INTERNAL REVENUE SERVICE
Index Numbers: 332.00-00, 351.00-00,
355.00-00, 368.04-00,
368.06-00
Number: **199926017**

CC:DOM:CORP:4 PLR-121425-98

March 30, 1999

Distributing 1 =

Distributing 2 =

Controlled A =

Controlled B =

Business A =

Business B =

Business C =

Sub A1 =

Sub A2 =

Sub A3 =

Sub A4 =

Sub A5 =

Sub A6 =

Sub A7 =

Sub A8 =

Sub A9 =

Sub A10 =

Sub B1 =

Sub B2 =

Sub B3 =

Sub B4 =

Sub B5 =

Sub B6 =

Sub B7 =

Sub B8 =

Sub B9 =

Sub B10 =

Sub B11 =

Sub B12 =

Sub B13 =

Sub B14 =

Sub B15 =

Sub B16 =

Sub B17 =

Sub B18 =

Sub B19 =

Sub B20 =

Sub B21 =

Sub B22 =

Sub B23 =

Sub B24 =

Sub B25 =

Sub B26 =

Sub B27 =

Sub B28 =

Sub B29 =

Sub B30 =

Sub B31 =

Sub B32 =

Sub B33 =

Sub B34 =

Sub B35 =

Sub B36 =

Sub B37 =

Sub B38 =

Sub B39 =

Sub B40 =

Sub B41 =

Sub B42 =

Sub B43 =

Sub B44 =

Sub B45 =

Sub B46 =

Sub B47 =

Sub B48 =

Sub B49 =

Sub B50 =

Sub B51 =

Sub B52 =

Sub B53 =

Sub B54 =

Sub B55 =

Sub B56 =

Sub B57 =

Sub B58 =

Sub B59 =

Sub B60 =

Sub B61 =

Sub B62 =

Sub C1 =

Sub C2 =

Sub C3 =

Sub C4 =

Sub C5 =

Sub C6 =

Sub C7 =

Sub C8 =

Sub C9 =

Sub C10 =

Sub C11 =

Sub C12 =

Sub C13 =

Sub C14 =

Sub C15 =

Sub C16 =

Sub C17 =

Sub C18 =

Sub C19 =

Sub C20 =

Sub C21 =

Sub C22 =

Sub C23 =

Sub C24 =

Sub C25 =

Sub C26 =

Sub C27 =

Sub C28 =

Sub C29 =

Sub C30 =

Sub C31 =

Sub C32 =

Sub C33 =

North
Sub C34 =

Sub C35 =

Sub C36 =

Sub C37 =

Sub C38 =

Sub C39 =

Sub C40 =

Sub C41 =

Sub C42 =

Sub C43 =

Sub C44 =

Sub C45 =

Sub C46 =

Sub C47 =

Sub C48 =

Sub C49 =

Sub C50 =

Sub C51 =

Sub C52 =

Sub C53 =

Sub C54 =

Sub C55 =

Sub C56 =

Sub C57 =

Sub D1 =

Sub D2 =

Sub D3 =

Sub D4 =

Sub D5 =

Sub D6 =

Sub D7 =

Sub D8 =

Sub D9 =

Sub D10 =

Sub D11 =

Sub D12 =

Sub D13 =

Sub D14 =

Sub D15 =

Sub D16 =

Sub E1 =

Sub E2 =

Sub E3 =

Sub E4 =

Sub E5 =

Sub E6 =

Newco B16 =

Newco B19 =

Newco B21 =

Newco B45 =

Newco B46 =

Newco B47 =

Newco C13 =

Newco C29 =

Newco C33 =

Newco C34 =

Partnership =

Partnership A =

Partnership B =

Partnership C =

Partnership D =

Partnership E =

Partnership F =

Partnership G =

Partnership H =

Partnership I =

Partnership J =

Partnership K =

Partnership L =

Partnership M =

Partnership N =

Partnership O =

LLC =

LLC A =

LLC B =

LLC C =

LLC D =

LLC E =

LLC F =

LLC G =

LLC H =

LLC I =

LLC J =

LLC K =

LLC L =

LLC M =

LLC N =

LLC O =

LLC P =

LLC Q =

LLC R =

LLC S =

Trust =

Holdco A1 =

Holdco A2 =

Holdco A3 =

Holdco A4 =

Holdco B1 =

Holdco B2 =

Holdco B3 =

A Assets =

B Assets =

C Assets =

D Assets =

E Assets =

State X =

State Y =

State Z =

a =

b =

c =

d =

e =

f =

g =

h =

i =

j =

Dear

This letter responds to your November 20, 1998, request for rulings on certain federal income tax consequences of a proposed transaction. The information in that request and in later correspondence is summarized below.

Summary of Facts

Publicly traded Distributing 2 is the common parent of a consolidated group that conducts Business A, Business B, and Business C. Distributing 2 wholly owns Distributing 1 (together, the "Distributing Corporations"), Sub A1, Sub A2, Sub A3, Sub A4, Sub A5, Sub A6, Sub A7, Sub A8, and Sub A9. Distributing 2 also owns the common stock of Sub A10 (an unrelated party owns the preferred stock).

Distributing 1 is engaged, directly and through direct and indirect subsidiaries, in Business A, Business B, and Business C. Distributing 1 wholly owns Sub B1, Sub B2, Sub B3, Sub B4, Sub B5, Sub B6, Sub B7, Sub B8, Sub B9, Sub B10, Sub B11, Sub B12, Sub B13, Sub B14, Sub B15, Sub B16, Sub B17, Sub B18, Sub B19, Sub B20, Sub B21, Sub B22, Sub B23, Sub B24, Sub B25, Sub B26, Sub B27, Sub B28, Sub B29, Sub B30, Sub B31, Sub B32, Sub B33, Sub B34, Sub B35, Sub B36, Sub B37, Sub B38, Sub B39, Sub B40, Sub B41, Sub B42, and Sub B43. Distributing 1 also owns all the interests in newly formed LLC A and LLC B. Sub B13 wholly owns Sub B44. Sub B19 wholly owns Sub B45, Sub B46, and Sub B47. Sub B39 wholly owns Sub B48. Sub B44 wholly owns Sub B49, Sub B50, and Sub B51. Sub B52 is owned by various direct and indirect subsidiaries of Sub B44.
Sub B51 wholly owns Sub B53, Sub B54, Sub B55, Sub B56, Sub B57, and Sub B58.
Sub B54 wholly owns Sub B59. Sub B56 wholly owns Sub B60 and Sub B61.
Sub B58 wholly owns Sub B62.

Sub A1 is engaged, directly and through direct and indirect subsidiaries, in Business A, Business B, and Business C. Sub A1 wholly owns Sub C1, Sub C2, Sub C3, and Sub C4. Sub C1 wholly owns Sub C5. Sub C2 wholly owns Sub C6, and Sub C7. Sub C5 wholly owns Sub C8, Sub C9, Sub C10, Sub C11, Sub C12, Sub C13, Sub C14, Sub C15, Sub C16, Sub C17, Sub C18, Sub C19, Sub C20, Sub C21, Sub C22, Sub C23, Sub C24, Sub C25, and Sub C26. Sub C6 owns a percent of Sub C27. Sub

C7 wholly owns Sub C28, Sub C29, Sub C30, Sub C31, Sub C32, Sub C33, Sub C34, Sub C35, and Sub C36. Sub C8 wholly owns Sub C37. Sub C12 wholly owns Sub C38, Sub C39, and Sub C40. Sub C13 wholly owns Sub C41 and Sub C42. Sub C19 wholly owns Sub C43 and Sub C44. Sub C28 wholly owns Sub C45. Sub C31 wholly owns Sub C46, Sub C47, Sub C48, and Sub C49. Sub C39 wholly owns Sub C50. Sub C41 wholly owns Sub C51, Sub C52, Sub C53, Sub C54, and Sub C55. Sub C51 wholly owns Sub C56. Sub C3 wholly owns Sub C57. Sub C3 and Sub C57 own the limited partner and general partner interests, respectively, in Partnership A. Partnership A provides financing and cash management services to members of the Distributing 2 consolidated group and related entities, including loans to and from these entities (the loans, the "Inter-Affiliate Debt").

Sub A2 is engaged through direct and indirect subsidiaries in Business B and Business C. Sub A2 wholly owns Sub D1. Sub D1 wholly owns Sub D2, Sub D3, and Sub D4. Sub D2 wholly owns Sub D5, Sub D6, and Sub D7. Sub D3 wholly owns Sub D8, Sub D9, Sub D10, Sub D11, Sub D12, Sub D13, and Sub D14. Sub D4 wholly owns Sub D15. Sub D16 is owned by Sub D2, Sub D5, and Sub D8.

Sub E1 is owned by Distributing 1 and various direct and indirect subsidiaries of Distributing 1, Sub A1, and Sub A2. Sub E1 is the limited partner in Partnership B and Partnership C and owns all the interests in LLC C. The general partner of Partnership B is Partnership D, all the interests in which are owned by members of the Distributing 2 consolidated group. The general partner of Partnership C is Sub B59. LLC C is the limited partner in Partnership E. The general partner of Partnership E is LLC D, all the interests in which are owned by Sub B30.

Partnership B wholly owns LLC E. Partnership B and LLC E are the limited partner and general partner, respectively, in Partnership F, Partnership G, and Partnership H. Partnership F, Partnership G, and Partnership H each owns Business B assets.

Sub E2 is owned by Distributing 1, Sub C5, Sub C7, and Sub C10. Sub E2 wholly owns Sub E3 and Sub E4. Sub E3 owns all the outstanding interests in LLC F. Sub E5 is owned by Distributing 1, Sub A1, and Sub A2. Sub E6 is owned by Sub B16, Sub C7, Sub C13, and Sub C31.

All of the corporations, partnerships, and limited liability companies mentioned above are domestic entities. None of the entities mentioned above or in the description of the proposed transaction, below, that is an "eligible entity" under § 301.7701-3(a) of the Income Tax Regulations has elected or will elect under § 301.7701-3(b) to be treated as an entity that is not disregarded as an entity separate from its owner, unless otherwise specifically indicated. These disregarded entities include LLC A through F, and Partnership F through H.

We have received financial information indicating that Business A of Sub B19, Sub B31, and Sub B45, Business B of Sub B17, Sub B21, and Sub C16, and Business C of Sub C17, Sub C29, Sub C33, and Sub C34 each has had gross receipts and operating expenses representing the active conduct of a trade or business for each of the past five years.

Based on the advice of consultants and other information, the management of Distributing 2 wishes to have Business A and Business B implement substantial equity-based compensation plans (including employee stock ownership plans, or "ESOPs") tied directly to the performance of each business. Because the Distributing 2 stock is publicly traded, however, Business A and Business B cannot form ESOPs while associated with Business C. See §§ 409(l) and 4975(e)(7) of the Internal Revenue Code. In addition, the management of Distributing 2 has determined, based on the advice of consultants and other information, that the current corporate structure poses operational problems that prevent Business A and Business B from effectively pursuing the strategies necessary to enhance their performance. Accordingly, Distributing 2 proposes to separate Business A, Business B, and Business C from one another.

Proposed Transaction

To accomplish the separation of Business A, Business B, and Business C, Distributing 2 has proposed, and partially undertaken, the following transaction (the "Proposed Transaction"):

(i) To facilitate later steps in the Proposed Transaction, (a) Distributing 1 has formed LLC A and LLC B and (b) Distributing 1 and Subs A1, B1 through B12, B14 through B35, B40, B45 through B47, B49, B50, B52 through B60, B62, C1, C2, C5, C9, C11 through C18, C25, C26, C29, C30, C32, C35, C37 through C40, C45, C47 through C50, C56, D1, D3, D4, D8, E1, and E3 through E6 and Partnerships F, G, and H each has contributed or will contribute all or part of its assets to one or more newly formed, wholly owned domestic limited liability companies (the "Contribution LLCs"). Certain Contribution LLCs that are owned by the same entity have contributed or will contribute their assets to newly formed Partnerships (the "New Partnerships") in exchange for limited partner and general partner interests. It is intended that LLC A, LLC B, each of the Contribution LLCs, and each of the New Partnerships be disregarded for federal tax purposes under § 301.7701-3.

(ii) Sub C1 will contribute certain real estate to a newly formed, wholly owned LLC G. It is intended that LLC G be disregarded for federal tax purposes under § 301.7701-3.

(iii) Sub C1 will transfer its membership interests in LLC G to Distributing

2 in partial satisfaction of indebtedness owed by Sub C1 to Distributing 2 (the "Sub C1 Debt").

(iv) Part of the remaining Sub C1 Debt will be recapitalized into a long-term security.

(v) Sub A1 and Sub A2 will merge into Distributing 1 in transactions intended to qualify under § 368(a)(1) (the "First Tier Subsidiary Mergers").

(vi) Distributing 2 will contribute its stock in Subs A3 through A10, together with certain contracts (the “Contracts”), to Distributing 1 (together, the “First Tier Contributions”).

(vii) Subs B16, B19, B21, B45, B46, B47, C13, C29, C33, and C34 (collectively, the "Reincorporation Subs") each will reincorporate by merging into a newly formed State X corporation that is wholly owned by the Reincorporation Sub’s parent corporation, with the Newco surviving (respectively, “Newcos B16, B19, B21, B45, B46, B47, C13, C29, C33, and C34"), in transactions intended to qualify under § 368(a)(1)(F) (the "Reincorporations").

(viii) Subs B1 through B15, B17, B18, B20, B22 through B31, B44, B49 through B51, B53 through B56, B59, B60, C1, C2, C5 through C7, C9 through C12, C14 through C18, C30 through C32, C35, C38 through C42, C50 through C56, D1 through D3, D5, D8, and E2 and Newcos B16, B19, B21, B45 through B47, C13, C29, C33, and C34 (the "Merger Subs") each will merge down into a wholly owned Contribution LLC or a newly formed, wholly owned LLC (either entity, a "Merger LLC"), with the Merger LLC surviving. This will result in the corporation that wholly owns the Merger Sub (the “Parent”) wholly owning the Merger LLC. These mergers (the "LLC Mergers”) will occur in the following order:

(a) Sub C56;
(b) Subs B59, B60, and C50 through C55;
(c) Subs B53 through B56 and C38 through C42;
(d) Subs B49 through B51, C9 through C12, C14 through C18, C30 through C32, C35, D5, and D8 and Newcos C13, C29, C33, and C34;
(e) Subs B44, C5 through C7, D2, and D3 and Newcos B45 through B47;
(f) Subs B1 through B15, B17, B18, B20, B22 through B31, C1, C2, and D1 and Newcos B16, B19 and B21; and
(g) Sub E2.

It is intended that each of the Merger LLCs be disregarded for federal tax purposes under § 301.7701-3.

(ix) Distributing 1 will contribute the Contracts to the Merger LLC that succeeds to Sub C1 in the Sub C1 LLC Merger ("Merger LLC C1").

(x) Merger LLC C1 will contribute b percent and c percent undivided interests in certain contracts (including the Contracts) to newly formed Trust and newly formed LLC H, respectively, in exchange for the Trust beneficial interests and the LLC H membership interests. Trust and LLC H each will then contribute these interests to newly formed Partnership I in exchange for a limited partner interest and a general partner interest, respectively. It is intended that Trust and LLC H be disregarded for federal tax purposes under § 301.7701-3. It is intended that Partnership I be disregarded for federal tax purposes under § 301.7701-3 up until the time of the earlier of step (xxxi) or step (xxxix) below.

(xi) Merger LLC C1 will contribute b percent and c percent undivided interests in A Assets to Trust and LLC H, respectively. Trust and LLC H each will then contribute its undivided interests in these assets to newly formed Partnership J in exchange for a limited partner interest and a general partner interest, respectively. It is intended that Partnership J be disregarded for federal income tax purposes under § 301.7701-3.

(xii) Trust will distribute two limited partner interests in Partnership I (the “Partnership I Interests”) to Merger LLC C1.

(xiii) Merger LLC C1 will distribute to Distributing 1 certain assets, including its interests in the Merger LLC that succeeds to Sub C5 in the Sub C5 LLC Merger and the Partnership I Interests.

(xiv) Subs B32, B57, B58, B62, C25, C37, C45, C47 through C49, D4, E5, and E6 each will sell its Business A and Business B assets to Distributing 1 for fair market value consideration. The assets that Sub D4 sells to Distributing 1 will include the stock of Sub D15.

(xv) Sub C26 will sell its Business B assets to Sub B43 for fair market value consideration.

(xvi) Partnerships F, G, and H will convert under state law into LLC I, LLC J, and LLC K, respectively (the “Conversion LLCs”). It is intended that the Conversion LLCs be disregarded for federal tax purposes under § 301.7701-3.

(xvii) LLC E will distribute its interests in LLCs I, J, and K to Partnership B.

(xviii) Partnership B will distribute its interests in LLCs I, J, and K, including the interests it received from LLC E in step (xvii) to Sub E1.

(xix) Subs B52 and E1 will contribute their Business A and Business B assets (including all of their interests in certain Contribution LLCs and all of Sub E1's interests in Partnership C and LLCs C, I, J, and K) to Distributing 1 in exchange for newly issued Distributing 1 voting preferred stock (the "Distributing 1 Contribution"). The Distributing 1 Contribution, taken alone, will not reduce the amount a third party would pay for the stock of Sub B52, Sub E1, Distributing 1, or any related corporation.

(xx) Distributing 1 will form Controlled A and Controlled B as wholly owned domestic subsidiaries (the "Controlled Corporations").

(xxi) Distributing 1 will form a wholly owned LLC (Holdco A4) that will elect under § 301.7701-3(b)(1) to be treated as an association taxable as a corporation, effective at the time of the transactions described below in step (xxii).

(xxii) Under plans of reorganization, Subs B33, B34, B35, E3, and E4 (the "Reorg Subs") each will (a) transfer all of its assets to Holdco A4 in exchange for the assumption by Holdco A4 of the Reorg Sub's liabilities, other than any Inter-Affiliate Debt owed by the Reorg Sub that is assumed by Distributing 1, and (b) merge into an LLC that is wholly owned by the Reorg Sub (a "Reorg LLC"), with the Reorg LLC surviving ((a) and (b) together, a "Reorg"). It is intended that the Reorg LLCs be disregarded for federal tax purposes under § 301.7701-3.

(xxiii) Contribution LLCs and Merger LLCs that own a combination of assets (directly or through lower-tier Contribution LLCs and Merger LLCs) that will be held by different entities following the Proposed Transaction each will distribute certain of these assets to its sole owner. The distributed assets may include interests in lower-tier Contribution LLCs and Merger LLCs.

(xxiv) Sub E6 and certain Contribution LLCs that are lessors and lessees and sublessors and sublessees, respectively, on leases and subleases, relating to certain Business A and Business B realty will cancel their respective lessor, lessee, sublessor, and sublessee positions.

(xxv) Distributing 1 will contribute b percent and c percent undivided interests in B Assets, including its interests in certain Contribution LLCs that own B Assets, to newly formed, wholly owned LLC L and LLC M, respectively. LLC L and LLC M each will then contribute its undivided interests in these assets to newly formed Partnership K in exchange for a limited partner interest and a general partner interest, respectively. It is intended that LLC L and LLC M each be disregarded for federal tax purposes under § 301.7701-3. It is intended that Partnership K be disregarded for federal tax purposes under § 301.7701-3 up until the time of step (xxxv) below.

(xxvi) Distributing 1 will contribute cash or cash equivalents to newly formed, wholly owned LLC N and LLC O. LLC N and LLC O each will then contribute these assets to newly formed Partnership L in exchange for a limited partner interest and a general partner interest, respectively. It is intended that LLC N and LLC O each be disregarded for federal tax purposes under § 301.7701-3. It is intended that Partnership L be disregarded for federal tax purposes under § 301.7701-3 up until the time of step (xxxv) below.

(xxvii) Distributing 1 will contribute b percent and c percent undivided interests in C Assets, including its interests in certain Contribution LLCs that own C Assets, plus cash or cash equivalents, to newly formed, wholly owned LLC P and LLC Q, respectively. LLC P and LLC Q each will then contribute its undivided interests in these assets to newly formed Partnership M in exchange for a limited partner interest and a general partner interest, respectively. It is intended that LLC P and LLC Q each be disregarded for federal tax purposes under § 301.7701-3. It is intended that Partnership M be disregarded for federal tax purposes under § 301.7701-3 up until the time of step (xli) below.

(xxviii) LLC A will merge into Controlled A, and LLC B will merge into Controlled B.

(xxix) Distributing 1 will borrow between d and e dollars from unrelated lenders (the “Controlled A Debt"), use all or part of the proceeds to repay the non-recapitalized part of the Sub C1 Debt, and use the remainder, if any, to repay Inter-Affiliate Debt attributable to Business A.

(xxx) Distributing 1 will assume certain Inter-Affiliate Debt owed to Partnership A by entities (including entities that are disregarded for federal tax purposes) that will be contributed by Distributing 1 to Controlled A in step (xxxi), below.

(xxxi) Distributing 1 will contribute to Controlled A the assets that relate to Business A (including (a) its ownership interests in certain Contribution LLCs and Merger LLCs, (b) its ownership interests in the Reorg LLCs, (c) its interests in certain partnerships, (d) its ownership interests in LLCs L, M, N, and O, (e) a limited partner interest in Partnership I, and (f) its stock in Subs B36, B38, B41, C4, and C36 and Holdco A4) ((f) collectively, the "Controlled A Contributed Subsidiaries")) in exchange for Controlled A voting stock and the assumption by Controlled A of liabilities related to Business A (including the Controlled A Debt) (the "Controlled A Contribution").

(xxxii) Controlled A will contribute to newly formed, wholly owned Holdco A1 all of the assets received from Distributing 1 in step (xxxi) in exchange for Holdco A1

voting stock and the assumption by Holdco A1 of liabilities related to Business A (including the Controlled A Debt) (the "Holdco A1 Contribution").

(xxxiii) Holdco A1 will contribute to newly formed, wholly owned LLC R an undivided c percent interest in certain Business A assets located in State Y (including Contribution LLCs and Merger LLCs that directly or indirectly own such assets) (the "State Y Assets") in exchange for all of the membership interests in LLC R. Holdco A1 and LLC R each will then contribute its interests in the State Y Assets to newly formed Partnership N in exchange for a limited partner interest and a general partner interest, respectively. It is intended that LLC R be disregarded for federal tax purposes under § 301.7701-3. It is intended that Partnership N be disregarded for federal tax purposes under § 301.7701-3 up until the time of step (xxxv) below.

(xxxiv) Holdco A1 will contribute to newly formed, wholly owned LLC S an undivided c percent interest in certain Business A assets located in State Z (including Contribution LLCs and Merger LLCs that directly or indirectly own such assets) (the "State Z Assets") in exchange for all of the membership interests in LLC S. Holdco A1 and LLC S each will then contribute its interests in the State Z Assets to newly formed Partnership O in exchange for a limited partner interest and a general partner interest, respectively. It is intended that LLC S be disregarded for federal tax purposes under § 301.7701-3. It is intended that Partnership O be disregarded for federal tax purposes under § 301.7701-3 up until the time of step (xxxv) below.

(xxxv) Holdco A1 will contribute to a newly formed, wholly owned LLC (Holdco A2) part of the assets received from Controlled A in step (xxxii) (including its ownership interests, held directly or through Contribution LLCs or Merger LLCs, in entities that (a) are characterized as partnerships or corporations for federal income tax purposes and (b) were characterized as such before the LLC Mergers (the "Preexisting Entities") and its ownership interests in LLCs M, O, R, and S) in exchange for all of the membership interests (stock) in Holdco A2 and the assumption by Holdco A2 of liabilities related to Business A (possibly including part of the Controlled A Debt) (the "Holdco A2 Contribution"). Holdco A1 will retain (in the form of interests in Contribution LLCs or Merger LLCs or both) assets formerly owned by Subs B19, B31, and B45 and certain other assets. Holdco A2 will elect under § 301.7701- 3(b)(1) to be treated as an association taxable as a corporation (effective at the time of the Holdco A2 Contribution).

(xxxvi) Holdco A2 will contribute to newly formed, wholly owned Holdco A3 part of the assets received from Holdco A1 in step (xxxv) (including its ownership interests in Preexisting Entities) in exchange for Holdco A3 voting stock and the assumption by Holdco A3 of liabilities related to Business A (possibly including part of the Controlled A Debt) (the "Holdco A3 Contribution").

(xxxvii) Distributing 1 will borrow between f and g dollars from unrelated lenders (the "Controlled B Debt"), use all or part of the proceeds to repay the non-recapitalized part of the Sub C1 Debt, and use the remainder, if any, to repay Inter-Affiliate Debt attributable to Business B.

(xxxviii) Distributing 1 will assume certain Inter-Affiliate Debt owed to Partnership A by entities (including entities disregarded for federal tax purposes) that will be contributed by Distributing 1 to Controlled B in step (xxxix), below.

(xxxix) Distributing 1 will contribute to Controlled B the assets that relate to Business B (including (a) its ownership interests in certain Contribution LLCs and Merger LLCs, (b) its interests in certain partnerships, (c) all of its ownership interests in LLCs C, I, J, K, P, and Q, (d) a limited partner interest in Partnership I, and (e) all of its stock in Subs B37, B39, B40, B42, B43, B61, C19 through C24, C27, C46, D6, D7 and D9 through D16 ((e) collectively, the "Controlled B Contributed Subsidiaries," and together with the Controlled A Contributed Subsidiaries, the "Contributed Subsidiaries")) in exchange for Controlled B voting stock and the assumption by Controlled B of liabilities related to Business B (including the Controlled B Debt) (the "Controlled B Contribution").

(xl) Controlled B will contribute to newly formed, wholly owned Holdco B1 all of the assets received from Distributing 1 in step (xxxix) in exchange for Holdco B1 voting stock and the assumption by Holdco B1 of liabilities related to Business B (including the Controlled B Debt) (the "Holdco B1 Contribution").

(xli) Holdco B1 will contribute to a newly formed, wholly owned LLC (Holdco B2) part of the assets received from Controlled B in step (xl) (including its ownership interests in Preexisting Entities and all of its ownership interests in LLC Q) in exchange for all of the membership interests (stock) in Holdco B2 and the assumption by Holdco B2 of liabilities related to Business B (possibly including part of the Controlled B Debt) (the "Holdco B2 Contribution"). Holdco B1 will retain (in the form of interests in Contribution LLCs or Merger LLCs) assets formerly owned by Subs B17, B21, and C16, and certain other assets. Holdco B2 will elect under § 301.7701-3(b)(1) to be treated as an association taxable as a corporation (effective at the time of the Holdco B2 Contribution).

(xlii) Holdco B2 will contribute to newly formed, wholly owned Holdco B3 part of the assets received from Holdco B1 in step (xli) (including its ownership interests in Preexisting Entities) in exchange for Holdco B3 voting stock and the assumption by Holdco B3 of liabilities related to Business B (possibly including part of the Controlled B Debt) (the "Holdco B3 Contribution").

(xliii) Subs B36, B37, B61, C4, C19, C36, C43, C44, and C46 and certain partnerships will be renamed to reflect that they are no longer associated with Distributing 2.

(xliv) Any remaining Inter-Affiliate Debt between Partnership A and entities that will be affiliates of Controlled A or Controlled B following the Proposed Transaction will be eliminated through distributions, capital contributions, payments, assumptions, or acquisitions of such debt, as appropriate, so that there will not be any such debt following the Proposed Transaction.

(xlv) As part of the Proposed Transaction, certain entities that are (a) owned (or treated as owned, for federal income tax purposes) by the same entity and (b) disregarded as entities separate from such owner for federal tax purposes will be merged together (the "Disregarded Entity Mergers"). Disregarded Entity Mergers will occur in the following circumstances: (a) the merger of a "parent" Merger LLC and its "subsidiary" Merger LLC or Contribution LLC, (b) the merger of certain Contribution LLCs and/or Merger LLCs that own synergistic assets related to particular Business A or Business B operations, and (c) the merger of certain Contribution LLCs that directly or indirectly own interests in Disregarded Partnerships that are considered synergistic.

(xlvi) Distributing 1 will distribute the stock of Controlled A and Controlled B to Distributing 2 (the "First Distribution").

(xlvii) Distributing 2 will distribute the stock of Controlled A and Controlled B pro rata to its shareholders (the "Second Distribution"). Distributing 2 shareholders will receive cash in lieu of fractional Controlled A and Controlled B shares. Each share of Controlled A and Controlled B stock will have attached to it a purchase right not exercisable or transferable separately from the Controlled A or Controlled B stock, as the case may be, unless and until certain triggering events (generally involving changes in corporate control) occur (the "Controlled A Rights" and "Controlled B Rights," respectively, and together, the "Controlled Rights").

(xlviii) Distributing 2, Controlled A, and Controlled B will enter into agreements under which the parties will mutually agree to indemnify each other for certain losses, including losses arising out of, or resulting from, the assets contributed to Controlled A and Controlled B, certain events occurring before the Second Distribution, untrue statements or representations, breaches of contract, violations of law, and other similar events (the "Indemnity Agreements"). The Indemnity Agreements will include a tax sharing agreement under which the parties will mutually agree to indemnify each other for tax and related liabilities relating to certain tax periods ending before, on, and after the date of the Second Distribution.

(xlix) Distributing 2, Controlled A, and Controlled B and/or their respective affiliates will enter into agreements, including subleases of certain office space for each

of the Controlled Corporations and the provision by Distributing 2 or its affiliates of certain transitional services to the Controlled Corporations and/or their affiliates (the "Transitional Agreements"). In addition, the parties intend to sublicense certain intellectual property to one another on a royalty-free basis. Some of the sublicensed property will have been transferred in the Controlled A and Controlled B Contributions and in subsequent contributions.

(l) In connection with the Second Distribution, Controlled A and Controlled B each will establish, solely for the benefit of its employees, an ESOP intended to satisfy the requirements of §§ 401(a) and 4975(e)(7) (the "Controlled A ESOP" and the "Controlled B ESOP," respectively).

No later than one year after the Second Distribution, Controlled A will sell newly issued voting common stock to the Controlled A ESOP, which, as of the time of the sale, will cause the Controlled A ESOP to own h percent of the then outstanding Controlled A common stock. The Controlled A ESOP will finance the purchase price of the Controlled A stock by issuing a promissory note to Controlled A (the "Controlled A ESOP Note") or by borrowing from a third party lender (the loan to be guaranteed by Controlled A). The Controlled A ESOP debt will be amortized over a period of not more than i years. If Controlled A receives a Controlled A ESOP Note, it will contribute the Controlled A ESOP Note to Holdco A1, which then may contribute an undivided c percent interest in the Controlled A ESOP Note to Holdco A2. Holdco A1 and Holdco A2 would then contribute their respective interests in the Controlled A ESOP Note to LLC N and LLC O, respectively, each of which then would contribute these interests to Partnership L.

No later than one year after the Second Distribution, Controlled B will sell newly issued voting common stock to the Controlled B ESOP, which, as of the time of the sale, will cause the Controlled B ESOP to own j percent of the then outstanding Controlled B common stock. The Controlled B ESOP will finance the purchase price of the Controlled B stock by issuing a promissory note to Controlled B (the "Controlled B ESOP Note") or by borrowing from a third party lender (the loan to be guaranteed by Controlled B). The Controlled B ESOP debt will be amortized over a period of not more than i years. If Controlled B receives a Controlled B ESOP Note, it will contribute the Controlled B ESOP Note to Holdco B1, which then may contribute an undivided c percent interest in the Controlled B ESOP Note to Holdco B2. Holdco B1 and Holdco B2 would then contribute their respective interests in the Controlled B ESOP Note to LLC P and LLC Q, respectively, each of which then would contribute these interests to Partnership M.

(li) Adjustments will be made to the outstanding vested and unvested nonqualified employee stock options to acquire Distributing 2 stock (the "Vested Distributing 2 Options" and the "Unvested Distributing 2 Options," respectively) as follows: (a) except in the case of options to acquire a small number of shares, the

exercise price of Vested Distributing 2 Options will be adjusted to reflect the reduced value of Distributing 2 as a result of the Second Distribution, and holders of Vested Distributing 2 Options will receive additional vested options to acquire stock of Controlled A and Controlled B (the "Vested Controlled Options," and, together with the Vested Distributing 2 Options, the "Vested Options"), (b) in the case of those holding Vested Distributing 2 Options to acquire a small number of Distributing 2 shares, a cash-out payment may be made or the options may be adjusted in a manner that preserves the value of such options immediately before the Second Distribution, (c) Unvested Distributing 2 Options held by holders who become employees of Controlled A or Controlled B or their respective subsidiaries will be terminated and the Controlled Corporations may, in their discretion, grant unvested options to acquire stock of Controlled A or Controlled B, as the case may be (the "Unvested Controlled Options"), to such holders, and (d) Unvested Distributing 2 Options held by holders who continue to be employed by Distributing 2 or its subsidiaries will be adjusted in a manner that preserves the value of such options immediately before the Second Distribution ((a), (b) (other than any cash-out payment described therein), (c) and (d), collectively, the "Option Adjustments"). Unvested options to acquire stock of Controlled A and Controlled B will also be issued to certain employees of Distributing 2 and its subsidiaries.

(lii) One or both of the Controlled Corporations may institute odd-lot programs under which Controlled Corporation shareholders who own less than 100 shares of Controlled A stock or Controlled B stock could elect to sell the shares to the issuing Controlled Corporation through an exchange agent (the "Odd-Lot Programs").

(liii) Qualified plans of Distributing 2, Controlled A, and/or Controlled B that invest in employer securities may engage in sales and/or exchanges of non-employer securities.

(liv) Certain Business A assets that will not be relied upon to satisfy the active trade or business requirement of § 355(b) (D Assets) may be sold or otherwise disposed of before or after the Controlled A Contribution. If an entity that owns solely D Assets sells all of its assets before the Controlled A Contribution, the entity will not participate in the Proposed Transaction.

(lv) Certain Business B assets that will not be relied upon to satisfy the active trade or business requirement of § 355(b) (E Assets) may be sold or otherwise disposed of before or after the Controlled B Contribution. If an entity that owns solely E Assets sells all of its assets before the Controlled B Contribution, the entity will not participate in the Proposed Transaction.

(lvi) Following the Second Distribution, Distributing 1 may engage in a reverse-split of its common stock.

(lvii) Following the Second Distribution, Distributing 2 may change its name.

Following the Second Distribution, Controlled A and its subsidiaries will conduct Business A, Controlled B and its subsidiaries will conduct Business B, and Distributing 2 and its subsidiaries will conduct Business C.

Representations

First Tier Subsidiary Mergers

The taxpayer makes the following representation regarding the First Tier Subsidiary Mergers:

(a) To the best of the taxpayer's knowledge and belief, provided the Internal Revenue Service rules as the taxpayer requests, each First Tier Subsidiary Merger will qualify as a reorganization under §§ 354 and 368(a)(1).

The Reincorporations

The taxpayer makes the following representation regarding the Reincorporations:

(b) To the best of the taxpayer's knowledge and belief, provided the Internal Revenue Service rules as the taxpayer requests, each Reincorporation will qualify as a reorganization under § 368(a)(1)(F).

The LLC Mergers

The taxpayer makes the following representations regarding the LLC Mergers:

(c) At the time a Merger Sub adopts a plan of merger/liquidation, and at all times until its merger/liquidation is completed, the Merger Sub's Parent will be the owner of at least 80 percent of the single outstanding class of the Merger Sub's stock.

(d) Except for Sub E2, which consummated redemptions that are unrelated to the Proposed Transaction, no shares of any Merger Sub's stock will have been redeemed during the three years preceding adoption of the Merger Sub's plan of merger/liquidation.

(e) All distributions from each Merger Sub to its Parent under the Merger Sub's plan of merger/liquidation will be made within a single taxable year of the Merger Sub.

(f) Upon the LLC Merger of each Merger Sub, the Merger Sub will cease to be a going concern, and its activities will be limited to winding up its affairs, paying its debts, and distributing its remaining assets to its Parent.

(g) No Merger Sub will retain any assets following its LLC Merger.

(h) No Merger Sub will have acquired assets in any nontaxable transaction at any time, except for (i) acquisitions occurring more than three years before the date of adoption of its plan of merger/liquidation, (ii) acquisitions pursuant to the Proposed Transaction, and (iii) certain acquisitions occurring within the three years before adoption of the Merger Sub's plan of merger/liquidation in transactions unrelated to the Proposed Transaction.

(i) No assets of any Merger Sub have been, or will be, disposed of by the Merger Sub or its Parent except for (i) dispositions in the ordinary course of business, (ii) dispositions occurring more than three years before adoption of the Merger Sub's plan of merger/liquidation, (iii) dispositions pursuant to the Proposed Transaction, and (iv) certain dispositions occurring within the three years before adoption of the Merger Sub's plan of merger/liquidation in transactions unrelated to the Proposed Transaction.

(j) No Merger Sub's LLC Merger will be preceded or followed by the reincorporation in, or transfer or sale to, a recipient corporation ("Recipient") of any of the businesses or assets of the Merger Sub, if persons holding, directly or indirectly, more than 20 percent in value of the Merger Sub's 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 immediately after the Second Distribution and by application of the constructive ownership rules of § 318(a) as modified by § 304(c)(3).

(k) Before adoption of each Merger Sub's plan of merger/liquidation, no assets of the Merger Sub will have been distributed in kind, transferred, or sold to the Merger Sub's Parent, except for (i) transactions occurring in the normal course of business, (ii) transactions occurring more than three years before adoption of the Merger Sub's plan of merger/liquidation, and (iii) certain distributions occurring within the three years before adoption of the Merger Sub's plan of merger/liquidation in transactions unrelated to the Proposed Transaction.

(l) The fair market value of the assets of each Merger Sub will exceed its liabilities both at the date of the adoption of its plan of merger/liquidation and immediately before the time of its LLC Merger.

(m) There is no intercorporate debt existing between any Merger Sub and its Parent, and none has been canceled, forgiven, or discounted, except for transactions that occurred more than three years before the date of adoption of the Merger Sub's plan of merger/liquidation.

(n) No Parent is an organization that is exempt from federal income tax under § 501 or any other provision of the Code.

(o) All other transactions undertaken contemporaneously with, in anticipation of, in conjunction with, or in any way related to, the proposed LLC Mergers have been fully disclosed.

The Contributions

The taxpayer makes the following representations regarding the Distributing 1 Contribution, the Controlled A Contribution, the Controlled B Contribution, the Holdco A1 Contribution, the Holdco B1 Contribution, the Holdco A2 Contribution, the Holdco B2 Contribution, the Holdco A3 Contribution, and the Holdco B3 Contribution (collectively, the "Contributions," and each one, a "Contribution"). Hereinafter, the transferee in a Contribution is the "Transferee," and the transferor(s) in a Contribution are the "Transferor(s)."

(p) No stock or securities will be issued for services rendered to or for the benefit of any Transferee in connection with the Proposed Transaction and no stock or securities will be issued for indebtedness of any Transferee that is not evidenced by a security or for interest on indebtedness of any Transferee that accrued on or after the beginning of the holding period of the Transferor(s) for the debt.

(q) None of the stock to be transferred in any Contribution is "section 306 stock" (§ 306(c)).

(r) No Contribution is the result of the solicitation by a promoter, broker, or investment house.

(s) No Transferor will retain any rights in the property transferred to a Transferee, except as described above in step (xlix).

(t) The value of the stock received in any Contribution in exchange for accounts receivable will equal the net value of the accounts transferred, i.e., the face amount of the accounts receivable previously included in income less the amount of the reserve for bad debt.

(u) The adjusted basis and the fair market value of the assets transferred by any Transferor to its Transferee will, in each instance, equal or exceed the sum of

the liabilities assumed by the Transferee plus any liabilities to which the transferred assets are subject.

(v) Any liabilities of a Transferor that will be assumed by its Transferee were incurred in the ordinary course of business and are associated with the assets to be transferred.

(w) There is no indebtedness between any Transferee and its Transferor(s), and there will be no indebtedness created in favor of the Transferor(s) as a result of the Contribution.

(x) The transfers and exchanges in each Contribution will occur under a plan agreed upon before the transaction in which the rights of the parties are defined.

(y) All exchanges in each Contribution will occur on approximately the same date.

(z) There is no plan or intention on the part of any Transferee to redeem or otherwise reacquire any stock or indebtedness issued in any Contribution other than, for the Controlled Corporations, (i) repurchases of common stock meeting the requirements of section 4.05(1)(b) of Revenue Procedure 96-30, 1996-1C.B. 696, 705, and (ii) purchases of stock under the Odd-Lot Programs.

(aa) Taking into account any issuance of additional shares of Transferee stock; any issuances of stock for services; the exercise of any Transferee stock rights, warrants, or subscriptions; a public offering of Transferee stock; and the sale, exchange, transfer by gift, or other disposition of any Transferee stock received in the exchange, the Transferor(s) will be in "control" of the Transferee under § 368(c) immediately following each Contribution.

(bb) The Transferor(s) in each Contribution will receive stock approximately equal to the fair market value of the property transferred by it to the Transferee.

(cc) Each Transferee will remain in existence and will retain and use the property transferred to it in a trade or business, except for dispositions in the Proposed Transaction and dispositions in the normal course of business operations.

(dd) There is no plan or intention by any Transferee to dispose of the transferred property other than (i) in the normal course of business operations and (ii) in the Proposed Transaction.

(ee) Each of the parties to the Contributions will pay its own expenses, if any, incurred in connection with the Contributions.

(ff) No Transferee will be an investment company under § 351(e)(1) and § 1.351(c)(1)(ii).

(gg) No Transferor is under the jurisdiction of a court in a title 11 or similar case (under §368(a)(3)(A)), and no stock or securities received in any Contribution will be used to satisfy the indebtedness of such debtor.

(hh) No Transferee will be a "personal service corporation" under § 269A.

The First Tier Contributions

The taxpayer makes the following representation regarding the First Tier Contributions:

(ii) To the best of the taxpayer's knowledge and belief, provided the Internal Revenue Service rules as the taxpayer requests, the First Tier Contributions will qualify as exchanges described in § 351(a) and/or, with respect to Subs A3 through A10, as reorganizations under § 368(a)(1)(B).

The Reorgs

The taxpayer makes the following representations regarding the Reorgs:

(jj) The fair market value of the Holdco A4 stock deemed received by Distributing 1 in each Reorg will approximately equal the fair market value of the Reorg Sub stock surrendered in the exchange.

(kk) Except as described in the Proposed Transaction, there is no plan or intention by Distributing 1 to sell, exchange, or otherwise dispose of a number of shares of Holdco A4 stock received in a Reorg that would reduce its ownership of Holdco A4 stock to a number of shares having a value, as of the date of the Reorg, of less than 50 percent of the value of all of the formerly outstanding stock of the Reorg Sub as of the same date. For purposes of this representation, shares of a Reorg Sub's stock exchanged for cash or other property, surrendered by dissenters or exchanged for cash in lieu of fractional shares of Holdco A4 stock will be treated as outstanding stock of the Reorg Sub on the date of the Reorg. Moreover, shares of any Reorg Sub stock and shares of Holdco A4 stock held by Distributing 1 and otherwise sold, redeemed, or disposed of before or after the Reorg will be considered in making this representation.

(ll) Holdco A4 will acquire at least 90 percent of the fair market value of the net assets and at least 70 percent of the fair market value of the gross assets held by each Reorg Sub immediately before the Reorg. For purposes of this representation, amounts paid by a Reorg Sub to dissenters, amounts paid by a Reorg Sub to shareholders who receive cash or other property, amounts used by a Reorg Sub to pay

its reorganization expenses, and all redemptions and distributions (except for regular, normal dividends) made by a Reorg Sub immediately before the transfer will be included as assets of such Reorg Sub held immediately before the Reorg.

(mm) After the Reorg, Distributing 1 will be in control of Holdco A4 under § 368(a)(2)(H).

(nn) Holdco A4 has no plan or intention to reacquire any of its stock deemed issued in any Reorg.

(oo) Holdco A4 has no plan or intention to sell or otherwise dispose of any of the assets of any Reorg Sub acquired in the transaction, except for dispositions made in the ordinary course of business and possibly the disposition of its interests in, or the assets of, LLC F.

(pp) The liabilities of each Reorg Sub assumed by Holdco A4 plus the liabilities, if any, to which the transferred assets are subject were incurred by the Reorg Sub in the ordinary course of its business and are associated with the assets transferred.

(qq) Following the Reorgs, Holdco A4 will continue the historic business of each Reorg Sub or use a significant portion of the Reorg Sub's historic business assets in a business.

(rr) At the time of the Reorgs, Holdco A4 will not have outstanding any warrants, options, convertible securities, or any other type of right pursuant to which any person could acquire stock in Holdco A4 that, if exercised or converted, would affect Distributing 1's acquisition or retention of control of Holdco A4 under § 368(a)(2)(H).

(ss) Holdco A4, each Reorg Sub, and Distributing 1 each will pay its expenses, if any, incurred in connection with the Reorgs.

(tt) There is no intercorporate indebtedness existing between Holdco A4 and any Reorg Sub that was issued, acquired, or will be settled at a discount.

(uu) No two parties to any Reorg are investment companies under § 368(a)(2)(F)(iii) and (iv).

(vv) The fair market value of the assets of each Reorg Sub transferred to Holdco A4 will equal or exceed the sum of the liabilities assumed by Holdco A4 from the Reorg Sub, plus the amount of liabilities, if any, to which the transferred assets are subject.

(ww) The total adjusted basis of the assets of each Reorg Sub transferred to Holdco A4 will equal or exceed the sum of the liabilities to be assumed by Holdco A4 from the Reorg Sub, plus the amount of liabilities, if any, to which the transferred assets are subject.

(xx) No Reorg Sub is under the jurisdiction of a court in a title 11 or similar case under § 368(a)(3)(A).

The Distributions

The taxpayer makes the following representations regarding the First Distribution and the Second Distribution (together, the "Distributions"):

(yy) Provided the taxpayer receives the rulings and subissue rulings it has requested, no part of the consideration distributed by Distributing 1 in the First Distribution will be received by Distributing 2 as a creditor, employee, or in any capacity other than that of a shareholder of the corporation.

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

(aaa) The five years of financial information submitted on behalf of Subs B17, B19, B21, B31, B45, C16, C17, C29, C33, and C34 represents in each case the corporation's present operations, and with regard to each corporation, there have been no substantial operational changes since the date of the last financial statements submitted.

(bbb) Immediately after the First Distribution, at least 90 percent of the fair market value of the gross assets of Controlled A and at least 90 percent of the fair market value of the gross assets of Controlled B will consist of the stock and securities of controlled corporations that are engaged in the active conduct of a trade or business as defined in § 355(b)(2).

(ccc) Immediately after the Second Distribution, at least 90 percent of the fair market value of the gross assets of Distributing 2, at least 90 percent of the fair market value of the gross assets of Controlled A, and at least 90 percent of the fair market value of the gross assets of Controlled B will consist of the stock and securities of controlled corporations that are engaged in the active conduct of a trade or business as defined in § 355(b)(2).

(ddd) Following the First Distribution, Distributing 1, Controlled A (indirectly), and Controlled B (indirectly) each will continue the active conduct of its business, independently and with its separate employees, except that Distributing 2 and

its affiliates will provide certain transitional services for the Controlled Corporations following the Second Distribution.

(eee) Following the Second Distribution, Distributing 2 (indirectly), Controlled A (indirectly), and Controlled B (indirectly) each will continue the active conduct of its business, independently and with its separate employees, except that Distributing 2 and its affiliates will provide certain transitional services for the Controlled Corporations following the Second Distribution.

(fff) The Distributions are carried out for the following corporate business purposes: to enable each Controlled Corporation to (i) attract, motivate and retain key management and other employees by adopting separate ESOPs and providing compensation packages that include other equity incentives tied directly and exclusively to the stock of the Controlled Corporation and (ii) solve operational problems inherent in the current corporate structure and enhance the Controlled Corporation's performance and earnings by permitting its management to focus attention on smaller, strategically aligned markets and adopt strategies and pursue objectives that are appropriate to the unique characteristics and needs of local communities within those markets. The Distributions are motivated, in whole or substantial part, by one or more of these corporate business purposes.

(ggg) Except as described in the Proposed Transaction, there is no plan or intention by Distributing 2 to sell, exchange, transfer by gift, or otherwise dispose of any of its stock in, or securities of, Distributing 1 or either Controlled Corporation.

(hhh) There is no plan or intention by any shareholder who owns five percent or more of the stock of Distributing 2, and the management of Distributing 2, to its best knowledge, is not aware of any plan or intention on the part of any particular remaining shareholder or security holder of Distributing 2 to sell, exchange, transfer by gift, or otherwise dispose of any stock in, or securities of, either Distributing 2 or either of the Controlled Corporations after the transaction other than (i) in ordinary market trading, (ii) in connection with repurchases of common stock meeting the requirements of section 4.05(1)(b) of Rev. Proc. 96-30, (iii) sales of Controlled Corporation stock under the Odd-Lot Programs, and (iv) sales or exchanges of non-employer securities by qualified plans of Distributing 2, Controlled A, and/or Controlled B.

(iii) There is no plan or intention by any Distributing Corporation or Controlled Corporation, 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 section 4.05(1)(b) of Rev. Proc. 96-30 and purchases of stock under the Odd-Lot Programs.

(jjj) There is no plan or intention to liquidate any Distributing Corporation or Controlled Corporation, to merge any such corporation with any other corporation, or

to sell or otherwise dispose of the assets of any such corporation after the transaction, except in the ordinary course of business and except for the sale or other disposition of assets that will not be relied upon to satisfy the active trade or business requirement.

(kkk) (i) The total adjusted basis and the fair market value of the assets transferred to Controlled A and Controlled B by Distributing 1 in each case equals or exceeds the sum of the liabilities assumed by the Controlled Corporation, plus any liabilities to which the assets transferred to the Controlled Corporation are subject; and (ii) the liabilities assumed in the transaction and the liabilities to which the transferred assets are subject were incurred in the ordinary course of business and are associated with the assets being transferred.

(lll) Apart from indebtedness that may arise as a result of the Transitional Agreements or the Indemnity Agreements, no intercorporate debt will exist between any Distributing Corporation and any Controlled Corporation at the time of, or after, the Distributions.

(mmm) Immediately before each Distribution, items of income, gain, loss, deduction, and credit will be taken into account as required by the applicable intercompany transaction regulations (see §§ 1.1502-13 and 1.1502-14 as in effect before the publication of T.D. 8597, 1995-2 C.B. 147, and as currently in effect; § 1.1502-13 as published by T.D. 8597). Further, any excess loss account a Distributing Corporation may have in the stock of a Controlled Corporation will be included in income immediately before the Distributions to the extent required by regulations (see § 1.1502-19).

(nnn) Payments made in any continuing transactions between Distributing 2 and its affiliates, on the one hand, and either Controlled Corporation and its affiliates, on the other hand, will be for fair market value based on terms and conditions arrived at by the parties bargaining at arm's length, except that (i) Distributing 2 and its affiliates will provide certain corporate support and transitional services to the Controlled Corporations at fair market value or on a fully allocated cost basis, which Distributing 2 believes approximates fair market value (because the Controlled Corporations will not be in existence at the time the agreements are drafted, the terms will not be the result of actual arm's length negotiations), (ii) Distributing 2 or its affiliates will sublease certain office space to each of the Controlled Corporations on a pass-through basis, and (iii) the parties intend to sublicense certain intellectual property to one another on a royalty-free basis.

(ooo) No two parties to any Distribution will be investment companies under § 368(a)(2)(F)(iii) and (iv).

(ppp) Neither Distribution is part of a "plan (or series of related transactions)" pursuant to which one or more persons will acquire directly or indirectly

stock possessing 50 percent or more of the total combined voting power of all classes of stock of the Distributing Corporation or either Controlled Corporation entitled to vote, or stock possessing 50 percent or more of the total value of all classes of stock of the Distributing Corporation or either Controlled Corporation, within the meaning of § 355(e).

(qqq) The payment of cash to Distributing 2 shareholders in lieu of fractional shares of stock in either Controlled Corporation is solely for the purpose of saving the expense and inconvenience of issuing and transferring fractional shares, and is not separately bargained for consideration. The method used for handling fractional shares is designed to limit the amount of cash received by any one shareholder to less than the value of one full share of common stock of each Controlled Corporation.

(rrr) The Controlled A Rights cannot be separately traded and are not divisible from the Controlled A stock before certain triggering events occur. Before the occurrence of these events, these rights may be redeemed by Controlled A. At the time of the Distributions, the likelihood that the Controlled A Rights would be exercised will be both remote and uncertain.

(sss) The Controlled B Rights cannot be separately traded and are not divisible from the Controlled B stock before certain triggering events occur. Before the occurrence of these events, these rights may be redeemed by Controlled B. At the time of the Distributions, the likelihood that the Controlled B Rights would be exercised will be both remote and uncertain.

Rulings

The First Tier Subsidiary Mergers

Based solely on the information submitted and the representations set forth above, we rule as follows on each First Tier Subsidiary Merger:

(1) Neither (i) the absence of an actual stock issuance by Distributing 1 in connection with a First Tier Subsidiary Merger nor (ii) the other steps in the Proposed Transaction will affect the qualification or treatment of a First Tier Subsidiary Merger as a reorganization under §§ 354(a)(1) and 368(a)(1)**.**

The Reincorporations

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

(2) None of the other steps in the Proposed Transaction will affect the qualification or treatment of any Reincorporation as a reorganization under § 368(a)(1)(F).

The LLC Mergers

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

(3) Each LLC Merger will qualify for federal income tax purposes as a complete liquidation of the Merger Sub into its Parent under § 332 (§ 301.7701-2(a), -2(c)(2)(i), -3(b)(1)(ii); § 332(a); § 1.332-2(d)).

(4) No gain or loss will be recognized by a Parent on receiving the assets and liabilities of its Merger Sub in an LLC Merger (§ 332(a)).

(5) No gain or loss will be recognized by a Merger Sub on the distribution of its assets to, or the assumption of its liabilities by, its Parent (§§ 336(d)(3), 337(a), 337(b)).

(6) The basis a Parent will have in each asset received from its Merger Sub as a result of an LLC Merger will equal the basis of that asset in the hands of the Merger Sub immediately before the LLC Merger (§ 334(b)(1)).

(7) The holding period a Parent will have in each asset received from its Merger Sub as a result of an LLC Merger will include the period during which that asset was held by the Merger Sub (§ 1223(2)).

(8) Each Parent will succeed to and take into account the items of its Merger Sub described in § 381(c), subject to the conditions and limitations specified in § 381(b) and (c) and the regulations thereunder (§ 381(a); § 1.381(a)-1).

(9) Each Parent will succeed to and take into account the earnings and profits, or deficit in earnings and profits, of its Merger Sub as of the date of the LLC Merger (§ 381(c)(2)(A); § 1.381(c)(2)-1). Any deficit in the earnings and profits of a Merger Sub or its Parent will be used only to offset earnings and profits accumulated after the date of the LLC Merger (§ 381(c)(2)(B)).

The Reorgs

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

(10) For federal income tax purposes, each Reorg will be treated as (i) a transfer by the Reorg Sub of substantially all of its assets to Holdco A4 in exchange for stock of Holdco A4, followed by (ii) the Reorg Sub's distribution of the Holdco A4 stock to Distributing 1 in exchange for Distributing 1's stock in the Reorg Sub, in complete liquidation of the Reorg Sub. For purposes of this ruling, "substantially all" means at least 90 percent of the fair market value of the net assets and at least 70 percent of the fair market value of the gross assets of each Reorg Sub immediately before its Reorg.

(11) Each Reorg will constitute a reorganization under § 368(a)(1)(D). Holdco A4 and each Reorg Sub each will be "a party to the reorganization" under § 368(b).

(12) No gain or loss will be recognized by a Reorg Sub on its Reorg and any assumption of Inter-Affiliate Debt by Distributing 1 (§§ 361(a) and (c) and 357(a); Rev. Rul. 70-271, 1970-1 C.B. 166).

(13) No gain or loss will be recognized by Holdco A4 on any Reorg (§ 1032(a)).

(14) The basis of each asset received by Holdco A4 in a Reorg will equal the basis of that asset in the hands of the transferring Reorg Sub immediately before the Reorg (§ 362(b)).

(15) The holding period of each asset received by Holdco A4 in a Reorg will include the holding period of that asset in the hands of the transferring Reorg Sub immediately before the Reorg (§ 1223(2)).

(16) No gain or loss will be recognized by Distributing 1 on the constructive exchange of its stock in a Reorg Sub solely for Holdco A4 stock and the assumption by Distributing 1 of any Inter-Affiliate Debt of the Reorg Sub (§ 354(a)(1)).

(17) The basis of Distributing 1's Holdco A4 stock will be (i) increased by Distributing 1's basis in the stock of each Reorg Sub plus the amount of any Inter-Affiliate Debt of the Reorg Sub assumed by Distributing 1 and (ii) decreased by the amount of any excess loss account in the Reorg Sub's stock immediately before its Reorg (§§ 358(a) and 1016(a); § 1502-19; Rev. Rul. 70-271).

(18) The taxable year of each Reorg Sub will end on the effective date of the Reorg (§ 381(b)(1)). Holdco A4 will succeed to and take into account the earnings and profits, or deficit in earnings and profits, of each Reorg Sub as of the date of the Reorg, and any deficit in earnings and profits of either the Reorg Sub or Holdco A4 will be used only to offset earning and profits accumulated after the date of the Reorg

(§ 381(c)(2) and § 1.381(c)(2)-1). Holdco A4 will succeed to and take into account the items of the Reorg Sub described in § 381(c), subject to the conditions and limitations of §§ 381, 382, 383, and 384 and the regulations thereunder (§381(a) and § 1.381(a)-1).

The Contributions

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

(19) With the possible exception of gain or loss on transfers of less than all the rights in certain intangibles mentioned in step (xlix), no gain or loss will be recognized by any Transferor on any Contribution (§§ 351(a) and 357(a); Rev. Rul. 77-449, 1977-2 C.B. 110; Rev. Rul. 83-156, 1983-2 C.B. 66).

(20) The basis of each asset received by a Transferee in a Contribution will equal the basis of that asset in the hands of the Transferor immediately before the Contribution (§ 362(a)).

(21) The holding period of each asset received by a Transferee in a Contribution will include the holding period of that asset in the hands of the Transferor (§1223(2)).

(22) No gain or loss will be recognized by any Transferee on any Contribution (§ 1032(a)).

(23) Each Transferor's basis in the Transferee stock received in a Contribution in exchange for transferred assets will equal the Transferor's basis in the transferred assets immediately before the Contribution, decreased by the amount of liabilities assumed by the Transferee (§ 358(a) and (d)).

(24) Section 304 will not apply to any transfer of stock by any Transferor to any Transferee in any Contribution (§ 1.1502-80(b)).

The First Tier Contributions

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

(25) Neither (i) the absence of an actual stock issuance by Distributing 1 in the First Tier Contributions or (ii) the other steps in the Proposed Transaction will affect the qualification or treatment of the First Tier Contributions as exchanges

described in § 351(a) and, with respect to Subs A3 through A10, as reorganizations under § 368(a)(1)(B) (§§ 351(a), 354(a), 357(a); Rev. Rul. 64-155, 1964-1 C.B. 138).

The First Distribution

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

(26) No gain or loss will be recognized by (and no amount will otherwise be included in the income of) Distributing 2 on its receipt of Controlled Corporation stock in the First Distribution (§ 355(a)(1)).

(27) No gain or loss will be recognized by Distributing 1 on the First Distribution (§ 355(c)(1); Rev. Rul. 62-138, 1962-2 C.B. 95).

(28) The holding period of the Controlled A and Controlled B stock received by Distributing 2 will include the holding period of the stock on which the Distribution is made (§ 1223(1)).

(29) Earnings and profits will be allocated among Distributing 1, Controlled A, and Controlled B in accordance with §§ 312(h), 1.312-10, and 1.1502-33(f)(2).

The Second Distribution

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

(30) No gain or loss will be recognized by (and no amount will otherwise be included in the income of) the shareholders of Distributing 2 on their receipt of Controlled Corporation stock in the Second Distribution (§ 355(a)(1)).

(31) No gain or loss will be recognized by Distributing 2 on the Second Distribution (§ 355(c)(1); Rev. Rul. 62-138).

(32) The aggregate basis of the stock of Controlled A, Controlled B, and Distributing 2 (including any fractional share of Controlled A or Controlled B stock) in the hands of each Distributing 2 shareholder immediately after the Second Distribution will equal the aggregate basis the shareholder has in Distributing 2 stock held immediately before the Second Distribution. This aggregate basis will be allocated among the Controlled A, Controlled B, and Distributing 2 stock in proportion to the fair market value of each in accordance with § 1.358-2(a)(2) (§ 358(b)).

(33) The holding period of the Controlled A and Controlled B stock (including any fractional share of Controlled A or Controlled B stock) received by each Distributing 2 shareholder will include the holding period of Distributing 2 stock on which the Distribution is made, provided the Distributing 2 stock is held as a capital asset on the Distribution date (§ 1223(1)).

(34) Earnings and profits will be allocated among Distributing 2, Controlled A, and Controlled B in accordance with §§ 312(h), 1.312-10, and 1.1502-33(e)(3).

(35) To the extent a Distributing 2 shareholder receives cash in exchange for a fractional share of Controlled A or Controlled B stock, gain or loss will be recognized by the shareholder measured by the difference between the cash received and the basis of the fractional share of Controlled A or Controlled B stock, as applicable. If the fractional share qualifies as a capital asset in the hands of the shareholder, the gain or loss will be a capital gain or loss, subject to the provisions of subchapter P of chapter 1 of the Internal Revenue Code (§§ 1221, 1222).

(36) Payments made by and among Distributing 2, Controlled A, and Controlled B under the Indemnity Agreements regarding liabilities that (i) relate to periods ending on or before the Second Distribution and (ii) do not become fixed and ascertainable until after the Second Distribution, will be treated as occurring immediately before the Second Distribution.

(37) Provided that, at the time of the Distributions, the Controlled Rights remain contingent, non-exercisable, and subject to redemption, neither the receipt of the Controlled Rights by Distributing 2 in the First Distribution, nor by Distributing 2's shareholders in the Second Distribution, will be a distribution or receipt of property, an exchange of stock or property (either taxable or nontaxable), or any other event that gives rise to the realization of income by Distributing 2, Distributing 1, or Distributing 2's shareholders (Rev. Rul. 90-11, 1990-1 C.B. 10).

The Option Adjustments

Based solely on the information submitted, we rule as follows on the Option Adjustments:

(38) The Option Adjustments will not be a taxable event to Distributing 2, any entity that is treated as a corporation for federal income tax purposes that is owned, in whole or in part, directly or indirectly by Distributing 2 at any time after the Distributions (hereinafter, a "Distributing 2-Related Company"), either Controlled Corporation, any entity that is treated as a corporation for federal income tax purposes that is owned, in whole or in part, directly or indirectly by a Controlled Corporation at

any time after the Distributions (hereinafter, a "Controlled-Related Company") or any of the option holders (§ 1.83-7).

(39) Upon exercise of an option: (i) a holder will recognize compensation income in an amount equal to the difference between the fair market value of the stock received upon exercise of the option and the exercise price of the option (the "Taxable Spread"); (ii) with respect to Vested Options, (A) Distributing 2, each Distributing 2-Related Company and each Contributed Subsidiary will respectively be entitled to a compensation deduction in an amount equal to the Taxable Spread with respect to Vested Options that are exercised by persons who were, at the time the Vested Distributing 2 Options vested, employees of, respectively, Distributing 2, the particular Distributing 2-Related Company or the particular Contributed Subsidiary, as the case may be, (B) Holdco A4 will be entitled to a compensation deduction in an amount equal to the Taxable Spread with respect to Vested Options that are exercised by persons who were, at the time the Vested Distributing 2 Options vested, employees of the Reorg Subs, and (C) Distributing 1 will be entitled to a compensation deduction in an amount equal to the Taxable Spread with respect to Vested Options that are exercised by persons who were, at the time the Vested Distributing 2 Options vested, employees of the Merger Subs; (iii) Distributing 2 and each Distributing 2-Related Company will respectively be entitled to a compensation deduction in an amount equal to the Taxable Spread with respect to Unvested Distributing 2 Options that are exercised by persons who are, at the time the Unvested Distributing 2 Options vest, employees, respectively, of Distributing 2 or the particular Distributing 2-Related Company, as the case may be; (iv) each Controlled Corporation and each Controlled-Related Company will respectively be entitled to a compensation deduction in an amount equal to the Taxable Spread with respect to Unvested Controlled Options that are exercised by persons who are, at the time the Unvested Controlled Options vest, employees of, respectively, the particular Controlled Corporation or the particular Controlled-Related Company, as the case may be; and (v) none of Distributing 2, any Distributing 2-Related Company, the Controlled Corporations, or any Controlled-Related Company will recognize any taxable income or gain (§§ 83(a) and (h) and 1032; § 1.83-6 and -7; Rev. Rul. 80-76, 1980-1 C.B. 15).

Other Rulings

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

(40) The Proposed Transaction will not result in a change in the ownership or effective control of a corporation or a change in the ownership of a substantial portion of assets of a corporation within the meaning of § 280G(b)(2) (§ 280G(b)(2)(A)(i)).

(41) For all federal tax purposes, (i) each Contribution LLC, each Conversion LLC, each Merger LLC, each Reorg LLC, and LLCs A, B, G, H, and L through S will be disregarded as an entity separate from its owner (the "Disregarded Entities"), (ii) the owner will be treated as direct owner of the assets of the Disregarded Entity, (iii) distributions by a Disregarded Entity to its owner will be disregarded, and (iv) the merger of Disregarded Entities that are owned by the same owner will be disregarded.

(42) No corporation will (i) cease to be a member of the Distributing 2 consolidated group for federal income tax purposes or (ii) fail to be a member of the Controlled A consolidated group or the Controlled B consolidated group for federal income tax purposes (provided a valid election to file a consolidated return is made by those groups) as a result of the stock of such corporation being owned by a Contribution LLC or a Merger LLC (§ 301.7701-2(a), -2(c)(2)(i), -3(b)(1)(ii); § 1504).

(43) The basis Distributing 1 has in the stock of each Contributed Subsidiary will be increased by the amount of any Inter-Affiliate Debt of such Contributed Subsidiary that Distributing 1 assumes (§1016(a); Rev. Rul. 70-271).

We express no opinion on the tax effects of the transaction under other provisions of the Code and regulations, or the tax effects 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, no ruling was requested and no opinion is expressed regarding:

(a) Whether any First Tier Subsidiary Merger qualifies as a reorganization under § 368(a)(1);

(b) Whether any Reincorporation qualifies as a reorganization under § 368(a)(1)(F);

(c) The validity of any election under §301.7701-3 made by any entity involved in the Proposed Transaction;

(d) The tax consequences of the debt payment described in step (iii);

(e) The tax consequences of the debt recapitalization described in step (iv);

(f) The tax consequences of the lease cancellations described in step (xxiv);

(g) The tax consequences of the debt eliminations described in step (xliv);

(h) The Subchapter K implications of the Proposed Transactions;

(i) The entry by Distributing 2, the Controlled Corporations and their affiliates into certain ancillary agreements relating to cost-based transitional services, sub-leases of certain office space on a pass-through basis, and the royalty-free use by Distributing 2, the Controlled Corporations, and their affiliates of intellectual property owned by another;

(j) Whether § 482 applies to the deductions that are the subject of rulings (39)(ii)(A), (B), and (C); or

(k) The transfer of certain intellectual property described in step (xlix).

Procedural Matters

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

A copy of this letter should be attached to the federal income tax return of each affected taxpayer for the tax year in which the transactions covered by this letter are completed.

Under a power of attorney on file in this office, a copy of this letter is being sent to your authorized representatives.

Sincerely,
Assistant Chief Counsel
(Corporate)

By: Wayne T. Murray
Wayne T. Murray
Senior Technician/Reviewer
Branch 4