) and (8)) during the five-year period (determined after applying section 355(d)(6)) ending on the date of Distribution 1.

(8p) Immediately following Distribution 1 (taking into account section 355(g)(4)), either (i) no person will hold a 50% or greater interest in any disqualified investment corporation (within the meaning of section 355(g)(2)) immediately after Distribution 1 who did not so hold, directly or indirectly, such interest immediately before the transaction or (ii) neither Distributing 25 nor Controlled 20 will be a disqualified investment corporation (within the meaning of section 355(g)(2)).

(8q) Distributing 25 is, and both Distributing 25 and Controlled 20 will be, a controlled foreign corporation, within the meaning of section 957(a), immediately before and after Distribution 1.

(8r) At all times before and immediately after Distribution 1, neither Distributing 25 nor Controlled 20 has been or will be a passive foreign investment company within the meaning of section 1297(a).

(8s) The notice requirements of Treas. Reg. § 1.367(b)-1(c) will be satisfied for Distribution 1.

(8t) Distributing 21 will either be a section 1248 shareholder, within the meaning of Treas. Reg. § 1.367(b)-2(b), or a foreign corporation with respect to which Distributing Parent is the section 1248 shareholder, with respect to each of Distributing 25 and Controlled 20 immediately before and after Distribution 1.

(8u) Controlled 20 will not hold any United States real property interests, as defined in section 897(c)(1), immediately before or after Distribution 1.

## **Distribution 2**

(9a) Any indebtedness owed by Controlled 8 to Distributing 24 after Distribution 2 will not constitute stock or securities.

(9b) No part of the consideration to be distributed by Distributing 24 in Distribution 2 will be received by any shareholder of Distributing 24 as a creditor, employee, or in any capacity other than that of a shareholder of Distributing 24.

(9c) In applying section 355(b)(2)(A) regarding the conduct of an active trade or business, Distributing 24 and Controlled 8 will treat all members of its respective SAG as one corporation.

(9d) The five years of financial information submitted on behalf of Segment 1 and Segment 2 of Business A, conducted by Distributing 24, is representative of the present operation of Segment 1 and Segment 2 of Business A and with regard to such business, there have been no substantial operational changes since the date of the last financial statements submitted.

(9e) The Distributing 24 SAG neither acquired Segment 1 or Segment 2 of Business A nor acquired control of an entity conducting Segment 1 or Segment 2 of Business A during the five-year period ending on the date of Distribution 2 in a transaction in which gain or loss was recognized (or treated as recognized) in whole or in part.

(9f) Following Distribution 2, the Distributing 24 SAG will continue the active conduct Segment 2 of Business A and the Controlled 8 SAG will continue the active conduct of Segment 1 of Business A, independently and with their separate employees (except as provided pursuant to the Separation Agreements).

(9g) Distribution 2 will be carried out to facilitate the External Distribution and is motivated, in whole or substantial part, by one or more corporate business purposes.

(9h) Distribution 2 is not being used principally as a device for the distribution of the earnings and profits of Distributing 24 or Controlled 8 or both.

(9i) No intercorporate debt will exist between Distributing 24 (and its subsidiaries) and Controlled 8 (and its subsidiaries) at the time of, or after, Distribution 2, other than obligations arising in the ordinary course of business or obligations arising pursuant to intercompany agreements. Specifically, no indebtedness between Distributing 24 (and its subsidiaries) and Controlled 8 (and its subsidiaries) has been or will be settled or cancelled in connection with Distribution 2 other than the settlement of intercompany loans and intercompany open account balances attributable to the normal business operations of Distributing 24 and its subsidiaries and Controlled 8 and its subsidiaries prior to Distribution 2.

(9j) Payments made in connection with all continuing transactions, if any, between Distributing 24 (and its subsidiaries) and Controlled 8 (and its subsidiaries) will be for fair market value based on terms and conditions arrived at by the parties bargaining at arm's length, except for payments made in connection with the Separation Agreements.

(9k) No two parties to Distribution 2 are investment companies as defined in section 368(a)(2)(F)(iii) and (iv).

(9l) Distribution 2 is not part of a plan or series of related transactions (within the meaning of Treas. Reg. § 1.355-7) pursuant to which one or more persons will acquire, directly or indirectly, stock representing a 50% or greater interest (within the meaning of section 355(d)(4)) in Distributing 24 or Controlled 8 (including any predecessor or successor of any such corporation).

(9m) Except for certain specified costs and expenses, Distributing 24 and Controlled 8 will each pay its own expenses incurred in connection with Distribution 2.

(9n) For purposes of section 355(d), immediately after Distribution 2, no person (determined after applying section 355(d)(7)) will hold stock possessing 50% or more of the total combined voting power of all classes of Distributing 24 stock entitled to vote, or 50% or more of the total value of shares of all classes of Distributing 24 stock, that was acquired by purchase (within the meaning of sections 355(d)(5) and (8)) during the five-year period (determined after applying section 355(d)(6)) ending on the date of Distribution 2.

(9o) For purposes of section 355(d), immediately after Distribution 2, no person (determined after applying section 355(d)(7)) will hold stock possessing 50% or more of the total combined voting power of all classes of Controlled 8 stock entitled to vote, or 50% or more of the total value of shares of all classes of Controlled 8 stock, that was either (i) acquired by purchase (within the meaning of sections 355(d)(5) and (8)) during the five-year period (determined after applying section 355(d)(6)) ending on the date of Distribution 2 or (ii) attributable to distributions on Distributing 24 stock or securities that were acquired by purchase (within the meaning of sections 355(d)(5) and (8)) during the five-year period (determined after applying section 355(d)(6)) ending on the date of Distribution 2.

(9p) Immediately following Distribution 2 (taking into account section 355(g)(4)), either (i) no person will hold a 50% or greater interest in any disqualified investment corporation (within the meaning of section 355(g)(2)) immediately after Distribution 2 who did not so hold, directly or indirectly, such interest immediately before the transaction or (ii) neither Distributing 24 nor Controlled 8 will be a disqualified investment corporation (within the meaning of section 355(g)(2)).

(9q) Distributing 24 is, and both Distributing 24 and Controlled 8 will be, a controlled foreign corporation, within the meaning of section 957(a), immediately before and after Distribution 2.

(9r) At all times before and immediately after Distribution 2, neither Distributing 24 nor Controlled 8 has been or will be a passive foreign investment company within the meaning of section 1297(a).

(9s) The notice requirements of Treas. Reg. § 1.367(b)-1(c) will be satisfied for Distribution 2.

(9t) Distributing 24's shareholders will either be section 1248 shareholders, within the meaning of Treas. Reg. § 1.367(b)-2(b), or foreign corporations with respect to which Distributing Parent is the section 1248 shareholder, with respect to each of Distributing 24 and Controlled 8 immediately before and after Distribution 2.

(9u) Controlled 8 will not hold any United States real property interests, as defined in section 897(c)(1), immediately before or after Distribution 2.

### **Distribution 3**

(10a) Any indebtedness owed by Distributing 3 (Controlled) to Distributing 11 after Distribution 3 will not constitute stock or securities.

(10b) No part of the consideration to be distributed by Distributing 11 in Distribution 3 will be received by any shareholder of Distributing 11 as a creditor, employee, or in any capacity other than that of a shareholder of Distributing 11.

(10c) In applying section 355(b)(2)(A) regarding the conduct of an active trade or business, Distributing 11 and Distributing 3 (Controlled) will treat all members of its respective SAG as one corporation.

(10d) The five years of financial information submitted on behalf of Segment 1 and Segment 2 of Business A, conducted by Distributing 11 and Distributing 3 (Controlled), is representative of the present operation of Segment 1 and Segment 2 of Business A and with regard to such business, there have been no substantial operational changes since the date of the last financial statements submitted.

(10e) The Distributing 11 SAG and the Distributing 3 (Controlled) SAG neither acquired Segment 1 or Segment 2 of Business A nor acquired control of an entity conducting Segment 1 or Segment 2 of Business A during the five-year period ending on the date of Distribution 3 in a transaction in which gain or loss was recognized (or treated as recognized) in whole or in part.

(10f) Following Distribution 3, the Distributing 11 SAG will continue the active conduct of Segment 2 of Business A and the Distributing 3 (Controlled) SAG will continue the active conduct of Segment 1 of Business A, independently and with their separate employees (except as provided pursuant to the Separation Agreements).

(10g) Distribution 3 will be carried out to facilitate the External Distribution and is motivated, in whole or substantial part, by one or more corporate business purposes.

(10h) Distribution 3 is not being used principally as a device for the distribution of the earnings and profits of Distributing 11 or Distributing 3 (Controlled) or both.

(10i) No intercorporate debt will exist between Distributing 11 (and its subsidiaries) and Distributing 3 (Controlled) and its subsidiaries at the time of, or after, Distribution 3, other than obligations arising in the ordinary course of business or obligations arising pursuant to intercompany agreements. Specifically, no indebtedness between Distributing 11 (and its subsidiaries) and Distributing 3 (Controlled) and its subsidiaries has been or will be settled or cancelled in connection with Distribution 3 other than the settlement of intercompany loans and intercompany open account balances attributable to the normal business operations of Distributing 11 and its subsidiaries and Distributing 3 (Controlled) and its subsidiaries prior to Distribution 3.

(10j) Payments made in connection with all continuing transactions, if any, between Distributing 11 (and its subsidiaries) and Distributing 3 (Controlled) and its subsidiaries will be for fair market value based on terms and conditions arrived at by the parties bargaining at arm's length, except for payments made in connection with the Separation Agreements.

(10k) No two parties to Distribution 3 are investment companies as defined in section 368(a)(2)(F)(iii) and (iv).

(10l) Distribution 3 is not part of a plan or series of related transactions (within the meaning of Treas. Reg. § 1.355-7) pursuant to which one or more persons will acquire, directly or indirectly, stock representing a 50% or greater interest (within the meaning of section 355(d)(4)) in Distributing 11 or Distributing 3 (Controlled), including any predecessor or successor of any such corporation.

(10m) Except for certain specified costs and expenses, Distributing 11 and Distributing 3 (Controlled) will each pay its own expenses incurred in connection with Distribution 3.

(10n) For purposes of section 355(d), immediately after Distribution 3, no person (determined after applying section 355(d)(7)) will hold stock possessing 50% or more of the total combined voting power of all classes of Distributing 11 stock entitled to vote, or 50% or more of the total value of shares of all classes of Distributing 11 stock, that was acquired by purchase (within the meaning of sections 355(d)(5) and (8)) during the five-year period (determined after applying section 355(d)(6)) ending on the date of Distribution 3.

(10o) For purposes of section 355(d), immediately after Distribution 3, no person (determined after applying section 355(d)(7)) will hold stock possessing 50% or more of the total combined voting power of all classes of Distributing 3 (Controlled) stock entitled to vote, or 50% or more of the total value of shares of all classes of Distributing 3 (Controlled) stock, that was either (i) acquired by purchase (within the meaning of sections 355(d)(5) and (8)) during the five-year period (determined after applying section 355(d)(6)) ending on the date of Distribution 3 or (ii) attributable to distributions on Distributing 11 stock or securities that were acquired by purchase (within the

meaning of sections 355(d)(5) and (8)) during the five-year period (determined after applying section 355(d)(6)) ending on the date of Distribution 3.

(10p) Immediately following Distribution 3 (taking into account section 355(g)(4)), either (i) no person will hold a 50% or greater interest in any disqualified investment corporation (within the meaning of section 355(g)(2)) immediately after Distribution 3 who did not so hold, directly or indirectly, such interest immediately before the transaction or (ii) neither Distributing 11 nor Distributing 3 (Controlled) will be a disqualified investment corporation (within the meaning of section 355(g)(2)).

(10q) Distributing 11 is, and both Distributing 11 and Distributing 3 (Controlled) will be, a controlled foreign corporation, within the meaning of section 957(a), immediately before and after Distribution 3.

(10r) At all times before and immediately after Distribution 3, neither Distributing 11 nor Distributing 3 (Controlled) has been or will be a passive foreign investment company within the meaning of section 1297(a).

(10s) The notice requirements of Treas. Reg. § 1.367(b)-1(c) will be satisfied for Distribution 3.

(10t) Distributing 12 will either be a section 1248 shareholder, within the meaning of Treas. Reg. § 1.367(b)-2(b), or a foreign corporation with respect to which Distributing Parent is the section 1248 shareholder, with respect to each of Distributing 11 and Distributing 3 (Controlled) immediately before and after Distribution 3.

(10u) Distributing 3 (Controlled) will not hold any United States real property interests, as defined in section 897(c)(1), immediately before or after Distribution 3.

#### **Distribution 4**

(11a) Any indebtedness owed by Controlled 10 to Distributing 12 after Distribution 4 will not constitute stock or securities.

(11b) No part of the consideration to be distributed by Distributing 12 in Distribution 4 will be received by any shareholder of Distributing 12 as a creditor, employee, or in any capacity other than that of a shareholder of Distributing 12.

(11c) In applying section 355(b)(2)(A) regarding the conduct of an active trade or business, Distributing 12 and Controlled 10 will treat all members of its respective SAG as one corporation.

(11d) The five years of financial information submitted on behalf of Segment 1 and Segment 2 of Business A, conducted by Distributing 12, is representative of the present operation of Segment 1 and Segment 2 of Business A and with regard to such business, there have been no substantial operational changes since the date of the last financial statements submitted.

(11e) The Distributing 12 SAG neither acquired Segment 1 or Segment 2 of Business A nor acquired control of an entity conducting Segment 1 or Segment 2 of Business A

during the five-year period ending on the date of Distribution 4 in a transaction in which gain or loss was recognized (or treated as recognized) in whole or in part.

(11f) Following Distribution 4, the Distributing 12 SAG will continue the active conduct of Segment 2 of Business A and the Controlled 10 SAG, will continue the active conduct of Segment 1 of Business A, independently and with their separate employees (except as provided pursuant to the Separation Agreements).

(11g) Distribution 4 will be carried out to facilitate the External Distribution and is motivated, in whole or substantial part, by one or more corporate business purposes.

(11h) Distribution 4 is not being used principally as a device for the distribution of the earnings and profits of Distributing 12 or Controlled 10 or both.

(11i) No intercorporate debt will exist between Distributing 12 (and its subsidiaries) and Controlled 10 (and its subsidiaries) at the time of, or after, Distribution 4, other than obligations arising in the ordinary course of business or obligations arising pursuant to intercompany agreements. Specifically, no indebtedness between Distributing 12 (and its subsidiaries) and Controlled 10 (and its subsidiaries) has been or will be settled or cancelled in connection with Distribution 4 other than the settlement of intercompany loans and intercompany open account balances attributable to the normal business operations of Distributing 12 and its subsidiaries and Controlled 10 and its subsidiaries prior to Distribution 4.

(11j) Payments made in connection with all continuing transactions, if any, between Distributing 12 (and its subsidiaries) and Controlled 10 (and its subsidiaries) will be for fair market value based on terms and conditions arrived at by the parties bargaining at arm's length, except for payments made in connection with the Separation Agreements.

(11k) No two parties to Distribution 4 are investment companies as defined in section 368(a)(2)(F)(iii) and (iv).

(11l) Distribution 4 is not part of a plan or series of related transactions (within the meaning of Treas. Reg. § 1.355-7) pursuant to which one or more persons will acquire, directly or indirectly, stock representing a 50% or greater interest (within the meaning of section 355(d)(4)) in Distributing 12 or Controlled 10 (including any predecessor or successor of any such corporation).

(11m) Except for certain specified costs and expenses, Distributing 12 and Controlled 10 will each pay its own expenses incurred in connection with Distribution 4.

(11n) For purposes of section 355(d), immediately after Distribution 4, no person (determined after applying section 355(d)(7)) will hold stock possessing 50% or more of the total combined voting power of all classes of Distributing 12 stock entitled to vote, or 50% or more of the total value of shares of all classes of Distributing 12 stock, that was acquired by purchase (within the meaning of sections 355(d)(5) and (8)) during the five-year period (determined after applying section 355(d)(6)) ending on the date of Distribution 4.



(11o) For purposes of section 355(d), immediately after Distribution 4, no person (determined after applying section 355(d)(7)) will hold stock possessing 50% or more of the total combined voting power of all classes of Controlled 10 stock entitled to vote, or 50% or more of the total value of shares of all classes of Controlled 10 stock, that was either (i) acquired by purchase (within the meaning of sections 355(d)(5) and (8)) during the five-year period (determined after applying section 355(d)(6)) ending on the date of Distribution 4 or (ii) attributable to distributions on Distributing 12 stock or securities that were acquired by purchase (within the meaning of sections 355(d)(5) and (8)) during the five-year period (determined after applying section 355(d)(6)) ending on the date of Distribution 4.

(11p) Immediately following Distribution 4 (taking into account section 355(g)(4)), either (i) no person will hold a 50% or greater interest in any disqualified investment corporation (within the meaning of section 355(g)(2)) immediately after Distribution 4 who did not so hold, directly or indirectly, such interest immediately before the transaction or (ii) neither Distributing 12 nor Controlled 10 will be a disqualified investment corporation (within the meaning of section 355(g)(2)).

(11q) Distributing 12 is, and both Distributing 12 and Controlled 10 will be, a controlled foreign corporation, within the meaning of section 957(a), immediately before and after Distribution 4.

(11r) At all times before and immediately after Distribution 4, neither Distributing 12 nor Controlled 10 has been or will be a passive foreign investment company within the meaning of section 1297(a).

(11s) The notice requirements of Treas. Reg. § 1.367(b)-1(c) will be satisfied for Distribution 4.

(11t) Distributing 13 will either be a section 1248 shareholder, within the meaning of Treas. Reg. § 1.367(b)-2(b), or a foreign corporation with respect to which Distributing Parent is the section 1248 shareholder, with respect to each of Distributing 12 and Controlled 10 immediately before and after Distribution 4.

(11u) Distributing 12 will not hold any United States real property interests, as defined in section 897(c)(1), immediately before or after Distribution 4.

## **Distribution 5**

(12a) Any indebtedness owed by Distributing 3 (Controlled) to Distributing 12 after Distribution 5 will not constitute stock or securities.

(12b) No part of the consideration to be distributed by Distributing 12 in Distribution 5 will be received by any shareholder of Distributing 12 as a creditor, employee, or in any capacity other than that of a shareholder of Distributing 12.

(12c) In applying section 355(b)(2)(A) regarding the conduct of an active trade or business, Distributing 12 and Distributing 3 (Controlled) will treat all members of its respective SAG as one corporation.

(12d) The five years of financial information submitted on behalf of Segment 1 and Segment 2 of Business A, conducted by Distributing 12 and Distributing 3 (Controlled), is representative of the present operation of Segment 1 and Segment 2 of Business A and with regard to such business, there have been no substantial operational changes since the date of the last financial statements submitted.

(12e) The Distributing 12 SAG or the Distributing 3 (Controlled) SAG neither acquired Segment 1 or Segment 2 of Business A nor acquired control of an entity conducting Segment 1 or Segment 2 of Business A during the five-year period ending on the date of Distribution 5 in a transaction in which gain or loss was recognized (or treated as recognized) in whole or in part.

(12f) Following Distribution 5, the Distributing 12 SAG will continue the active conduct of Segment 2 of Business A and the Distributing 3 (Controlled) SAG, will continue the active conduct of Segment 1 of Business A, independently and with their separate employees (except as provided pursuant to the Separation Agreements).

(12g) Distribution 5 will be carried out to facilitate the External Distribution and is motivated, in whole or substantial part, by one or more corporate business purposes.

(12h) Distribution 5 is not being used principally as a device for the distribution of the earnings and profits of Distributing 12 or Distributing 3 (Controlled) or both.

(12i) No intercorporate debt will exist between Distributing 12 (and its subsidiaries) and Distributing 3 (Controlled) and its subsidiaries at the time of, or after, Distribution 5, other than obligations arising in the ordinary course of business or obligations arising pursuant to intercompany agreements. Specifically, no indebtedness between Distributing 12 (and its subsidiaries) and Distributing 3 (Controlled) and its subsidiaries has been or will be settled or cancelled in connection with Distribution 5 other than the settlement of intercompany loans and intercompany open account balances attributable to the normal business operations of Distributing 12 and its subsidiaries and Distributing 3 (Controlled) and its subsidiaries prior to Distribution 5.

(12j) Payments made in connection with all continuing transactions, if any, between Distributing 12 (and its subsidiaries) and Distributing 3 (Controlled) and its subsidiaries will be for fair market value based on terms and conditions arrived at by the parties bargaining at arm's length, except for payments made in connection with the Separation Agreements.

(12k) No two parties to Distribution 5 are investment companies as defined in section 368(a)(2)(F)(iii) and (iv).

(12l) Distribution 5 is not part of a plan or series of related transactions (within the meaning of Treas. Reg. § 1.355-7) pursuant to which one or more persons will acquire, directly or indirectly, stock representing a 50% or greater interest (within the meaning of section 355(d)(4)) in Distributing 12 or Distributing 3 (Controlled), including any predecessor or successor of any such corporation.

(12m) Except for certain specified costs and expenses, Distributing 12 and Distributing 3 (Controlled) will each pay its own expenses incurred in connection with Distribution 5.

(12n) For purposes of section 355(d), immediately after Distribution 5, no person (determined after applying section 355(d)(7)) will hold stock possessing 50% or more of the total combined voting power of all classes of Distributing 12 stock entitled to vote, or 50% or more of the total value of shares of all classes of Distributing 12 stock, that was acquired by purchase (within the meaning of sections 355(d)(5) and (8)) during the five-year period (determined after applying section 355(d)(6)) ending on the date of Distribution 5.

(12o) For purposes of section 355(d), immediately after Distribution 5, no person (determined after applying section 355(d)(7)) will hold stock possessing 50% or more of the total combined voting power of all classes of Distributing 3 (Controlled) stock entitled to vote, or 50% or more of the total value of shares of all classes of Distributing 3 (Controlled) stock, that was either (i) acquired by purchase (within the meaning of sections 355(d)(5) and (8)) during the five-year period (determined after applying section 355(d)(6)) ending on the date of Distribution 5 or (ii) attributable to distributions on Distributing 12 stock or securities that were acquired by purchase (within the meaning of sections 355(d)(5) and (8)) during the five-year period (determined after applying section 355(d)(6)) ending on the date of Distribution 5.

(12p) Immediately following Distribution 5 (taking into account section 355(g)(4)), either (i) no person will hold a 50% or greater interest in any disqualified investment corporation (within the meaning of section 355(g)(2)) immediately after Distribution 5 who did not so hold, directly or indirectly, such interest immediately before the transaction or (ii) neither Distributing 12 nor Distributing 3 (Controlled) will be a disqualified investment corporation (within the meaning of section 355(g)(2)).

(12q) Distributing 12 is, and both Distributing 12 and Distributing 3 (Controlled) will be, a controlled foreign corporation, within the meaning of section 957(a), immediately before and after Distribution 5.

(12r) At all times before and immediately after Distribution 5, neither Distributing 12 nor Distributing 3 (Controlled) has been or will be a passive foreign investment company within the meaning of section 1297(a).

(12s) The notice requirements of Treas. Reg. § 1.367(b)-1(c) will be satisfied for Distribution 5.

(12t) Distributing 13 will either be a section 1248 shareholder, within the meaning of Treas. Reg. § 1.367(b)-2(b), or a foreign corporation with respect to which Distributing Parent is the section 1248 shareholder, with respect to each of Distributing 12 and Distributing 3 (Controlled) immediately before and after Distribution 5.

(12u) Distributing 3 (Controlled) will not hold any United States real property interests, as defined in section 897(c)(1), immediately before or after Distribution 5.

## **Distribution 6**

(13a) Any indebtedness owed by Controlled 10 to Distributing 13 after Distribution 6 will not constitute stock or securities.

(13b) No part of the consideration to be distributed by Distributing 13 in Distribution 6 will be received by any shareholder of Distributing 13 as a creditor, employee, or in any capacity other than that of a shareholder of Distributing 13.

(13c) In applying section 355(b)(2)(A) regarding the conduct of an active trade or business, Distributing 13 and Controlled 10 will treat all members of its respective SAG as one corporation.

(13d) The five years of financial information submitted on behalf of Segment 1 and Segment 2 of Business A, conducted by Distributing 13, is representative of the present operation of Segment 1 and Segment 2 of Business A and with regard to such business, there have been no substantial operational changes since the date of the last financial statements submitted.

(13e) The Distributing 13 SAG neither acquired Segment 1 or Segment 2 of Business A nor acquired control of an entity conducting Segment 1 or Segment 2 of Business A during the five-year period ending on the date of Distribution 6 in a transaction in which gain or loss was recognized (or treated as recognized) in whole or in part.

(13f) Following Distribution 6, the Distributing 13 SAG will continue the active conduct of Segment 2 of Business A and the Controlled 10 SAG will continue the active conduct of Segment 1 of Business A, independently and with their separate employees (except as provided pursuant to the Separation Agreements).

(13g) Distribution 6 will be carried out to facilitate the External Distribution and is motivated, in whole or substantial part, by one or more corporate business purposes.

(13h) Distribution 6 is not being used principally as a device for the distribution of the earnings and profits of Distributing 13 or Controlled 10 or both.

(13i) No intercorporate debt will exist between Distributing 13 (and its subsidiaries) and Controlled 10 (and its subsidiaries) at the time of, or after, Distribution 6, other than obligations arising in the ordinary course of business or obligations arising pursuant to intercompany agreements. Specifically, no indebtedness between Distributing 13 (and its subsidiaries) and Controlled 10 (and its subsidiaries) has been or will be settled or cancelled in connection with Distribution 6 other than the settlement of intercompany loans and intercompany open account balances attributable to the normal business operations of Distributing 13 and its subsidiaries and Controlled 10 and its subsidiaries prior to Distribution 6.

(13j) Payments made in connection with all continuing transactions, if any, between Distributing 13 (and its subsidiaries) and Controlled 10 (and its subsidiaries) will be for fair market value based on terms and conditions arrived at by the parties bargaining at arm's length, except for payments made in connection with the Separation Agreements.

(13k) No two parties to Distribution 6 are investment companies as defined in section 368(a)(2)(F)(iii) and (iv).

(13l) Distribution 6 is not part of a plan or series of related transactions (within the meaning of Treas. Reg. § 1.355-7) pursuant to which one or more persons will acquire, directly or indirectly, stock representing a 50% or greater interest (within the meaning of section 355(d)(4)) in Distributing 13 or Controlled 10 (including any predecessor or successor of any such corporation).

(13m) Except for certain specified costs and expenses, Distributing 13 and Controlled 10 will each pay its own expenses incurred in connection with Distribution 6.

(13n) For purposes of section 355(d), immediately after Distribution 6, no person (determined after applying section 355(d)(7)) will hold stock possessing 50% or more of the total combined voting power of all classes of Distributing 13 stock entitled to vote, or 50% or more of the total value of shares of all classes of Distributing 13 stock, that was acquired by purchase (within the meaning of sections 355(d)(5) and (8)) during the five-year period (determined after applying section 355(d)(6)) ending on the date of Distribution 6.

(13o) For purposes of section 355(d), immediately after Distribution 6, no person (determined after applying section 355(d)(7)) will hold stock possessing 50% or more of the total combined voting power of all classes of Controlled 10 stock entitled to vote, or 50% or more of the total value of shares of all classes of Controlled 10 stock, that was either (i) acquired by purchase (within the meaning of sections 355(d)(5) and (8)) during the five-year period (determined after applying section 355(d)(6)) ending on the date of Distribution 6 or (ii) attributable to distributions on Distributing 13 stock or securities that were acquired by purchase (within the meaning of sections 355(d)(5) and (8)) during the five-year period (determined after applying section 355(d)(6)) ending on the date of Distribution 6.

(13p) Immediately following Distribution 6 (taking into account section 355(g)(4)), either (i) no person will hold a 50% or greater interest in any disqualified investment corporation (within the meaning of section 355(g)(2)) immediately after Distribution 6 who did not so hold, directly or indirectly, such interest immediately before the transaction or (ii) neither Distributing 13 nor Controlled 10 will be a disqualified investment corporation (within the meaning of section 355(g)(2)).

(13q) Distributing 13 is, and both Distributing 13 and Controlled 10 will be, a controlled foreign corporation, within the meaning of section 957(a), immediately before and after Distribution 6.

(13r) At all times before and immediately after Distribution 6, neither Distributing 13 nor Controlled 10 has been or will be a passive foreign investment company within the meaning of section 1297(a).

(13s) The notice requirements of Treas. Reg. § 1.367(b)-1(c) will be satisfied for Distribution 6.

(13t) Distributing Parent will be a section 1248 shareholder, within the meaning of Treas. Reg. § 1.367(b)-2(b) with respect to each of Distributing 13 and Controlled 10 immediately before and after Distribution 6.

(13u) Controlled 10 will not hold any United States real property interests, as defined in section 897(c)(1), immediately before or after Distribution 6.

## **Distribution 7**

(14a) Any indebtedness owed by Distributing 3 (Controlled) to Distributing 13 after Distribution 7 will not constitute stock or securities.

(14b) No part of the consideration to be distributed by Distributing 13 in Distribution 7 will be received by any shareholder of Distributing 13 as a creditor, employee, or in any capacity other than that of a shareholder of Distributing 13.

(14c) In applying section 355(b)(2)(A) regarding the conduct of an active trade or business, Distributing 13 and Distributing 3 (Controlled) will treat all members of its respective SAG as one corporation.

(14d) The five years of financial information submitted on behalf of Segment 1 and Segment 2 of Business A, conducted by Distributing 13 and Distributing 3 (Controlled) is representative of the present operation of Segment 1 and Segment 2 of Business A and with regard to such business, there have been no substantial operational changes since the date of the last financial statements submitted.

(14e) The Distributing 13 SAG and Distributing 3 (Controlled) SAG neither acquired Segment 1 or Segment 2 of Business A nor acquired control of an entity conducting Segment 1 or Segment 2 of Business A during the five-year period ending on the date of Distribution 7 in a transaction in which gain or loss was recognized (or treated as recognized) in whole or in part.

(14f) Following Distribution 7, the Distributing 13 SAG will continue the active conduct of Segment 2 of Business A and the Distributing 3 (Controlled) SAG will continue the active conduct of Segment 1 of Business A, independently and with their own separate employees (except as provided pursuant to the Separation Agreements).

(14g) Distribution 7 will be carried out to facilitate the External Distribution and is motivated, in whole or substantial part, by one or more corporate business purposes.

(14h) Distribution 7 is not being used principally as a device for the distribution of the earnings and profits of Distributing 13 or Distributing 3 (Controlled) or both.

(14i) No intercorporate debt will exist between Distributing 13 (and its subsidiaries) and Distributing 3 (Controlled) and its subsidiaries at the time of, or after, Distribution 7, other than obligations arising in the ordinary course of business or obligations arising pursuant to intercompany agreements. Specifically, no indebtedness between Distributing 13 (and its subsidiaries) and Distributing 3 (Controlled) and its subsidiaries has been or will be settled or cancelled in connection with Distribution 7 other than the

settlement of intercompany loans and intercompany open account balances attributable to the normal business operations of Distributing 13 and its subsidiaries and Distributing 3 (Controlled) and its subsidiaries prior to Distribution 7.

(14j) Payments made in connection with all continuing transactions, if any, between Distributing 13 (and its subsidiaries) and Distributing 3 (Controlled) and its subsidiaries will be for fair market value based on terms and conditions arrived at by the parties bargaining at arm's length, except for payments made in connection with the Separation Agreements.

(14k) No two parties to Distribution 7 are investment companies as defined in section 368(a)(2)(F)(iii) and (iv).

(14l) Distribution 7 is not part of a plan or series of related transactions (within the meaning of Treas. Reg. § 1.355-7) pursuant to which one or more persons will acquire, directly or indirectly, stock representing a 50% or greater interest (within the meaning of section 355(d)(4)) in Distributing 13 or Distributing 3 (Controlled) including any predecessor or successor of any such corporation.

(14m) Except for certain specified costs and expenses, Distributing 13 and Distributing 3 (Controlled) will each pay its own expenses incurred in connection with Distribution 7.

(14n) For purposes of section 355(d), immediately after Distribution 7, no person (determined after applying section 355(d)(7)) will hold stock possessing 50% or more of the total combined voting power of all classes of Distributing 13 stock entitled to vote, or 50% or more of the total value of shares of all classes of Distributing 13 stock, that was acquired by purchase (within the meaning of sections 355(d)(5) and (8)) during the five-year period (determined after applying section 355(d)(6)) ending on the date of Distribution 7.

(14o) For purposes of section 355(d), immediately after Distribution 7, no person (determined after applying section 355(d)(7)) will hold stock possessing 50% or more of the total combined voting power of all classes of Distributing 3 (Controlled) stock entitled to vote, or 50% or more of the total value of shares of all classes of Distributing 3 (Controlled) stock, that was either (i) acquired by purchase (within the meaning of sections 355(d)(5) and (8)) during the five-year period (determined after applying section 355(d)(6)) ending on the date of Distribution 7 or (ii) attributable to distributions on Distributing 13 stock or securities that were acquired by purchase (within the meaning of sections 355(d)(5) and (8)) during the five-year period (determined after applying section 355(d)(6)) ending on the date of Distribution 7.

(14p) Immediately following Distribution 7 (taking into account section 355(g)(4)), either (i) no person will hold a 50% or greater interest in any disqualified investment corporation (within the meaning of section 355(g)(2)) immediately after Distribution 7 who did not so hold, directly or indirectly, such interest immediately before the transaction or (ii) neither Distributing 13 nor Distributing 3 (Controlled) will be a disqualified investment corporation (within the meaning of section 355(g)(2)).

(14q) Distributing 13 is, and both Distributing 13 and Distributing 3 (Controlled) will be, a controlled foreign corporation, within the meaning of section 957(a), immediately before and after Distribution 7.

(14r) At all times before and immediately after Distribution 7, neither Distributing 13 nor Distributing 3 (Controlled) has been or will be a passive foreign investment company within the meaning of section 1297(a).

(14s) The notice requirements of Treas. Reg. § 1.367(b)-1(c) will be satisfied for Distribution 7.

(14t) Distributing Parent will be a section 1248 shareholder, within the meaning of Treas. Reg. § 1.367(b)-2(b) with respect to each of Distributing 13 and Distributing 3 (Controlled) immediately before and after Distribution 7.

(14u) Distributing 3 (Controlled) will not hold any United States real property interests, as defined in section 897(c)(1), immediately before or after Distribution 7.

**In the representations that follow, the terms “Distribution”, “Controlled,” “Distributing,” “Distributing Shareholder(s),” and “Contribution” are defined for each Distribution as indicated below:**

"Distribution"	"Controlled"	"Distributing"	"Distributing Shareholder(s)"	"Contribution"
Reorganization 1	Controlled 1	Distributing 1	Distributing 2	Controlled 1 Contribution
Reorganization 3	Controlled 3	Distributing 3	Distributing Parent	Controlled 3 Contribution
Reorganization 4	Controlled 4	Distributing 4	Distributing 5	Distributing 4 Contribution
Reorganization 5	Controlled 5	Distributing 5	Distributing 11	Controlled 5 Contribution
Reorganization 6	Controlled 6	Distributing 6	Distributing 21	Controlled 6 Contribution
Reorganization 7	Controlled 7	Distributing 7	Distributing 11 and Sub 12	Controlled 7 Contribution
Reorganization 8	Controlled 8	Distributing 8	Distributing 24	Controlled 8 Contribution



Reorganization 9	Controlled 9	Distributing 9	Distributing 11	Controlled 9 Contribution
Reorganization 12	Controlled 12	Distributing 12	Distributing 13	Controlled 12 Contribution
Reorganization 13	Controlled 13	Distributing 13	Distributing Parent	Controlled 13 Contribution
Reorganization 14	Controlled 14	Distributing 14	Distributing 11	Controlled 14 Contribution
Reorganization 15	Controlled 15	Distributing 15	Distributing 11	Controlled 15 Contribution
Reorganization 16	Controlled 16	Distributing 16	Distributing 11	Controlled 16 Contribution
Reorganization 17	Controlled 17	Distributing 17	Distributing 11	Controlled 17 Contribution
Reorganization 18	Controlled 18	Distributing 18	Distributing 11	Controlled 18 Contribution
Reorganization 19	Controlled 19	Distributing 19	Distributing 11	Controlled 19 Contribution
Reorganization 20	Controlled 20	Distributing 20	Distributing 25	Controlled 20 Contribution
Reorganization 22	Controlled 22	Distributing 22	Distributing Parent	Controlled 22 Contribution
Reorganization 23	Controlled 23	Distributing 23	Distributing 11	Controlled 23 Contribution

**Reorganizations 1, 3 through 9 and 12 through 20, 22, and 23**

(15a) Any indebtedness owed by Controlled to Distributing after the Distribution will not constitute stock or securities.

(15b) No part of the consideration to be distributed by Distributing in the Distribution will be received by Shareholder as a creditor, employee, or in any capacity other than that of a shareholder of Distributing.

(15c) In applying section 355(b)(2)(A) regarding the conduct of an active trade or business, Distributing and Controlled will treat all members of its respective SAG as one corporation.

(15d) The five years of financial information submitted on behalf of Segment 1 and Segment 2 of Business A, conducted by the Distributing SAG, is representative of the present operations of Segment 1 and Segment 2 of Business A and, with regard to such business there have been no substantial operational changes since the date of the last financial statements submitted.

(15e) The Distributing SAG neither acquired Segment 1 or Segment 2 of Business A nor acquired control of an entity conducting Segment 1 or Segment 2 of Business A during the five-year period ending on the date of the Distribution in a transaction in which gain or loss was recognized (or treated as recognized) in whole or in part.

(15f) Following the Distribution, the Distributing SAG will continue the active conduct of Segment 2 and the Controlled SAG will continue the active conduct of Segment 1, independently and with their own separate employees (except as provided in the Separation Agreements).

(15g) The Distribution will be carried out to facilitate the External Distribution and, is motivated, in whole or substantial part, by one or more corporate business purposes.

(15h) The Distribution is not being used principally as a device for the distribution of the earnings and profits of Distributing or Controlled or both.

(15i) The total fair market value of the assets that Distributing will transfer to Controlled in the Contribution will exceed the sum of (i) the total liabilities (if any) assumed (within the meaning of section 357(d)) by Controlled in the exchange, (ii) the amount of liabilities (if any) owed to Controlled by Distributing that are discharged or extinguished in the exchange, and (iii) the amount of cash and the fair market value of the property (if any) (other than stock and securities permitted to be received under section 361(a) without the recognition of gain) received by Distributing from Controlled in the exchange. The total fair market value of the assets of Controlled will exceed the amount of its liabilities immediately after the Contribution.

(15j) The total adjusted bases of the assets transferred to Controlled by Distributing in the Contribution will equal or exceed the sum of (i) any liabilities assumed (within the meaning of section 357(d)) by Controlled, and (ii) the total amount of money and the fair market value of other property (within the meaning of section 361(b)) received by

Distributing and transferred by it to its creditors and shareholders as described in the Proposed Transaction. The fair market value of the assets transferred to Controlled in the Contribution will equal or exceed the adjusted basis of those assets.

(15k) The liabilities (if any) to be assumed (within the meaning of section 357(d)) by Controlled in the Contribution were incurred in the ordinary course of business and are associated with the assets being transferred.

(15l) No property will be transferred by Distributing to Controlled for which an investment credit allowed under section 46 has been or will be claimed.

(15m) No intercorporate debt will exist between Distributing (and its subsidiaries) and Controlled (and its subsidiaries) at the time of, or after, the Distribution, other than obligations arising in the ordinary course of business or obligations arising pursuant to the intercompany agreements. Specifically, no indebtedness between Distributing (and its subsidiaries) and Controlled (and its subsidiaries) has been or will be settled or cancelled in connection with the Distribution other than the settlement of intercompany loans and intercompany open account balances attributable to the normal business operations of Distributing and its subsidiaries and Controlled and its subsidiaries prior to the Distribution.

(15n) Payments made in connection with all continuing transactions, if any, between Distributing (and its subsidiaries) and Controlled (and its subsidiaries) will be for fair market value based on terms and conditions arrived at by the parties bargaining at arm's length, except for payments made in connection with the Separation Agreements.

(15o) No two parties to the proposed transactions are investment companies as defined in section 368(a)(2)(F)(iii) and (iv).

(15p) The Distribution is not part of a plan or series of related transactions (within the meaning of Treas. Reg. § 1.355-7) pursuant to which one or more persons will acquire, directly or indirectly, stock representing a 50% or greater interest (within the meaning of section 355(d)(4)) in Distributing or Controlled (including any predecessor or successor of any such corporation).

(15q) Except for certain specified costs and expenses, Distributing and Controlled will each pay its own expenses incurred in connection with the Contribution and the Distribution.

(15r) For purposes of section 355(d), immediately after the Distribution, no person (determined after applying section 355(d)(7)) will hold stock possessing 50% or more of the total combined voting power of all classes of Distributing stock entitled to vote, or 50% or more of the total value of shares of all classes of Distributing stock, that was acquired by purchase (within the meaning of sections 355(d)(5) and (8)) during the five-year period (determined after applying section 355(d)(6)) ending on the date of the Distribution.

(15s) For purposes of section 355(d), immediately after the Distribution, no person (determined after applying section 355(d)(7)) will hold stock possessing 50% or more of

the total combined voting power of all classes of Controlled stock entitled to vote, or 50% or more of the total value of shares of all classes of Controlled stock, that was either (i) acquired by purchase (within the meaning of sections 355(d)(5) and (8)) during the five-year period (determined after applying section 355(d)(6)) ending on the date of the Distribution, or (ii) attributable to distributions on Distributing stock or securities that were acquired by purchase (within the meaning of sections 355(d)(5) and (8)) during the five-year period (determined after applying section 355(d)(6)) ending on the date of the Distribution.

(15t) Immediately following the Distribution (taking into account section 355(g)(4)), either (i) no person will hold a 50% or greater interest in any disqualified investment corporation (within the meaning of section 355(g)(2)) immediately after the Distribution who did not so hold, directly or indirectly, such interest immediately before the transaction or (ii) neither Distributing nor Controlled will be a disqualified investment corporation (within the meaning of section 355(g)(2)).

(15u) Distributing is, and both Distributing and Controlled will be, a controlled foreign corporation, within the meaning of section 957(a), immediately before and after the Contribution and the Distribution.

(15v) At all times before and immediately after the Contribution and the Distribution, neither Distributing nor Controlled has been or will be a passive foreign investment company within the meaning of section 1297(a).

(15w) Distributing Parent's transfer of assets to Controlled in actual or constructive exchange for Controlled stock in the Contribution is not an exchange described in Treas. Reg. §§ 1.367(b)-4(b)(1)(i), 1.367(b)-4(b)(2)(i) or 1.367(b)-4(b)(3).

(15x) The notice requirements of Treas. Reg. § 1.367(b)-1(c) will be satisfied for the Contribution and the Distribution.

(15y) Shareholder will either be a section 1248 shareholder, within the meaning of Treas. Reg. § 1.367(b)-2(b), or a foreign corporation with respect to which Distributing Parent is the section 1248 shareholder, with respect to Distributing immediately before the Distribution, and with respect to each of Distributing and Controlled immediately after the Distribution.

(15z) Controlled will not hold any United States real property interests, as defined in section 897(c)(1), immediately before or after the Distribution.

## **Reorganization 2**

(16a) Any indebtedness owed by Controlled 2 to Distributing 2 after Reorganization 2 will not constitute stock or securities.

(16b) No part of the consideration to be distributed by Distributing 2 in Reorganization 2 will be received by Distributing 13 as a creditor, employee, or in any capacity other than that of a shareholder of Distributing 2.

(16c) In applying section 355(b)(2)(A) regarding the conduct of an active trade or business, Distributing 2 and Controlled 2 will treat all members of its respective SAG as one corporation.

(16d) The five years of financial information submitted on behalf of Segment 1 and Segment 2 of Business A, conducted by the Distributing 2 SAG, is representative of the present operations of Segment 1 and Segment 2 of Business A and, with regard to such business there have been no substantial operational changes since the date of the last financial statements submitted.

(16e) The Distributing 2 SAG neither acquired Segment 1 or Segment 2 of Business A nor acquired control of an entity conducting Segment 1 or Segment 2 of Business A during the five-year period ending on the date of Reorganization 2 in a transaction in which gain or loss was recognized (or treated as recognized) in whole or in part.

(16f) Following Reorganization 2, the Distributing 2 SAG will continue the active conduct of Segment 1 and the Controlled 2 SAG will continue the active conduct of Segment 2, independently and with their own separate employees (except as provided in the Separation Agreements).

(16g) Reorganization 2 will be carried out to facilitate the External Distribution and is motivated, in whole or substantial part, by one or more corporate business purposes.

(16h) Reorganization 2 is not being used principally as a device for the distribution of the earnings and profits of Distributing 2 or Controlled 2 or both.

(16i) The total fair market value of the assets that Distributing 2 will transfer to Controlled 2 in the Controlled 2 Contribution will exceed the sum of (i) the total liabilities (if any) assumed (within the meaning of section 357(d)) by Controlled 2 in the exchange, (ii) the amount of liabilities (if any) owed to Controlled 2 by Distributing 2 that are discharged or extinguished in the exchange, and (iii) the amount of cash and the fair market value of the property (if any) (other than stock and securities permitted to be received under section 361(a) without the recognition of gain) received by Distributing 2 from Controlled 2 in the exchange. The total fair market value of the assets of Controlled 2 will exceed the amount of its liabilities immediately after the Controlled 2 Contribution.

(16j) The total adjusted bases of the assets transferred to Controlled 2 by Distributing 2 in the Controlled 2 Contribution will equal or exceed the sum of (i) any liabilities assumed (within the meaning of section 357(d)) by Controlled 2, and (ii) the total amount of money and the fair market value of other property (within the meaning of section 361(b)) received by Distributing 2 and transferred by it to its creditors and shareholders as described in the Proposed Transaction. The fair market value of the assets transferred to Controlled 2 in the Controlled 2 Contribution will equal or exceed the adjusted basis of those assets.

(16k) The liabilities (if any) to be assumed (within the meaning of section 357(d)) by Controlled 2 in the Controlled 2 Contribution were incurred in the ordinary course of business and are associated with the assets being transferred.

(16l) No property will be transferred by Distributing 2 to Controlled 2 for which an investment credit allowed under section 46 has been or will be claimed.

(16m) No intercorporate debt will exist between Distributing 2 (and its subsidiaries) and Controlled 2 (and its subsidiaries) at the time of, or after, Reorganization 2, other than obligations arising in the ordinary course of business or obligations arising pursuant to the intercompany agreements. Specifically, no indebtedness between Distributing 2 (and its subsidiaries) and Controlled 2 (and its subsidiaries) has been or will be settled or cancelled in connection with Reorganization 2 other than the settlement of intercompany loans and intercompany open account balances attributable to the normal business operations of Distributing 2 and its subsidiaries and Controlled 2 and its subsidiaries prior to Reorganization 2.

(16n) Payments made in connection with all continuing transactions, if any, between Distributing 2 (and its subsidiaries) and Controlled 2 (and its subsidiaries) will be for fair market value based on terms and conditions arrived at by the parties bargaining at arm's length, except for payments made in connection with the Separation Agreements.

(16o) No two parties to the proposed transactions are investment companies as defined in section 368(a)(2)(F)(iii) and (iv).

(16p) Reorganization 2 is not part of a plan or series of related transactions (within the meaning of Treas. Reg. § 1.355-7) pursuant to which one or more persons will acquire, directly or indirectly, stock representing a 50% or greater interest (within the meaning of section 355(d)(4)) in Distributing 2 or Controlled 2 (including any predecessor or successor of any such corporation).

(16q) Except for certain specified costs and expenses, Distributing 2 and Controlled 2 will each pay its own expenses incurred in connection with the Controlled 2 Contribution and Reorganization 2.

(16r) For purposes of section 355(d), immediately after Reorganization 2, no person (determined after applying section 355(d)(7)) will hold stock possessing 50% or more of the total combined voting power of all classes of Distributing 2 stock entitled to vote, or 50% or more of the total value of shares of all classes of Distributing 2 stock, that was acquired by purchase (within the meaning of sections 355(d)(5) and (8)) during the five-year period (determined after applying section 355(d)(6)) ending on the date of Reorganization 2.

(16s) For purposes of section 355(d), immediately after Reorganization 2, no person (determined after applying section 355(d)(7)) will hold stock possessing 50% or more of the total combined voting power of all classes of Controlled 2 stock entitled to vote, or 50% or more of the total value of shares of all classes of Controlled 2 stock, that was either (i) acquired by purchase (within the meaning of sections 355(d)(5) and (8)) during

the five-year period (determined after applying section 355(d)(6)) ending on the date of Reorganization 2, or (ii) attributable to distributions on Distributing 2 stock or securities that were acquired by purchase (within the meaning of sections 355(d)(5) and (8)) during the five-year period (determined after applying section 355(d)(6)) ending on the date of Reorganization 2.

(16t) Immediately following Reorganization 2 (taking into account section 355(g)(4)), either (i) no person will hold a 50% or greater interest in any disqualified investment corporation (within the meaning of section 355(g)(2)) immediately after Reorganization 2 who did not so hold, directly or indirectly, such interest immediately before the transaction or (ii) neither Distributing 2 nor Controlled 2 will be a disqualified investment corporation (within the meaning of section 355(g)(2)),

(16u) Distributing 2 is, and both Distributing 2 and Controlled 2 will be, a controlled foreign corporation, within the meaning of section 957(a), immediately before and after the Controlled 2 Contribution and Reorganization 2.

(16v) At all times before and immediately after the Controlled 2 Contribution and Reorganization 2, neither Distributing 2 nor Controlled 2 has been or will be a passive foreign investment company within the meaning of section 1297(a).

(16w) Distributing 2's transfer of assets to Controlled 2 in actual or constructive exchange for Controlled 2 stock in the Controlled 2 Contribution is not an exchange described in Treas. Reg. §§ 1.367(b)-4(b)(1)(i), 1.367(b)-4(b)(2)(i) or 1.367(b)-4(b)(3).

(16x) The notice requirements of Treas. Reg. § 1.367(b)-1(c) will be satisfied for the Controlled 2 Contribution and Reorganization 2.

(16y) Distributing 13 will either be a section 1248 shareholder, within the meaning of Treas. Reg. § 1.367(b)-2(b), or a foreign corporation with respect to which Distributing 2 is the section 1248 shareholder, with respect to Distributing 2 immediately before Reorganization 2, and with respect to each of Distributing 2 and Controlled 2 immediately after Reorganization 2.

(16z) Controlled 2 will not hold any United States real property interests, as defined in section 897(c)(1), immediately before or after Reorganization 2.

## **Reorganization 10**

(17a) Any indebtedness owed by Controlled 10 to Distributing 10 after Reorganization 10 will not constitute stock or securities.

(17b) No part of the consideration to be distributed by Distributing 10 in Reorganization 10 will be received by Distributing 12 as a creditor, employee, or in any capacity other than that of a shareholder of Distributing 10.

(17c) In applying section 355(b)(2)(A) regarding the conduct of an active trade or business, Distributing 10 and Controlled 10 will treat all members of its respective SAGs as one corporation.

(17d) The five years of financial information submitted on behalf of Segment 1 and Segment 2 of Business A, conducted by the Distributing 10 SAG, is representative of the present operations of Segment 1 and Segment 2 of Business A and, with regard to such business there have been no substantial operational changes since the date of the last financial statements submitted.

(17e) The Distributing 10 SAG neither acquired Segment 1 or Segment 2 of Business A nor acquired control of an entity conducting Segment 1 or Segment 2 of Business A during the five-year period ending on the date of Reorganization 10 in a transaction in which gain or loss was recognized (or treated as recognized) in whole or in part.

(17f) Following Reorganization 10, the Distributing 10 SAG will continue the active conduct of Segment 2 and the Controlled 10 SAG will continue the active conduct of Segment 1, independently and with their own separate employees (except as provided in the Separation Agreements).

(17g) Reorganization 10 will be carried out to facilitate the External Distribution and, is motivated, in whole or substantial part, by one or more corporate business purposes.

(17h) Reorganization 10 is not being used principally as a device for the distribution of the earnings and profits of Distributing 10 or Controlled 10 or both.

(17i) The total fair market value of the assets that Distributing 10 will transfer to Controlled 10 in the Controlled 10 Contribution will exceed the sum of (i) the total liabilities (if any) assumed (within the meaning of section 357(d)) by Controlled 10 in the exchange, (ii) the amount of liabilities (if any) owed to Controlled 10 by Distributing 10 that are discharged or extinguished in the exchange, and (iii) the amount of cash and the fair market value of the property (if any) (other than stock and securities permitted to be received under section 361(a) without the recognition of gain) received by Distributing 10 from Controlled 10 in the exchange. The total fair market value of the assets of Controlled 10 will exceed the amount of its liabilities immediately after the Controlled 10 Contribution.

(17j) The total adjusted bases of the assets transferred to Controlled 10 by Distributing 10 in the Controlled 10 Contribution will equal or exceed the sum of (i) any liabilities assumed (within the meaning of section 357(d)) by Controlled, and (ii) the total amount of money and the fair market value of other property (within the meaning of section 361(b)) received by Distributing 10 and transferred by it to its creditors and shareholders as described in the Proposed Transaction. The fair market value of the assets transferred to Controlled 10 in the Controlled 10 Contribution will equal or exceed the adjusted basis of those assets.

(17k) The liabilities (if any) to be assumed (within the meaning of section 357(d)) by Controlled 10 in the Controlled 10 Contribution were incurred in the ordinary course of business and are associated with the assets being transferred.

(17l) No property will be transferred by Distributing 10 to Controlled 10 for which an investment credit allowed under section 46 has been or will be claimed.



(17m) No intercorporate debt will exist between Distributing 10 (and its subsidiaries) and Controlled 10 (and its subsidiaries) at the time of, or after, Reorganization 10, other than obligations arising in the ordinary course of business or obligations arising pursuant to the intercompany agreements. Specifically, no indebtedness between Distributing 10 (and its subsidiaries) and Controlled 10 (and its subsidiaries) has been or will be settled or cancelled in connection with Reorganization 10 other than the settlement of intercompany loans and intercompany open account balances attributable to the normal business operations of Distributing 10 and its subsidiaries and Controlled 10 and its subsidiaries prior to Reorganization 10.

(17n) Payments made in connection with all continuing transactions, if any, between Distributing 10 (and its subsidiaries) and Controlled 10 (and its subsidiaries) will be for fair market value based on terms and conditions arrived at by the parties bargaining at arm's length, except for payments made in connection with the Separation Agreements.

(17o) No two parties to the proposed transactions are investment companies as defined in section 368(a)(2)(F)(iii) and (iv).

(17p) Reorganization 10 is not part of a plan or series of related transactions (within the meaning of Treas. Reg. § 1.355-7) pursuant to which one or more persons will acquire, directly or indirectly, stock representing a 50% or greater interest (within the meaning of section 355(d)(4)) in Distributing 10 or Controlled 10 (including any predecessor or successor of any such corporation).

(17q) Except for certain specified costs and expenses, Distributing 10 and Controlled 10 will each pay its own expenses incurred in connection with the Controlled 10 Contribution and Reorganization 10.

(17r) For purposes of section 355(d), immediately after Reorganization 10, no person (determined after applying section 355(d)(7)) will hold stock possessing 50% or more of the total combined voting power of all classes of Distributing 10 stock entitled to vote, or 50% or more of the total value of shares of all classes of Distributing 10 stock, that was acquired by purchase (within the meaning of sections 355(d)(5) and (8)) during the five-year period (determined after applying section 355(d)(6)) ending on the date of Reorganization 10.

(17s) For purposes of section 355(d), immediately after Reorganization 10, no person (determined after applying section 355(d)(7)) will hold stock possessing 50% or more of the total combined voting power of all classes of Controlled 10 stock entitled to vote, or 50% or more of the total value of shares of all classes of Controlled 10 stock, that was either (i) acquired by purchase (within the meaning of sections 355(d)(5) and (8)) during the five-year period (determined after applying section 355(d)(6)) ending on the date of Reorganization 10, or (ii) attributable to distributions on Distributing 10 stock or securities that were acquired by purchase (within the meaning of sections 355(d)(5) and (8)) during the five-year period (determined after applying section 355(d)(6)) ending on the date of Reorganization 10.

(17t) Immediately following Reorganization 10 (taking into account section 355(g)(4)), either (i) neither Distributing 10 nor Controlled 10 will be a disqualified investment corporation (within the meaning of section 355(g)(2)), or (ii) no person will hold a 50% or greater interest in any disqualified investment corporation (within the meaning of section 355(g)(2)) immediately after Reorganization 10 who did not so hold, directly or indirectly, such interest immediately before the transaction.

(17u) Distributing 10 is, and both Distributing 10 and Controlled 10 will be, a controlled foreign corporation, within the meaning of section 957(a), immediately before and after the Controlled 10 Contribution and Reorganization 10.

(17v) At all times before and immediately after the Controlled 10 Contribution and Reorganization 10, neither Distributing 10 nor Controlled 10 has been or will be a passive foreign investment company within the meaning of section 1297(a).

(17w) Distributing 10's transfer of assets to Controlled 10 in actual or constructive exchange for Controlled 10 stock in the Controlled 10 Contribution is not an exchange described in Treas. Reg. §§ 1.367(b)-4(b)(1)(i), 1.367(b)-4(b)(2)(i) or 1.367(b)-4(b)(3).

(17x) The notice requirements of Treas. Reg. § 1.367(b)-1(c) will be satisfied for the Controlled 10 Contribution and Reorganization 10.

(17y) Distributing 12 will either be a section 1248 shareholder, within the meaning of Treas. Reg. § 1.367(b)-2(b), or a foreign corporation with respect to which Distributing 10 is the section 1248 shareholder, with respect to Distributing 10 immediately before Reorganization 10, and with respect to each of Distributing 10 and Controlled 10 immediately after Reorganization 10.

(17z) Controlled 10 will not hold any United States real property interests, as defined in section 897(c)(1), immediately before or after Reorganization 10.

(17aa) The CPECs of Distributing 10 are equity of Distributing 10 for federal income tax purposes and Distributing 10 has treated them as such since the date of their issuance.

((17bb) There is no declared and unpaid yield with respect to the CPECs of Distributing 10.

## **Reorganization 11**

(18a) Any indebtedness owed by Controlled 11 to Distributing 11 after Reorganization 11 will not constitute stock or securities.

(18b) No part of the consideration to be distributed by Distributing 11 in Reorganization 11 will be received by Distributing 12 as a creditor, employee, or in any capacity other than that of a shareholder of Distributing 11.

(18c) In applying section 355(b)(2)(A) regarding the conduct of an active trade or business, Distributing 11 and Controlled 11 will treat all members of its respective SAG as one corporation.

(18d) The five years of financial information submitted on behalf of Segment 1 and Segment 2 of Business A, conducted by the Distributing 11 SAG, is representative of the present operations of Segment 1 and Segment 2 of Business A and, with regard to such business there have been no substantial operational changes since the date of the last financial statements submitted.

(18e) The Distributing 11 SAG neither acquired Segment 1 or Segment 2 of Business A nor acquired control of an entity conducting Segment 1 or Segment 2 of Business A during the five-year period ending on the date of Reorganization 11 in a transaction in which gain or loss was recognized (or treated as recognized) in whole or in part.

(18f) Following Reorganization 11, the Distributing 11 SAG will continue the active conduct of Segment 2 of Business A and the Controlled 11 SAG, will continue the active conduct of Segment 1 of Business A, independently and with their separate employees (except as provided in the Separation Agreements).

(18g) Reorganization 11 will be carried out to facilitate the External Distribution and, is motivated, in whole or substantial part, by one or more corporate business purposes.

(18h) Reorganization 11 is not being used principally as a device for the distribution of the earnings and profits of Distributing 11 or Controlled 11 or both.

(18i) The total fair market value of the assets that Distributing 11 will transfer to Controlled 11 in the Controlled 11 Contribution will exceed the sum of (i) the total liabilities (if any) assumed (within the meaning of section 357(d)) by Controlled 11 in the exchange, (ii) the amount of liabilities (if any) owed to Controlled 11 by Distributing 11 that are discharged or extinguished in the exchange, and (iii) the amount of cash and the fair market value of the property (if any) (other than stock and securities permitted to be received under section 361(a) without the recognition of gain) received by Distributing 11 from Controlled 11 in the exchange. The total fair market value of the assets of Controlled 11 will exceed the amount of its liabilities immediately after the Controlled 11 Contribution.

(18j) The total adjusted bases of the assets transferred to Controlled 11 by Distributing 11 in the Controlled 11 Contribution will equal or exceed the sum of (i) any liabilities assumed (within the meaning of section 357(d)) by Controlled 11, and (ii) the total amount of money and the fair market value of other property (within the meaning of section 361(b)) received by Distributing 11 and transferred by it to its creditors and shareholders as described in the Proposed Transaction. The fair market value of the assets transferred to Controlled 11 in the Controlled 11 Contribution will equal or exceed the adjusted basis of those assets.

(18k) The liabilities (if any) to be assumed (within the meaning of section 357(d)) by Controlled 11 in the Controlled 11 Contribution were incurred in the ordinary course of business and are associated with the assets being transferred.

(18l) No property will be transferred by Distributing 11 to Controlled 11 for which an investment credit allowed under section 46 has been or will be claimed.

(18m) No intercorporate debt will exist between Distributing 11 (and its subsidiaries) and Controlled 11 (and its subsidiaries) at the time of, or after, Reorganization 11, other than obligations arising in the ordinary course of business or obligations arising pursuant to the intercompany agreements. Specifically, no indebtedness between Distributing 11 (and its subsidiaries) and Controlled 11 (and its subsidiaries) has been or will be settled or cancelled in connection with Reorganization 11 other than the settlement of intercompany loans and intercompany open account balances attributable to the normal business operations of Distributing 11 (and its subsidiaries) and Controlled 11 (and its subsidiaries) prior to Reorganization 11.

(18n) Payments made in connection with all continuing transactions, if any, between Distributing 11 (and its subsidiaries) and Controlled 11 (and its subsidiaries) will be for fair market value based on terms and conditions arrived at by the parties bargaining at arm's length, except for payments made in connection with the Separation Agreements.

(18o) No two parties to the proposed transactions are investment companies as defined in section 368(a)(2)(F)(iii) and (iv).

(18p) Reorganization 11 is not part of a plan or series of related transactions (within the meaning of Treas. Reg. § 1.355-7) pursuant to which one or more persons will acquire, directly or indirectly, stock representing a 50% or greater interest (within the meaning of section 355(d)(4)) in Distributing 11 or Controlled 11 (including any predecessor or successor of any such corporation).

(18q) Except for certain specified costs and expenses, Distributing 11 and Controlled 11 will each pay its expenses incurred in connection with the Controlled 11 Contribution and Reorganization 11.

(18r) For purposes of section 355(d), immediately after Reorganization 11, no person (determined after applying section 355(d)(7)) will hold stock possessing 50% or more of the total combined voting power of all classes of Distributing 11 stock entitled to vote, or 50% or more of the total value of shares of all classes of Distributing 11 stock, that was acquired by purchase (within the meaning of sections 355(d)(5) and (8)) during the five-year period (determined after applying section 355(d)(6)) ending on the date of Reorganization 11.

(18s) For purposes of section 355(d), immediately after Reorganization 11, no person (determined after applying section 355(d)(7)) will hold stock possessing 50% or more of the total combined voting power of all classes of Controlled 11 stock entitled to vote, or 50% or more of the total value of shares of all classes of Controlled 11 stock, that was either (i) acquired by purchase (within the meaning of sections 355(d)(5) and (8)) during the five-year period (determined after applying section 355(d)(6)) ending on the date of Reorganization 11, or (ii) attributable to distributions on Distributing 11 stock or securities that were acquired by purchase (within the meaning of sections 355(d)(5) and (8)) during the five-year period (determined after applying section 355(d)(6)) ending on the date of Reorganization 11.

(18t) Immediately following Reorganization 11 (taking into account section 355(g)(4)), either (i) no person will hold a 50% or greater interest in any disqualified investment corporation (within the meaning of section 355(g)(2)) immediately after Reorganization 11 who did not so hold, directly or indirectly, such interest immediately before the transaction or (ii) neither Distributing 11 nor Controlled 11 will be a disqualified investment corporation (within the meaning of section 355(g)(2)).

(18u) Distributing 11 is, and both Distributing 11 and Controlled 11 will be, a controlled foreign corporation, within the meaning of section 957(a), immediately before and after the Controlled 11 Contribution and Reorganization 11.

(18v) At all times before and immediately after the Controlled 11 Contribution and Reorganization 11, neither Distributing 11 nor Controlled 11 has been or will be a passive foreign investment company within the meaning of section 1297(a).

(18w) Distributing 11's transfer of assets to Controlled 11 in actual or constructive exchange for Controlled 11 stock in the Controlled 11 Contribution is not an exchange described in Treas. Reg. §§ 1.367(b)-4(b)(1)(i), 1.367(b)-4(b)(2)(i) or 1.367(b)-4(b)(3).

(18x) The notice requirements of Treas. Reg. § 1.367(b)-1(c) will be satisfied for the Controlled 11 Contribution and Reorganization 11.

(18y) Distributing 12 will either be a section 1248 shareholder, within the meaning of Treas. Reg. § 1.367(b)-2(b), or a foreign corporation with respect to which Distributing 11 is the section 1248 shareholder, with respect to Distributing 11 immediately before Reorganization 11, and with respect to each of Distributing 11 and Controlled 11 immediately after Reorganization 11.

(18z) Controlled 11 will not hold any United States real property interests, as defined in section 897(c)(1), immediately before or after Reorganization 11.

(18aa) The CPECs of Distributing 11 are equity of Distributing 11 for federal income tax purposes and Distributing 11 has treated them as such since the date of their issuance.

(18bb) The CPECs issued in Reorganization 11 will be equity of Controlled 11 for federal income tax purposes.

(18cc) There is no declared and unpaid yield with respect to either of the CPECs of Distributing 11 and Controlled 11.

## **Reorganization 21**

(19a) Any indebtedness owed by Controlled 21 to Distributing 21 after Reorganization 21 will not constitute stock or securities.

(19b) No part of the consideration to be distributed by Distributing 21 in Reorganization 21 will be received by Distributing 10 as a creditor, employee, or in any capacity other than that of a shareholder of Distributing 21.

(19c) In applying section 355(b)(2)(A) regarding the conduct of an active trade or business, Distributing 21 and Controlled 21 will treat all members of its respective SAG as one corporation.

(19d) The five years of financial information submitted on behalf of Segment 1 and Segment 2 of Business A, conducted by the Distributing 21 SAG, is representative of the present operations of Segment 1 and Segment 2 of Business A and, with regard to such business there have been no substantial operational changes since the date of the last financial statements submitted.

(19e) The Distributing 21 SAG neither acquired Segment 1 or Segment 2 of Business A nor acquired control of an entity conducting Segment 1 or Segment 2 of Business A during the five-year period ending on the date of Reorganization 21 in a transaction in which gain or loss was recognized (or treated as recognized) in whole or in part.

(19f) Following Reorganization 21, the Distributing 21 SAG will continue the active conduct of Segment 1 of Business A and the Controlled 21 SAG will continue the active conduct of Segment 2 of Business A, independently and with their separate employees (except as provided in the Separation Agreements).

(19g) Reorganization 21 will be carried out to facilitate the External Distribution and, is motivated, in whole or substantial part, by one or more corporate business purposes.

(19h) Reorganization 21 is not being used principally as a device for the distribution of the earnings and profits of Distributing 21 or Controlled 21 or both.

(19i) The total fair market value of the assets that Distributing 21 will transfer to Controlled 21 in the Controlled 21 Contribution will exceed the sum of (i) the total liabilities (if any) assumed (within the meaning of section 357(d)) by Controlled 21 in the exchange, (ii) the amount of liabilities (if any) owed to Controlled 21 by Distributing 21 that are discharged or extinguished in the exchange, and (iii) the amount of cash and the fair market value of the property (if any) (other than stock and securities permitted to be received under section 361(a) without the recognition of gain) received by Distributing 21 from Controlled 21 in the exchange. The total fair market value of the assets of Controlled 21 will exceed the amount of its liabilities immediately after the Controlled 21 Contribution.

(19j) The total adjusted bases of the assets transferred to Controlled 21 by Distributing 21 in the Controlled 21 Contribution will equal or exceed the sum of (i) any liabilities assumed (within the meaning of section 357(d)) by Controlled, and (ii) the total amount of money and the fair market value of other property (within the meaning of section 361(b)) received by Distributing 21 and transferred by it to its creditors and shareholders as described in the Proposed Transaction. The fair market value of the assets transferred to Controlled 21 in the Controlled 21 Contribution will equal or exceed the adjusted basis of those assets.

(19k) The liabilities (if any) to be assumed (within the meaning of section 357(d)) by Controlled 21 in the Controlled 21 Contribution were incurred in the ordinary course of business and are associated with the assets being transferred.

(19l) No property will be transferred by Distributing 21 to Controlled 21 for which an investment credit allowed under section 46 has been or will be claimed.

(19m) No intercorporate debt will exist between Distributing 21 (and its subsidiaries) and Controlled 21 (and its subsidiaries) at the time of, or after, Reorganization 21, other than obligations arising in the ordinary course of business or obligations arising pursuant to the intercompany agreements. Specifically, no indebtedness between Distributing 21 (and its subsidiaries) and Controlled 21 (and its subsidiaries) has been or will be settled or cancelled in connection with Reorganization 21 other than the settlement of intercompany loans and intercompany open account balances attributable to the normal business operations of Distributing 21 (and its subsidiaries) and Controlled 21 (and its subsidiaries) prior to Reorganization 21.

(19n) Payments made in connection with all continuing transactions, if any, between Distributing 21 (and its subsidiaries) and Controlled 21 (and its subsidiaries) will be for fair market value based on terms and conditions arrived at by the parties bargaining at arm's length, except for payments made in connection with the Separation Agreements.

(19o) No two parties to the proposed transactions are investment companies as defined in section 368(a)(2)(F)(iii) and (iv).

(19p) Reorganization 21 is not part of a plan or series of related transactions (within the meaning of Treas. Reg. § 1.355-7) pursuant to which one or more persons will acquire, directly or indirectly, stock representing a 50% or greater interest (within the meaning of section 355(d)(4)) in Distributing 21 or Controlled 21 (including any predecessor or successor of any such corporation).

(19q) Except for certain specified costs and expenses, Distributing 21 and Controlled 21 will each pay its expenses incurred in connection with the Controlled 21 Contribution and Reorganization 21.

(19r) For purposes of section 355(d), immediately after Reorganization 21, no person (determined after applying section 355(d)(7)) will hold stock possessing 50% or more of the total combined voting power of all classes of Distributing 21 stock entitled to vote, or 50% or more of the total value of shares of all classes of Distributing 21 stock, that was acquired by purchase (within the meaning of sections 355(d)(5) and (8)) during the five-year period (determined after applying section 355(d)(6)) ending on the date of Reorganization 21.

(19s) For purposes of section 355(d), immediately after Reorganization 21, no person (determined after applying section 355(d)(7)) will hold stock possessing 50% or more of the total combined voting power of all classes of Controlled 21 stock entitled to vote, or 50% or more of the total value of shares of all classes of Controlled 21 stock, that was either (i) acquired by purchase (within the meaning of sections 355(d)(5) and (8)) during

the five-year period (determined after applying section 355(d)(6)) ending on the date of Reorganization 21, or (ii) attributable to distributions on Distributing 21 stock or securities that were acquired by purchase (within the meaning of sections 355(d)(5) and (8)) during the five-year period (determined after applying section 355(d)(6)) ending on the date of Reorganization 21.

(19t) Immediately following Reorganization 21 (taking into account section 355(g)(4)), either (i) no person will hold a 50% or greater interest in any disqualified investment corporation (within the meaning of section 355(g)(2)) immediately after Reorganization 21 who did not so hold, directly or indirectly, such interest immediately before the transaction or (ii) neither Distributing 21 nor Controlled 21 will be a disqualified investment corporation (within the meaning of section 355(g)(2)).

(19u) Distributing 21 is, and both Distributing 21 and Controlled 21 will be, a controlled foreign corporation, within the meaning of section 957(a), immediately before and after the Controlled 21 Contribution and Reorganization 21.

(19v) At all times before and immediately after the Controlled 21 Contribution and Reorganization 21, neither Distributing 21 nor Controlled 21 has been or will be a passive foreign investment company within the meaning of section 1297(a).

(19w) Distributing 21's transfer of assets to Controlled 21 in actual or constructive exchange for Controlled 21 stock in the Controlled 21 Contribution is not an exchange described in Treas. Reg. §§ 1.367(b)-4(b)(1)(i), 1.367(b)-4(b)(2)(i) or 1.367(b)-4(b)(3).

(19x) The notice requirements of Treas. Reg. § 1.367(b)-1(c) will be satisfied for the Controlled 21 Contribution and Reorganization 21.

(19y) Distributing 10 will either be a section 1248 shareholder, within the meaning of Treas. Reg. § 1.367(b)-2(b), or a foreign corporation with respect to which Distributing 21 is the section 1248 shareholder, with respect to Distributing 21 immediately before Reorganization 21, and with respect to each of Distributing 21 and Controlled 21 immediately after Reorganization 21.

(19z) Controlled 21 will not hold any United States real property interests, as defined in section 897(c)(1), immediately before or after Reorganization 21.

## **Reorganization 24**

(20a) Any indebtedness owed by Controlled Parent to Sub 1 (Distributing) after Reorganization 24 will not constitute stock or securities.

(20b) No part of the consideration to be distributed by Sub 1 (Distributing) in Reorganization 24 will be received by Distributing Parent as a creditor, employee, or in any capacity other than that of a shareholder of Sub 1 (Distributing).

(20c) In applying section 355(b)(2)(A) regarding the conduct of an active trade or business, Sub 1 (Distributing) and Controlled Parent will treat all members of its respective SAG as one corporation.



(20d) The five years of financial information submitted on behalf of Segment 1 and Segment 2 of Business A, conducted by Sub 1 (Distributing), is representative of the present operations and there have been no substantial operational changes since the date of the last financial statements submitted.

(20e) Neither Segment 1 or Segment 2 of Business A nor control of an entity conducting Segment 1 or Segment 2 of Business A will have been acquired, by the Sub 1 (Distributing) SAG, during the five-year period ending on the date of Reorganization 24 in a transaction in which gain or loss was recognized in whole or in part. Throughout the five-year period ending on the date of Reorganization 24, Sub 1 (Distributing) will have been the principal owner of the goodwill and significant assets of Segment 1 and Segment 2 of Business A and, following Reorganization 24, the Controlled Parent SAG will be the principal owner of the goodwill and significant assets of Segment 1 formerly conducted by Sub 1(Distributing).

(20f) Following Reorganization 24, Sub 1 (Distributing), through its SAG, will continue the active conduct of Segment 2 independently and with its separate employees.

(20g) Following Reorganization 24, Controlled Parent, through its SAG, will continue the active conduct of the Segment 1 independently and with its separate employees.

(20h) The Controlled Sub 1 (Distributing) Contribution and Reorganization 24 are being carried out for the corporate business purpose of facilitating the External Distribution. The distribution of the stock, or stock and securities, of Controlled Parent is motivated, in whole or substantial part, by this corporate business purpose.

(20i) The Distribution is not used principally as a device for the distribution of the earnings and profits of Sub 1 or Controlled Parent or both.

(20j) The total fair market value of the assets that Sub 1 (Distributing) will transfer to Controlled Parent in the Controlled Sub 1 (Distributing) Contribution will exceed the sum of (i) the total liabilities (if any) assumed (within the meaning of section 357(d)) by Controlled Parent in the exchange, (ii) the amount of liabilities (if any) owed to Controlled Parent by Sub 1 (Distributing) that are discharged or extinguished in the exchange, and (iii) the amount of cash and the fair market value of the property (if any) (other than stock and securities permitted to be received under section 361(a) without the recognition of gain) received by Sub 1 (Distributing) from Controlled Parent in the exchange. The total fair market value of the assets of Controlled Parent will exceed the amount of its liabilities immediately after the Controlled Sub 1 (Distributing) Contribution.

(20k) The total adjusted bases of the assets transferred to Controlled Parent by Sub 1 (Distributing) in the Controlled Sub 1 (Distributing) Contribution will equal or exceed the sum of (i) any liabilities assumed (within the meaning of section 357(d)) by Controlled Parent, and (ii) the total amount of money and the fair market value of other property (within the meaning of section 361(b)) received by Sub 1 (Distributing) and transferred by it to its creditors and shareholders as described in the Proposed Transaction. The fair market value of the assets transferred to Controlled Parent in the Controlled Sub 1 (Distributing) Contribution will equal or exceed the adjusted basis of those assets.

(20l) The liabilities (if any) to be assumed (within the meaning of section 357(d)) by Controlled Parent in the Controlled Sub 1 (Distributing) Contribution were incurred in the ordinary course of business and are associated with the assets being transferred.

(20m) No intercorporate debt will exist between Sub 1 (Distributing) and Controlled Parent at the time of, or subsequent to, Reorganization 24, except for obligations arising in the ordinary course of business or obligations arising pursuant to the intercompany agreements.

(20n) Except as set forth in the Transition Services Agreement, payments made in connection with all continuing transactions between Sub 1(Distributing) and Controlled Parent will be for fair market value based on terms and conditions arrived at by the parties bargaining at arm's length.

(20o) No party to Reorganization 24 will be an investment company as defined in section 368(a)(2)(F)(iii) and (iv).

(20p) Sub 1 (Distributing) and Controlled Parent each will pay their own expenses, if any, incurred in connection with the Controlled Sub 1 (Distributing) Contribution and Reorganization 24.

(20q) Following Reorganization 24, no person will hold a greater than 50 percent interest in either Sub 1 (Distributing) or Controlled Parent (within the meaning of section 355(g)) who did not hold such an interest immediately before Reorganization 24.

(20r) For purposes of section 355(d), immediately after Reorganization 24, no person (determined after applying the aggregation rules of section 355(d)(7)) will hold stock possessing 50 percent or more of the total combined voting power of all classes of Sub 1 (Distributing) stock entitled to vote or 50 percent or more of the total value of shares of all classes of Sub 1 (Distributing) stock that was acquired by purchase (as defined in section 355(d)(5) and (8)) during the five year period (determined after applying section 355(d)(6)) ending on the date of Reorganization 24.

(20s) For purposes of section 355(d), immediately after Reorganization 24, no person (determined after applying the aggregation rules of section 355(d)(7)) will hold stock possessing 50 percent or more of the total combined voting power of all classes of Controlled Parent stock entitled to vote or 50 percent or more of the total value of shares of all classes of Controlled Parent stock that was acquired by purchase (as defined in section 355(d)(5) and (8)) during the five year period (determined after applying section 355(d)(6)) ending on the date of Reorganization 24.

(20t) Reorganization 24 is not part of a plan or series of related transactions (within the meaning of Treas. Reg. § 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 section 355(d)(4)) in Sub 1 (Distributing) or Controlled Parent (including any predecessor or successor to any such corporation).

(20u) Immediately before Reorganization 24, items of income, gain, loss, deduction, and credit will be taken into account as required by the applicable intercompany transaction

regulations (see Treas. Reg. §§ 1.1502-13 and 1.1502-14 as in effect before the publication of T.D. 8597, 1995-32 I.R.B. 6, and as currently in effect; Treas. Reg. § 1.1502-13 as published by T.D. 8597). Further, Sub 1's (Distributing's) excess loss account, if any, with respect to Controlled Parent will be included in income immediately before Reorganization 24 (see Treas. Reg. § 1.1502-19).

### **The External Distribution**

(21a) Other than the Controlled Securities to be held by Distributing Parent prior to the External Debt Exchange, the indebtedness, if any, owed by Controlled Parent to Distributing Parent after the External Distribution will not constitute stock or securities.

(21b) Except for the Controlled Parent Restricted Stock that holders of Distributing Parent Restricted Stock will receive in the same proportion as other Distributing Parent Stockholders ("Restricted Stock Distribution"), no part of the consideration to be distributed by Distributing Parent will be received by a shareholder as a creditor, employee, or in any capacity other than that of a shareholder of Distributing Parent. In no event will the Restricted Stock Distribution represent more than 20 percent of the Controlled Parent stock (restricted and unrestricted) in the External Distribution.

(21c) In applying section 355(b)(2)(A) regarding the conduct of an active trade or business, Distributing Parent and Controlled Parent will treat all members of its respective SAG as one corporation.

(21d) The five years of financial information submitted on behalf of Segment 1 and Segment 2 of Business A, conducted by Distributing Parent, is representative of its present operations of Segment 1 and Segment 2 of Business A, and, with regard to such business, there have been no substantial operational changes since the date of the last financial statements submitted. Throughout the five-year period ending on the date of the External Distribution, Distributing Parent will have been the principal owner of the goodwill and significant assets of Segment 1 and Segment 2 of Business A and the Controlled Parent SAG will be the principal owner of the goodwill and significant assets of Segment 1 formerly conducted by Distributing Parent.

(21f) Neither Segment 1 or Segment 2 of Business A nor control of an entity conducting Segment 1 or Segment 2 of Business A will have been acquired, by the Distributing Parent SAG, during the five-year period ending on the date of the External Distribution in a transaction in which gain or loss was recognized in whole or in part.

(21g) After the External Distribution, the Distributing Parent SAG will continue the active conduct of Segment 2 and the Controlled Parent SAG will continue the active conduct of Segment 1 independently and with their separate employees.

(21h) The External Distribution is being undertaken for corporate business purposes that include the elimination of systemic issues arising from the differences among Segment 1, on the one hand, and Segment 2 (and Other Businesses), on the other hand, resulting in a lower aggregate share value, management disagreements and competition for capital and the achievement of other non-tax benefits anticipated from

the separation of Distributing Parent and Controlled Parent. The External Distribution is motivated, in whole or substantial part, by one or more of these corporate business purposes.

(21i) The External Distribution is not used principally as a device for the distribution of the earnings and profits of Distributing Parent or Controlled Parent or both.

(21j) The total fair market value of the assets Distributing Parent will transfer to Controlled Parent in the External Contribution will exceed the sum of (i) the total liabilities (if any) assumed (within the meaning of section 357(d)) by Controlled Parent in the exchange, (ii) the amount of liabilities (if any) owed to Controlled Parent by Distributing Parent that are discharged or extinguished in the exchange, and (iii) the amount of cash and the fair market value of the property (if any) (other than stock and securities permitted to be received under section 361(a) without the recognition of gain) received by Distributing Parent from Controlled Parent in the exchange. The total fair market value of the assets of Controlled Parent will exceed the amount of its liabilities immediately after the External Contribution.

(21k) The total adjusted bases of the assets transferred to Controlled Parent by Distributing Parent in the External Contribution will equal or exceed the sum of (i) any liabilities assumed (within the meaning of section 357(d)) by Controlled Parent, and (ii) the total amount of money and the fair market value of other property (within the meaning of section 361(b)) received by Distributing Parent and transferred by it to its creditors and shareholders as described in the Proposed Transaction. The aggregate fair market value of the assets transferred to Controlled Parent in External Contribution will equal or exceed the aggregate adjusted basis of those assets.

(21l) The liabilities (if any) to be assumed (within the meaning of section 357(d)) by Controlled Parent in the External Contribution were incurred in the ordinary course of business and are associated with the assets being transferred.

(21m) The income tax liability for the taxable year in which any investment credit property (including any building to which section 47(d) applies) is transferred pursuant to the External Contribution will be adjusted as appropriate pursuant to section 50(a)(1) or 50(a)(2) (or section 47, as in effect before amendment by Public Law 101-508, Title 11, 104 Stat. 1388, 536 (1990), if applicable) to reflect an early disposition of the property.

(21n) Distributing Parent neither accumulated its receivables nor made extraordinary payment of its payables in anticipation of the Proposed Transaction.

(21o) Except for the Controlled Securities, no indebtedness will exist between Distributing Parent and Controlled Parent at the time of, or subsequent to, the External Distribution, except for obligations arising in the ordinary course of business or obligations arising pursuant to the intercompany agreements.

(21p) Immediately before the External Distribution, items of income, gain, loss, deduction, and credit will be taken into account as required by the applicable

intercompany transaction regulations (see Treas. Reg. § 1.1502-13 and 1.1502-14 of the Regulations as in effect before the publication of T.D. 8597, 1995-2 C.B. 147, and as currently in effect; Treas. Reg. § 1.1502-13 as published in T.D. 8597). Distributing Parent's excess loss account with respect to the stock of Controlled Parent, if any, will be included in income of Distributing Parent, as appropriate (see Treas. Reg. § 1.1502-19).

(21q) Payments made in connection with all continuing transactions between Distributing Parent (and its subsidiaries) and Controlled Parent (and its subsidiaries) will be for fair market value based on terms and conditions arrived at by the parties bargaining at arm's length, except for payments made in connection with the Separation Agreements.

(21r) Neither Distributing Parent nor Controlled Parent is an investment company as defined in section 368(a)(2)(F)(iii) and (iv).

(21s) The External Distribution is not part of a plan or series of related transactions (within the meaning of Treas. Reg. § 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 section 355(d)(4)) in Distributing Parent or Controlled Parent (including any predecessor or successor of any such corporation).

(21t) Distributing Parent and Controlled Parent each will pay its own expenses incurred in connection with the Proposed Transaction.

(21u) For purposes of section 355(d), immediately after the External Distribution, no person (determined after applying section 355(d)(7)) will hold stock possessing 50 percent or more of the total combined voting power of all classes of Distributing Parent stock entitled to vote, or 50 percent or more of the total value of shares of all classes of Distributing Parent stock, that was acquired by purchase (as defined in section 355(d)(5) and (8)) during the five-year period (determined after applying section 355(d)(6)) ending on the date of the External Distribution.

(21v) For purposes of section 355(d), immediately after the External Distribution, no person (determined after applying section 355(d)(7)) will hold stock possessing 50 percent or more of the total combined voting power of all classes of Controlled Parent stock entitled to vote, or 50 percent or more of the total value of shares of all classes of Controlled Parent stock, that was either (i) acquired by purchase (as defined in section 355(d)(5) and (8)) during the five-year period (determined after applying section 355(d)(6)) ending on the date of the External Distribution, or (ii) attributable to distributions on any stock of Distributing Parent that was acquired by purchase (as defined in section 355(d)(5) and (8)) during the five-year period (determined after applying section 355(d)(6)) ending on the date of the External Distribution.

(21w) As of the date of the External Contribution, the fair market value of the gross assets that Distributing Parent contributes to Controlled Parent in the External Contribution will exceed the aggregate adjusted basis of such assets.

(21x) Immediately after the External Distribution, the total fair market value of the assets transferred to Controlled Parent in the External Contribution will exceed the sum of (i) the amount of any liabilities assumed (as determined under section 357(d)) by Controlled Parent in the External Contribution, (ii) the amount of any liabilities owed by Distributing Parent to Controlled Parent that are discharged or extinguished in connection with the External Contribution, 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 section 361(a) without the recognition of gain) received by Distributing in connection with the External Contribution (including the Net Excess, if any). The fair market value of the assets of Controlled Parent will exceed the amount of its liabilities immediately after the External Distribution.

(21y) Pursuant to the plan of reorganization, Distributing Parent will use the Special Distribution proceeds (if any) to repay Distributing Debt and/or to repurchase shares of Distributing Parent Common Stock and/or to make a distribution to Distributing Parent's shareholders. Such proceeds will be held in a segregated account until they are used as described above.

(21z) The sum of the Distributing Debt (i) exchanged for Controlled Securities in the External Debt Exchange and (ii) repaid with the proceeds of the Special Distribution will not exceed the weighted quarterly average of the Distributing Debt for the 12-month period ending on the close of business on Date 4, the last full business day before the date on which Distributing Parent's Board of Directors initially discussed the External Distribution.

(21aa) To the extent that the stock of any foreign corporation was transferred from Distributing Parent to Controlled Parent in the External Contribution, the earnings and profits of the foreign corporation transferred, to the extent attributable to such stock under Treas. Reg. §§1.1248-2 or 1.1248-3 (whichever is applicable) which were accumulated in taxable years of such foreign corporation beginning after December 31, 1962, during the period Distributing Parent held such stock (or was considered as holding such stock by application of section 1223) while such corporation was a controlled foreign corporation, within the meaning of section 957(a), will be attributable to such stock held by Controlled Parent (Treas. Reg. §1.1248-1(a)).

**Distributing Parent makes the following additional representation in connection with the Proposed Transactions:**

(22a) With respect to any existing gain recognition agreement ("GRA") previously entered into by Distributing Parent, as parent of the Distributing Parent's consolidated group, in connection with a prior transfer of stock or securities, or any GRA to be entered into in connection with the Proposed Transactions, Distributing will, in accordance with Treas. Reg. §§ 1.367(a)-8(k) and 1.367(a)-8(c)(5), enter into a new GRA (i) identifying all triggering events and exceptions thereto resulting from the Proposed Transactions, (ii) designating a successor transferor corporation, transferee corporation, and/or transferred corporation, as applicable, and (iii) complying with all other requirements for GRAs under Treas. Reg. § 1.367(a)-8. Additionally, Distributing

will comply with the notification requirements of Treas. Reg. § 1.367(a)-8 with respect to any such GRA.

(22b) Distributing Parent, Controlled Parent and the Internal Revenue Service have entered into a closing agreement pursuant to section 7121 covering certain specific matters related to the Drug Compound A Sale and the Agreement Transfer.

(22c) Prior to the External Distribution, Distributing Parent and Controlled Parent will enter into the Tax Sharing Agreement and such Tax Sharing Agreement will require Distributing Parent and Controlled Parent to provide to the other such cooperation and information as may be reasonably requested in connection with filing any tax return or determining a liability for tax, including without limitation any tax liabilities relating to the Drug Compound A Sale and the Agreement Transfer.

(22d) The services provided under the transition services agreements will be charged out at cost-plus cc percent basis through Year 7 and services provided under the other Separation Agreements will be charged at fair market value.

## **RULINGS**

**Based solely on the information and representations submitted and described above, and provided that Distributing Parent and Controlled Parent enter into a closing agreement with the Internal Revenue Service with respect to payments required under section 482 or section 367(d) with respect to the Drug Compound A Sale, and the Agreement Transfer, we rule as follows with respect to:**

### **The U.S. and Foreign Restructuring**

(1) Each of Sub 2 in Step (viii), Sub 19 in Step (xi), Sub 3 in Step (xvi), Sub 5 in Step (xviii), and Sub 6 in Step (xx) will recognize gain on the distributions of property described in those Steps to the extent that the fair market value of the property distributed by each subsidiary exceeds its basis in such distributed property (section 311(b)). Sub 2, Sub 19, Sub 3, Sub 5, and Sub 6 will not recognize any loss with respect to any property distributed (section 311(a)). However, see Treas. Reg. § 1.1502-13(f)(2)(iii) which defers such losses until Controlled leaves the Distributing Parent Group.

### **The Sub 10 Conversion**

(2) The Sub 10 Conversion will be treated as a distribution by Sub 10 in complete liquidation under section 332(a).

(3) Distributing Parent will recognize no gain or loss on the deemed receipt of the assets and liabilities of Sub 10 pursuant to the Sub 10 Conversion (section 332(a)).

(4) Sub 10 will recognize no gain or loss on the deemed distribution of its assets and liabilities to Distributing Parent in the Sub 10 Conversion (section 337(a)).

(5) Distributing Parent's basis in each asset deemed received from Sub 10 pursuant to the Sub 10 Conversion will equal the basis of such asset in the hands of Sub 10 immediately before the Sub 10 Conversion (section 334(b)(1)).

(6) Distributing Parent's holding period in each asset deemed received from Sub 10 in the Sub 10 Conversion will include the period during which Sub 10 held such asset (section 1223(2)).

(7) Distributing Parent will succeed to and take into account the items of Sub 10 described in section 381(c), subject to the conditions and limitations specified in sections 381, 382, 383, and 384 and the regulations thereunder (section 381(a)(1) and Treas. Reg. § 1.381(a)-1).

(8) Except to the extent Sub 10's earnings and profits are reflected in Distributing Parent's earnings and profits, Distributing Parent will succeed to and take into account the earnings and profits, or deficit in earnings and profits, of Sub 10 as of the date of the Sub 10 Conversion (section 381(c)(2)(A) and Treas. Reg. §§ 1.381(c)(2)-1 and 1.1502-33(a)(2)). Any deficit in the earnings and profits of Sub 10 will be used only to offset earnings and profits accumulated after the date of the Sub 10 Conversion (section 381(c)(2)(B)).

### **The Sub 11 Conversion**

(9) The Sub 11 Conversion will be treated as a distribution by Sub 11 in complete liquidation under section 332(a).

(10) Distributing Parent will recognize no gain or loss on the deemed receipt of the assets and liabilities of Sub 11 pursuant to the Sub 11 Conversion (section 332(a)).

(11) Sub 11 will recognize no gain or loss on the deemed distribution of its assets and liabilities to Distributing Parent in the Sub 11 Conversion (section 337(a)).

(12) Distributing Parent's basis in each asset deemed received from Sub 11 pursuant to the Sub 11 Conversion will equal the basis of such asset in the hands of Sub 11 immediately before the Sub 11 Conversion (section 334(b)(1)).

(13) Distributing Parent's holding period in each asset deemed received from Sub 11 in the Sub 11 Conversion will include the period during which Sub 11 held such asset (section 1223(2)).

(14) Distributing Parent will succeed to and take into account the items of Sub 11 described in section 381(c), subject to the conditions and limitations specified in sections 381, 382, 383, and 384 and the regulations thereunder (section 381(a)(1) and Treas. Reg. § 1.381(a)-1).

(15) Except to the extent Sub 11's earnings and profits are reflected in Distributing Parent's earnings and profits, Distributing Parent will succeed to and take into account the earnings and profits, or deficit in earnings and profits, of Sub 11 as of the date of the Sub 11 Conversion (section 381(c)(2)(A) and Treas. Reg. §§ 1.381(c)(2)-1 and 1.1502-



33(a)(2)). Any deficit in the earnings and profits of Sub 11 will be used only to offset earnings and profits accumulated after the date of the Sub 11 Conversion (section 381(c)(2)(B)).

### **The Sub 12 Conversion**

(16) The Sub 12 Conversion will be treated as a distribution by Sub 12 in complete liquidation under section 332(a).

(17) Distributing Parent will recognize no gain or loss on the deemed receipt of the assets and liabilities of Sub 12 pursuant to the Sub 12 Conversion (section 332(a)).

(18) Sub 12 will recognize no gain or loss on the deemed distribution of its assets and liabilities to Distributing Parent in the Sub 12 Conversion (section 337(a)).

(19) Distributing Parent's basis in each asset deemed received from Sub 12 pursuant to the Sub 12 Conversion will equal the basis of such asset in the hands of Sub 12 immediately before the Sub 12 Conversion (section 334(b)(1)).

(20) Distributing Parent's holding period in each asset deemed received from Sub 12 in the Sub 12 Conversion will include the period during which Sub 12 held such asset (section 1223(2)).

(21) Distributing Parent will succeed to and take into account the items of Sub 12 described in section 381(c), subject to the conditions and limitations specified in sections 381, 382, 383, and 384 and the regulations thereunder (section 381(a)(1) and Treas. Reg. § 1.381(a)-1).

(22) Except to the extent Sub 12's earnings and profits are reflected in Distributing Parent's earnings and profits, Distributing Parent will succeed to and take into account the earnings and profits, or deficit in earnings and profits, of Sub 12 as of the date of the Sub 12 Conversion (section 381(c)(2)(A) and Treas. Reg. §§ 1.381(c)(2)-1 and 1.1502-33(a)(2)). Any deficit in the earnings and profits of Sub 12 will be used only to offset earnings and profits accumulated after the date of the Sub 12 Conversion (section 381(c)(2)(B)).

### **The Sub 13 Conversion**

(23) The Sub 13 Conversion will be treated as a distribution by Sub 13 in complete liquidation under section 332(a).

(24) Distributing Parent will recognize no gain or loss on the deemed receipt of the assets and liabilities of Sub 13 pursuant to the Sub 13 Conversion (section 332(a)).

(25) Sub 13 will recognize no gain or loss on the deemed distribution of its assets and liabilities to Distributing Parent in the Sub 13 Conversion (section 337(a)).

(26) Distributing Parent's basis in each asset deemed received from Sub 13 pursuant to the Sub 13 Conversion will equal the basis of such asset in the hands of Sub 13 immediately before the Sub 13 Conversion (section 334(b)(1)).

(27) Distributing Parent's holding period in each asset deemed received from Sub 13 in the Sub 13 Conversion will include the period during which Sub 13 held such asset (section 1223(2)).

(28) Distributing Parent will succeed to and take into account the items of Sub 13 described in section 381(c), subject to the conditions and limitations specified in sections 381, 382, 383, and 384 and the regulations thereunder (section 381(a)(1) and Treas. Reg. § 1.381(a)-1).

(29) Except to the extent Sub 13's earnings and profits are reflected in Distributing Parent's earnings and profits, Distributing Parent will succeed to and take into account the earnings and profits, or deficit in earnings and profits, of Sub 13 as of the date of the Sub 13 Conversion (section 381(c)(2)(A) and Treas. Reg. §§ 1.381(c)(2)-1 and 1.1502-33(a)(2)). Any deficit in the earnings and profits of Sub 13 will be used only to offset earnings and profits accumulated after the date of the Sub 13 Conversion (section 381(c)(2)(B)).

### **The Sub 15 Conversion**

(30) The Sub 15 Conversion will be treated as a distribution by Sub 15 in complete liquidation under section 332(a).

(31) Distributing Parent will recognize no gain or loss on the deemed receipt of the assets and liabilities of Sub 15 pursuant to the Sub 15 Conversion (section 332(a)).

(32) Sub 15 will recognize no gain or loss on the deemed distribution of its assets and liabilities to Distributing Parent in the Sub 15 Conversion (section 337(a)).

(33) Distributing Parent's basis in each asset deemed received from Sub 15 pursuant to the Sub 15 Conversion will equal the basis of such asset in the hands of Sub 15 immediately before the Sub 15 Conversion (section 334(b)(1)).

(34) Distributing Parent's holding period in each asset deemed received from Sub 15 in the Sub 15 Conversion will include the period during which Sub 15 held such asset (section 1223(2)).

(35) Distributing Parent will succeed to and take into account the items of Sub 15 described in section 381(c), subject to the conditions and limitations specified in sections 381, 382, 383, and 384 and the regulations thereunder (section 381(a)(1) and Treas. Reg. § 1.381(a)-1).

(36) Except to the extent Sub 15's earnings and profits are reflected in Distributing Parent's earnings and profits, Distributing Parent will succeed to and take into account the earnings and profits, or deficit in earnings and profits, of Sub 15 as of the date of the Sub 15 Conversion (section 381(c)(2)(A) and Treas. Reg. §§ 1.381(c)(2)-1 and 1.1502-33(a)(2)). Any deficit in the earnings and profits of Sub 15 will be used only to offset earnings and profits accumulated after the date of the Sub 15 Conversion (section 381(c)(2)(B)).

**The Sub 9 Conversion**

(37) The Sub 9 Conversion will be treated as a distribution by Sub 9 in complete liquidation under section 332(a).

(38) Distributing Parent will recognize no gain or loss on the deemed receipt of the assets and liabilities of Sub 9 pursuant to the Sub 9 Conversion (section 332(a)).

(39) Sub 9 will recognize no gain or loss on the deemed distribution of its assets and liabilities to Distributing Parent in the Sub 9 Conversion (section 337(a)).

(40) Distributing Parent's basis in each asset deemed received from Sub 9 pursuant to the Sub 9 Conversion will equal the basis of such asset in the hands of Sub 9 immediately before the Sub 9 Conversion (section 334(b)(1)).

(41) Distributing Parent's holding period in each asset deemed received from Sub 9 in the Sub 9 Conversion will include the period during which Sub 9 held such asset (section 1223(2)).

(42) Distributing Parent will succeed to and take into account the items of Sub 9 described in section 381(c), subject to the conditions and limitations specified in sections 381, 382, 383, and 384 and the regulations thereunder (section 381(a)(1) and Treas. Reg. § 1.381(a)-1).

(43) Except to the extent Sub 9's earnings and profits are reflected in Distributing Parent's earnings and profits, Distributing Parent will succeed to and take into account the earnings and profits, or deficit in earnings and profits, of Sub 9 as of the date of the Sub 9 Conversion (section 381(c)(2)(A) and Treas. Reg. §§ 1.381(c)(2)-1 and 1.1502-33(a)(2)). Any deficit in the earnings and profits of Sub 9 will be used only to offset earnings and profits accumulated after the date of the Sub 9 Conversion (section 381(c)(2)(B)).

**Liquidation 1**

(44) Liquidation 1 will be treated as a distribution by Sub 14 in complete liquidation under section 332(a).

(45) Distributing Parent will recognize no gain or loss on the deemed receipt of the assets and liabilities of Sub 14 pursuant to Liquidation 1 (section 332(a)).

(46) Sub 14 will recognize no gain or loss on the deemed distribution of its assets and liabilities to Distributing Parent in Liquidation 1 (section 337(a)).

(47) Distributing Parent's basis in each asset deemed received from Sub 14 pursuant to Liquidation 1 will equal the basis of such asset in the hands of Sub 14 immediately before Liquidation 1 (section 334(b)(1)).

(48) Distributing Parent's holding period in each asset deemed received from Sub 14 in Liquidation 1 will include the period during which Sub 14 held such asset (section 1223(2)).

(49) Distributing Parent will succeed to and take into account the items of Sub 14 described in section 381(c), subject to the conditions and limitations specified in sections 381, 382, 383, and 384 and the regulations thereunder (section 381(a)(1) and Treas. Reg. § 1.381(a)-1).

(50) Except to the extent Sub 14's earnings and profits are reflected in Distributing Parent's earnings and profits, Distributing Parent will succeed to and take into account the earnings and profits, or deficit in earnings and profits, of Sub 14 as of the date of Liquidation 1 (section 381(c)(2)(A) and Treas. Reg. §§ 1.381(c)(2)-1 and 1.1502-33(a)(2)). Any deficit in the earnings and profits of Sub 14 will be used only to offset earnings and profits accumulated after the date of Liquidation 1 (section 381(c)(2)(B)).

### **Distribution 1**

(51) No gain or loss will be recognized by Distributing 21 upon its receipt of the Controlled 20 shares in Distribution 1 (section 355(a)(1)).

(52) No gain or loss will be recognized by Distributing 25 upon its distribution of Controlled 20 shares in Distribution 1 (section 355(c)).

(53) The basis of the Controlled 20 shares and Distributing 25 shares in the hands of Distributing 21 will equal Distributing 21's adjusted basis in the Distributing 25 shares with respect to which Distribution 1 is made, allocated in proportion to the fair market values of the Controlled 20 shares and Distributing 25 shares (section 358(a)(1) and (b) and Treas. Reg. § 1.358-2(a)(2)).

(54) The holding period of the Controlled 20 shares received by Distributing 21 in Distribution 1 will include the holding period of the Distributing 25 shares with respect to which Distribution 1 is made, provided the Distributing 25 shares are held as capital assets on the date of Distribution 1 (section 1223(1)).

(55) Proper allocation of earnings and profits between Distributing 25 and Controlled 20 will be made in accordance with section 312(h) and Treas. Reg. § 1.312-10(b).

(56) Distribution 1 will be a distribution to which Treas. Reg. §§ 1.367(b)-1(c), 1.367(b)-5(a), 1.367(b)-5(c), and 1.367(b)-5(f) apply. If Distributing 21's post-distribution amount (as defined in Treas. Reg. § 1.367(b)-5(e)(2)) with respect to Distributing 25 or Controlled 20 is less than Distributing 21's pre-distribution amount (as defined in Treas. Reg. § 1.367(b)-5(e)(1)) with respect to Distributing 25 or Controlled 20, then Distributing 21's basis in such stock immediately after Distribution 1 must be reduced by the amount of the difference. However, Distributing 21's basis in such stock must not be reduced below zero, and to the extent the foregoing reduction would reduce its basis below zero, then Distributing 21 must instead include such amount in income as a deemed dividend from such corporation. If Distributing 21 reduces its basis in the stock of Distributing 25 or Controlled 20 (or has an inclusion with respect to such stock), then Distributing 21 shall increase its basis in the stock of the other corporation to the extent provided in Treas. Reg. § 1.367(b)-5(c)(4).

### **Distribution 2**

(57) No gain or loss will be recognized by Distributing 10 upon its receipt of the Controlled 8 shares in Distribution 2 (section 355(a)(1)).

(58) No gain or loss will be recognized by Distributing 24 upon its distribution of Controlled 8 shares in Distribution 2 (section 355(c)).

(59) The basis of the Controlled 8 shares and Distributing 24 shares in the hands of Distributing 10 will equal Distributing 10's adjusted basis in the Distributing 24 shares with respect to which Distribution 2 is made, allocated in proportion to the fair market values of the Controlled 8 shares and Distributing 24 shares (section 358(a)(1) and (b) and Treas. Reg. § 1.358-2(a)(2)).

(60) The holding period of the Controlled 8 shares received by Distributing 10 in Distribution 2 will include the holding period of the Distributing 24 shares with respect to which Distribution 2 is made, provided the Distributing 24 shares are held as capital assets on the date of Distribution 2 (section 1223(1)).

(61) Proper allocation of earnings and profits between Distributing 24 and Controlled 8 will be made in accordance with section 312(h) and Treas. Reg. § 1.312-10(b).

(62) Distribution 2 will be a distribution to which Treas. Reg. §§ 1.367(b)-1(c), 1.367(b)-5(a), 1.367(b)-5(c), and 1.367(b)-5(f) apply. If Distributing 10's post-distribution amount (as defined in Treas. Reg. § 1.367(b)-5(e)(2)) with respect to Distributing 24 or Controlled 8 is less than Distributing 10's pre-distribution amount (as defined in Treas. Reg. § 1.367(b)-5(e)(1)) with respect to Distributing 24 or Controlled 8, then Distributing 10's basis in such stock immediately after Distribution 2 must be reduced by the amount of the difference. However, Distributing 10's basis in such stock must not be reduced below zero, and to the extent the foregoing reduction would reduce its basis below zero, then Distributing 10 must instead include such amount in income as a deemed dividend from such corporation. If Distributing 10 reduces its basis in the stock of Distributing 24 or Controlled 8 (or has an inclusion with respect to such stock), then Distributing 10 shall increase its basis in the stock of the other corporation to the extent provided in Treas. Reg. § 1.367(b)-5(c)(4).

### **Distribution 3**

(63) No gain or loss will be recognized by Distributing 12 upon its receipt of the Distributing 3 (Controlled) shares in Distribution 3 (section 355(a)(1)).

(64) No gain or loss will be recognized by Distributing 11 upon its distribution of Distributing 3 (Controlled) shares in Distribution 3 (section 355(c)).

(65) The basis of the Distributing 3 (Controlled) shares and Distributing 11 shares in the hands of Distributing 12 will equal Distributing 12's adjusted basis in the Distributing 11 shares with respect to which Distribution 3 is made, allocated in proportion to the fair market values of the Distributing 3 (Controlled) shares and Distributing 11 shares (section 358(a)(1) and (b) and Treas. Reg. § 1.358-2(a)(2)).

(66) The holding period of the Distributing 3 (Controlled) shares received by Distributing 12 in Distribution 3 will include the holding period of the Distributing 11 shares with respect to which Distribution 3 is made, provided the Distributing 11 shares are held as capital assets on the date of Distribution 3 (section 1223(1)).

(67) Proper allocation of earnings and profits between Distributing 11 and Distributing 3 (Controlled) will be made in accordance with section 312(h) and Treas. Reg. § 1.312-10(b).

(68) Distribution 3 will be a distribution to which Treas. Reg. §§ 1.367(b)-1(c), 1.367(b)-5(a), 1.367(b)-5(c), and 1.367(b)-5(f) apply. If Distributing 12's post-distribution amount (as defined in Treas. Reg. § 1.367(b)-5(e)(2)) with respect to Distributing 11 or Distributing 3 (Controlled) is less than Distributing 12's pre-distribution amount (as defined in Treas. Reg. § 1.367(b)-5(e)(1)) with respect to Distributing 11 or Distributing 3 (Controlled), then Distributing 12's basis in such stock immediately after Distribution 3 must be reduced by the amount of the difference. However, Distributing 12's basis in such shares must not be reduced below zero, and to the extent the foregoing reduction would reduce basis below zero, then Distributing 12 must instead include such amount in income as a deemed dividend from such corporation. If Distributing 12 reduces its basis in the stock of Distributing 11 or Distributing 3 (Controlled) (or has an inclusion with respect to such stock), then Distributing 12 shall increase its basis in the stock of the other corporation to the extent provided in Treas. Reg. § 1.367(b)-5(c)(4).

#### **Distribution 4**

(69) No gain or loss will be recognized by Distributing 13 upon its receipt of the Controlled 10 shares in Distribution 4 (section 355(a)(1)).

(70) No gain or loss will be recognized by Distributing 12 upon its distribution of Controlled 10 shares in Distribution 4 (section 355(c)).

(71) The basis of the Controlled 10 shares and Distributing 12 shares in the hands of Distributing 13 will equal Distributing 13's adjusted basis in the Distributing 12 shares with respect to which Distribution 4 is made, allocated in proportion to the fair market values of the Controlled 10 shares and Distributing 12 shares (section 358(a)(1) and (b) and Treas. Reg. § 1.358-2(a)(2)).

(72) The holding period of the Controlled 10 shares received by Distributing 13 in Distribution 4 will include the holding period of the Distributing 12 shares with respect to which Distribution 4 is made, provided the Distributing 12 shares are held as capital assets on the date of Distribution 4 (section 1223(1)).

(73) Proper allocation of earnings and profits between Distributing 12 and Controlled 10 will be made in accordance with section 312(h) and Treas. Reg. § 1.312-10(b).

(74) Distribution 4 will be a distribution to which Treas. Reg. §§ 1.367(b)-1(c), 1.367(b)-5(a), 1.367(b)-5(c), and 1.367(b)-5(f) apply. If Distributing 13's post-distribution amount (as defined in Treas. Reg. § 1.367(b)-5(e)(2)) with respect to Distributing 12 or Controlled 10 is less than Distributing 13's pre-distribution amount (as defined in Treas.

Reg. § 1.367(b)-5(e)(1)) with respect to Distributing 12 or Controlled 10, then Distributing 13's basis in such stock immediately after Distribution 4 must be reduced by the amount of the difference. However, Distributing 13's basis in such stock must not be reduced below zero, and to the extent the foregoing reduction would reduce its basis below zero, then Distributing 13 must instead include such amount in income as a deemed dividend from such corporation. If Distributing 13 reduces its basis in the stock of Distributing 12 or Controlled 10 (or has an inclusion with respect to such stock), then Distributing 13 shall increase its basis in the stock of the other corporation to the extent provided in Treas. Reg. § 1.367(b)-5(c)(4).

## **Distribution 5**

(75) No gain or loss will be recognized by Distributing 13 upon its receipt of the Distributing 3 (Controlled) shares in Distribution 5 (section 355(a)(1)).

(76) No gain or loss will be recognized by Distributing 12 upon its distribution of Distributing 3 (Controlled) shares in Distribution 5 (section 355(c)).

(77) The basis of the Distributing 3 (Controlled) shares and Distributing 12 shares in the hands of Distributing 13 will equal Distributing 13's adjusted basis in the Distributing 12 shares with respect to which Distribution 5 is made, allocated in proportion to the fair market values of the Distributing 3 (Controlled) shares and Distributing 12 shares (section 358(a)(1) and (b) and Treas. Reg. § 1.358-2(a)(2)).

(78) The holding period of the Distributing 3 (Controlled) shares received by Distributing 13 in Distribution 5 will include the holding period of the Distributing 12 shares with respect to which Distribution 5 is made, provided the Distributing 12 shares are held as capital assets on the date of Distribution 5 (section 1223(1)).

(79) Proper allocation of earnings and profits between Distributing 12 and Distributing 3 (Controlled) will be made in accordance with section 312(h) and Treas. Reg. § 1.312-10(b).

(80) Distribution 5 will be a distribution to which Treas. Reg. §§ 1.367(b)-1(c), 1.367(b)-5(a), 1.367(b)-5(c), and 1.367(b)-5(f) apply. If Distributing 13's post-distribution amount (as defined in Treas. Reg. § 1.367(b)-5(e)(2)) with respect to Distributing 12 or Distributing 3 (Controlled) is less than Distributing 13's pre-distribution amount (as defined in Treas. Reg. § 1.367(b)-5(e)(1)) with respect to Distributing 12 or Distributing 3 (Controlled), then Distributing 13's basis in such stock immediately after Distribution 5 must be reduced by the amount of the difference. However, Distributing 13's basis in such stock must not be reduced below zero, and to the extent the foregoing reduction would reduce its basis below zero, then Distributing 13 must instead include such amount in income as a deemed dividend from such corporation. If Distributing 13 reduces its basis in the stock of Distributing 12 or Distributing 3 (Controlled) (or has an inclusion with respect to such stock), then Distributing 13 shall increase its basis in the stock of the other corporation to the extent provided in Treas. Reg. § 1.367(b)-5(c)(4).

## **Distribution 6**

(81) No gain or loss will be recognized by Distributing Parent upon its receipt of the Controlled 10 shares in Distribution 6 (section 355(a)(1)).

(82) No gain or loss will be recognized by Distributing 13 upon its distribution of Controlled 10 shares in Distribution 6 (section 355(c)).

(83) The basis of the Controlled 10 shares and Distributing 13 shares in the hands of Distributing Parent will equal Distributing Parent's adjusted basis in the Distributing 13 shares with respect to which Distribution 6 is made, allocated in proportion to the fair market values of the Controlled 10 shares and Distributing 13 shares (section 358(a)(1) and (b) and Treas. Reg. § 1.358-2(a)(2)).

(84) The holding period of the Controlled 10 shares received by Distributing Parent in Distribution 6 will include the holding period of the Distributing 13 shares with respect to which Distribution 6 is made, provided the Distributing 13 shares are held as capital assets on the date of Distribution 6 (section 1223(1)).

(85) Proper allocation of earnings and profits between Distributing 13 and Controlled 10 will be made in accordance with section 312(h) and Treas. Reg. § 1.312-10(b).

(86) Distribution 6 will be a distribution to which Treas. Reg. §§ 1.367(b)-1(c), 1.367(b)-5(a), 1.367(b)-5(c), and 1.367(b)-5(f) apply. If Distributing Parent's post-distribution amount (as defined in Treas. Reg. § 1.367(b)-5(e)(2)) with respect to Distributing 13 or Controlled 10 is less than Distributing Parent's pre-distribution amount (as defined in Treas. Reg. § 1.367(b)-5(e)(1)) with respect to Distributing 13 or Controlled 10, then Distributing Parent's basis in such stock immediately after Distribution 6 must be reduced by the amount of the difference. However, Distributing Parent's basis in such stock must not be reduced below zero, and to the extent the foregoing reduction would reduce its basis below zero, then Distributing Parent must instead include such amount in income as a deemed dividend from such corporation. If Distributing Parent reduces its basis in the stock of Distributing 13 or Controlled 10 (or has an inclusion with respect to such stock), then Distributing Parent shall increase its basis in the stock of the other corporation to the extent provided in Treas. Reg. § 1.367(b)-5(c)(4).

## **Distribution 7**

(87) No gain or loss will be recognized by Distributing Parent upon its receipt of the Distributing 3 (Controlled) shares in Distribution 7 (section 355(a)(1)).

(88) No gain or loss will be recognized by Distributing 13 upon its distribution of Distributing 3 (Controlled) shares in Distribution 7 (section 355(c)).

(89) The basis of the Distributing 3 (Controlled) shares and Distributing 13 shares in the hands of Distributing Parent will equal Distributing Parent's adjusted basis in the Distributing 13 shares with respect to which Distribution 7 is made, allocated in proportion to the fair market values of the Distributing 3 (Controlled) shares and Distributing 13 shares (section 358(a)(1) and (b) and Treas. Reg. § 1.358-2(a)(2)).



(90) The holding period of the Distributing 3 (Controlled) shares received by Distributing Parent in Distribution 7 will include the holding period of the Distributing 13 shares with respect to which Distribution 7 is made, provided the Distributing 13 shares are held as capital assets on the date of Distribution 7 (section 1223(1)).

(91) Proper allocation of earnings and profits between Distributing 13 and Distributing 3 (Controlled) will be made in accordance with section 312(h) and Treas. Reg. § 1.312-10(b).

(92) Distribution 7 will be a distribution to which Treas. Reg. §§ 1.367(b)-1(c), 1.367(b)-5(a), 1.367(b)-5(c), and 1.367(b)-5(f) apply. If Distributing Parent's post-distribution amount (as defined in Treas. Reg. § 1.367(b)-5(e)(2)) with respect to Distributing 13 or Distributing 3 (Controlled) is less than Distributing Parent's pre-distribution amount (as defined in Treas. Reg. § 1.367(b)-5(e)(1)) with respect to Distributing 13 or Distributing 3 (Controlled), then Distributing Parent's basis in such stock immediately after Distribution 7 must be reduced by the amount of the difference. However, Distributing Parent's basis in such stock must not be reduced below zero, and to the extent the foregoing reduction would reduce its basis below zero, then Distributing Parent must instead include such amount in income as a deemed dividend from such corporation. If Distributing Parent reduces its basis in the stock of Distributing 13 or Distributing 3 (Controlled) (or has an inclusion with respect to such stock), then Distributing Parent shall increase its basis in the stock of the other corporation to the extent provided in Treas. Reg. § 1.367(b)-5(c)(4).

### **Reorganization 1**

(93) For federal income tax purposes, the transactions described in Steps (lxxxii) and (lxxxiii) will be treated as if Distributing 1 had formed Controlled 1 and transferred Segment 1 assets and liabilities to Controlled 1 (the "Controlled 1 Contribution") and then Distributing 1 distributed the shares of Controlled 1 to Distributing 2 (the "Reorganization 1"). See Rev. Rul. 77-191, 1977-1 C.B. 94, and Rev. Rul. 57-311, 57-2 CB 243.

### **Reorganization 2**

(94) For federal income tax purposes, the transaction described in Steps (lxxxiv) and (lxxxv) will be treated as if Distributing 2 had formed Controlled 2 and transferred Distributing 1 to Controlled 2 (the "Controlled 2 Contribution") and then Distributing 2 distributed the shares of Controlled 2 to Distributing 13 (the "Reorganization 2"). See Rev. Rul. 77-191, 1977-1 C.B. 94, and Rev. Rul. 57-311, 57-2 CB 243.

(95) The transactions involving Receivable 1 are circular and therefore disregarded for federal income tax purposes. See Rev. Rul. 83-142, 1983-2 C.B. 68; Rev. Rul. 78-397 1978-2 C.B. 150.

### **Reorganization 3**

(96) For federal income tax purposes, the transactions described in Steps (xci) through (xcvii) will be treated as if Distributing 3 transferred Segment 1 to Controlled 3 (the

"Controlled 3 Contribution"), distributed the Controlled 3 stock to Distributing Parent (the "Reorganization 3"), followed by Distributing Parent's transfer of the Controlled 3 stock to Controlled Parent and then its transfer to FSUB 16. See Rev. Rul. 83-142, 1983-2 C.B. 68; Rev. Rul. 77-191, 1977-1 C.B. 94; and Rev. Rul. 57-311, 57-2 CB 243.

#### **Reorganization 4**

(97) For federal income tax purposes, the transactions described in Step (liii) will be treated as if Distributing 4 had formed Controlled 4 and transferred Segment 1 assets and liabilities to Controlled 4 (the "Controlled 4 Contribution") and then Distributing 4 distributed the shares of Controlled 4 to Distributing 5 (the "Reorganization 4"). See Rev. Rul. 77-191, 1977-1 C.B. 94; and Rev. Rul. 57-311, 57-2 CB 243.

#### **Reorganization 5**

(98) For federal income tax purposes, the transactions described in Step (liv) will be treated as if Distributing 5 had formed Controlled 5 and transferred Segment 1 assets and liabilities to Controlled 5 (the "Controlled 5 Contribution") and then Distributing 5 distributed the shares of Controlled 5 to Distributing 11 and Distributing 13 (the "Reorganization 5"). See Rev. Rul. 77-191, 1977-1 C.B. 94 and Rev. Rul. 57-311, 57-2 CB 243.

#### **Reorganization 7**

(99) For federal income tax purposes, the transactions described in Steps (lvi) through (lx) will be treated as if Distributing 7 had formed Controlled 7 and transferred Segment 1 assets and liabilities to Controlled 7 (the "Controlled 7 Contribution") and then Distributing 7 distributed the shares of Controlled 7 to Distributing 7 (the "Reorganization 7"). See Rev. Rul. 77-191, 1977-1 C.B. 94; and Rev. Rul. 57-311, 57-2 CB 243.

#### **Reorganization 8**

(100) For federal income tax purposes, the transactions described in Step (xliv) will be treated as if Distributing 8 had formed Controlled 8 and transferred Segment 1 assets and liabilities to Controlled 8 (the "Controlled 8 Contribution") and then Distributing 8 distributed the shares of Controlled 8 to Distributing 24 (the "Reorganization 8"). See Rev. Rul. 77-191, 1977-1 C.B. 94; and Rev. Rul. 57-311, 57-2 CB 243.

#### **Reorganization 9**

(101) For federal income tax purposes, the transactions described in Step (lix) will be treated as if Distributing 9 had formed Controlled 9 and transferred Segment 1 assets and liabilities to Controlled 9 (the "Controlled 9 Contribution") and then Distributing 9 distributed the shares of Controlled 9 to Distributing 11 (the "Reorganization 9"). See Rev. Rul. 77-191, 1977-1 C.B. 94; and Rev. Rul. 57-311, 57-2 CB 243.

#### **Reorganization 11**

(102) For federal income tax purposes, the transactions described in Step (Ixxii) will be treated as if Distributing 11 had formed Controlled 11 and transferred Segment 1 assets and liabilities to Controlled 11 (the "Controlled 11 Contribution") and then Distributing 11 distributed the shares of Controlled 11 to Distributing 12 (the "Reorganization 11"). See Rev. Rul. 77-191, 1977-1 C.B. 94; and Rev. Rul. 57-311, 57-2 CB 243.

### **Reorganization 15**

(103) For federal income tax purposes, the transactions described in Step (Ixxv) will be treated as if Distributing 15 had formed Controlled 15 and transferred Segment 1 assets and liabilities to Controlled 15 (the "Controlled 15 Contribution") and then Distributing 15 distributed the shares of Controlled 15 to Distributing 11 (the "Reorganization 15"). See Rev. Rul. 77-191, 1977-1 C.B. 94; and Rev. Rul. 57-311, 57-2 CB 243.

### **Reorganization 16**

(104) For federal income tax purposes, the transactions described in Step (Ixxvi) will be treated as if Distributing 16 had formed Controlled 16 and transferred Segment 1 assets and liabilities to Controlled 16 (the "Controlled 16 Contribution") and then Distributing 16 distributed the shares of Controlled 16 to Distributing 11 (the "Reorganization 16"). See Rev. Rul. 77-191, 1977-1 C.B. 94; and Rev. Rul. 57-311, 57-2 CB 243.

### **Reorganization 17**

(105) For federal income tax purposes, the transactions described in Step (Ixxvii) will be treated as if Distributing 17 had formed Controlled 17 and transferred Segment 1 assets and liabilities to Controlled 17 (the "Controlled 17 Contribution") and then Distributing 17 distributed the shares of Controlled 17 to Distributing 11 (the "Reorganization 17"). See Rev. Rul. 77-191, 1977-1 C.B. 94; and Rev. Rul. 57-311, 57-2 CB 243.

### **Reorganization 18**

(106) For federal income tax purposes, the transactions described in Step (Ixxviii) will be treated as if Distributing 18 had formed Controlled 18 and transferred Segment 1 assets and liabilities to Controlled 18 (the "Controlled 18 Contribution") and then Distributing 18 distributed the shares of Controlled 18 to Distributing 11 (the "Reorganization 18"). See Rev. Rul. 77-191, 1977-1 C.B. 94; and Rev. Rul. 57-311, 57-2 CB 243.

### **Reorganization 23**

(107) For federal income tax purposes, the transactions described in Step (Ixx) will be treated as if Distributing 23 had formed Controlled 23 and transferred Segment 1 assets and liabilities to Controlled 23 (the "Controlled 23 Contribution") and then Distributing 23 distributed the shares of Controlled 23 to Distributing 11 (the "Reorganization 23"). See Rev. Rul. 77-191, 1977-1 C.B. 94; and Rev. Rul. 57-311, 57-2 CB 243.

### **Reorganizations 1, 3 through 9 and 12 through 20, 22, and 23**

(108) The Contribution followed by the Distribution will be a reorganization under section 368(a)(1)(D).

(109) Distributing and Controlled will each be “a party to a reorganization” under section 368(b).

(110) Distributing will not recognize any gain or loss on the Contribution (sections 361(a) and 357(a)).

(111) Controlled will not recognize any gain or loss on the Contribution (section 1032(a)).

(112) Controlled's basis in each asset received from Distributing in the Contribution will equal the basis of such asset in the hands of Distributing immediately before its transfer (section 362(b)).

(113) Controlled's holding period in each asset received from Distributing in the Contribution will include the period during which Distributing held the asset (section 1223(2)).

(114) Shareholder will not recognize any gain or loss (and will not include any amount in income) upon receipt of the Controlled shares in the Distribution (section 355(a)(1)).

(115) No gain or loss will be recognized by Distributing on the Distribution (section 361(c)(1)).

(116) The basis of the Distributing shares and the Controlled shares held by Shareholder after the Distribution will equal the basis of the Distributing shares held by Shareholder immediately prior to the Distribution, allocated between the Distributing shares and the Controlled shares in proportion to the fair market values of each immediately after the Distribution in accordance with Treas. Reg. § 1.358-2(a)(2) (section 358(a), (b), and (c)).

(117) The holding period of the Controlled shares will include the holding period of the Distributing shares with respect to which the distribution of the Controlled shares is made, provided that the Distributing shares are held by Shareholder as a capital asset on the date of the Distribution (section 1223(1)).

(118) Proper allocation of earnings and profits between Distributing and Controlled will be made in accordance with section 312(h) and Treas. Reg. § 1.312-10(a).

(119) Distributing's transfer (or deemed transfer) of its assets in the Contribution will be an exchange to which Treas. Reg. §§ 1.367(b)-1(c) and 1.367(b)-4(a) apply.

(120) No amount will be included in income as a deemed dividend equal to the section 1248 amount under section 367(b) as a result of the Contribution (Treas. Reg. §§ 1.367(b)-1(b) and 1.367(b)-4(b)).

(121) The Distribution will be a distribution to which Treas. Reg. §§ 1.367(b)-1(c), 1.367(b)-5(a), 1.367(b)-5(c), and 1.367(b)-5(f) apply. If Shareholder's post-distribution amount (as defined in Treas. Reg. § 1.367(b)-5(e)(2)) with respect to Distributing or Controlled is less than Shareholder's pre-distribution amount (as defined in Treas. Reg. § 1.367(b)-5(e)(1)) with respect to Distributing or Controlled, then Shareholder's basis in

such stock immediately after the distribution must be reduced by the amount of the difference. However, Shareholder's basis in such stock must not be reduced below zero, and to the extent the foregoing reduction would reduce its basis below zero, then Shareholder must instead include such amount in income as a deemed dividend from such corporation. If Shareholder reduces its basis in the stock of Distributing or Controlled (or has an inclusion with respect to such stock), then Shareholder shall increase its basis in the stock of the other corporation to the extent provided in Treas. Reg. § 1.367(b)-5(c)(4).

## **Reorganization 2**

(122) The Controlled 2 Contribution followed by Reorganization 2 will be a reorganization under section 368(a)(1)(D).

(123) Distributing 2 and Controlled 2 will each be "a party to a reorganization" under section 368(b).

(124) Distributing 2 will not recognize any gain or loss on the Controlled 2 Contribution (sections 361(a) and 357(a)).

(125) Controlled 2 will not recognize any gain or loss on the Controlled 2 Contribution (section 1032(a)).

(126) Controlled 2's basis in each asset received from Distributing 2 in the Controlled 2 Contribution will equal the basis of such asset in the hands of Distributing 2 immediately before its transfer (section 362(b)).

(127) Controlled 2's holding period in each asset received from Distributing 2 in the Controlled 2 Contribution will include the period during which Distributing 2 held the asset (section 1223(2)).

(128) Distributing 13 will not recognize any gain or loss upon receipt of the Controlled 2 shares in Reorganization 2 (section 355(a)(1)).

(129) No gain or loss will be recognized by Distributing 2 on Reorganization 2 (section 361(c)(1)).

(130) The basis of the Distributing 2 shares and the Controlled 2 shares held by Distributing 13 after Reorganization 2 will equal the basis of the Distributing 2 shares held by Distributing 13 immediately prior to Reorganization 2, allocated between the Distributing 2 shares and the Controlled 2 shares in proportion to the fair market values of each immediately after Reorganization 2 in accordance with Treas. Reg. § 1.358-2(a)(2) (section 358(a), (b), and (c)).

(131) The holding period of the Controlled 2 shares will include the holding period of the Distributing 2 shares with respect to which the distribution of the Controlled 2 shares is made, provided that the Distributing 2 shares are held by Distributing 13 as a capital asset on the date of Reorganization 2 (section 1223(1)).

(132) Proper allocation of earnings and profits between Distributing 2 and Controlled 2 will be made in accordance with section 312(h) and Treas. Reg. § 1.312-10(a).

(133) Distributing 2's transfer (or deemed transfer) of its assets to Controlled 2 in the Controlled 2 Contribution will be an exchange to which Treas. Reg. §§ 1.367(b)-1(c) and 1.367(b)-4(a) apply.

(134) No amount will be included in income as a deemed dividend equal to the section 1248 amount under section 367(b) as a result of the Controlled 2 Contribution (Treas. Reg. §§ 1.367(b)-1(b) and 1.367(b)-4(b)).

(135) Reorganization 2 will be a distribution to which Treas. Reg. §§ 1.367(b)-1(c), 1.367(b)-5(a), 1.367(b)-5(c), and 1.367(b)-5(f) apply. If Distributing 13's post-distribution amount (as defined in Treas. Reg. § 1.367(b)-5(e)(2)) with respect to Distributing 2 or Controlled 2 is less than Distributing 2's pre-distribution amount (as defined in Treas. Reg. § 1.367(b)-5(e)(1)) with respect to Distributing 2 or Controlled 2, then Distributing 13's basis in such stock immediately after the distribution must be reduced by the amount of the difference. However, Distributing 13's basis in such stock must not be reduced below zero, and to the extent the foregoing reduction would reduce its basis below zero, then Distributing 13 must instead include such amount in income as a deemed dividend from such corporation. If Distributing 13 reduces its basis in the stock of Distributing 2 or Controlled 2 (or has an inclusion with respect to such stock), then Distributing 13 shall increase its basis in the stock of the other corporation to the extent provided in Treas. Reg. § 1.367(b)-5(c)(4).

## **Reorganization 10**

(136) The Controlled 10 Contribution followed by Reorganization 10 will be a reorganization under section 368(a)(1)(D).

(137) Distributing 10 and Controlled 10 will each be "a party to a reorganization" under section 368(b).

(138) Distributing 10 will not recognize any gain or loss on the Controlled 10 Contribution (sections 361(a) and 357(a)).

(139) Controlled 10 will not recognize any gain or loss on the Controlled 10 Contribution (section 1032(a)).

(140) Controlled 10's basis in each asset received from Distributing 10 in the Controlled 10 Contribution will equal the basis of such asset in the hands of Distributing 10 immediately before its transfer (section 362(b)).

(141) Controlled 10's holding period in each asset received from Distributing 10 in the Controlled 10 Contribution will include the period during which Distributing 10 held the asset (section 1223(2)).

(142) Distributing 12 will not recognize any gain or loss (and will not include any amount in income) upon receipt of the Controlled 10 shares in Reorganization 10 (section 355(a)(1)).

(143) No gain or loss will be recognized by Distributing 10 on Reorganization 10 (section 361(c)(1)).

(144) The basis of the Distributing 10 shares which include CPECs and the Controlled 10 shares held by Distributing 12 after Reorganization 10 will equal the basis of the Distributing 10 shares held by Distributing 12 immediately prior to Reorganization 10, allocated between the Distributing 10 shares and the Controlled 10 shares in proportion to the fair market values of each immediately after Reorganization 10 in accordance with Treas. Reg. § 1.358-2(a)(2) (section 358(a), (b), and (c)).

(145) The holding period of the Controlled 10 shares will include the holding period of the Distributing 10 shares with respect to which Reorganization 10 of the Controlled 10 shares is made, provided that the Distributing 10 shares are held by Distributing 12 as a capital asset on the date of Reorganization 10 (section 1223(1)).

(146) Proper allocation of earnings and profits between Distributing 10 and Controlled 10 will be made in accordance with section 312(h) and Treas. Reg. § 1.312-10(a).

(147) Distributing 10's transfer (or deemed transfer) of its assets to Controlled 10 in the Controlled 10 Contribution will be an exchange to which Treas. Reg. §§ 1.367(b)-1(c) and 1.367(b)-4(a) apply.

(148) No amount will be included in income as a deemed dividend equal to the section 1248 amount under section 367(b) as a result of the Controlled 10 Contribution (Treas. Reg. §§ 1.367(b)-1(b) and 1.367(b)-4(b)).

(149) Reorganization 10 will be a distribution to which Treas. Reg. §§ 1.367(b)-1(c), 1.367(b)-5(a), 1.367(b)-5(c), and 1.367(b)-5(f) apply. If Distributing 12's post-distribution amount (as defined in Treas. Reg. § 1.367(b)-5(e)(2)) with respect to Distributing 10 or Controlled 10 is less than Distributing 12's pre-distribution amount (as defined in Treas. Reg. § 1.367(b)-5(e)(1)) with respect to Distributing 10 or Controlled 10, then Distributing 12's basis in such stock immediately after Reorganization 10 must be reduced by the amount of the difference. However, Distributing 12's basis in such stock must not be reduced below zero, and to the extent the foregoing reduction would reduce its basis below zero, then Distributing 12 must instead include such amount in income as a deemed dividend from such corporation. If Distributing 12 reduces its basis in the stock of Distributing 10 or Controlled 10 (or has an inclusion with respect to such stock), then Distributing 12 shall increase its basis in the stock of the other corporation to the extent provided in Treas. Reg. § 1.367(b)-5(c)(4).

## **Reorganization 11**

(150) The Controlled 11 Contribution followed by Reorganization 11 will be a reorganization under section 368(a)(1)(D).

(151) Distributing 11 and Controlled 11 will each be “a party to a reorganization” under section 368(b).

(152) Distributing 11 will not recognize any gain or loss on the Controlled 11 Contribution (sections 361(a) and 357(a)).

(153) Controlled 11 will not recognize any gain or loss on the Controlled 11 Contribution (section 1032(a)).

(154) Controlled 11's basis in each asset received from Distributing 11 in the Controlled 11 Contribution will equal the basis of such asset in the hands of Distributing 11 immediately before its transfer (section 362(b)).

(155) Controlled 11's holding period in each asset received from Distributing 11 in the Controlled 11 Contribution will include the period during which Distributing 11 held the asset (section 1223(2)).

(156) Distributing 12 will not recognize any gain or loss (and will not include any amount in income) upon receipt of the Controlled 11 shares in Reorganization 11 (section 355(a)(1)).

(157) No gain or loss will be recognized by Distributing 11 on Reorganization 11 (section 361(c)(1)).

(158) The basis of the Distributing 11 shares and the Controlled 11 shares (which includes its CPECs) held by Distributing 12 after Reorganization 11 will equal the basis of the Distributing 11 shares held by Distributing 12 immediately prior to Reorganization 11, allocated between the Distributing 11 shares and the Controlled 11 shares in proportion to the fair market values of each immediately after Reorganization 11 in accordance with Treas. Reg. § 1.358-2(a)(2) (section 358(a), (b), and (c)).

(159) The holding period of the Controlled 11 shares will include the holding period of the Distributing 11 shares with respect to which Reorganization 11 of the Controlled 11 shares is made, provided that the Distributing 11 shares are held by Distributing 12 as a capital asset on the date of Reorganization 11 (section 1223(1)).

(160) Proper allocation of earnings and profits between Distributing 11 and Controlled 11 will be made in accordance with section 312(h) and Treas. Reg. § 1.312-10(a).

(161) Distributing 11's transfer (or deemed transfer) of its assets to Controlled 11 in the Controlled 11 Contribution will be an exchange to which Treas. Reg. §§ 1.367(b)-1(c) and 1.367(b)-4(a) apply.

(162) No amount will be included in income as a deemed dividend equal to the section 1248 amount under section 367(b) as a result of the Controlled 11 Contribution (Treas. Reg. §§ 1.367(b)-1(b) and 1.367(b)-4(b)).

(163) Reorganization 11 will be a distribution to which Treas. Reg. §§ 1.367(b)-1(c), 1.367(b)-5(a), 1.367(b)-5(c), and 1.367(b)-5(f) apply. If Distributing 12's post-distribution amount (as defined in Treas. Reg. § 1.367(b)-5(e)(2)) with respect to



Distributing 11 or Controlled 11 is less than Distributing 12's pre-distribution amount (as defined in Treas. Reg. § 1.367(b)-5(e)(1)) with respect to Distributing 11 or Controlled 11, then Distributing 12's basis in such stock immediately after Reorganization 11 must be reduced by the amount of the difference. However, Distributing 12's basis in such stock must not be reduced below zero, and to the extent the foregoing reduction would reduce its basis below zero, then Distributing 12 must instead include such amount in income as a deemed dividend from such corporation (see Treas. Reg. §§ 1.367(b)-5(c)(2) and 1.367(b)-5(f)). If Distributing 12 reduces its basis in the stock of Distributing 11 or Controlled 11 (or has an inclusion with respect to such stock), then Distributing 12 shall increase its basis in the stock of the other corporation to the extent provided in Treas. Reg. § 1.367(b)-5(c)(4).

### **Reorganization 21**

(164) The Controlled 21 Contribution followed by Reorganization 21 will be a reorganization under section 368(a)(1)(D).

(165) Distributing 21 and Controlled 21 will each be "a party to a reorganization" under section 368(b).

(166) Distributing 21 will not recognize any gain or loss on the Controlled 21 Contribution (sections 361(a) and 357(a)).

(167) Controlled 21 will not recognize any gain or loss on the Controlled 21 Contribution (section 1032(a)).

(168) Controlled 21's basis in each asset received from Distributing 21 in the Controlled 21 Contribution will equal the basis of such asset in the hands of Distributing 21 immediately before its transfer (section 362(b)).

(169) Controlled 21's holding period in each asset received from Distributing 21 in the Controlled 21 Contribution will include the period during which Distributing 21 held the asset (section 1223(2)).

(170) Distributing 10 will not recognize any gain or loss (and will not include any amount in income) upon receipt of the Controlled 21 shares in Reorganization 21 (section 355(a)(1)).

(171) No gain or loss will be recognized by Distributing 21 on Reorganization 21 (section 361(c)(1)).

(172) The basis of the Distributing 21 shares and the Controlled 21 shares held by Distributing 10 after Reorganization 21 will equal the basis of the Distributing 21 shares held by Distributing 10 immediately prior to Reorganization 21, allocated between the Distributing 21 shares and the Controlled 21 shares in proportion to the fair market values of each immediately after Reorganization 21 in accordance with Treas. Reg. § 1.358-2(a)(2) (section 358(a), (b), and (c)).

(173) The holding period of the Controlled 21 shares will include the holding period of the Distributing 21 shares with respect to which Reorganization 21 of the Controlled 21 shares is made, provided that the Distributing 21 shares are held by Distributing 10 as a capital asset on the date of Reorganization 21 (section 1223(1)).

(174) Proper allocation of earnings and profits between Distributing 21 and Controlled 21 will be made in accordance with section 312(h) and Treas. Reg. § 1.312-10(a).

(175) Distributing 21's transfer (or deemed transfer) of its assets to Controlled 21 in the Controlled 21 Contribution will be an exchange to which Treas. Reg. §§ 1.367(b)-1(c) and 1.367(b)-4(a) apply.

(176) No amount will be included in income as a deemed dividend equal to the section 1248 amount under section 367(b) as a result of the Controlled 21 Contribution (Treas. Reg. §§ 1.367(b)-1(b) and 1.367(b)-4(b)).

(177) Reorganization 21 will be a distribution to which Treas. Reg. §§ 1.367(b)-1(c), 1.367(b)-5(a), 1.367(b)-5(c), and 1.367(b)-5(f) apply. If Distributing 10's post-distribution amount (as defined in Treas. Reg. § 1.367(b)-5(e)(2)) with respect to Distributing 21 or Controlled 21 is less than Distributing 21's pre-distribution amount (as defined in Treas. Reg. § 1.367(b)-5(e)(1)) with respect to Distributing 21 or Controlled 21, then Distributing 10's basis in such stock immediately after Reorganization 21 must be reduced by the amount of the difference. However, Distributing 10's basis in such stock must not be reduced below zero, and to the extent the foregoing reduction would reduce its basis below zero, then Distributing 10 must instead include such amount in income as a deemed dividend from such corporation. If Distributing 10 reduces its basis in the stock of Distributing 21 or Controlled 21 (or has an inclusion with respect to such stock), then Distributing 10 shall increase its basis in the stock of the other corporation to the extent provided in Treas. Reg. § 1.367(b)-5(c)(4).

## **Reorganization 24**

(178) The contribution of assets and liabilities by Sub 1 (Distributing) to new LLC 8 in Step (vi), the distribution of the interests of new LLC 8 by Sub 1 (Distributing) to Distributing Parent and the transfer of the interests of LLC 8 to Controlled Parent in Step (vii) will be treated as if Sub 1 (Distributing) transferred the assets and liabilities to Controlled Parent (the "Controlled Sub 1 Distributing Contribution") and distributed the shares of Controlled Parent to Distributing Parent ("Reorganization 24").

Reorganization 24 will qualify as a reorganization within the meaning of section 368(a)(1)(D). See Rev. Rul. 77-191, 1977-1 C.B. 94 and 57-311, 57-2 C.B. 243. Sub 1 (Distributing) and Controlled Parent each will be "a party to a reorganization" within the meaning of section 368(b).

(179) Sub 1 (Distributing) will not recognize any gain or loss upon the transfer of assets to Controlled Parent pursuant to the Controlled Sub 1 Distributing Contribution (section 361(a)).

(180) Controlled Parent will not recognize any gain or loss upon the receipt of assets from Sub 1 (Distributing) pursuant to the Controlled Sub 1 Distributing Contribution (section 1032(a)).

(181) Controlled Parent's basis in each asset received from Sub 1 (Distributing) pursuant to the Controlled Sub 1 Distributing Contribution will be the same as the basis of that asset in the hands of Sub 1 (Distributing) immediately before its transfer (section 362(b)).

(182) Controlled Parent's holding period in each asset received from Sub 1 (Distributing) pursuant to the Controlled Sub 1 Distributing Contribution will include the period during which Sub 1 (Distributing) held that asset (section 1223(2)).

(183) Sub 1 (Distributing) will not recognize any gain or loss upon the distribution of Controlled Parent stock in Reorganization 24 (section 361(c)).

(184) Distributing Parent will not recognize any gain or loss (and will not otherwise include any amount in income) on the receipt of shares of stock in Reorganization 24 (section 355(a)(1)).

(185) The basis of the Sub 1 (Distributing) stock and the Controlled Parent stock in the hands of Distributing Parent immediately after Reorganization 24 will be the same as Distributing Parent's basis in the Sub 1 (Distributing) stock held immediately before the Distribution, allocated between the Sub 1 (Distributing) shares and the Controlled Parent shares in proportion to the fair market value of each immediately after Reorganization 24 in accordance with Treas. Reg. § 1.358-2 (section 358(a) through (c)).

(186) The holding period of the Controlled Parent stock received by Distributing Parent in Reorganization 24 will include the holding period of the Sub 1 (Distributing) stock with respect to which Reorganization 24 was made, provided that the Sub 1 (Distributing) stock is held as a capital asset on the date of Reorganization 24 (section 1223(1)).

(187) Earnings and profits of Sub 1 (Distributing), if any, will be allocated between Sub 1 (Distributing) and Controlled Parent in accordance with section 312(h) and Treas. Reg. § 1.312-10(a).

### **The External Distribution**

(188) Distributing Parent's contribution of assets to Controlled Parent in constructive or actual exchange for stock of Controlled Parent, the Controlled Securities, Special Distribution and Controlled Parent's assumption of liabilities (the "External Contribution"), if any, followed by Distributing Parent's distribution of all of the stock of Controlled Parent pro rata to Distributing Parent's shareholders (the "External Distribution"), will be a reorganization within the meaning of section 368(a)(1)(D). Distributing and Controlled Parent will each be a party to a reorganization within the meaning of section 368(b).

(189) Distributing Parent will not recognize any gain or loss on the External Contribution (sections 361(a) and 357(a)). Provided that Distributing Parent either distributes the Special Distribution and any Net Excess (reduced by earlier distributions to its shareholders or to Distributing Parent creditors) or transfers such cash to Distributing Parent creditors (such that, in the case of any Net Excess, the amount transferred to creditors (including earlier transfers) does not exceed the basis of the assets that Distributing Parent contributed to Controlled Parent in the External Contribution, such basis to be reduced by the sum of the liabilities assumed (as determined under section 357(c) by Controlled Parent in the External Contribution and the Special Distribution), Distributing Parent will not recognize any gain on the External Contribution attributable to the receipt of the Special Distribution or Net Excess payments pursuant to section 361(b) (section 361(b)(1) and (b)(3)).

(190) Controlled Parent will not recognize any gain or loss on the External Contribution (section 1032(a)).

(191) Controlled Parent's basis in the assets received from Distributing Parent in the External Contribution will equal the basis of such assets in the in the hands of Distributing Parent immediately before their contribution to Controlled Parent (section 362(b)).

(192) Controlled Parent's holding period in the assets received from Distributing Parent in the External Contribution will include the period during which Distributing Parent held such assets (section 1223(2)).

(193) Distributing Parent will recognize no gain or loss on the External Distribution (section 361(c)).

(194) Shareholders will recognize no gain or loss (and will not include any amount in income) upon the External Distribution (section 355(a)(1)) except for the receipt of proceeds of the Special Distribution and Controlled Securities, if any.

(195) Each shareholder's basis in a share of Distributing Parent (as adjusted under Treas. Reg. § 1.358-1) shall be allocated between the share of Distributing Parent with respect to which the External Distribution is made and the share of Controlled Parent (or allocable portions thereof) received with respect to the share of Distributing Parent in proportion to their fair market values. If one share of Controlled Parent is received in respect of more than one share of Distributing Parent, the basis of each share of Distributing Parent must be allocated to the shares of Controlled Parent received in a manner that reflects that, to the extent possible, a share of Controlled Parent is received in respect of shares of Distributing Parent acquired on the same date and at the same price. If a shareholder, that purchased or acquired shares of Distributing Parent on different dates or at different prices and is not able to identify which particular share of Controlled Parent (or portion thereof) is received with respect to a particular share of Distributing Parent, the shareholder may designate which particular share of Controlled Parent (or portion thereof) is received with respect to a particular share of Distributing Parent, provided the designation is consistent with the terms of the External Distribution (section 358(b); Treas. Reg. § 1.358-2(a)).

(196) Each Distributing Parent shareholder's holding period in a Controlled Parent share received will include the holding period of the Distributing Parent share with respect to which the distribution of the Controlled Parent share is made, provided that the Distributing Parent share is held as a capital asset on the date of the External Distribution (section 1223(1)).

(197) Distributing Parent and Controlled Parent will allocate their earnings and profits in accordance with section 312(h) and Treas. Reg. §§ 1.312-10(a) and 1.1502-33(e)(3).

(198) Payments made by Distributing Parent to Controlled Parent or by Controlled Parent to Distributing Parent pursuant to the Pre-Closing Payment Items that (i) have arisen or will arise for a taxable period ending on or before the External Distribution or for a taxable period beginning before and ending after the External Distribution and (ii) will not become fixed and ascertainable until after the External Distribution will be treated as adjustments to amounts contributed by Distributing Parent to Controlled Parent or distributed by Controlled Parent to Distributing Parent immediately before the External Distribution (*Arrowsmith v. Commissioner*, 344 U.S. 6 (1952)). Accordingly, except to the extent of any imputed interest component, for amounts paid by Distributing Parent to Controlled Parent, Distributing Parent will not be entitled to any deduction for the payment of such amounts (see sections 361(a) and 357(a)) and Controlled Parent will not recognize any income upon the receipt of such amounts (1032(a)). Similarly, except to the extent of any imputed interest component, for amounts paid by Controlled Parent to Distributing Parent, Controlled Parent will not be entitled to any deduction for the payment of such amounts (section 311(a)). Any gain to Distributing Parent on the receipt of any Net Excess payments will be determined as described in ruling (189).

(199) Controlled Parent will not be a successor to Distributing Parent for purposes of section 1504(a)(3).

(200) Provided that the Controlled Securities are transferred in the External Debt Exchange as described above, then Distributing Parent will not recognize any income, gain, loss, or deduction with respect to the Controlled Securities on the transfer of the Controlled Securities, in exchange for Distributing Debt section 361(c).

(201) Distributing Parent's (or its subsidiaries') transfer of the Delayed Transfer Assets to Controlled Parent (or its subsidiaries) will occur pursuant to the plan of reorganization that includes the transfer of the other Contributed Assets to Controlled Parent and the External Distribution (Treas. Reg. § 1.368-2(g)).

(202) The unamortized remaining account balance of the Section 59(e) Amount carries over to Controlled Parent.

(203) The unamortized remaining account balance of the Section 59(e) Amount that carries over to Controlled Parent will continue to be amortized by Controlled Parent in the same manner and over the remaining period that such amounts would have been amortized by Distributing Parent; and

(204) For the calendar year in which the assets of Segment 1 (including the unamortized remaining account balance of the Section 59(e) Amount) are transferred by Distributing Parent to Controlled Parent, the deduction associated with the section 59(e) election relating to such business will be split ratably between Distributing Parent and Controlled Parent. Distributing Parent will claim a deduction based on (a) the portion of the Section 59(e) Amount for the year of the External Distribution, if any, incurred up to the date of the External Distribution which would have been claimed for such year by Distributing Parent absent a transfer of Segment 1 and (b) that portion of the remaining unamortized account balance of the Section 59(e) Amount as of the first day of the taxable year in which the External Distribution occurs which would have been claimed for such year by Distributing Parent absent a transfer of Segment 1. Such deduction will be the sum of the amounts determined by multiplying each of (a) and (b) by a fraction the numerator of which is the number of whole months in such year prior to External Distribution and the denominator of which is twelve. The balance of the portion of the Section 59(e) Amount for the year of External Contribution up to the date of the External Distribution and the balance of the unamortized Section 59(e) Amount as of the first day of the year in which the External Distribution occurs each of which would have been claimed by Distributing Parent for such year absent the External Distribution will be claimed by Controlled Parent.

### **CAVEATS**

Except as expressly provided herein and specifically set forth in the rulings above, no opinion is expressed or implied concerning the federal tax consequences of any aspect of the Proposed Transaction or item discussed or referenced in this letter under any other provision of the Code and regulations, or about the tax treatment of any conditions existing at the time of, or effects resulting from, the Proposed Transaction. In particular, this office has not reviewed any information pertaining to and has made no determination regarding:

- (i) Whether any Distribution will satisfy the business purpose requirement of Treas. Reg. § 1.355-2(b);
- (ii) Whether any Distribution will be used principally as a device for the distribution of earnings and profits of the distributing corporation or the controlled corporation or both;
- (iii) Whether any Distribution and an acquisition or acquisitions are part of a plan (or series of related transactions) under section 355(e)(2)(A)(ii); and
- (iv) Whether amounts taxpayer treated as R&E expenditures eligible for treatment under section 174 or section 59(e) are R&E expenditures within the meaning of section 174.

### **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.

A copy of this letter must be attached to any income tax return to which it is relevant. Alternatively, any taxpayer filing its return electronically may satisfy this requirement by

attaching a statement to the return that provides the date and control number of this letter.

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

Sincerely,

*Isaac W. Zimbalist*

Isaac W. Zimbalist  
Senior Technician Reviewer, Branch 5  
Office of Associate Chief Counsel  
(Corporate)

cc: