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Date: November 17, 2004

Taxpayer =

Holdco =

LLC =

Sub 1 =

Business A =

Class A Shares =

Class B Shares =

a =

Dear :

This letter responds to your June 25, 2004 request for rulings regarding certain federal income tax consequences of a series of proposed transactions (collectively, the

"Proposed Transaction"). The information submitted in that request and in later correspondence is summarized below.

The rulings contained in this letter are based on facts and representations submitted by the taxpayer and 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.

Summary of Facts

Taxpayer is a domestic corporation and common parent of an affiliated group of corporations that files a consolidated return. Taxpayer engages in Business A and owns all of the stock of Sub 1. Taxpayer has Class A Shares and Class B Shares outstanding (hereafter, the holders of these shares will be referred to in the singular as a "Class A Shareholder" and a "Class B Shareholder", and in the plural as the "Class A Shareholders" and "Class B Shareholders", respectively). The Class A Shares represent the equity interests of Taxpayer, while the Class B Shares represent trading rights and privileges (the "Trading Rights") associated with Taxpayer's Business A.

Proposed Transaction

For what are represented to be valid business reasons, Taxpayer intends to undertake the Proposed Transaction which will consist of the following steps:

- (i) An agent of Taxpayer will form Holdco as a domestic corporation.
- (ii) Holdco will form a single-member domestic limited liability company ("LLC").
- (iii) Taxpayer will merge into LLC under applicable state law (the "Merger"). In the Merger, Class A Shares will be converted into the right to receive shares of Holdco's sole class of common stock. Class B Shares will be converted into contract rights of LLC (the "Contract Rights"). The Contract Rights will not constitute an equity interest in LLC or Holdco, and will have trading rights identical to the Trading Rights of the Class B shares.
- (iv) Following the Merger, LLC will distribute certain assets unrelated to Business A and its Sub 1 stock to Holdco.

Prior to the Proposed Transaction, Taxpayer will engage in a limited public offering (the "IPO"). Prior to the IPO, Taxpayer will declare and pay a dividend of as much as \$a to the Class A Shareholders (the "pre-IPO dividend").

Representations

The following representations have been made regarding the Proposed Transaction:

(a) The fair market value of the Holdco common stock and other consideration to be received by each Class A Shareholder in the Merger will be approximately equal to the fair market value of the Class A Shares surrendered in exchange therefor.

(b) At least fifty percent of the proprietary interest in Taxpayer will be exchanged for Holdco stock and will be preserved (within the meaning of § 1.368-1(e) of the Income Tax Regulations).

(c) Immediately following the Merger, the Class A Shareholders will own all of the outstanding stock of Holdco and will own such stock solely by reason of their ownership of the Class A Shares immediately prior to the Merger.

(d) Prior to and following the Merger, Holdco will own the sole member interest in LLC. There is no plan or intention for LLC to issue additional member interests.

(e) Immediately following the Merger, Holdco will possess the same assets and liabilities, except for the pre-IPO dividend paid to the Class A Shareholders, assets distributed to shareholders who receive cash or other property in the Merger, assets used to pay dissenters to the Merger, and assets used to pay expenses incurred in connection with the Merger, as those possessed by Taxpayer immediately before the Merger. Assets distributed to shareholders who receive cash or other property in the Merger, assets used to pay expenses associated with the Proposed Transaction, and assets used to pay dissenters in the Merger, will, in the aggregate, constitute less than one percent of the net assets of Taxpayer.

(f) At the time of the Merger, all outstanding Taxpayer compensatory stock options to acquire Class A Shares will be converted into equivalent options to acquire Holdco common stock.

(g) Holdco has no plan or intention to reacquire, directly or through a related party, any of its stock issued in the Merger.

(h) Following the Merger, Holdco will continue the historic business of Taxpayer or use a significant portion of Taxpayer's historic business assets in a business through its ownership of the single-member interest in LLC.

(i) Holdco, LLC, Taxpayer, and the shareholders of Taxpayer will each pay their own expenses, if any, incurred in connection with the Proposed Transaction.

(j) Holdco has no plan or intention to sell or otherwise dispose of any of the assets of Taxpayer acquired in the Merger, except for dispositions made in the ordinary course of business.

(k) The liabilities of Taxpayer assumed by Holdco plus the liabilities, if any, to which the transferred assets are subject were incurred by Taxpayer in the ordinary course of business and are associated with the assets transferred.

(l) Taxpayer is not under the jurisdiction of a court in a Title 11 or similar case within the meaning of § 368(a)(3)(A).

(m) The payment of cash in lieu of fractional shares of Holdco stock, if any, would be solely for the purpose of avoiding the expense and inconvenience to Holdco of issuing fractional shares and would not represent separately bargained-for consideration. The total cash consideration that would be paid in the Merger to the Class A Shareholders instead of issuing fractional shares of Holdco stock would not exceed one percent of the total consideration that would be issued in the Merger to the Class A Shareholders in exchange for their Class A Shares. The fractional share interests of each Class A Shareholder would be aggregated, and no Class A Shareholder would receive cash in an amount equal to or greater than the value of one full share of Holdco stock.

(n) None of the compensation to be received by any shareholder-employee of Taxpayer will be separate consideration for, or allocable to, any of their shares of Taxpayer stock; none of the shares of Holdco stock received by any shareholder-employee will be separate consideration for, or allocable to, any employment agreement; and the compensation paid to any shareholder-employee will be for services actually rendered and will be commensurate with amounts paid to third parties bargaining at arm's length for similar services.

Rulings

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

(1) The Merger will qualify as a reorganization under § 368(a)(1)(F). Taxpayer and Holdco will each be "a party to a reorganization" under § 368(b). The pre-IPO dividend will not impact the tax treatment of the Merger as a § 368(a)(1)(F) reorganization.

(2) No gain or loss will be recognized by the Class A Shareholders upon their exchange of the Class A Shares for Holdco common stock (§ 354(a)).

(3) No gain or loss will be recognized by Holdco upon the receipt of Taxpayer's assets and the assumption of Taxpayer's liabilities in the Merger (§ 1032(a)).

(4) The basis of the Holdco common stock received by each Class A Shareholder will be the same as the basis of the Class A Shares for which they will be exchanged, decreased by the fair market value of any other property and the amount of money received by such shareholder in the Merger (§ 358(a)).

(5) Provided the Class A Shares are held as a capital asset at the time of the Merger, the holding period of the Holdco common stock received in exchange therefore will include the holding period of the Class A Shares (§ 1223(1)).

(6) Class A Shareholders who receive cash in lieu of fractional share interests in Holdco common stock in the Merger will be treated as though such fractional share interests were distributed as part of the Merger and then were redeemed. The treatment of cash received by such shareholders will be determined under § 302 (§ 1.305-3(c); Rev. Proc. 77-41, 1977-2 C.B. 574).

(7) No gain or loss will be recognized under § 1001 by the Class B Shareholders upon the conversion of the Class B Shares into the Contract Rights.

(8) The basis of the Contract Rights received by each Class B Shareholder will be the same as that holder's basis in the Class B Shares held immediately before the Merger.

(9) If a shareholder owns both Class A Shares and Class B Shares at the time of the Merger, the basis of the Holdco common stock received by such shareholder will be the same as the Class A Shares exchanged by the shareholder, and the basis of the Contract Rights received by such shareholder will be the same as the Class B Shares held by the shareholder at the time of the Merger.

(10) The tax year of Taxpayer will not close on the date of the Merger and its tax year will continue in the name of Holdco (§ 1.381(b)-1 and Rev. Rul. 57-276, 1957-2 C.B. 126).

(11) The holders of Taxpayer's outstanding nonqualified stock options will not recognize income, gain, or loss upon the substitution of nonstatutory options of Holdco for such options.

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.

Procedural Matters

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

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

Pursuant to a power of attorney on file in this office, a copy of this letter is being sent to the Taxpayer.

Sincerely,

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

cc:

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