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Internal Revenue Service

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Department of the Treasury

Washington, DC 20224

Person to Contact:

Telephone Number:

Refer Reply To:
CC:DOM:CORP:Br4 PLR-113279-99
Date:
September 24, 1999

Distributing =

Controlled =

Newco 1 =

Newco 2 =

Sub A1 =

Sub A2 =

Sub A3 =

Sub A4 =

Sub A5 =

Sub A6 =

271

Sub A7 =

Sub A8 =

Sub A9 =

Sub A10 =

Sub A11 =

Sub A12 =

Sub A13 =

Sub A14 =

Sub A15 =

Sub A16 =

Sub A17 =

Sub A18 =

Sub A19 =

Sub A20 =

272

Sub A21 =

Sub B1 =

Sub B2 =

Sub B3 =

Sub B4 =

Sub B5 =

Sub B6 =

Sub B7 =

Sub B8 =

Sub B9 =

Sub C1 =

Sub C2 =

Sub C3 =

Sub C4 =

273

Sub C5 =

Sub C6 =

Sub C7 =

Sub D1 =

Sub D2 =

Partnership A =

Partnership B =

Partnership C =

Business A =

Business B =

Business C =

Business D =

Business E =

Distributing Class A Stock =

Distributing Class B Stock =

Distributing Class C Stock =

New Distributing Class A Stock =

New Distributing Class B Stock =

Distributing Special A Stock =

Distributing Special B Stock =

Controlled Class A Stock =

Controlled Class B Stock =

Controlled Special Stock =

Sub A6 Class A Stock =

Sub A6 Class B Stock =

Sub B8 Class A Stock =

Sub B8 Class B Stock =

State W =

Country X =

Jurisdiction Y =

Z =

Regulator =

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Entity A =

Act =

Date 1 =

Date 2 =

a =

b =

c =

d =

e =

f =

g =

h =

i =

j =

k =

l =

m =

n =

o =

p =

q =

276

r =

s =

t =

Dear :

This letter responds to your July 2, 1999 request for rulings on certain federal income tax consequences of a recently completed transaction. The information submitted in that request and later correspondence is summarized below.

Summary of Facts

Distributing, a publicly traded corporation, has outstanding Distributing Class A Stock and Distributing Class B Stock. Z is the only holder of Distributing Class B stock that holds five percent or more of that class of stock by vote or value. Distributing also had outstanding Distributing Class C Stock which was redeemed on Date 1 (the "Redemption"). The Redemption would have occurred irrespective of whether the transactions described below (collectively, the "Transaction") had occurred.

Distributing conducts Business A, Business B, Business C, and prior to the Transaction conducted Business D and Business E, through its subsidiaries described below. Business D and Business E share common management, production facilities, and customers, and due to certain regulatory and business considerations have been historically conducted as an integrated unit. For example, Business D and Business E are regulated by Regulator, have an integrated marketing approach, share some production facilities, and are managed by the same individual.

Immediately prior to the Transaction, Distributing owned all the common stock of Sub A1, Sub A2, Sub A3, Sub A4, Sub A5, Sub A6, Sub A7, Sub A8, Sub A9, Sub A10, Sub A11, Sub A12, and Sub A13. Distributing owned a% of the common stock, b% of the first preferred, and all of the second preferred stock of Sub A14, c% of each of the common, Preferred A and Preferred B stock of Sub A15, d% of the common stock of Sub A16, together with Sub B6 e% of the common and all of the preferred stock of Sub A17, f% of the common stock of Sub A18, and g% of the common stock of Sub A19. Sub A8 owned h% of both the common and first preferred stock of Sub A14. Sub A1, Sub A2, Sub A3, and Sub B2, each as a general partner, collectively owned Partnership A, and Sub A3 owned i% of Partnership B and j% of Partnership C. The remaining k% of Partnership B and c% of Partnership C was owned by unrelated parties. Sub A3 also owned all the common stock of Sub B1, Sub B2, Sub B4, and Sub B6, together with Sub A9 owned all the stock of Sub B5, owned all of the preferred

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stock of Sub A5, owned j% of the stock of Sub B3, and owned all of a class of preferred stock of Sub B9. Sub B1 owned all the preferred stock of Sub A2, Sub A4, Sub B2, and Sub B7, and Sub A1, Sub A2 and Sub B7 together owned all the preferred stock of Sub A3. Sub A1 and Sub A2 acquired their Sub A3 preferred stock from Sub A4 on Date 2 (the "Date 2 Acquisition"). Sub A5 owned all the common stock of Sub B7, and Sub B7 owned all the stock of Sub C1 and c% of the stock of Sub C2. Sub A6 owned l% of the Sub B8 Class B Stock, and Distributing owned m% of the Sub B8 Class A Stock and n of the Sub B8 Class B stock. The remaining Sub B8 Class A Stock and Sub B8 Class B Stock was owned by unrelated parties. Sub A14 wholly owned Sub C7, and Sub A17 wholly owned Sub C3, Sub C4, Sub C5, and Sub C6. Sub B4 wholly owned Sub D2. Partnership A owned o% of the stock of Sub D1, p% of the stock of Sub A20, and q% of the stock of Sub A21. Except for the ownership changes that occurred in the Transaction, the above ownership interests remain unchanged.

All of the above-described entities are organized in Country X, except for Sub A19, Sub A20, and Sub A21 which are State W corporations. Distributing, Sub A1, Sub A2, Sub A3, Sub A4, Sub B1, Sub B2, and Sub B7 were, immediately prior to the Transaction, members of an affiliated group as defined in § 1504(a) of the Internal Revenue Code (without regard to § 1504(b), and except that the term "stock" includes nonvoting stock described in § 1504(a)(4)).

We have received financial information indicating that Business A (as conducted by Sub A1, Sub A2, Sub A3, Sub B2, and Partnership A before the Transaction) and Business E (as conducted by Sub A4 before the Transaction) each has had gross receipts and operating expenses representing the active conduct of a trade or business for each of the past five years

Distributing wishes to expand its Business E operations in certain Country X markets where it also conducts significant Business A activities. Certain regulations adopted by Regulator, however, hinder this expansion (the "Expansion") as long as the combined activities of the two businesses in any one market exceed a certain threshold.

Transaction

To facilitate the Expansion, Distributing, on the advice of its regulatory counsel, has recently completed the separation of Business E (along with Business D) from Business A by undertaking the following series of pre-arranged and inter-related steps (several of which are required solely to comply with Country X tax law):

(i) Sub A1, Sub A2, and Sub B7 transferred all of their Sub A3 preferred stock to Distributing.

(ii) Sub B1 transferred all of its Sub A2, Sub A4, and Sub B7 preferred stock to Distributing, and all of its Sub B2 preferred stock to Sub A3.

(iii) Distributing formed Newco 1 in Country X. Newco 1 was authorized to issue common and nonvoting redeemable preferred stock.

(iv) In exchange for Newco 1's nonvoting redeemable preferred stock, Sub A3 transferred to Newco 1 (a) its j% of the common stock of Sub B3, (b) all of the preferred stock in Sub A5, (c) its j% interest in Partnership C, and (d) its preferred stock in Sub B9 (the "Newco 1 Assets"). In exchange for Newco 1's common stock, Distributing transferred to Newco 1 that number of Sub A3's common shares with an aggregate fair market value equal to that of the Newco 1 Assets. The Newco 1 Assets are associated with Business D and Business E. Following this transfer, Newco 1 was not engaged in the active conduct of a trade or business under § 355(b).

(v) Sub A3 redeemed all of its common stock owned by Newco 1 in exchange for a Sub A3 note.

(vi) Newco 1 redeemed its nonvoting redeemable preferred stock owned by Sub A3 in exchange for a Newco 1 note.

(vii) Sub A3 repaid its note issued in step (v) by exchanging this note for the Newco 1 note issued to it in step (vi). Both notes were thereafter marked paid in full and canceled.

(viii) Sub A1, Sub A2, Sub A3, Sub A4, and Sub B2 each reincorporated under the laws of Jurisdiction Y.

(ix) Sub A1, Sub A2, Sub A3, Sub A4, and Sub B2 each formed a new Entity A under the laws of Jurisdiction Y, and each amalgamated its newly formed Entity A with the corresponding newly reincorporated entity from step (viii), with the result that each amalgamated company carried on as an Entity A.

(x) Distributing transferred all of its Sub B8 stock to Sub A6 in exchange for additional Sub A6 common stock.

(xi) Sub A6 recapitalized its common stock into two new classes of stock, Sub A6 Class A Stock and Sub A6 Class B Stock.

(xii) Distributing organized Newco 2 under the laws of Country X.

(xiii) Distributing transferred to Newco 2 (a) all its stock in Newco 1, Sub A5, Sub A8, Sub A14, Sub A15, Sub A18 and Sub A19, (b) all of its interests in Sub A4, (c) its

preferred stock of Sub B7, (d) its Sub A6 Class B Stock, and (e) other related assets (collectively, the "Controlled Assets").

(xiv) Distributing recapitalized. Each holder of a share of Distributing Class A Stock received one share of New Distributing Class A Stock and one share of Distributing Special A Stock, and each holder of a share of Distributing Class B Stock received one share of New Distributing Class B Stock and one share of Distributing Special B Stock.

(xv) Distributing organized Controlled under the laws of Country X. Controlled was authorized to issue Controlled Class A Stock, Controlled Class B Stock, and Controlled Special Stock.

(xvi) Distributing transferred its Newco 2 stock to Controlled in exchange for Controlled Special Stock and a Controlled note (the "Interim Note"). Controlled issued the Interim Note to Distributing because Distributing's lenders would not release Distributing from its primary obligation on certain indebtedness which relates to Business D and Business E (the "Outstanding Debt"), and Controlled's lenders would not loan Controlled the funds necessary to pay the Outstanding Debt until after the Distribution.

(xvii) Each holder of Distributing Special A Stock exchanged with Controlled one such share for 1/3 of a share of Controlled Class A Stock, and each holder of Distributing Special B Stock exchanged with Controlled one such share for 1/3 of a share of Controlled Class B Stock.

(xviii) Distributing redeemed all of the Distributing Special A Stock and Distributing Special B Stock held by Controlled in exchange for a Distributing note.

(xix) Controlled redeemed all of the Controlled Special Stock from Distributing in exchange for a Controlled note.

(xx) Controlled repaid the note issued in step (xix) by exchanging that note for the note issued by Distributing in step (xviii). Both notes were thereafter marked paid in full and canceled.

(xxi) Newco 2 liquidated into Controlled under applicable Country X law.

(xxii) Controlled borrowed funds from an unrelated party on an arm's length basis and transferred the loan proceeds to Distributing in full payment of the Interim Note. Distributing used the proceeds from repayment of the Interim Note to repay the Outstanding Debt.

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(xxiii) Upon the satisfaction of certain conditions, including approval by Regulator, the assets of Sub B8 will be divided among Distributing, Controlled, and the remaining unrelated shareholder of Sub B8. At that time, the joint interests of Distributing and Controlled in Sub B8 will be terminated.

Representations

Distributing requests rulings, inter alia, that the transfers and exchanges described above in steps (xiv), (xv), and (xvii) through (xx) will be treated for U.S. federal income tax purposes as if Distributing had distributed the Controlled Class A Stock to the holders of the Distributing Class A Stock and the Controlled Class B Stock to the holders of the Distributing Class B Stock (collectively, the "Distribution").

Distribution Representations

(a) The indebtedness owed by Controlled to Distributing after the Distribution (including the Interim Note) did not and will not constitute stock or securities.

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

(c) Immediately after the Distribution, the gross assets of Business A directly conducted by Distributing, and not by any of its subsidiaries, had a fair market value equal to at least five percent of the total fair market value of Distributing's gross assets, including the stock of its subsidiaries.

(d) Immediately after the Distribution, the gross assets of Business E directly conducted by Controlled, and not by any of its subsidiaries, had a fair market value equal to at least five percent of the total fair market value of Controlled's gross assets, including the stock of its subsidiaries.

(e) The five years of financial information submitted on behalf of Business A and Business E is representative of the present operations of each business, and there have been no substantial operational changes to Business A or Business E since the date of the last financial statements submitted.

(f) Following the Distribution, Distributing continued and will continue the active conduct of Business A, independently and with its separate employees.

(g) Following the Distribution, Controlled continued and will continue the active conduct of Business E, independently and with its separate employees.

(h) The Distribution was carried out to facilitate the Expansion. The Distribution was necessary to enable Controlled to receive favorable consideration from Regulator with respect to acquisitions of existing r and s businesses (and applications for licenses to create new r and s businesses) operating in the same market. The Distribution was motivated, in whole or substantial part, by this and other corporate business purposes.

(i) At the time of the Distribution, there was no plan or intention by any shareholder who owned five percent or more of the Distributing Class A Stock, and the management of Distributing, to its best knowledge, was not aware of any plan or intention on the part of any particular remaining shareholder holding Distributing Class A Stock or any Distributing security holder to sell, exchange, transfer by gift, or otherwise dispose of any Distributing Class A Stock, Controlled Class A Stock, or securities of Distributing or Controlled after the Distribution.

(j) At the time of the Distribution, there was no plan or intention by Z, and the management of Distributing, to its best knowledge, was not aware of any plan or intention on the part of any particular remaining shareholder holding Distributing Class B Stock to sell, exchange, transfer by gift, or otherwise dispose of any Distributing Class B Stock or Controlled Class B Stock after the Distribution.

(k) At the time of the Distribution, there was no plan or intention by either Distributing or Controlled, directly or through any subsidiary corporation, to purchase any of its outstanding stock after the Transaction, other than through stock purchases meeting the requirements of § 4.05(1)(b) of Rev. Proc. 96-30, 1996-1 C.B. 696, 705.

(l) At the time of the Distribution, there was no plan or intention to liquidate either Distributing or Controlled, to merge either corporation with any other corporation, or to sell or otherwise dispose of the assets of either corporation after the Distribution, except in the ordinary course of business.

(m) The Distribution was not part of a plan or series of related transactions (within the meaning of § 355(e)) pursuant to which one or more persons will acquire (other than as a result of the Distribution), directly or indirectly, stock possessing 50 percent or more of the total combined voting power of all classes of either Distributing or Controlled stock entitled to vote, or stock possessing 50 percent or more of the total value of shares of all classes of either Distributing or Controlled stock.

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

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

(p) Except for the Interim Note, no intercorporate debt existed or will exist between Distributing (or any of its subsidiaries) and Controlled (or any of its subsidiaries) at the time of, or after, the Distribution.

(q) Each of Distributing and Controlled will utilize the accrual method of accounting.

(r) Distributing does not join in the filing of a consolidated U.S. federal income tax return.

(s) Controlled or its subsidiaries may provide certain s services (the "Services") to Distributing's Business A after the Distribution. Payments made in connection with any continuing transactions between Distributing (or any of its subsidiaries) and Controlled (or any of its subsidiaries), including the Services, have been and will be for fair market value based on terms and conditions arrived at by the parties bargaining at arm's length.

(t) Less than one percent of the Distributing shareholders dissented and received cash in lieu of Controlled stock in the Transaction.

(u) Cash was distributed in lieu of fractional shares of Controlled stock. The payment of cash in lieu of fractional shares of Controlled stock was solely for the purpose of avoiding the expense and inconvenience of issuing fractional shares in the Distribution and did not represent separately bargained for consideration. The method used for handling fractional share interests was designed to limit the amount of cash received by any one shareholder (other than dissenters) to less than the value of one full share of Controlled stock.

International Representations

(v) Distributing was not a United States real property holding corporation (as defined in § 897(c)(2)) at any time during the five-year period ending on the date of the Transaction, and Distributing was not a United States real property holding corporation

immediately after the Transaction.

(w) Controlled was not a United States real property holding corporation (as defined in § 897(c)(2)) at any time during the five-year period ending on the date of the Transaction, and Controlled was not a United States real property holding corporation immediately after the Transaction.

(x) The only U.S. asset transferred to Controlled was Distributing's g% stock ownership in Sub A19, a publicly-traded corporation which operates a t. Other than this minority stock interest, no U.S. assets were transferred to Controlled in connection with the Transaction.

(y) Controlled and its foreign subsidiary corporations were not controlled foreign corporations ("CFCs") (as defined in § 957(a)) at any time during the five-year period ending on the date of the Transaction and were not CFCs immediately after the Transaction.

(z) Distributing and its foreign subsidiary corporations were not CFCs (as defined in § 957(a)) at any time during the five-year period ending on the date of the Transaction and were not CFCs immediately after the Transaction.

(aa) Distributing was not a passive foreign investment company ("PFIC") (as defined in § 1297(a)) on the date of the Transaction and was not a PFIC immediately after the Transaction.

(bb) Controlled was not a PFIC (as defined in § 1297(a)) on the date of the Transaction and was not a PFIC immediately after the Transaction.

(cc) Distributing and the foreign subsidiaries controlled by Distributing, within the meaning of § 368(c), were not required to file a U.S. federal income tax return pursuant to § 6012 for the immediately preceding taxable year, and will not be required to file a U.S. federal income tax return pursuant to § 6012 for the taxable year in which the Transaction occurred, or the taxable year after the Transaction.

(dd) Controlled and the foreign subsidiaries controlled by Controlled, within the meaning of § 368(c), will not be required to file a U.S. federal income tax return pursuant to § 6012 for the taxable year in which the Transaction occurred, or the taxable year after the Transaction.

(ee) Sub A4 did not own on the date of the Transaction any U.S. assets or any assets that would be treated as a U.S. real property interest within the meaning of § 897(c).

Disregarded Entity Representations

(ff) Distributing was the sole owner of Sub A1, Sub A2, Sub A3, and Sub A4, and Sub A3 was the sole owner of Sub B2, immediately prior to the date each of these corporations converted into an Entity A in step (ix).

(gg) Distributing was the sole owner of each Entity A formed as a result of the conversions of Sub A1, Sub A2, Sub A3, and Sub A4 into Entity A's. Sub A3 was the sole owner of the Entity A formed as a result of the conversion of Sub B2 into an Entity A.

(hh) Sub A1, Sub A2, Sub A3, Sub A4, and Sub B2 each was classified as a corporation under § 301.7701-2(b) of the Income Tax Regulations immediately prior to the date of its conversion into an Entity A in step (ix).

(ii) Each Entity A was organized under § 9(c) of Act. Under the organizational documents of Sub A1, Sub A2, Sub A3, Sub A4, and Sub B2, the liability of Distributing is unlimited within the meaning of § 301.7701-3(b)(2)(ii).

(jj) No election has been or will be filed under § 301.7701-3(c) for each surviving Entity A to be treated as an association.

(kk) No election has been or will be filed under § 301.7701-3(c) for Partnership A to be treated as an association.

(ll) If Partnership A and its partners had been subject to U.S. federal tax law from the inception of Partnership A, no gain or loss would have been recognized by Sub A1, Sub A2, Sub A3, or Sub B2 under § 731(a) if, at the time of each partner's amalgamation with an Entity A, the partnership had actually terminated and all partnership assets and liabilities had been distributed to the partners in accordance with the terms of the partnership agreement and applicable law.

(mm) Each of the reincorporations described in step (viii) would have qualified as a reorganization under § 368(a)(1)(F) if it were subject to U.S. federal tax law, and none of Sub A1, Sub A2, Sub A3, Sub A4, Sub B2, or Distributing would have recognized gain or loss in the reincorporations.

(nn) Had the amalgamations described in step (ix) been subject to U.S. federal tax law, either none of Sub A1, Sub A2, Sub A3, Sub A4, Sub B2, or Distributing would have recognized gain or loss in the amalgamations, or in any event the amalgamations would have resulted in deemed asset transfers only between members of an affiliated group as defined in § 1504(a) (without regard to § 1504(b), and except that the term "stock" includes nonvoting stock described in § 1504(a)(4)).

Rulings

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

Characterization for Federal Tax Purposes

(1) For federal income tax purposes, the transfers and exchanges described in steps (xiv), (xv), and (xvii) through (xx) above will be treated as if Distributing had distributed (in the Distribution) the Controlled Class A Stock to the holders of the Distributing Class A Stock and the Controlled Class B Stock to the holders of the Distributing Class B Stock (see Rev. Rul. 83-142, 1983-2 C.B. 68; Rev. Rul. 77-191, 1977-1 C.B. 94; Rev. Rul. 67-448, 1967-2 C.B. 144).

Distribution Rulings

(2) No gain or loss was recognized by (and no amount was otherwise included in the income of) the holders of the Distributing Class A Stock on receipt of the Controlled Class A Stock or the holders of the Distributing Class B Stock on receipt of the Controlled Class B Stock in the Distribution (§ 355(a)(1)).

(3) The aggregate basis of the Distributing Class A Stock and Controlled Class A Stock (including any fractional shares deemed distributed under ruling (8) below) in the hands of each holder of the Distributing Class A Stock immediately after the Distribution equaled the aggregate basis of the Distributing Class A Stock held by that shareholder immediately before the Distribution, allocated between the Distributing Class A Stock and the Controlled Class A Stock in proportion to the fair market value of each in accordance with § 1.358-2(a) (§§ 358(a)(1), (b) and (c)).

(4) The aggregate basis of the Distributing Class B Stock and Controlled Class B Stock (including any fractional shares deemed distributed under ruling (8) below) in the hands of each holder of the Distributing Class B Stock immediately after the Distribution equaled the aggregate basis of the Distributing Class B Stock held by that shareholder immediately before the Distribution, allocated between the Distributing Class B Stock and the Controlled Class B Stock in proportion to the fair market value of each in accordance with § 1.358-2(a) (§§ 358(a)(1), (b) and (c)).

(5) The holding period of the Controlled Class A Stock (including any fractional shares deemed distributed under ruling (8) below) received by each holder of Distributing Class A Stock in the Distribution included the holding period of the Distributing Class A Stock on which the Distribution was made, provided the Distributing Class A Stock was held as a capital asset on the date of the Distribution (§ 1223(1)).

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(6) The holding period of the Controlled Class B Stock (including any fractional shares deemed distributed under ruling (8) below) received by each holder of Distributing Class B Stock in the Distribution included the holding period of the Distributing Class B Stock on which the Distribution was made, provided the Distributing Class B Stock was held as a capital asset on the date of the Distribution (§ 1223(1)).

(7) The earnings and profits of Distributing and Controlled will be allocated in accordance with §§ 312(h) and 1.312-10(a).

(8) Any payment of cash in lieu of a fractional share interest in Controlled will be treated for U.S. federal income tax purposes as if the fractional share interest had been issued in the Distribution and then had been redeemed by Controlled. The cash payment will be treated as having been received in exchange for the constructively redeemed fractional shares under § 302(a) (Rev. Rul. 66-365, 1966-2 C.B. 116; Rev. Proc. 77-41, 1977-2 C.B. 574).

Caveats

We express no opinion on the tax treatment of the Transaction under any other provision of the Code or regulations, or the tax treatment of any conditions existing at the time of, or effects resulting from, the Transaction that are not specifically covered by the above rulings. In particular, we express no opinion on the federal income tax consequences of: (i) the Redemption; (ii) the Date 2 Acquisition; (iii) the transactions described in steps (i) through (xiii), (xvi), and (xxi) through (xxiii) (including the formation of Newco 1 and the transfer of the Newco 1 Assets, and the formation of Newco 2 and Controlled and the transfer of the Controlled Assets); (iv) the Services; (v) the cash payments, if any, to dissenting Distributing shareholders; and (vi) the application of § 897(e) and (g) on any § 708 termination or § 332 liquidation involving Partnership A or its partners.

We also express no opinion on whether any or all of the above-described foreign corporations are passive foreign investment companies under § 1297(a) and the regulations to be promulgated thereunder. If it is determined that any or all of the above-described foreign corporations are passive foreign corporations, we express no opinion on the application of §§ 1291 through 1298 to the Transaction. In particular, in a transaction in which gain is not otherwise recognized, regulations under § 1291(f) may require gain recognition notwithstanding any other provision of the Code.

The rulings contained in this letter are based on the facts and representations submitted under penalties of perjury in support of the request. Verification of that information may be required as part of the audit process.

Temporary or final regulations pertaining to one or more issues addressed in this

ruling letter have not yet been adopted. Therefore, this ruling letter may be revoked or modified, in whole or in part, on the issuance of temporary or final regulations (or a notice with respect to their future issuance). See § 12.04 of Rev. Proc. 99-1, 1999-1 I.R.B. 6, 47, which discusses the revocation or modification of ruling letters. However, when the criteria in § 12.05 of Rev. Proc. 99-1 are satisfied, a ruling will not be revoked or modified retroactively except in rare or unusual circumstances.

Procedural Matters

This ruling has no effect on any earlier document and 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 ruling letter should be attached to the federal income tax return of each affected taxpayer for the taxable year in which the Transaction was completed.

Pursuant to a power of attorney on file in this office, we are forwarding a copy of this letter to the taxpayer.

Sincerely,

Assistant Chief Counsel (Corporate)

By: _____
Robert T. Hawkes
Assistant to the Chief
Branch 4

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