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February 25, 2005

Legend

Parent =

Sub 1 =

Sub 2 =

Sub 3 =

Distributing 1 =

Distributing 2 =

Distributing 3 =

Distributing 4 =

Limited
Partnership 1 =

Entity 1 =

Controlled 1 =

Controlled 2 =

Controlled 3 =

Controlled 4 =

Controlled 5 =

Industry A =

Business A =

Business B =

P1% =

P2% =

N1 =

Year 1 =

Dear :

We respond to your representative's letter dated October 13, 2004, in which rulings were requested regarding certain federal income tax consequences of a proposed transaction. Additional information was submitted in letters dated January 7, 2005, February 11, 2005 and February 24, 2005.

The rulings contained in this letter are based on facts and representations submitted by the taxpayer and accompanied by a penalties of perjury statement executed by an appropriate party. This Office has not verified any of the materials submitted in support of the request for rulings. Verification of the information, representations, and other data may be required as part of the audit process. Moreover, no information provided by the taxpayer has been reviewed and no determination has been made regarding whether the proposed transaction: (i) satisfies the business purpose requirement of § 1.355-2(b) of the Income Tax Regulations, (ii) is used principally as a device for the distribution of the earnings and profits of the distributing corporation or the controlled corporation or both (see § 355(a)(1)(B) of the Internal Revenue Code and § 1.355-2(d)), or (iii) is part of a plan (or series of related transactions) pursuant to which one or more persons will acquire directly or indirectly stock representing a 50-percent or greater interest in the distributing corporation or the controlled corporation (see § 355(e)(2)(A)(ii) and § 1.355-7T).

The information submitted for consideration is summarized below.

Summary of Facts

Parent is a publicly held company and is the common parent of a consolidated group whose subsidiaries conduct a variety of Industry A businesses, including, but not limited to, Business A and Business B.

Specifically, with respect to the entities involved with the restructuring, Parent wholly owns Sub 1. Sub 1 wholly owns numerous subsidiaries including Distributing 1, Distributing 2, Distributing 3, Distributing 4, and Sub 2. Sub 2 wholly owns Sub 3. All of the above-named entities are treated as corporations for Federal tax purposes. Distributing 2 is a general partner of Limited Partnership 1. Distributing 2 owns a P1%

general partner interest and a P2% limited partner interest in Limited Partnership 1. The remaining P1% general partner interest is owned by another Parent affiliate, Entity 1. Controlled 1, Controlled 2, Controlled 4, and Controlled 5, each formed in Year 1, are newly formed wholly owned subsidiaries of Distributing 1, Distributing 2, Distributing 3 and Distributing 4, respectively. Controlled 3 is a single member limited liability company (that is disregarded for Federal tax purposes) formed in Year 1 and owned by Limited Partnership 1. Controlled 1, Controlled 2, Controlled 3, Controlled 4 and Controlled 5 are hereinafter collectively referred to as the "Controlled Corporations". Each distributing and controlled corporation in the Proposed Transaction, as described below, has outstanding only a single class of stock or, in the case of the limited liability companies treated as corporations for federal tax purposes, a single class of membership interests.

At present, the Business A business and the Business B business are both conducted by each of Distributing 1, Distributing 2, Distributing 3 and Distributing 4 (hereinafter collectively referred to as the "Distributing Corporations"). As described in the Proposed Transaction, a corporate alignment will take place in order to bring greater focus to the Business B business and enhance its management's ability regarding operations and business development. The restructuring contemplated by this transaction will involve an internal reorganization of Business B's assets, separating them from the entities operating Business A. No distribution of stock or assets to Parent's public shareholders is involved.

We have received information that the Business A business and the Business B business conducted by each of the Distributing Corporations each have had gross receipts and operating expenses representative of an active business for each of the past five years.

Description of the Proposed Transaction

For what has been represented as a valid business purpose, the taxpayer proposes the following series of steps comprising of an integrated transaction:

Step One: N1 Business B sites owned by Limited Partnership 1 will be transferred to Controlled 3. The membership interests in Controlled 3 will then be distributed by Limited Partnership 1 to Distributing 2 with respect to its partner interests (The Controlled 3 membership interests are sometimes hereinafter referred to as "stock").

Step Two: Controlled 3 will file an entity classification election to be treated as a Subchapter C corporation for federal tax purposes effective on a date after Step One (hereinafter sometimes referred to as "Deemed Contribution 3").

Step Three: The Business B assets will be contributed by their current holders to their respective wholly owned subsidiaries: Distributing 1 will transfer its Business B assets to Controlled 1 in exchange for Controlled 1 stock and Controlled 1's assumption of the

liabilities of Distributing 1's Business B business (hereinafter referred to as "Contribution 1"); Distributing 2 will transfer its Business B assets to Controlled 2 in exchange for Controlled 2 stock and Controlled 2's assumption of the liabilities of Distributing 2's Business B business (hereinafter referred to as "Contribution 2"); Distributing 3 will transfer its Business B assets to Controlled 4 in exchange for Controlled 4 stock and Controlled 4's assumption of the liabilities of Distributing 3's Business B business (hereinafter referred to as "Contribution 4"); and Distributing 4 will transfer its Business B assets to Controlled 5 in exchange for Controlled 5's stock and Controlled 5's assumption of the liabilities of Distributing 4's Business B business (hereinafter referred to as "Contribution 5").

Step Four: After the contributions and as part of the plan of reorganization, all of the stock of the Controlled Corporations will be distributed to Sub 1. Accordingly, Distributing 1 will distribute all of the shares of Controlled 1 stock (hereinafter referred to as "Distribution 1"). Distributing 2 will distribute all of the shares of Controlled 3 stock (hereinafter referred to as "Distribution 3") and Controlled 2 stock (hereinafter referred to as "Distribution 2"). Distributing 3 will distribute all of the shares of Controlled 4 stock (hereinafter referred to as "Distribution 4") and Distributing 4 will distribute all of the shares of Controlled 5 stock (hereinafter referred to as "Distribution 5").

Step Five: Sub 1 will then contribute the shares of the Controlled Corporations to its wholly owned subsidiary, Sub 2. Sub 2 will then contribute the shares of these entities to its wholly owned subsidiary, Sub 3.

Step One will occur on a date at least one day earlier than Steps Two through Five.

After the restructuring, the Business B business will be held in entities conducting only Business B operations and will be owned in a vertical chain below Sub 1 separate from the Company's other divisions.

Representations

The following representations have been made with respect to Distribution 1.

1. No part of the consideration to be distributed by Distributing 1 will be received by a shareholder as a creditor, employee, or in any capacity other than that of a shareholder of the corporation.
2. The 5 years of financial information submitted on behalf of the distributing corporation is representative of the corporation's present operation, and with regard to such corporation, there have been no substantial operational changes since the date of the last financial statements submitted.
3. Following the transaction, Distributing 1 and Controlled 1 will each continue the active conduct of its business, independently and with its separate employees.

4. The distribution of the stock, or stock and securities, of the controlled corporation is carried out for the following corporate business purpose: Fit and Focus. The distribution of the stock, or stock and securities, of the controlled corporation is motivated, in whole or substantial part, by this corporate business purpose.
5. The transaction is not used principally as a device for the distribution of the earnings and profits of the distributing corporation or the controlled corporation or both.
6. For purposes of Section 355(d), immediately after the 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 1 stock entitled to vote, or 50 percent or more of the total value of shares of all classes of Distributing 1 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 distribution date.
7. For purposes of Section 355(d), immediately after the 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 1 stock entitled to vote, or 50 percent or more of the total value of shares of all classes of Controlled 1 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 distribution date, or (ii) attributable to distributions on Distributing 1 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 distribution date.
8. The total adjusted basis and the fair market value of the assets transferred to Controlled 1 by Distributing 1 each equals or exceeds the sum of the liabilities assumed (as determined under section 357(d)) by Controlled 1. The sum of the liabilities assumed (as determined under section 357(d)) were incurred in the ordinary course of business and are associated with the assets being transferred.
9. For the property being transferred from Distributing 1 to Controlled 1, no investment credit determined under Section 46 has been or will be claimed with respect to such property.
10. Distributing 1 neither accumulated its receivables nor made extraordinary payment of its payables in anticipation of the transaction.
11. No intercorporate debt will exist between Distributing 1 and Controlled 1 at the time of, or subsequent to, the distribution of Controlled 1 stock.

12. Immediately before the distribution, items of income, gain, loss, deduction, and credit will be taken into account as required by the applicable intercompany transaction regulations.
13. No member of the group has an excess loss account in Controlled 1 or any of its subsidiaries. The allocation of basis under section 358 that will occur in connection with the distribution will not result in the Controlled 1 stock having a higher basis than it had immediately prior to the distribution.
14. Payments made in connection with all continuing transactions, if any, between Distributing 1 and Controlled 1 will be for fair market value based on terms and conditions arrived at by the parties bargaining at arm's length.
15. Neither party to the transaction are investment companies as defined in Section 368(a)(2)(F)(iii) and (iv).
16. There is no acquisition of stock of the distributing corporation or any controlled corporation (including any predecessor or successor of any such corporation) that is part of a plan or series of related transactions (within the meaning of Section 1.355-7T) that includes the distribution of the controlled corporation stock.
17. The contribution of the stock of Controlled 1 by Sub 1 to Sub 2, and in turn, by Sub 2 to Sub 3, will each qualify as an exchange described in section 351.

The following representations have been made with respect to Distribution 2.

18. No part of the consideration to be distributed by Distributing 2 will be received by a shareholder as a creditor, employee, or in any capacity other than that of a shareholder of the corporation.
19. The 5 years of financial information submitted on behalf of the distributing corporation is representative of the corporation's present operation, and with regard to such corporation, there have been no substantial operational changes since the date of the last financial statements submitted.
20. Following the transaction, Distributing 2 and Controlled 2 will each continue the active conduct of its business, independently and with its separate employees.
21. The distribution of the stock, or stock and securities, of the controlled corporation is carried out for the following corporate business purpose: Fit and Focus. The distribution of the stock, or stock and securities, of the controlled corporation is motivated, in whole or substantial part, by this corporate business purpose.

22. The transaction is not used principally as a device for the distribution of the earnings and profits of the distributing corporation or the controlled corporation or both.
23. For purposes of Section 355(d), immediately after the 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 2 stock entitled to vote, or 50 percent or more of the total value of shares of all classes of Distributing 2 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 distribution date.
24. For purposes of Section 355(d), immediately after the 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 2 stock entitled to vote, or 50 percent or more of the total value of shares of all classes of Controlled 2 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 distribution date, or (ii) attributable to distributions on Distributing 2 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 distribution date.
25. The total adjusted basis and the fair market value of the assets transferred to Controlled 2 by Distributing 2 each equals or exceeds the sum of the liabilities assumed (as determined under section 357(d)) by Controlled 2. The sum of the liabilities assumed (as determined under section 357(d)) were incurred in the ordinary course of business and are associated with the assets being transferred.
26. For the property being transferred from Distributing 2 to Controlled 2, no investment credit determined under Section 46 has been or will be claimed with respect to such property.
27. Distributing 2 neither accumulated its receivables nor made extraordinary payment of its payables in anticipation of the transaction.
28. No intercorporate debt will exist between Distributing 2 and Controlled 2 at the time of, or subsequent to, the distribution of Controlled 2 stock.
29. Immediately before the distribution, items of income, gain, loss, deduction, and credit will be taken into account as required by the applicable intercompany transaction regulations.
30. No member of the group has an excess loss account in Controlled 2 or any of its subsidiaries. The allocation of basis under section 358 that will occur in

connection with the distribution will not result in the Controlled 2 stock having a higher basis than it had immediately prior to the distribution.

31. Payments made in connection with all continuing transactions, if any, between Distributing 2 and Controlled 2 will be for fair market value based on terms and conditions arrived at by the parties bargaining at arm's length.
32. Neither party to the transaction are investment companies as defined in Section 368(a)(2)(F)(iii) and (iv).
33. There is no acquisition of stock of the distributing corporation or any controlled corporation (including any predecessor or successor of any such corporation) that is part of a plan or series of related transactions (within the meaning of Section 1.355-7T) that includes the distribution of the controlled corporation stock.
34. The contribution of the stock of Controlled 2 by Sub 1 to Sub 2, and in turn, by Sub 2 to Sub 3, will each qualify as an exchange described in section 351.

The following representations have been made with respect to Distribution 3.

35. The Limited Partnership 1 partnership will distribute the Controlled 3 membership interests to Distributing 2 at least 1 day before the effective date of the election under Reg. section 301.7701-3(c)(1)(i) to treat Controlled 3 as an association and taxable as a corporation.
36. No part of the consideration to be distributed by Distributing 2 will be received by a shareholder as a creditor, employee, or in any capacity other than that of a shareholder of the corporation.
37. The 5 years of financial information submitted on behalf of the distributing corporation is representative of the corporation's present operation, and with regard to such corporation, there have been no substantial operational changes since the date of the last financial statements submitted.
38. Following the transaction, Distributing 2 and Controlled 3 will each continue the active conduct of its business, independently and with its separate employees.
39. The distribution of the stock, or stock and securities, of the controlled corporation is carried out for the following corporate business purpose: Fit and Focus. The distribution of the stock, or stock and securities, of the controlled corporation is motivated, in whole or substantial part, by this corporate business purpose.

40. The transaction is not used principally as a device for the distribution of the earnings and profits of the distributing corporation or the controlled corporation or both.
41. For purposes of Section 355(d), immediately after the 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 2 stock entitled to vote, or 50 percent or more of the total value of shares of all classes of Distributing 2 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 distribution date.
42. For purposes of Section 355(d), immediately after the 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 3 stock entitled to vote, or 50 percent or more of the total value of shares of all classes of Controlled 3 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 distribution date, or (ii) attributable to distributions on Distributing 2 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 distribution date.
43. The total adjusted basis and the fair market value of the assets transferred to Controlled 3 by Distributing 2 each equals or exceeds the sum of the liabilities assumed (as determined under section 357(d)) by Controlled 3. The sum of the liabilities assumed (as determined under section 357(d)) were incurred in the ordinary course of business and are associated with the assets being transferred.
44. For the property being transferred from Distributing 2 to Controlled 3, no investment credit determined under Section 46 has been or will be claimed with respect to such property.
45. Distributing 2 neither accumulated its receivables nor made extraordinary payment of its payables in anticipation of the transaction.
46. No intercorporate debt will exist between Distributing 2 and Controlled 3 at the time of, or subsequent to, the distribution of Controlled 3 stock.
47. Immediately before the distribution, items of income, gain, loss, deduction, and credit will be taken into account as required by the applicable intercompany transaction regulations.
48. No member of the group has an excess loss account in Controlled 3 or any of its subsidiaries. The allocation of basis under section 358 that will occur in

connection with the distribution will not result in the Controlled 3 stock having a higher basis than it had immediately prior to the distribution.

49. Payments made in connection with all continuing transactions, if any, between Distributing 2 and Controlled 3 will be for fair market value based on terms and conditions arrived at by the parties bargaining at arm's length.

50. Neither party to the transaction are investment companies as defined in Section 368(a)(2)(F)(iii) and (iv).

51. There is no acquisition of stock of the distributing corporation or any controlled corporation (including any predecessor or successor of any such corporation) that is part of a plan or series of related transactions (within the meaning of Section 1.355-7T) that includes the distribution of the controlled corporation stock.

52. The contribution of the stock of Controlled 3 by Sub 1 to Sub 2, and in turn, by Sub 2 to Sub 3, will each qualify as an exchange described in section 351.

The following representations have been made with respect to Distribution 4.

53. No part of the consideration to be distributed by Distributing 3 will be received by a shareholder as a creditor, employee, or in any capacity other than that of a shareholder of the corporation.

54. The 5 years of financial information submitted on behalf of the distributing corporation is representative of the corporation's present operation, and with regard to such corporation, there have been no substantial operational changes since the date of the last financial statements submitted.

55. Following the transaction, Distributing 3 and Controlled 4 will each continue the active conduct of its business, independently and with its separate employees.

56. The distribution of the stock, or stock and securities, of the controlled corporation is carried out for the following corporate business purpose: Fit and Focus. The distribution of the stock, or stock and securities, of the controlled corporation is motivated, in whole or substantial part, by this corporate business purpose.

57. The transaction is not used principally as a device for the distribution of the earnings and profits of the distributing corporation or the controlled corporation or both.

58. For purposes of Section 355(d), immediately after the 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 3

stock entitled to vote, or 50 percent or more of the total value of shares of all classes of Distributing 3 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 distribution date.

59. For purposes of Section 355(d), immediately after the 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 4 stock entitled to vote, or 50 percent or more of the total value of shares of all classes of Controlled 4 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 distribution date, or (ii) attributable to distributions on Distributing 3 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 distribution date.
60. The total adjusted basis and the fair market value of the assets transferred to Controlled 4 by Distributing 3 each equals or exceeds the sum of the liabilities assumed (as determined under section 357(d)) by Controlled 4. The sum of the liabilities assumed (as determined under section 357(d)) were incurred in the ordinary course of business and are associated with the assets being transferred.
61. For the property being transferred from Distributing 3 to Controlled 4, no investment credit determined under Section 46 has been or will be claimed with respect to such property.
62. Distributing 3 neither accumulated its receivables nor made extraordinary payment of its payables in anticipation of the transaction.
63. No intercorporate debt will exist between Distributing 3 and Controlled 4 at the time of, or subsequent to, the distribution of Controlled 4 stock.
64. Immediately before the distribution, items of income, gain, loss, deduction, and credit will be taken into account as required by the applicable intercompany transaction regulations.
65. No member of the group has an excess loss account in Controlled 4 or any of its subsidiaries. The allocation of basis under section 358 that will occur in connection with the distribution will not result in the Controlled 4 stock having a higher basis than it had immediately prior to the distribution.
66. Payments made in connection with all continuing transactions, if any, between Distributing 3 and Controlled 4 will be for fair market value based on terms and conditions arrived at by the parties bargaining at arm's length.

- 67. Neither party to the transaction are investment companies as defined in Section 368(a)(2)(F)(iii) and (iv).
- 68. There is no acquisition of stock of the distributing corporation or any controlled corporation (including any predecessor or successor of any such corporation) that is part of a plan or series of related transactions (within the meaning of Section 1.355-7T) that includes the distribution of the controlled corporation stock.
- 69. The contribution of the stock of Controlled 4 by Sub 1 to Sub 2, and in turn, by Sub 2 to Sub 3, will each qualify as an exchange described in section 351.

The following representations have been made with respect to Distribution 5.

- 70. No part of the consideration to be distributed by Distributing 4 will be received by a shareholder as a creditor, employee, or in any capacity other than that of a shareholder of the corporation.
- 71. The 5 years of financial information submitted on behalf of the distributing corporation is representative of the corporation's present operation, and with regard to such corporation, there have been no substantial operational changes since the date of the last financial statements submitted.
- 72. Following the transaction, Distributing 4 and Controlled 5 will each continue the active conduct of its business, independently and with its separate employees.
- 73. The distribution of the stock, or stock and securities, of the controlled corporation is carried out for the following corporate business purpose: Fit and Focus. The distribution of the stock, or stock and securities, of the controlled corporation is motivated, in whole or substantial part, by this corporate business purpose.
- 74. The transaction is not used principally as a device for the distribution of the earnings and profits of the distributing corporation or the controlled corporation or both.
- 75. For purposes of Section 355(d), immediately after the 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 4 stock entitled to vote, or 50 percent or more of the total value of shares of all classes of Distributing 4 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 distribution date.
- 76. For purposes of Section 355(d), immediately after the 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 5 stock entitled to vote, or 50 percent or more of the total value of shares of all classes of Controlled 5 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 distribution date, or (ii) attributable to distributions on Distributing 4 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 distribution date.

77. The total adjusted basis and the fair market value of the assets transferred to Controlled 5 by Distributing 4 each equals or exceeds the sum of the liabilities assumed (as determined under section 357(d)) by Controlled 5. The sum of the liabilities assumed (as determined under section 357(d)) were incurred in the ordinary course of business and are associated with the assets being transferred.
78. For the property being transferred from Distributing 4 to Controlled 5, no investment credit determined under Section 46 has been or will be claimed with respect to such property.
79. Distributing 4 neither accumulated its receivables nor made extraordinary payment of its payables in anticipation of the transaction.
80. No intercorporate debt will exist between Distributing 4 and Controlled 5 at the time of, or subsequent to, the distribution of Controlled 5 stock.
81. Immediately before the distribution, items of income, gain, loss, deduction, and credit will be taken into account as required by the applicable intercompany transaction regulations.
82. No member of the group has an excess loss account in Controlled 5 or any of its subsidiaries. The allocation of basis under section 358 that will occur in connection with the distribution will not result in the Controlled 5 stock having a higher basis than it had immediately prior to the distribution.
83. Payments made in connection with all continuing transactions, if any, between Distributing 4 and Controlled 5 will be for fair market value based on terms and conditions arrived at by the parties bargaining at arm's length.
84. Neither party to the transaction are investment companies as defined in Section 368(a)(2)(F)(iii) and (iv).
85. There is no acquisition of stock of the distributing corporation or any controlled corporation (including any predecessor or successor of any such corporation) that is part of a plan or series of related transactions (within the meaning of

Section 1.355-7T) that includes the distribution of the controlled corporation stock.

86. The contribution of the stock of Controlled 5 by Sub 1 to Sub 2, and in turn, by Sub 2 to Sub 3, will each qualify as an exchange described in section 351.

Rulings

Based on the facts and representations above, we rule as follows:

Rulings with respect to Distribution 1

- a. Contribution 1, followed by Distribution 1, will qualify as a reorganization within the meaning of Section 368(a)(1)(D). Distributing 1 and Controlled 1 will each be a “party to a reorganization” within the meaning of Section 368(b).
- b. Under Section 361(a), no gain or loss will be recognized by Distributing 1 upon the transfer of assets to Controlled 1 in exchange for stock of Controlled 1.
- c. Under Section 1032(a), no gain or loss will be recognized by Controlled 1 upon the receipt of Distributing 1’s assets in exchange for the stock of Controlled 1.
- d. Under Section 361(c)(1), no gain or loss will be recognized by Distributing 1 on Distribution 1.
- e. Under Section 362(b), the basis of the assets received by Controlled 1 in Contribution 1 will be the same as the basis of such assets in the hands of Distributing 1 immediately before their transfer.
- f. Under Section 1223(2), the holding period of the assets transferred to Controlled 1 in Contribution 1 will include the period during which such assets were held by Distributing 1.
- g. Under Section 355(a)(1), no gain or loss will be recognized by (and no amount will otherwise be included in the income of) any Distributing 1 shareholders upon receipt of Controlled 1 stock.
- h. Under Section 1223(1), the holding period of Controlled 1 stock received by Sub 1 will include the holding period of the Distributing 1 stock on which Distribution 1 is made, provided the Distributing 1 stock is held as a capital asset on the date of Distribution 1.
- i. As provided in Section 312(h), following the distribution of the stock of Controlled 1, proper allocation of earnings and profits will be made between Distributing 1 and Controlled 1 in accordance with Treasury Regulation section 1.312-10(a).

- j. The aggregate basis of the stock of Controlled 1 and Distributing 1 in the hands of the Sub 1 after Distribution 1 will, in each instance, be the same as the aggregate basis of the Distributing 1 stock held by Sub 1 immediately before Distribution 1, allocated in proportion to the fair market value of each in accordance with section 358(b)(2) and Treasury Regulation section 1.358-2(a)(2).

Rulings with respect to Distribution 2

- k. Contribution 2, followed by Distribution 2, will qualify as a reorganization within the meaning of Section 368(a)(1)(D). Distributing 2 and Controlled 2 will each be a “party to a reorganization” within the meaning of Section 368(b).
- l. Under Section 361(a), no gain or loss will be recognized by Distributing 2 upon the transfer of assets to Controlled 2 in exchange for stock of Controlled 2.
- m. Under Section 1032(a), no gain or loss will be recognized by Controlled 2 upon the receipt of Distributing 2’s assets in exchange for the stock of Controlled 2.
- n. Under Section 361(c)(1), no gain or loss will be recognized by Distributing 2 on Distribution 2.
- o. Under Section 362(b), the basis of the assets received by Controlled 2 in Contribution 2 will be the same as the basis of such assets in the hands of Distributing 2 immediately before their transfer.
- p. Under Section 1223(2), the holding period of the assets transferred to Controlled 2 in Contribution 2 will include the period during which such assets were held by Distributing 2.
- q. Under Section 355(a)(1), no gain or loss will be recognized by (and no amount will otherwise be included in the income of) any Distributing 2 shareholders upon receipt of Controlled 2 stock.
- r. Under Section 1223(1), the holding period of Controlled 2 stock received by Sub 1 will include the holding period of the Distributing 2 stock on which Distribution 2 is made, provided the Distributing 2 stock is held as a capital asset on the date of Distribution 2.
- s. As provided in Section 312(h), following the distribution of the stock of Controlled 2, proper allocation of earnings and profits will be made between Distributing 2 and Controlled 2 in accordance with Treasury Regulation Section 1.312-10(a).

- t. The aggregate basis of the stock of Controlled 2 and Distributing 2 in the hands of the Sub 1 after Distribution 2 will, in each instance, be the same as the aggregate basis of the Distributing 2 stock held by Sub 1 immediately before Distribution 2, allocated in proportion to the fair market value of each in accordance with section 358(b)(2) and Treasury Regulation section 1.358-2(a)(2).

Rulings with respect to Distribution 3

- u. If the entity classification election by Controlled 3 described in Step Two (and referred to as “Deemed Contribution 3”) of the Proposed Transaction is valid, Distributing 2 will be deemed to contribute all of the assets and liabilities of Controlled 3 to Controlled 3 (at this point a Subchapter C corporation for Federal tax purposes) in exchange for stock of Controlled 3 immediately before the close of the day before the election is effective. (Section 301.7701-3(g)(1)(iii) and -3(g)(3)(i)).
- v. The deemed transfer by Distributing 2 of assets to Controlled 3 solely in exchange for all the stock of Controlled 3 and the assumption of related liabilities by Controlled 3 pursuant to Deemed Contribution 3 followed by Distribution 3 will qualify as a reorganization within the meaning of Section 368(a)(1)(D). Distributing 2 and Controlled 3 will each be a “party to a reorganization” within the meaning of Section 368(b).
- w. Under Section 361(a), no gain or loss will be recognized by Distributing 2 upon the deemed transfer of assets to Controlled 3 in exchange for stock of Controlled 3.
- x. Under Section 1032(a), no gain or loss will be recognized by Controlled 3 upon the deemed receipt of Distributing 2’s assets in exchange for the stock of Controlled 3.
- y. Under Section 361(c)(1), no gain or loss will be recognized by Distributing 2 on Distribution 3.
- z. Under Section 362(b), the basis of the assets deemed received by Controlled 3 pursuant to Deemed Contribution 3 will be the same as the basis of such assets in the hands of Distributing 2 immediately before their transfer.
- aa. Under Section 1223(2), the holding period of the assets deemed transferred to Controlled 3 pursuant to Deemed Contribution 3 will include the period during which such assets were held by Distributing 2.

- bb. Under Section 355(a)(1), no gain or loss will be recognized by (and no amount will otherwise be included in the income of) any Distributing 2 shareholders upon receipt of Controlled 3 stock.
- cc. Under Section 1223(1), the holding period of Controlled 3 stock received by Sub 1 will include the holding period of the Distributing 2 stock on which Distribution 3 is made, provided the Distributing 2 stock is held as a capital asset on the date of Distribution 3.
- dd. As provided in Section 312(h), following the distribution of the stock of Controlled 3, proper allocation of earnings and profits will be made between Distributing 2 and Controlled 3 in accordance with Treasury Regulation Section 1.312-10(a).
- ee. The aggregate basis of the stock of Controlled 3 and Distributing 2 in the hands of the Sub 1 after Distribution 3 will, in each instance, be the same as the aggregate basis of the Distributing 2 stock held by Sub 1 immediately before Distribution 3, allocated in proportion to the fair market value of each in accordance with section 358(b)(2) and Treasury Regulation section 1.358-2(a)(2).

Rulings with respect to Distribution 4

- ff. Contribution 4, followed by Distribution 4, will qualify as a reorganization within the meaning of Section 368(a)(1)(D). Distributing 3 and Controlled 4 will each be a “party to a reorganization” within the meaning of Section 368(b).
- gg. Under Section 361(a), no gain or loss will be recognized by Distributing 3 upon the transfer of assets to Controlled 4 in exchange for stock of Controlled 4.
- hh. Under Section 1032(a), no gain or loss will be recognized by Controlled 4 upon the receipt of Distributing 3's assets in exchange for the stock of Controlled 4.
- ii. Under Section 361(c)(1), no gain or loss will be recognized by Distributing 3 on Distribution 4.
- jj. Under Section 362(b), the basis of the assets received by Controlled 4 in Contribution 4 will be the same as the basis of such assets in the hands of Distributing 3 immediately before their transfer.
- kk. Under Section 1223(2), the holding period of the assets transferred to Controlled 4 in Contribution 4 will include the period during which such assets were held by Distributing 3.

- ll. Under Section 355(a)(1), no gain or loss will be recognized by (and no amount will otherwise be included in the income of) any Distributing 3 shareholders upon receipt of Controlled 4 stock.
- mm. Under Section 1223(1), the holding period of Controlled 4 stock received by Sub 1 will include the holding period of the Distributing 3 stock on which Distribution 4 is made, provided the Distributing 3 stock is held as a capital asset on the date of Distribution 4.
- nn. As provided in Section 312(h), following the distribution of the stock of Controlled 4, proper allocation of earnings and profits will be made between Distributing 3 and Controlled 4 in accordance with Treasury Regulation Section 1.312-10(a).
- oo. The aggregate basis of the stock of Controlled 4 and Distributing 3 in the hands of the Sub 1 after Distribution 4 will, in each instance, be the same as the aggregate basis of the Distributing 3 stock held by Sub 1 immediately before Distribution 4, allocated in proportion to the fair market value of each in accordance with section 358(b)(2) and Treasury Regulation section 1.358-2(a)(2).

Rulings with respect to Distribution 5

- pp. Contribution 5, followed by Distribution 5, will qualify as a reorganization within the meaning of Section 368(a)(1)(D). Distributing 4 and Controlled 5 will each be a “party to a reorganization” within the meaning of Section 368(b).
- qq. Under Section 361(a), no gain or loss will be recognized by Distributing 4 upon the transfer of assets to Controlled 5 in exchange for stock of Controlled 5.
- rr. Under Section 1032(a), no gain or loss will be recognized by Controlled 5 upon the receipt of Distributing 4’s assets in exchange for the stock of Controlled 5.
- ss. Under Section 361(c)(1), no gain or loss will be recognized by Distributing 4 on Distribution 5.
- tt. Under Section 362(b), the basis of the assets received by Controlled 5 in Contribution 5 will be the same as the basis of such assets in the hands of Distributing 4 immediately before their transfer.
- uu. Under Section 1223(2), the holding period of the assets transferred to Controlled 5 in Contribution 5 will include the period during which such assets were held by Distributing 4.

- vv. Under Section 355(a)(1), no gain or loss will be recognized by (and no amount will otherwise be included in the income of) any Distributing 4 shareholders upon receipt of Controlled 5 stock.
- ww. Under Section 1223(1), the holding period of Controlled 5 stock received by Sub 1 will include the holding period of the Distributing 4 stock on which Distribution 5 is made, provided the Distributing 4 stock is held as a capital asset on the date of Distribution 5.
- xx. As provided in Section 312(h), following the distribution of the stock of Controlled 5, proper allocation of earnings and profits will be made between Distributing 4 and Controlled 5 in accordance with Treasury Regulation Section 1.312-10(a).
- yy. The aggregate basis of the stock of Controlled 5 and Distributing 4 in the hands of Sub 1 after Distribution 5 will, in each instance, be the same as the aggregate basis of the Distributing 4 stock held by Sub 1 immediately before Distribution 5, allocated in proportion to the fair market value of each in accordance with section 358(b)(2) and Treasury Regulation section 1.358-2(a)(2).

Caveats

No opinion is expressed about the tax treatment of the Proposed Transaction under other provisions of the Code or regulations or the tax treatment of any conditions existing at the time of, or effects resulting from, the Proposed Transaction that are not specifically covered by the above rulings. Particularly (but not exclusively), no opinion is expressed regarding: (i) whether any distributions satisfy the business purpose requirement of § 1.355-2(b); (ii) whether the Proposed Transaction is used principally as a device for the distribution of the earnings and profits of the distributing corporations or the controlled corporations or both the distributing and controlled corporations (see § 355(a)(1)(B) and § 1.355-2(d)); or (iii) whether any distribution and an acquisition or acquisitions (of the stock of the controlled or distributing corporation) are part of a plan (or series of related transactions) under § 355(e)(2)(A)(ii).

In particular, no opinion is expressed as to whether the contributions described in Step Five of the Proposed Transaction each qualify as an exchange under section 351.

No opinion is expressed or implied as to the treatment of the partnership contribution or the partnership distribution described in Step One of the Proposed Transaction.

No opinion is expressed or implied concerning the validity of the entity classification election by Controlled 3 described in Step Two of the Proposed Transaction.

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

In accordance with the Power of Attorney on file with this office, a copy of this letter is being sent to your authorized representative.

A copy of this letter must be attached to any income tax return to which it is relevant.

Sincerely,

Emidio J. Forlini, Jr.

Emidio J. Forlini, Jr.
Acting Assistant to the Chief, Branch 6
Office of Associate Chief Counsel
(Corporate)

cc: