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November 5, 2010

Legend

Distributing 1 =

Distributing 2 =

Distributing 3 =

Controlled 1 =

Controlled 2 =

Controlled 3 =

PRS 1 =

PRS 2 =

PRS 3 =

PRS 4 =

PRS 5 =

PRS 6 =

PRS 7 =

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Business F =

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Asset A =

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Asset D =

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Investor A =

Investor B =

Investor C =

Investor D =

Investor E =

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Dear :

This letter responds to your June 3, 2010 request for rulings as to the federal income tax consequences of a series of proposed transactions (collectively, the "Proposed Transaction"). The information submitted in the request and in later correspondence is summarized below.

The rulings contained in this letter are based on facts and representations submitted by the taxpayer and accompanied by a penalty of perjury statement executed by an appropriate party. This office has not verified any of the materials submitted in support of the request for rulings. Verification of the information, representations, and other data may be required as part of the audit process. In particular, this office has not reviewed any information pertaining to, and has made no determination regarding, whether the Distributing 2 Reorganization, the Distributing 3 Reorganization, and the External Distribution (each as defined below): (i) satisfy the business purpose requirement of § 1.355-2(b) of the Income Tax Regulations; or (ii) are being used principally as a device for the distribution of earnings and profits of Distributing 1, Distributing 2, Distributing 3, Controlled 1, Controlled 2, or Controlled 3 or any combination thereof (see § 355(a)(1)(B) of the Internal Revenue Code (the “Code”) and § 1.355-2(d)).

Summary of Facts

Distributing 1, a Delaware corporation, is a publicly traded corporation of voting common stock issued and outstanding, which is traded on Stock Exchange. Distributing 1 has a single class of voting common stock issued and outstanding, which is traded on Stock Exchange. Distributing 1, directly and through its subsidiaries, engages in Business A and Business B. Based on Schedules 13D, 13D/A, 13G, 13G/A and Form 4 filed with the Securities and Exchange Commission, as of Date 1, Distributing 1 had 5 shareholders that owned 5 percent or more of the outstanding Distributing 1 common stock, including Investor A.

Distributing 1, among other things, owns directly and indirectly through disregarded entities (i) a percent of the common units (representing approximately b percent of the equity value) of PRS 1, which is engaged in Business C, (ii) a c percent general partner interest in PRS 2, (iii) an e percent interest in PRS 3, and (iv) a c percent general partnership interest in PRS 4.

PRS 1, among other things, owns directly and indirectly through disregarded entities (i) g percent of the common stock (representing approximately h percent of the equity value) of Distributing 2, (ii) g percent of the stock of Sub 1, a domestic corporation (iii) approximately i percent of the equity of PRS 5, (iv) g percent of the equity of Distributing 3, (v) g percent of the common interests in PRS 6, (vi) k percent of the common stock of Sub 2, (vii) g percent of the common stock (representing approximately h percent of the equity value) of Sub 3, (viii) f percent of the equity of PRS 3, (ix) m percent of the equity of PRS 7 (the remaining n percent is held by Sub 4, a wholly-owned subsidiary of Sub 5), (x) o percent of the equity of PRS 8 (the remaining o percent is owned by PRS 7), (xi) a p percent limited partnership interest in PRS 9, (xii) g percent of the equity of DRE 1, DRE 2, DRE 3, DRE 4, DRE 5, DRE 6, DRE 7, DRE 8, and DRE 9, (xiii) a r percent limited partnership interest in PRS 10, (xiv)

d percent of the equity of PRS 2, and (xv) an o percent general partnership interest in PRS 11.

Distributing 2 is actively engaged, directly and indirectly, in Business D. Distributing 2's common stock is wholly-owned by PRS 1 through two disregarded entities and Distributing 2's preferred stock is owned by third party minority shareholders. Distributing 2, among other things, owns directly and indirectly through disregarded entities (i) s percent of the common stock of Sub 6 (the remaining t percent is owned by PRS 1), (ii) g percent of the common stock of Controlled 2, (iii) g percent of the equity of DRE 10, DRE 11, DRE 12, DRE 13, DRE 14, DRE 15, DRE 16, and (iv) Asset A. Sub 6, among other things, owns, through a disregarded entity, g percent of the equity of DRE 17. Controlled 2 is actively engaged, directly and indirectly, in Business E and, among other things, owns g percent of the equity of Sub 7, and DRE 18.

Sub 1, among other things, owns directly and indirectly through disregarded entities (i) g percent of the equity of DRE 19, (ii) a j percent general partnership interest in PRS 5, (iii) g percent of the equity of Sub 5, Sub 8, Sub 9, Sub 10, Sub 11, and Sub 12, and (iv) l percent of the common stock of Sub 2, Sub 12, among other things, owns a general partnership interest (representing approximately u percent of the equity) in PRS 12. Sub 5, among other things, owns directly and indirectly through disregarded subsidiaries (i) g percent of the equity of DRE 20, DRE 21, DRE 22, and DRE 23, (ii) a u percent limited partnership interest in PRS 13 (the remaining h percent is owned by PRS 1), (iii) approximately v percent of the equity of PRS 14 (the remaining w percent is owned by PRS 1), and (iv) approximately v percent of the equity of PRS 15 (the remaining w percent is owned by PRS 1).

PRS 5, among other things, owns g percent of the equity of DRE 24.

Distributing 3 is actively engaged, directly and indirectly, in Business F and Business G. Distributing 3, among other things, owns directly and indirectly through disregarded entities (i) o percent of the equity of PRS 16 (the remaining o percent is owned by PRS 1), and (ii) g percent of the equity of DRE 25, DRE 26, DRE 27, DRE 28, and DRE 29.

PRS 6, among other things, owns or will own immediately prior to the Proposed Transaction directly and indirectly through disregarded entities (i) g percent of the common stock (representing approximately h percent of the equity value) of Sub 13, (ii) g percent of the stock of Sub 14, (iii) g percent of the equity of DRE 30, DRE 31, DRE 32, DRE 33, DRE 34, DRE 35, DRE 36, DRE 37, and DRE 38, and (iv) a d percent limited partnership interest in PRS 4. Sub 13, among other things, owns g percent of the equity of DRE 39 and DRE 40.

Sub 2, among other things, owns all of the equity of DRE 41.

Sub 3, among other things, will own immediately prior to the Proposed Transaction all of the equity of DRE 42.

Financial information has been submitted which indicates that each of Business C, Business D, Business E, Business F, and Business G has had gross receipts and operating expenses representing the active conduct of a trade or business for each of the past five years.

Distributing 1 and many of its affiliates, including Distributing 2 and Distributing 3, filed voluntary petitions for relief under Chapter 11 of title 11 of the United States Code on Date 2. Distributing 1 and its affiliates' bankruptcies are being jointly administered in the United States Bankruptcy Court for District X (the "Bankruptcy Court").

Distributing 1 has determined that it requires a substantial cash infusion to emerge from bankruptcy. Towards that end, on Date 3 and Date 4, the Bankruptcy Court approved Distributing 1's retention of Investment Bank A and Investment Bank B, respectively, to explore the possibility of raising new capital in a competitive bidding process. On Date 5, Distributing 1 received a stand-alone proposal from Investor B.

On Date 6, Distributing 1 received offers from Investor A and Investor C to invest on substantially similar terms as Investor B. Distributing 1 entered into agreements (the "Initial Investment Agreements") with Investor A, Investor B, and Investor C (the "Initial Investors") on Date 7. The Initial Investors are creditors of Distributing and its subsidiaries that participated in the formulation of Distributing's bankruptcy plan of reorganization (the "Plan of Reorganization"). Pursuant to the Initial Investment Agreements and the Plan of Reorganization, the Initial Investors are entitled to and will exchange certain indebtedness of Distributing and its subsidiaries for stock of Distributing. The Initial Investors committed in the Initial Investment Agreements to (i) invest approximately \$x (which will be paid in part with indebtedness) in exchange for stock and warrants representing approximately y percent of the equity on a fully diluted basis of a newly-formed company ("New Parent") that will indirectly own substantially all of the equity of Distributing 1 immediately after the Proposed Transaction and (ii) invest, after the spin-off of Controlled 1 in the External Distribution (as described below), \$z in exchange for stock and warrants representing approximately aa percent of the equity of Controlled 1 on a fully diluted basis (the "Controlled 1 Stock Purchase").

Subsequently, on Date 9, Investor D (together with the Initial Investors, the “Investors”) offered to invest \$dd in New Parent (but not in Controlled 1) on substantially identical terms as Investor A and Investor C (together with the Initial Investment Agreements, the “Investment Agreements”). Each of the Initial Investors also has the right to designate up to ee percent of their commitment to purchase New Parent and Controlled 1 common stock and warrants to Investor E. In the aggregate, the Investors are committed to invest approximately \$ff in exchange for common shares and warrants to acquire common shares of New Parent, representing approximately gg percent of New Parent’s equity on a fully-diluted basis.

It is a condition to the closing of the Investment Agreements that Distributing 1 form Controlled 1 and distribute its stock to Distributing 1’s shareholders in the External Distribution (as defined below). Accordingly, the External Distribution will be undertaken for the following corporate business purposes: (i) to facilitate the investment of capital into Distributing 1 by the Investors who desire to invest in Distributing 1 only after the removal of the assets and businesses being moved to Controlled 1; (ii) to allow Distributing 1 to raise the capital needed to exit Chapter 11 protection and continue to operate as a standalone profitable company; and (iii) to allow Distributing 1 to successfully focus on Business A while allowing Controlled 1 to focus on Business B. The Distributing 2 Reorganization and the Distributing 3 Reorganization will be undertaken in order to facilitate the External Distribution. Following the External Distribution, New Parent will indirectly acquire g percent of the equity of Distributing 1 solely in exchange for its voting stock.

In connection with the External Distribution, Distributing 1 and Controlled 1 and certain of their respective subsidiaries will enter into certain agreements, including, possibly, the issuance of a note by a subsidiary of Controlled 1 to PRS 1, relating to the separation of Business A and Business B and certain continuing business relationships between Distributing 1 and Controlled 1 (all such agreements and the subject matter thereof are collectively referred to as “Intercompany Agreements”).

Proposed Transaction

In order to facilitate the External Distribution and to separate the relevant entities and operations that comprise Business A from Business B, a series of preliminary restructuring steps (the “Preliminary Restructuring”) will be undertaken, as follows.

I. The Preliminary Restructuring

The Distributing 2 Internal Restructuring

(i) As a result of a check the box election by DRE 17 to be classified as a corporation for federal income tax purposes, Sub 6 will be deemed to contribute all the assets of DRE 17 to a new corporation (“New Sub 1”) (the “Sub 6 Contribution”). In connection with the Sub 6 Contribution, Sub 6 and New Sub 1 will jointly elect the application of § 362(e)(2)(C).

(ii) Sub 6 will distribute, in a taxable distribution, all of the units of New Sub 1 to its common shareholders, Distributing 2 and PRS 1.

(iii) DRE 43, wholly-owned by PRS 17, will be deemed to distribute Asset B to PRS 17. PRS 17 will be deemed to distribute Asset B pro rata to its members, PRS 5, PRS 1 and Distributing 2.

(iv) Sub 7, a wholly-owned subsidiary of Controlled 2, will transfer Asset C to Controlled 2.

(v) Controlled 2 will transfer g percent of the equity of Sub 7 and DRE 18 to Distributing 2 (the “Controlled 2 Distribution”).

The Distributing 2 Reorganization

(vi) Distributing 2 will contribute or be deemed to contribute all of its interests in New Sub 1, Asset A, Asset B, DRE 10, DRE 11, DRE 12, DRE 13, DRE 14, DRE 15, DRE 16, and DRE 16 to Controlled 2.

(vii) Having received the Controlled 2 stock from a disregarded subsidiary, Distributing 2 will distribute all of the stock of Controlled 2 to PRS 1.

The Sub 1 Restructuring

(viii) PRS 5 will distribute g percent of the units of DRE 24 to Sub 1 in redemption of a portion of the general partnership interest in PRS 5 held by Sub 1 (the “PRS 5 Distribution”).

(ix) Sub 5 will transfer all of its interests in DRE 20, DRE 21, DRE 22, DRE 23, and PRS 13 to PRS 1 in settlement of intercompany liabilities (the “Sub 5 Transfer”).

As a result of this transfer, PRS 13 will be wholly-owned by PRS 1 and will liquidate for federal income tax purposes (the "PRS 13 Liquidation").

(x) Sub 5 will sell, in a taxable transaction, all of its interests in PRS 14 and PRS 15 to Distributing 2 for an amount of cash equal to the fair market value of such interests.

(xi) Sub 12 will distribute, in a taxable distribution, all of the equity of PRS 12 to Sub 1.

(xii) Sub 1 will transfer all of its interests in PRS 5, Sub 2, PRS 12, DRE 19, Sub 8, Sub 9, Sub 10, and Sub 11 to PRS 1 (the "Sub 1 Distribution"). As a result of the Sub 1 Distribution, PRS 5 will be wholly-owned by PRS 1 and will liquidate for federal income tax purposes (the "PRS 5 Liquidation"). As a result of the PRS 5 Liquidation, PRS 12 will be wholly-owned by PRS 1 and will liquidate for federal income tax purposes.

The Distributing 3 Reorganization

(xiii) Distributing 3 will contribute all of its interests in PRS 16, DRE 25, DRE 26, DRE 27, DRE 28, and DRE 29 to Controlled 3.

(xiv) Distributing 3 will distribute all of the stock of Controlled 3 to PRS 1.

The PRS 6 Restructuring

(xv) Sub 13 will transfer all of its interests in DRE 39 and DRE 40 to PRS 6.

(xvi) PRS 6 will distribute all of its interests in Sub 13, DRE 32, DRE 34, DRE 30, DRE 31, DRE 36, DRE 37, Sub 14, DRE 33, PRS 4, DRE 38, and DRE 35 to PRS 1 in redemption of a portion of PRS 1's common interest in PRS 6 (the "PRS 6 Distribution").

The Sub 2 Restructuring

(xvii) As a result of a check the box election by DRE 41 to be classified as a corporation for federal income tax purposes, Sub 2 will be deemed to contribute all the assets and liabilities of DRE 41 to a new corporation ("New Sub 2") (the "Sub 2 Contribution"). In connection with the Sub 2 Contribution, Sub 2 and New Sub 2 will jointly elect the application of § 362(e)(2)(C).

(xviii) Sub 2 will transfer all of its interests in New Sub 2 to PRS 1.

The Sub 3 Restructuring

(xix) Sub 3 will transfer all of its interests in DRE 42 to PRS 1.

PRS 1 Restructuring

(xx) PRS 3 will convert from a state law partnership to a limited liability company ("New PRS 1").

(xxi) PRS 8 will convert from a state law general partnership to a limited liability company ("New PRS 2") (the "PRS 8 Conversion").

(xxii) PRS 7 will liquidate for state law and federal income tax purposes.

(xxiii) PRS 1 will transfer all of its interests in DRE 32, DRE 42, and Asset D to Sub 1 in settlement of a portion of an intercompany obligation owed, for federal income tax purposes, by PRS 1 to Sub 1.

(xxiv) PRS 1 will contribute or be deemed to contribute all of its interests in Asset B, DRE 5, DRE 6, PRS 10, Sub 1, Distributing 3, PRS 9, DRE 2, DRE 3, DRE 4, DRE 1, and New PRS 2 to Controlled 2 (the "PRS 1 Contribution 1"). In connection with the PRS 1 Contribution 1, Controlled 2 may issue to PRS 1 the Controlled 2 Note and PRS 1 and Controlled 2 will jointly elect the application of § 362(e)(2)(C).

(xxv) PRS 1 will contribute all of its interests in (1) PRS 2, (2) PRS 4, (3) PRS 11, (4) New PRS 1, (5) DRE 35, (6) DRE 7, (7) DRE 38, (8) Sub 14, (9) DRE 33, (10) DRE 34, (11) DRE 36, (12) DRE 37, (13) DRE 8, (14) DRE 9, (15) DRE 30, (16) DRE 31, (17) New Sub 1, (18) New Sub 2, and (19) Sub 13 to Controlled 1 (the "PRS 1 Contribution 2"). In connection with the PRS 1 Contribution 2, PRS 1 and Controlled 1 will jointly elect the application of § 362(e)(2)(C).

(xxvi) PRS 1 will distribute to its unitholders g percent of the stock of Controlled 1 and Controlled 2 (the "PRS 1 Distribution"). The aggregate distribution will be made in accordance with each unitholder's interest in PRS 1 and in such distribution the stock of Controlled 1 will be distributed to PRS 1's common and preferred unit owners, including Distributing 1 and the third party minority common and preferred unitholders of PRS 1, and the stock of Controlled 2 will be distributed solely to Distributing 1.

II. The External Distribution

(xxvii) Distributing 1 will contribute all of its interests in PRS 2, New PRS 1, and PRS 4 to Controlled 2 (the "Distributing 1 Contribution 1"). In connection with the Distributing 1 Contribution 1, Distributing 1 and Controlled 1 will jointly elect the application of § 362(e)(2)(C).

(xxviii) Distributing 1 will contribute g percent of the stock of Controlled 2 to Controlled 1 (the "Distributing 1 Contribution 2").

(xxix) Controlled 1 will contribute all the assets its received in the PRS 1 Contribution 2 to Controlled 2 (the "Controlled 1 Contribution").

(xxx) Pursuant to the Plan of Reorganization, Distributing 1 will distribute all of its Controlled 1 stock pro rata to its shareholders (the "External Distribution").

III. The Distributing 1 Reorganization

(xxxii) The Initial Investors will exchange certain indebtedness of Distributing and its subsidiaries for stock of Distributing.

(xxxiii) The Investors will capitalize New Parent. New Parent will form and capitalize New Sub 3, acquiring g percent of the common stock and at least hh percent of the preferred stock of New Sub 3. ii percent or less of the preferred stock of New Sub 3 will be issued to third parties. New Sub 3 will form and capitalize Merger Sub with minimal capital. New Parent will contribute all of its cash and a portion of its voting common stock to New Sub 3.

(xxxiv) Merger Sub will merge with and into Distributing 1 with Distributing 1 surviving the merger (the "Merger"). In the Merger, Distributing 1's shareholders will exchange their stock of Distributing 1 for voting common stock of New Parent. Immediately after the merger, New Sub 3 will own all of Distributing 1's outstanding common stock.

(xxxv) Distributing 1 will issue a class of preferred shares (ii percent or less of such class will be issued to third parties and hh percent or more of such class will be issued to New Sub 3) (the "Distributing 1 Preferred Issuance").

(xxxvi) New Sub 3 will form New Sub 4, and contribute to New Sub 4 a portion of its cash (the "New Sub 3 Contribution"). New Sub 4 will also issue a class of preferred shares (ii percent or less of such class will be issued to third parties and hh percent or more of such class will be issued to New Sub 3).

(xxxvii) New Sub 3 will contribute the remainder of its cash to Distributing 1 in exchange for additional Distributing 1 voting common stock and preferred stock.

(xxxviii) Distributing 1 and New Sub 4 will form New PRS 3 (the "New PRS 3 Contribution"). Distributing 1 will contribute substantially all of its interests in PRS 1 and all of its cash in exchange for preferred and common units (including a general partnership interest) of New PRS 3, retaining an approximately u percent general partnership interest in PRS 1. New Sub 4 will contribute all of its cash in exchange for common units of New PRS 3.

(xxxix) New PRS 3 will contribute the cash it received in the New PRS 3 Contribution to PRS 1.

IV. *Post-Reorganization Mergers*

(xxxix) Sub 3 and Sub 6 will merge with and into Distributing 2.

Representations

The following representations have been submitted with regard to the named transaction (or transactions):

A. The Distributing 2 Internal Restructuring:

(a1) The distribution of Asset B by PRS 17 will be a distribution in which no gain or loss is recognized.

B. The Sub 6 Contribution:

(a2) No stock or securities will be issued (or deemed issued) for services rendered to or for the benefit of New Sub 1 in connection with the Sub 6 Contribution.

(b2) No stock or securities will be issued (or deemed issued) for indebtedness of New Sub 1 that is not evidenced by a security or for interest on indebtedness of New Sub 1 which accrued on or after the beginning of the holding period of Sub 6 for the debt.

(c2) The Sub 6 Contribution is not the result of the solicitation by a promoter, broker, or investment house.

(d2) Sub 6 will not retain any rights in the property transferred to New Sub 1 in the Sub 6 Contribution.

(e2) The value of the units received (or deemed received) in exchange for accounts receivable will be equal to 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 debts.

(f2) The adjusted basis and the fair market value of the assets to be transferred by Sub 6 to New Sub 1 will be equal to or exceed the sum of the liabilities to be assumed (within the meaning of § 357(d)) by New Sub 1 plus any liabilities to which the transferred assets are subject.

(g2) The liabilities of Sub 6 to be assumed (within the meaning of § 357(d)) by New Sub 1 were incurred in the ordinary course of business and are associated with the assets to be transferred.

(h2) There is no indebtedness between Sub 6 and New Sub 1 and there will be no indebtedness created in favor of Sub 6 as a result of the Sub 6 Contribution.

(i2) The transfers and exchanges will occur under a plan agreed upon before the Sub 6 Contribution in which the rights of the parties are defined.

(j2) All exchanges will occur on approximately the same date.

(k2) There is no plan or intention on the part of New Sub 1 to redeem or otherwise reacquire any units or indebtedness to be issued (or deemed issued) in the Sub 6 Contribution.

(l2) Taking into account any issuance of additional units of New Sub 1; any issuance of units for securities; the exercise of any New Sub 1 unit rights, warrants or subscriptions; a public offering of New Sub 1 units; and the sale, exchange, transfer by gift, or other disposition of any of the units of New Sub 1 to be received (or deemed received) in the exchange, in each case, other than the distribution of the units of New Sub 1 by Sub 6 to Distributing 2 and PRS 1, the Distributing 2 Reorganization, the PRS 1 Contribution 2, the PRS 1 Distribution, the External Distribution, and the Controlled 1 Stock Purchase, Sub 6 will be in "control" of New Sub 1 within the meaning of § 368(c).

(m2) Sub 6 will receive (or be deemed to have received) units, securities, or other property of New Sub 1 with a value approximately equal to the fair market value of the property transferred to New Sub 1.

(n2) New Sub 1 will remain in existence and retain and use the property transferred to it in a trade or business.

(o2) There is no plan or intention by New Sub 1 to dispose of the transferred assets received in the Sub 6 Contribution other than in the normal course of business operations.

(p2) Sub 6 and New Sub 1 will each pay its own expenses, if any, incurred in connection with the Sub 6 Contribution.

(q2) New Sub 1 will not be an investment company within the meaning of § 351(e)(1) and § 1.351-1(c)(1)(ii).

(r2) The units or securities of New Sub 1 received (or deemed received) by Sub 6 in the exchange will not be used to satisfy the indebtedness of Sub 6.

(s2) New Sub 1 will not be a "personal service corporation" within the meaning of § 269A.

(t2) The total fair market value of the assets transferred to New Sub 1 by Sub 6 will exceed the sum of (i) the amount of liabilities assumed (as determined under § 357(d)) by New Sub 1 in connection with the exchange, (ii) the amount of liabilities owed to New Sub 1 by Sub 6 that were discharged or extinguished in connection with the exchange, and (iii) the amount of any money and the fair market value of any other

property (other than stock permitted to be received under § 351(a) without the recognition of gain) received by Sub 6 in connection with the exchange. The fair market value of the assets of New Sub 1 will exceed the amount of its liabilities immediately after the exchange.

C. The Distributing 2 Reorganization:

(a3) The Distributing 2 Reorganization will constitute a transfer of assets in a title 11 or similar case and a distribution made in a title 11 or similar case, both within the meaning of § 368(a)(3).

(b3) Distributing 2 will distribute to PRS 1 an amount of stock in Controlled 2 constituting control within the meaning of § 368(c).

(c3) Neither Business D nor control of an entity conducting Business D was acquired during the five-year period ending on the date of the Distributing 2 Reorganization in a transaction in which gain or loss was recognized (or treated as recognized) in whole or in part. Throughout the five-year period ending on the date of the Distributing 2 Reorganization, subsidiaries of Distributing 2 have been the principal owners of the goodwill and significant assets of Business D and Distributing 2, through its subsidiaries, will continue to be such owner following the Distributing 2 Reorganization.

(d3) Neither Business E nor control of an entity conducting Business E was acquired during the five-year period ending on the date of the Distributing 2 Reorganization in a transaction in which gain or loss was recognized (or treated as recognized) in whole or in part. Throughout the five-year period ending on the date of the Distributing 2 Reorganization, Controlled 2 and its subsidiaries have been the principal owner of the goodwill and significant assets of Business E and Controlled 2 and its subsidiaries will continue to be such owner following the Distributing 2 Reorganization.

(e3) For purposes of § 355(d), immediately after the Distributing 2 Reorganization, no person (determined after applying § 355(d)(7)) will hold stock possessing 50 percent or more of the total combined voting power of all classes or 50 percent or more of the total value of all shares of either Distributing 2 or Controlled 2 stock that was either (i) acquired by purchase (within the meaning of § 355(d)(5) and (8)) during the five-year period (determined after applying § 355(d)(6)) ending on the date of the Distributing 2 Reorganization or (ii) attributable to distributions on Distributing 2 stock or securities that were acquired by purchase (within the meaning of § 355(d)(5) and (8)) during the five-year period (determined after applying § 355(d)(6)) ending on the date of the Distributing 2 Reorganization.

(f3) Immediately following the Distributing 2 Reorganization (taking into account § 355(g)(4)), (i) neither Distributing 2 nor Controlled 2 will be a disqualified

investment corporation (as defined by § 355(g)(2)) and (ii) no person will hold a 50 percent or greater interest in any disqualified investment corporation immediately after the Distributing 2 Reorganization who did not so hold, directly or indirectly, such interest immediately before the Distributing 2 Reorganization.

(g3) No part of the consideration to be distributed by Distributing 2 will be received by any shareholder of Distributing 2 as a creditor, employee, or in any capacity other than that of a shareholder of Distributing 2.

(h3) The five years of financial information submitted on behalf of Distributing 2 is representative of Business D's present operation, and with regard to such business, there have been no substantial operational changes since the date of the last financial statements submitted.

(i3) The five years of financial information submitted on behalf of Controlled 2 is representative of Business E's present operations and, with regard to such business, there have been no substantial operational changes since the date of the last financial statements submitted.

(j3) Following the Distributing 2 Reorganization, Distributing 2 and Controlled 2, or members of their respective separate affiliated groups (as defined by § 355(b)(3)(B)), will each continue the active conduct of its business, independently and with its separate employees (including employees of affiliates).

(k3) The Distributing 2 Reorganization will be carried out to facilitate the External Distribution. The Distributing 2 Reorganization is motivated, in whole or substantial part, by this corporate business purpose.

(l3) The Distributing 2 Reorganization is not being used principally as a device for the distribution of the earnings and profits of Distributing 2 or Controlled 2 or both.

(m3) No intercorporate debt will exist between Distributing 2 and Controlled 2 at the time of, or subsequent to, the distribution of the stock of Controlled 2, other than obligations arising in the ordinary course of business or obligations arising pursuant to the Intercompany Agreements.

(n3) The total adjusted bases of the assets transferred to Controlled 2 by Distributing 2 in the Distributing 2 Reorganization will equal or exceed the sum of (i) the total liabilities (if any) assumed (within the meaning of § 357(d)) by Controlled 2 in the Distributing 2 Reorganization and (ii) the total amount of money and the fair market value of other property (within the meaning of § 361(b)) received by Distributing 2 and transferred by it to its creditors and shareholders in connection with the Distributing 2 Reorganization.

(o3) The fair market value of the assets transferred by Distributing 2 to Controlled 2 in the Distributing 2 Reorganization will equal or exceed the sum of: (i) the amount of any liabilities assumed (within the meaning of § 357(d)) by Controlled 2 in the Distributing 2 Reorganization, (ii) the amount of any liabilities owed to Controlled 2 by Distributing 2 that are discharged or extinguished in connection with the Distributing 2 Reorganization, and (iii) the amount of any cash and the fair market value of any property (other than stock and securities permitted to be received under § 361(a) without the recognition of gain) received by Distributing 2 from Controlled 2 in connection with the Distributing 2 Reorganization. The fair market value of the assets of Controlled 2 will exceed the amount of its liabilities immediately after the Distributing 2 Reorganization.

(p3) The liabilities assumed (within the meaning of § 357(d)) in the Distributing 2 Reorganization 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.

(q3) Distributing 2 neither accumulated its receivables nor made extraordinary payment of its payables in anticipation of the Distributing 2 Reorganization.

(r3) Payments made in connection with all continuing transactions, if any, between Distributing 2 and Controlled 2, will be for fair market value based on terms and conditions arrived at by the parties bargaining at arm's length.

(s3) No two parties to the Distributing 2 Reorganization are investment companies as defined in § 368(a)(2)(F)(iii) and (iv).

(t3) No part of the assets to be distributed by Controlled 2 in the Controlled 2 Distribution will be received by any shareholder of Controlled 2 as a creditor, employee, or in any capacity other than that of a shareholder of Controlled 2.

(u3) There is no regulatory, legal, contractual, or economic compulsion or requirement that the Controlled 2 Distribution be made as a condition to the distribution of Controlled 2 by Distributing 2. The fact that the value of Distributing #2 will decrease as a result of the distribution of Controlled 2 by Distributing 2 was not a consideration in the decision to make the Controlled 2 Distribution. The distribution of Controlled #2 by Distributing #2 is not contingent on there being distributed to Distributing #2 assets having a specified (or roughly specified) value.

D. The Sub 1 Restructuring:

(a4) The PRS 5 Distribution will be a distribution in which no gain or loss will be recognized.

(b4) The PRS 13 Liquidation, the PRS 5 Liquidation, and the liquidation of PRS 12 will each be liquidations for federal income tax purposes.

E. The Distributing 3 Reorganization:

(a5) The Distributing 3 Reorganization will constitute a transfer of assets in a title 11 or similar case and a distribution made in a title 11 or similar case, both within the meaning of § 368(a)(3).

(b5) Distributing 3 will distribute to PRS 1 an amount of stock in Controlled 3 constituting control within the meaning of § 368(c).

(c5) Neither Business G nor control of an entity conducting Business G was acquired during the five-year period ending on the date of the Distributing 3 Reorganization in a transaction in which gain or loss was recognized (or treated as recognized) in whole or in part. Throughout the five-year period ending on the date of the Distributing 3 Reorganization, Distributing 3 has been the principal owner of the goodwill and significant assets of Business G and Distributing 3 will continue to be such owner following the Distributing 3 Reorganization.

(d5) Neither Business F nor control of an entity conducting Business F was acquired during the five-year period ending on the date of the Distributing 3 Reorganization in a transaction in which gain or loss was recognized (or treated as recognized) in whole or in part. Throughout the five-year period ending on the date of the Distributing 3 Reorganization, Distributing 3 and its subsidiaries have been the principal owner of the goodwill and significant assets of Business F and Controlled 3 and its subsidiaries will continue to be such owner following the Distributing 3 Reorganization.

(e5) For purposes of § 355(d), immediately after the Distributing 3 Reorganization, no person (determined after applying § 355(d)(7)) will hold stock possessing 50 percent or more of the total combined voting power of all classes or 50 percent or more of the total value of all shares of either Distributing 3 or Controlled 3 stock that was either (i) acquired by purchase (within the meaning of § 355(d)(5) and (8)) during the five-year period (determined after applying § 355(d)(6)) ending on the date of the Distributing 3 Reorganization or (ii) attributable to distributions on Distributing 3 stock or securities that were acquired by purchase (within the meaning of § 355(d)(5) and (8)) during the five-year period (determined after applying § 355(d)(6)) ending on the date of the Distributing 3 Reorganization.

(f5) Immediately following the Distributing 3 Reorganization (taking into account § 355(g)(4)), (i) neither Distributing 3 nor Controlled 3 will be a disqualified investment corporation (as defined by § 355(g)(2)) and (ii) no person will hold a 50 percent or greater interest in any disqualified investment corporation immediately after

the Distributing 3 Reorganization who did not so hold, directly or indirectly, such interest immediately before the Distributing 3 Reorganization.

(g5) No part of the consideration to be distributed by Distributing 3 will be received by any shareholder of Distributing 3 as a creditor, employee, or in any capacity other than that of a shareholder of Distributing 3.

(h5) The five years of financial information submitted on behalf of Distributing 3 is representative of Business G's present operation, and with regard to such business, there have been no substantial operational changes since the date of the last financial statements submitted.

(i5) The five years of financial information submitted on behalf of Controlled 3 is representative of Business F's present operations and, with regard to such business, there have been no substantial operational changes since the date of the last financial statements submitted.

(j5) Following the Distributing 3 Reorganization, Distributing 3 and Controlled 3, or members of their respective separate affiliated groups (as defined by § 355(b)(3)(B)), will each continue the active conduct of its business, independently and with its separate employees (including employees of affiliates).

(k5) The Distributing 3 Reorganization will be carried out to facilitate the External Distribution. The Distributing 3 Reorganization is motivated, in whole or substantial part, by this corporate business purpose.

(l5) The Distributing 3 Reorganization is not being used principally as a device for the distribution of the earnings and profits of Distributing 3 or Controlled 3 or both.

(m5) No intercorporate debt will exist between Distributing 3 and Controlled 3 at the time of, or subsequent to, the distribution of the stock of Controlled 3, other than obligations arising in the ordinary course of business or obligations arising pursuant to the Intercompany Agreements.

(n5) The total adjusted bases of the assets transferred to Controlled 3 by Distributing 3 in the Distributing 3 Reorganization will equal or exceed the sum of (i) the total liabilities (if any) assumed (within the meaning of § 357(d)) by Controlled 3 in the Distributing 3 Reorganization and (ii) the total amount of money and the fair market value of other property (within the meaning of § 361(b)) received by Distributing 3 and transferred by it to its creditors and shareholders in connection with the Distributing 3 Reorganization.

(o5) The fair market value of the assets transferred by Distributing 3 to Controlled 3 in the Distributing 3 Reorganization will equal or exceed the sum of: (i) the amount of any liabilities assumed (within the meaning of § 357(d)) by Controlled 3 in the

Distributing 3 Reorganization, (ii) the amount of any liabilities owed to Controlled 3 by Distributing 3 that are discharged or extinguished in connection with the Distributing 3 Reorganization, and (iii) the amount of any cash and the fair market value of any property (other than stock and securities permitted to be received under § 361(a) without the recognition of gain) received by Distributing 3 from Controlled 3 in connection with the Distributing 3 Reorganization. The fair market value of the assets of Controlled 3 will exceed the amount of its liabilities immediately after the Distributing 3 Reorganization.

(p5) The liabilities assumed (within the meaning of § 357(d)) in the Distributing 3 Reorganization 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.

(q5) Distributing 3 neither accumulated its receivables nor made extraordinary payment of its payables in anticipation of the Distributing 3 Reorganization.

(r5) Payments made in connection with all continuing transactions, if any, between Distributing 3 and Controlled 3, will be for fair market value based on terms and conditions arrived at by the parties bargaining at arm's length.

(s5) No two parties to the Distributing 3 Reorganization are investment companies as defined in § 368(a)(2)(F)(iii) and (iv).

F. The PRS 6 Restructuring:

(a6) The PRS 6 Distribution will be a distribution in which no gain or loss is recognized.

G. The Sub 2 Contribution:

(a7) No units or securities will be issued (or deemed issued) for services rendered to or for the benefit of New Sub 2 in connection with the Sub 2 Contribution.

(b7) No units or securities will be issued (or deemed issued) for indebtedness of New Sub 2 that is not evidenced by a security or for interest on indebtedness of New Sub 2 which accrued on or after the beginning of the holding period of Sub 2 for the debt.

(c7) The transferor will not retain any significant power, right, or continuing interest, within the meaning of § 1253(b), in the franchise, trademarks, or trade names being transferred in the Sub 2 Contribution.

(d7) The Sub 2 Contribution is not the result of the solicitation by a promoter, broker, or investment house.

(e7) Sub 2 will not retain any rights in the property transferred to New Sub 2 in the Sub 2 Contribution.

(f7) The value of the units received in exchange for accounts receivable will be equal to 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 debts.

(g7) The adjusted basis and the fair market value of the assets to be transferred by Sub 2 to New Sub 2 will be equal to or exceed the sum of the liabilities to be assumed (within the meaning of § 357(d)) by New Sub 2 plus any liabilities to which the transferred assets are subject.

(h7) The liabilities of Sub 2 to be assumed (within the meaning of § 357(d)) by New Sub 2 were incurred in the ordinary course of business and are associated with the assets to be transferred.

(i7) There is no indebtedness between Sub 2 and New Sub 2 and there will be no indebtedness created in favor of Sub 2 as a result of the Sub 2 Contribution.

(j7) The transfers and exchanges will occur under a plan agreed upon before the Sub 2 Contribution in which the rights of the parties are defined.

(k7) All exchanges will occur on approximately the same date.

(l7) There is no plan or intention on the part of New Sub 2 to redeem or otherwise reacquire any units or indebtedness to be issued (or deemed issued) in the Sub 2 Contribution.

(m7) Taking into account any issuance of additional units of New Sub 2; any issuance of units for securities; the exercise of any New Sub 2 unit rights, warrants or subscriptions; a public offering of New Sub 2 units; and the sale, exchange, transfer by gift, or other disposition of any of the units of New Sub 2 to be received (or deemed received) in the exchange, in each case, other than the distribution of the units of New Sub 2 by Sub 2 to PRS 1, the PRS 1 Contribution 2, the PRS 1 Distribution, the External Distribution, and the Controlled 1 Stock Purchase, Sub 2 will be in "control" of New Sub 2 within the meaning of § 368(c).

(n7) Sub 2 will receive (or be deemed to have received) units, securities, or other property of New Sub 2 with a value approximately equal to the fair market value of the property transferred to New Sub 2.

(o7) New Sub 2 will remain in existence and retain and use the property transferred to it in a trade or business.

(p7) There is no plan or intention by New Sub 2 to dispose of the transferred assets received in the Sub 2 Contribution other than in the normal course of business operations.

(q7) Sub 2 and New Sub 2 will each pay its own expenses, if any, incurred in connection with the Sub 2 Contribution.

(r7) New Sub 2 will not be an investment company within the meaning of § 351(e)(1) and § 1.351-1(c).

(s7) The units or securities of New Sub 2 received (or deemed received) by Sub 2 in the exchange will not be used to satisfy the indebtedness of Sub 2.

(t7) New Sub 2 will not be a “personal service corporation” within the meaning of § 269A.

(u7) The total fair market value of the assets transferred to New Sub 2 by Sub 2 will exceed the sum of (i) the amount of liabilities assumed (as determined under § 357(d)) by New Sub 2 in connection with the exchange, (ii) the amount of liabilities owed to New Sub 2 by Sub 2 that were discharged or extinguished in connection with the exchange, and (iii) the amount of any money and the fair market value of any other property (other than stock permitted to be received under § 351(a) without the recognition of gain) received by Sub 2 in connection with the exchange. The fair market value of the assets of New Sub 2 will exceed the amount of its liabilities immediately after the exchange.

H. *PRS 1 Restructuring:*

(a8) The liquidation of PRS 7 will be a liquidation for federal income tax purposes.

I. *The PRS 1 Contribution 1:*

(a9) No stock or securities will be issued (or deemed issued) for services rendered to or for the benefit of Controlled 2 in connection with the PRS 1 Contribution 1.

(b9) No stock or securities will be issued (or deemed issued) for indebtedness of Controlled 2 that is not evidenced by a security or for interest on indebtedness of Controlled 2 which accrued on or after the beginning of the holding period of PRS 1 for the debt.

(c9) The PRS 1 Contribution 1 is not the result of the solicitation by a promoter, broker, or investment house.

(d9) PRS 1 will not retain any rights in the property transferred to Controlled 2 in the PRS 1 Contribution 1.

(e9) The value of the stock received (or deemed received) in exchange for accounts receivable will be equal to 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 debts.

(f9) Any debt relating to the stock being transferred in the PRS 1 Contribution 1 that is being assumed (or to which such stock is subject) was incurred to acquire such stock and was incurred when such stock was acquired, and PRS 1 is transferring all of the stock for which the acquisition indebtedness being assumed (or to which such stock is subject) was incurred.

(g9) The adjusted basis and the fair market value of the assets to be transferred by PRS 1 to Controlled 2 will be equal to or exceed the sum of the liabilities to be assumed (within the meaning of § 357(d)) by Controlled 2 plus any liabilities to which the transferred assets are subject.

(h9) The liabilities of PRS 1 to be assumed (within the meaning of § 357(d)) by Controlled 2 were incurred in the ordinary course of business and are associated with the assets to be transferred.

(i9) Other than the Controlled 2 Note (if issued), there is no indebtedness between PRS 1 and Controlled 2 and there will be no indebtedness created in favor of PRS 1 as a result of the PRS 1 Contribution 1.

(j9) The transfers and exchanges will occur under a plan agreed upon before the PRS 1 Contribution 1 in which the rights of the parties are defined.

(k9) All exchanges will occur on approximately the same date.

(l9) There is no plan or intention on the part of Controlled 2 to redeem or otherwise reacquire any stock or indebtedness to be issued (or deemed issued) in the PRS 1 Contribution 1.

(m9) Taking into account any issuance of additional shares of Controlled 2 stock; any issuance of stock for securities; the exercise of any Controlled 2 stock rights, warrants or subscriptions; a public offering of Controlled 2 stock; and the sale, exchange, transfer by gift, or other disposition of any of the stock of Controlled 2 to be received (or deemed received) in the exchange, in each case, other than the PRS 1 Distribution, the Distributing 1 Contribution 2, the External Distribution, and the Controlled 1 Stock Purchase, PRS 1 will be in "control" of Controlled 2 within the meaning of § 368(c).

(n9) PRS 1 will receive (or be deemed to have received) stock, securities, or other property of Controlled 2 with a value approximately equal to the fair market value of the property transferred to Controlled 2.

(o9) Controlled 2 will remain in existence and retain and use the property transferred to it in a trade or business.

(p9) There is no plan or intention by Controlled 2 to dispose of the transferred assets received in the PRS 1 Contribution 1 other than in the normal course of business operations.

(q9) PRS 1 and Controlled 2 will each pay its own expenses, if any, incurred in connection with the PRS 1 Contribution 1.

(r9) Controlled 2 will not be an investment company within the meaning of § 351(e)(1) and § 1.351-1(c).

(s9) The stock or securities of Controlled 2 received (or deemed received) by PRS 1 in the exchange will not be used to satisfy the indebtedness of PRS 1.

(t9) Controlled 2 will not be a “personal service corporation” within the meaning of § 269A.

(u9) The total fair market value of the assets transferred to Controlled 2 by PRS 1 will exceed the sum of (i) the amount of liabilities assumed (as determined under § 357(d)) by Controlled 2 in connection with the exchange, (ii) the amount of liabilities owed to Controlled 2 by PRS 1 that were discharged or extinguished in connection with the exchange, and (iii) the amount of any money and the fair market value of any other property (other than stock permitted to be received under § 351(a) without the recognition of gain) received by PRS 1 in connection with the exchange. The fair market value of the assets of Controlled 2 will exceed the amount of its liabilities immediately after the exchange.

J. The PRS 1 Contribution 2:

(a10) No stock or securities will be issued (or deemed issued) for services rendered to or for the benefit of Controlled 1 in connection with the PRS 1 Contribution 2.

(b10) No stock or securities will be issued (or deemed issued) for indebtedness of Controlled 1 that is not evidenced by a security or for interest on indebtedness of Controlled 1 which accrued on or after the beginning of the holding period of PRS 1 for the debt.

(c10) The transferor will not retain any significant power, right or continuing interest, within the meaning of § 1253(b), in the franchise, trademarks, or trade names being transferred in the PRS 1 Contribution 2.

(d10) The PRS 1 Contribution 2 is not the result of the solicitation by a promoter, broker, or investment house.

(e10) PRS 1 will not retain any rights in the property transferred to Controlled 1 in the PRS 1 Contribution 2.

(f10) The value of the stock received (or deemed received) in exchange for accounts receivable will be equal to 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 debts.

(g10) Any debt relating to the stock being transferred in the PRS 1 Contribution 2 that is being assumed (or to which such stock is subject) was incurred to acquire such stock and was incurred when such stock was acquired, and PRS 1 is transferring all of the stock for which the acquisition indebtedness being assumed (or to which such stock is subject) was incurred.

(h10) The adjusted basis and the fair market value of the assets to be transferred by PRS 1 to Controlled 1 will be equal to or exceed the sum of the liabilities to be assumed (within the meaning of § 357(d)) by Controlled 1 plus any liabilities to which the transferred assets are subject.

(i10) The liabilities of PRS 1 to be assumed (within the meaning of § 357(d)) by Controlled 1 were incurred in the ordinary course of business and are associated with the assets to be transferred.

(j10) Other than the guarantee of the Controlled 2 Note, if any, by Controlled 1, there is no indebtedness between PRS 1 and Controlled 1 and there will be no indebtedness created in favor of PRS 1 as a result of the PRS 1 Contribution 2.

(k10) The transfers and exchanges will occur under a plan agreed upon before the PRS 1 Contribution 2 in which the rights of the parties are defined.

(l10) All exchanges will occur on approximately the same date.

(m10) There is no plan or intention on the part of Controlled 1 to redeem or otherwise reacquire any stock or indebtedness to be issued (or deemed issued) in the PRS 1 Contribution 2.

(n10) Taking into account any issuance of additional shares of Controlled 1 stock; any issuance of stock for securities; the exercise of any Controlled 1 stock rights, warrants or subscriptions; a public offering of Controlled 1 stock; and the sale,

exchange, transfer by gift, or other disposition of any of the stock of Controlled 1 to be received (or deemed received) in the exchange, in each case, other than the PRS 1 Distribution, the External Distribution, and the Controlled 1 Stock Purchase, PRS 1 will be in “control” of Controlled 1 within the meaning of § 368(c).

(o10) PRS 1 will receive (or be deemed to have received) stock, securities, or other property of Controlled 1 with a value approximately equal to the fair market value of the property transferred to Controlled 1.

(p10) Controlled 1 will remain in existence and retain and use the property transferred to it in a trade or business.

(q10) There is no plan or intention by Controlled 1 to dispose of the Transferred Assets received in the PRS 1 Contribution 2 other than pursuant to the Controlled 1 Contribution and in the normal course of business operations.

(r10) PRS 1 and Controlled 1 will each pay its own expenses, if any, incurred in connection with the PRS 1 Contribution 2.

(s10) Controlled 1 will not be an investment company within the meaning of § 351(e)(1) and § 1.351-1(c).

(t10) The stock or securities of Controlled 1 received (or deemed received) by PRS 1 in the exchange will not be used to satisfy the indebtedness of PRS 1.

(u10) Controlled 1 will not be a “personal service corporation” within the meaning of § 269A.

(v10) The total fair market value of the assets transferred to Controlled 1 by PRS 1 will exceed the sum of (i) the amount of liabilities assumed (as determined under § 357(d)) by Controlled 1 in connection with the exchange, (ii) the amount of liabilities owed to Controlled 1 by PRS 1 that were discharged or extinguished in connection with the exchange, and (iii) the amount of any money and the fair market value of any other property (other than stock permitted to be received under § 351(a) without the recognition of gain) received by PRS 1 in connection with the exchange. The fair market value of the assets of Controlled 1 will exceed the amount of its liabilities immediately after the exchange.

(w10) The PRS 1 Distribution will be a distribution in which no gain or loss is recognized.

(x10) The PRS 1 Distribution will not result in the recognition of gain or loss.

(y10) Distributing 1’s basis in the stock of Controlled 2 acquired in the PRS 1 Distribution will be determined in whole or in part by reference to PRS 1’s basis in the stock of Controlled 2.

K. *The Distributing 1 Contribution 1:*

(a11) No stock or securities will be issued (or deemed issued) for services rendered to or for the benefit of Controlled 2 in connection with the Distributing 1 Contribution 1.

(b11) No stock or securities will be issued (or deemed issued) for indebtedness of Controlled 2 that is not evidenced by a security or for interest on indebtedness of Controlled 2 which accrued on or after the beginning of the holding period of Distributing 1 for the debt.

(c11) The Distributing 1 Contribution 1 is not the result of the solicitation by a promoter, broker, or investment house.

(d11) Distributing 1 will not retain any rights in the property transferred to Controlled 2 in the Distributing 1 Contribution 1.

(e11) The value of the stock received (or deemed received) in exchange for accounts receivable will be equal to 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 debts.

(f11) The adjusted basis and the fair market value of the assets to be transferred by Distributing 1 to Controlled 2 will be equal to or exceed the sum of the liabilities to be assumed (within the meaning of § 357(d)) by Controlled 2 plus any liabilities to which the transferred assets are subject.

(g11) The liabilities of Distributing 1 to be assumed (within the meaning of § 357(d)) by Controlled 2 were incurred in the ordinary course of business and are associated with the assets to be transferred.

(h11) There is no indebtedness between Distributing 1 and Controlled 2 and there will be no indebtedness created in favor of Distributing 1 as a result of the Distributing 1 Contribution 1.

(i11) The transfers and exchanges will occur under a plan agreed upon before the Distributing 1 Contribution 1 in which the rights of the parties are defined.

(j11) All exchanges will occur on approximately the same date.

(k11) There is no plan or intention on the part of Controlled 2 to redeem or otherwise reacquire any stock or indebtedness to be issued (or deemed issued) in the Distributing 1 Contribution 1.

(l11) Taking into account any issuance of additional shares of Controlled 2 stock; any issuance of stock for securities; the exercise of any Controlled 2 stock rights,

warrants or subscriptions; a public offering of Controlled 2 stock; and the sale, exchange, transfer by gift, or other disposition of any of the stock of Controlled 2 to be received (or deemed received) in the exchange, in each case, other than the Distributing 1 Contribution 2, the External Distribution, and the Controlled 1 Stock Purchase, Distributing 1 will be in “control” of Controlled 2 within the meaning of § 368(c).

(m11) Distributing 1 will receive (or be deemed to have received) stock, securities, or other property of Controlled 2 with a value approximately equal to the fair market value of the property transferred to Controlled 2.

(n11) Controlled 2 will remain in existence and retain and use the property transferred to it in a trade or business.

(o11) There is no plan or intention by Controlled 2 to dispose of the transferred assets received in the Distributing 1 Contribution 1 other than in the normal course of business operations.

(p11) Distributing 1 and Controlled 2 will each pay its own expenses, if any, incurred in connection with the Distributing 1 Contribution 1.

(q11) Controlled 2 will not be an investment company within the meaning of § 351(e)(1) and § 1.351-1(c).

(r11) The stock or securities of Controlled 2 received (or deemed received) by Distributing 1 in the exchange will not be used to satisfy the indebtedness of Distributing 1.

(s11) Controlled 2 will not be a “personal service corporation” within the meaning of § 269A.

(t11) The total fair market value of the assets transferred to Controlled 2 by Distributing 1 will exceed the sum of (i) the amount of liabilities assumed (as determined under § 357(d)) by Controlled 2 in connection with the exchange, (ii) the amount of liabilities owed to Controlled 2 by Distributing 1 that were discharged or extinguished in connection with the exchange, and (iii) the amount of any money and the fair market value of any other property (other than stock permitted to be received under § 351(a) without the recognition of gain) received by Distributing 1 in connection with the exchange. The fair market value of the assets of Controlled 2 will exceed the amount of its liabilities immediately after the exchange.

L. *The Controlled 1 Contribution:*

(a12) No stock or securities will be issued (or deemed issued) for services rendered to or for the benefit of Controlled 2 in connection with the Controlled 1 Contribution.

(b12) No stock or securities will be issued (or deemed issued) for indebtedness of Controlled 2 that is not evidenced by a security or for interest on indebtedness of Controlled 2 which accrued on or after the beginning of the holding period of Controlled 1 for the debt.

(c12) The transferor will not retain any significant power, right, or continuing interest, within the meaning of § 1253(b), in the franchise, trademarks, or trade names being transferred in the Controlled 1 Contribution.

(d12) The Controlled 1 Contribution is not the result of the solicitation by a promoter, broker, or investment house.

(e12) Controlled 1 will not retain any rights in the property transferred to Controlled 2 in the Controlled 1 Contribution.

(f12) The value of the stock received (or deemed received) in exchange for accounts receivable will be equal to 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 debts.

(g12) The adjusted basis and the fair market value of the assets to be transferred by Controlled 1 to Controlled 2 will be equal to or exceed the sum of the liabilities to be assumed (within the meaning of § 357(d)) by Controlled 2 plus any liabilities to which the transferred assets are subject.

(h12) The liabilities of Controlled 1 to be assumed (within the meaning of § 357(d)) by Controlled 2 were incurred in the ordinary course of business and are associated with the assets to be transferred.

(i12) There is no indebtedness between Controlled 1 and Controlled 2 and there will be no indebtedness created in favor of Controlled 1 as a result of the Controlled 1 Contribution.

(j12) The transfers and exchanges will occur under a plan agreed upon before the Controlled 1 Contribution in which the rights of the parties are defined.

(k12) All exchanges will occur on approximately the same date.

(l12) There is no plan or intention on the part of Controlled 2 to redeem or otherwise reacquire any stock or indebtedness to be issued (or deemed issued) in the Controlled 1 Contribution.

(m12) Taking into account any issuance of additional shares of Controlled 2 stock; any issuance of stock for securities; the exercise of any Controlled 2 stock rights, warrants or subscriptions; a public offering of Controlled 2 stock; and the sale, exchange, transfer by gift, or other disposition of any of the stock of Controlled 2 to be received (or deemed received) in the exchange, Controlled 1 will be in “control” of Controlled 2 within the meaning of § 368(c).

(n12) Controlled 1 will receive (or be deemed to have received) stock, securities, or other property of Controlled 2 with a value approximately equal to the fair market value of the property transferred to Controlled 2.

(o12) Controlled 2 will remain in existence and retain and use the property transferred to it in a trade or business.

(p12) There is no plan or intention by Controlled 2 to dispose of the transferred assets received in the Controlled 1 Contribution other than in the normal course of business operations.

(q12) Controlled 1 and Controlled 2 will each pay its own expenses, if any, incurred in connection with the Controlled 1 Contribution.

(r12) Controlled 2 will not be an investment company within the meaning of § 351(e)(1) and § 1.351-1(c).

(s12) The stock or securities of Controlled 2 received (or deemed received) by Controlled 1 in the exchange will not be used to satisfy the indebtedness of Controlled 1.

(t12) Controlled 2 will not be a “personal service corporation” within the meaning of § 269A.

(u12) The total fair market value of the assets transferred to Controlled 2 by Controlled 1 will exceed the sum of (i) the amount of liabilities assumed (as determined under § 357(d)) by Controlled 2 in connection with the exchange, (ii) the amount of liabilities owed to Controlled 2 by Controlled 1 that were discharged or extinguished in connection with the exchange, and (iii) the amount of any money and the fair market value of any other property (other than stock permitted to be received under § 351(a) without the recognition of gain) received by Controlled 1 in connection with the exchange. The fair market value of the assets of Controlled 2 will exceed the amount of its liabilities immediately after the exchange.

M. The Distributing 1 Contribution 2 and the External Distribution:

(a13) The Distributing 1 Contribution 2 and External Distribution will constitute a transfer of assets in a title 11 or similar case and a distribution made in a title 11 or similar case, both within the meaning of § 368(a)(3).

(b13) Distributing 1 will distribute to its shareholders an amount of stock in Controlled 1 constituting control within the meaning of § 368(c).

(c13) Neither Business C nor control of an entity conducting Business C was acquired during the five-year period ending on the date of the External Distribution in a transaction in which gain or loss was recognized (or treated as recognized) in whole or in part. Throughout the five-year period ending on the date of the External Distribution, subsidiaries of Distributing 1 have been the principal owners of the goodwill and significant assets of Business C and Distributing 1, through its subsidiaries, will continue to be such owner following the External Distribution.

(d13) Neither Business E nor control of an entity conducting Business E was acquired during the five-year period ending on the date of the External Distribution in a transaction in which gain or loss was recognized (or treated as recognized) in whole or in part. Throughout the five-year period ending on the date of the External Distribution, Controlled 2 and its subsidiaries have been the principal owner of the goodwill and significant assets of Business E and Controlled 2 and its subsidiaries will continue to be such owner following the External Distribution.

(e13) For purposes of § 355(d), immediately after the External Distribution, no person (determined after applying § 355(d)(7)) will hold stock possessing 50 percent or more of the total combined voting power of all classes or 50 percent or more of the total value of all shares of either Distributing 1 or Controlled 1 stock that was either (i) acquired by purchase (within the meaning of § 355(d)(5) and (8)) during the five-year period (determined after applying § 355(d)(6)) ending on the date of the External Distribution or (ii) attributable to distributions on Distributing 1 stock or securities that were acquired by purchase (within the meaning of § 355(d)(5) and (8)) during the five-year period (determined after applying § 355(d)(6)) ending on the date of the External Distribution.

(f13) Immediately following the External Distribution (taking into account § 355(g)(4)), (i) neither Distributing 1 nor Controlled 1 will be a disqualified investment corporation (as defined by § 355(g)(2)) and (ii) no person will hold a 50 percent or greater interest in any disqualified investment corporation immediately after the External Distribution who did not so hold, directly or indirectly, such interest immediately before the External Distribution.

(g13) Other than a de minimis number of Controlled 1 shares distributed as compensation to employee shareholders of Distributing 1, no part of the consideration to be distributed by Distributing 1 will be received by any shareholder of Distributing 1

as a creditor, employee, or in any capacity other than that of a shareholder of Distributing 1.

(h13) The five years of financial information submitted on behalf of Distributing 1 is representative of Business C's present operation, and with regard to such business, there have been no substantial operational changes since the date of the last financial statements submitted.

(i13) The five years of financial information submitted on behalf of Controlled 1 is representative of Business E's present operations and, with regard to such business, there have been no substantial operational changes since the date of the last financial statements submitted.

(j13) Following the External Distribution, Distributing 1 and Controlled 1, or members of their respective separate affiliated groups (as defined by § 355(b)(3)(B)), will each continue the active conduct of its business, independently and with its separate employees (including employees of affiliates).

(k13) The External Distribution will be carried out for the following corporate business purposes: (i) to facilitate the investment of capital into Distributing 1 by the Investors who desire to invest in Distributing 1 only after the removal of the assets and businesses being moved to Controlled 1; (ii) to allow Distributing 1 to raise the capital needed to exit Chapter 11 protection and to continue to operate as a standalone profitable company; and (iii) to allow Distributing 1 to successfully focus on its core business of operating high quality shopping malls while allowing Controlled 1 to focus on the development of long term, opportunistic business projects formerly owned and operated, directly and indirectly, by Distributing 1. The External Distribution is motivated, in whole or substantial part, by these corporate business purposes.

(l13) The External Distribution is not being used principally as a device for the distribution of the earnings and profits of Distributing 1 or Controlled 1 or both.

(m13) Other than the Controlled 2 Note, obligations arising in the ordinary course of business, or obligations arising pursuant to the Intercompany Agreements, no intercorporate debt will exist between Distributing 1 and Controlled 1 at the time of, or subsequent to, the distribution of the stock of Controlled 1.

(n13) The total adjusted bases of the assets transferred to Controlled 1 by Distributing 1 in the Distributing 1 Contribution 2 will equal or exceed the sum of (i) the total liabilities (if any) assumed (within the meaning of § 357(d)) by Controlled 1 in the Distributing 1 Contribution 2 and (ii) the total amount of money and the fair market value of other property (within the meaning of § 361(b)) received by Distributing 1 and transferred by it to its creditors and shareholders in connection with the Distributing 1 Contribution 2 and the External Distribution.

(o13) The fair market value of the assets transferred by Distributing 1 to Controlled 1 in the Distributing 1 Contribution 2 will equal or exceed the sum of: (i) the amount of any liabilities assumed (within the meaning of § 357(d)) by Controlled 1 in the Distributing 1 Contribution 2, (ii) the amount of any liabilities owed to Controlled 1 by Distributing 1 that are discharged or extinguished in connection with the Distributing 1 Contribution 2, and (iii) the amount of any cash and the fair market value of any property (other than stock and securities permitted to be received under § 361(a) without the recognition of gain) received by Distributing 1 from Controlled 1 in connection with the Distributing 1 Contribution 2. The fair market value of the assets of Controlled 1 will exceed the amount of its liabilities immediately after the Distributing 1 Contribution 2.

(p13) The liabilities assumed (within the meaning of § 357(d)) in the Distributing 1 Contribution 2 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.

(q13) Distributing 1 neither accumulated its receivables nor made extraordinary payment of its payables in anticipation of the External Distribution.

(r13) Payments made in connection with all continuing transactions, if any, between Distributing 1 and Controlled 1, will be for fair market value based on terms and conditions arrived at by the parties bargaining at arm's length.

(s13) No two parties to the External Distribution are investment companies as defined in § 368(a)(2)(F)(iii) and (iv).

(t13) The business purpose for the retention by PRS 1 of the Controlled 2 Note, if issued, is to facilitate the External Distribution.

(u13) Distributing 1 will receive at least hh percent of the outstanding stock of Controlled 1 in the PRS 1 Distribution with respect to interests in PRS 1 that have not been acquired by Distributing 1 during the pre-distribution period (as defined in Prop. Reg. § 1.355-3(c)(4)) in a transaction in which gain or loss was recognized.

N. The Distributing 1 Reorganization:

(a14) The fair market value of New Parent stock received by each Distributing 1 shareholder will be approximately equal to the fair market value of the Distributing 1 stock surrendered in the exchange.

(b14) The New Parent stock entitles the holder to vote for the election and removal of directors.

(c14) Distributing 1 has no plan or intention to issue additional shares of its stock that would result in New Sub 3 losing control of Distributing 1 within the meaning of § 368(c).

(d14) New Sub 3 and New Parent have no plan or intention to liquidate Distributing 1, to merge Distributing 1 into another corporation, to cause Distributing 1 to sell or otherwise dispose of any of its assets, or to sell or otherwise dispose of any of the Distributing 1 stock acquired in the transaction, except, in each case, for dispositions made in the ordinary course of business and for transfers described in § 368(a)(2)(C) and § 1.368-2(k).

(e14) There is no plan or intention by New Sub 3, New Parent, or Distributing 1 (or through any person related to New Sub 3, New Parent, or Distributing 1 within the meaning of § 1.368-1(e)(3)), to either directly or indirectly purchase any of the New Parent stock issued in the Distributing 1 Reorganization.

(f14) New Parent, New Sub 3, Distributing 1, and the shareholders of Distributing 1 will pay their respective expenses, if any, incurred in connection with the Distributing 1 Reorganization.

(g14) New Sub 3 will acquire all of the outstanding capital stock of Distributing 1 solely in exchange for New Parent voting stock. Further, no liabilities of Distributing 1 or the Distributing 1 shareholders will be assumed (within the meaning of § 357(d)) by New Sub 3 or New Parent, nor will any of the Distributing 1 stock be subject to any liabilities.

(h14) At the time of the Distributing 1 Reorganization, Distributing 1 will not have outstanding any warrants, options, convertible securities, or any other type of right pursuant to which any person could acquire stock in Distributing 1 that, if exercised or converted, would affect New Sub 3's acquisition or retention of control of Distributing 1, as defined in § 368(c).

(i14) Neither New Sub 3 nor New Parent owns, directly or indirectly, nor has it owned during the past five years, directly or indirectly, any stock of Distributing 1.

(j14) Following the Distributing 1 Reorganization, Distributing 1 will continue its historic business or use a significant portion of its historic business assets in a business.

(k14) There will be no dissenters in the Distributing 1 Reorganization.

(l14) On the date of the Distributing 1 Reorganization, the fair market value of the assets of Distributing 1 will exceed the sum of its liabilities plus the liabilities, if any, to which the assets are subject.

(m14) Other than the shares of Controlled 1 distributed in the External Distribution, the shareholders of Distributing 1 have received, and will receive, no

special dividends or other payments from Distributing 1 as part of, or in anticipation of, the Distributing 1 Reorganization.

(n14) At least 40 percent of the proprietary interest in Distributing 1 will be exchanged in the reorganization for a proprietary interest in New Parent that will be preserved (within the meaning of § 1.368-1(e)).

(o14) The New PRS 3 Contribution will qualify as a contribution within the meaning of § 721(a).

(p14) The New Sub 3 Contribution will qualify as a transaction within the meaning of § 351(a).

(q14) The proposed merger of Sub 3 with and into Distributing 2 will constitute a reorganization within the meaning of § 368(a) and will not constitute a transaction in which gain or loss is recognized within the meaning of § 355(b) and § 1.355-3(b)(4)(i).

(r14) The proposed merger of Sub 6 with and into Distributing 2 will constitute a complete liquidation within the meaning of § 332 and will not constitute a transaction in which gain or loss is recognized within the meaning of § 355(b) and § 1.355-3(b)(4)(i).

Rulings

Based solely on the information submitted and the representations made, we rule as follows regarding the following named transaction (or transactions):

A. The Sub 6 Contribution:

(1) Sub 6 will not recognize any gain or loss in the Sub 6 Contribution (§ 351(a) and 357(a)).

(2) New Sub 1 will not recognize any gain or loss in the Sub 6 Contribution (§ 1032(a)).

(3) Sub 6's basis in its New Sub 1 stock after the Sub 6 Contribution will equal its aggregate basis in the property it contributed to New Sub 1; provided that Sub 6's basis in its New Sub 1 stock may not be more than the aggregate fair market value of the assets transferred to New Sub 1 in the Sub 6 Contribution (§ 358(a) and 362(e)(2)(C)).

(4) New Sub 1's basis in each asset received from Sub 6 in the Sub 6 Contribution will equal the basis of such asset in the hands of Sub 6 immediately before its contribution to New Sub 1 (§ 362(a) and 362(e)(2)(C)).

(5) Sub 6's holding period in the New Sub 1 stock constructively received by Sub 6 in the Sub 6 Contribution will include the holding period of the property

contributed by Sub 6, provided that such property is held by Sub 6 as a capital asset on the date of the Sub 6 Contribution (§ 1223(1)).

(6) New Sub 1's holding period in each asset received from Sub 6 in the Sub 6 Contribution will include the period during which Sub 6 held such asset (§ 1223(2)).

B. The Distributing 2 Reorganization:

(7) The Distributing 2 Reorganization will qualify as a "reorganization" within the meaning of § 368(a)(1)(G). Distributing 2 and Controlled 2 will each be "a party to a reorganization" within the meaning of § 368(b).

(8) Distributing 2 will not recognize any gain or loss on its transfer of assets in constructive exchange for Controlled 2 stock in the Distributing 2 Reorganization (§ 361(a) and 357(a)).

(9) Controlled 2 will not recognize any gain or loss on its receipt of the assets of Distributing 2 in constructive exchange for Controlled 2 stock in the Distributing 2 Reorganization (§ 1032(a)).

(10) Distributing 2 will not recognize any gain or loss upon the distribution to PRS 1 of all of Controlled 2's stock in the Distributing 2 Reorganization (§ 361(c)(1)).

(11) PRS 1 will not recognize any gain or loss (and will not include any amount in income) upon receipt of the Controlled 2 stock in the Distributing 2 Reorganization (§ 355(a)(1)).

(12) Controlled 2's basis in each asset received from Distributing 2 in the Distributing 2 Reorganization will equal the basis of such asset in the hands of Distributing 2 immediately before its contribution to Controlled 2 (§ 362(b)).

(13) PRS 1's aggregate basis in its Distributing 2 stock and the Controlled 2 stock after the Distributing 2 Reorganization will equal PRS 1's aggregate basis in its Distributing 2 stock immediately prior to the Distributing 2 Reorganization (§ 358(a)). The basis will be allocated between Distributing 2 stock and Controlled 2 stock in proportion to the fair market values of each immediately after the Distributing 2 Reorganization in accordance with § 1.358-2(a)(2) (§ 358(a), (b), and (c)).

(14) Controlled 2's holding period in each asset received from Distributing 2 in the Distributing 2 Reorganization will include the period during which Distributing 2 held such asset (§ 1223(2)).

(15) PRS 1's holding period in its Controlled 2 stock will include the holding period of the Distributing 2 stock with respect to which the distribution of the Controlled 2 stock is made, provided that such Distributing 2 stock is held by PRS 1 as a capital asset on the date of the Distributing 2 Reorganization (§ 1223(1)).

(16) As provided in § 312(h), proper allocation of earnings and profits between Distributing 2 and Controlled 2 will be made in accordance with § 1.312-10(a).

(17) The Controlled 2 Distribution will be a distribution within the meaning of § 301(a).

C. The Distributing 3 Reorganization:

(18) The Distributing 3 Reorganization will qualify as a “reorganization” within the meaning of § 368(a)(1)(G). Distributing 3 and Controlled 3 will each be “a party to a reorganization” within the meaning of § 368(b).

(19) Distributing 3 will not recognize any gain or loss on its transfer of assets in constructive exchange for Controlled 3 stock in the Distributing 3 Reorganization (§ 361(a) and 357(a)).

(20) Controlled 3 will not recognize any gain or loss on its receipt of the assets of Distributing 3 in constructive exchange for Controlled 3 stock in the Distributing 3 Reorganization (§ 1032(a)).

(21) Distributing 3 will not recognize any gain or loss upon the distribution to PRS 1 of all of Controlled 3’s stock in the Distributing 3 Reorganization (§ 361(c)(1)).

(22) PRS 1 will not recognize any gain or loss (and will not include any amount in income) upon receipt of the Controlled 3 stock in the Distributing 3 Reorganization (§ 355(a)(1)).

(23) Controlled 3’s basis in each asset received from Distributing 3 in the Distributing 3 Reorganization will equal the basis of such asset in the hands of Distributing 3 immediately before its contribution to Controlled 3 (§ 362(b)).

(24) PRS 1’s aggregate basis in its Distributing 3 stock and the Controlled 3 stock after the Distributing 3 Reorganization will equal PRS 1’s aggregate basis in its Distributing 3 stock immediately prior to the Distributing 3 Reorganization (§ 358(a)). The basis will be allocated between Distributing 3 stock and Controlled 3 stock in proportion to the fair market values of each immediately after the Distributing 3 Reorganization in accordance with § 1.358-2(a)(2) (§ 358(a), (b), and (c)).

(25) Controlled 3’s holding period in each asset received from Distributing 3 in the Distributing 3 Reorganization will include the period during which Distributing 3 held such asset (§ 1223(2)).

(26) PRS 1’s holding period in its Controlled 3 stock will include the holding period of the Distributing 3 stock with respect to which the distribution of the Controlled 3 stock is made, provided that such Distributing 3 stock is held by PRS 1 as a capital asset on the date of the Distributing 3 Reorganization (§ 1223(1)).

(27) As provided in § 312(h), proper allocation of earnings and profits between Distributing 3 and Controlled 3 will be made in accordance with § 1.312-10(a).

D. The Sub 2 Contribution:

(28) Sub 2 will not recognize any gain or loss in the Sub 2 Contribution (§ 351(a) and 357(a)).

(29) New Sub 2 will not recognize any gain or loss in the Sub 2 Contribution (§ 1032(a)).

(30) Sub 2's basis in its New Sub 2 stock after the Sub 2 Contribution will equal its aggregate basis in the property it contributed to New Sub 2; provided that Sub 2's basis in its New Sub 2 stock may not be more than the aggregate fair market value of the assets transferred to New Sub 2 in the Sub 2 Contribution (§ 358(a) and 362(e)(2)(C)).

(31) New Sub 2's basis in each asset received from Sub 2 in the Sub 2 Contribution will equal the basis of such asset in the hands of Sub 2 immediately before its contribution to New Sub 2 (§ 362(a) and 362(e)(2)(C)).

(32) Sub 2's holding period in the New Sub 2 stock constructively received by Sub 2 in the Sub 2 Contribution will include the holding period of the property contributed by Sub 2, provided that such property is held by Sub 2 as a capital asset on the date of the Sub 2 Contribution (§ 1223(1)).

(33) New Sub 2's holding period in each asset received from Sub 2 in the Sub 2 Contribution will include the period during which Sub 2 held such asset (§ 1223(2)).

E. The PRS 1 Contribution 1:

(34) Other than by operation of § 304 with respect to the stock or interests treated as stock being contributed in the PRS 1 Contribution 1, PRS 1 will not recognize any gain, other than with respect to its receipt of the Controlled 2 Note, if issued, or loss in the PRS 1 Contribution 1 (§ 351(a), 351(b) and 357(a)).

(35) Controlled 2 will not recognize any gain or loss in the PRS 1 Contribution 1 (§ 1032(a)).

(36) § 304 (and not § 351 and not so much of § 357 and § 358 as relates to § 351) will apply to the acquisition by Controlled 2 from PRS 1 of that portion of the stock or interests treated as stock contributed in the PRS 1 Contribution 1 that is deemed exchanged for (i) liabilities assumed by Controlled 2 in the PRS 1 Contribution 1 plus any liabilities to which the transferred assets are subject or (ii) the Controlled 2 Note, if issued (§ 304(b)(3)(A)). The acquisition by Controlled 2 from PRS 1 of that portion of the stock or interests treated as stock described in the preceding sentence

will be treated as a distribution in redemption of a corresponding portion of Controlled 2 stock (§ 304(a)(1)).

(37) Except as otherwise determined as a result of the application of § 304, PRS 1's aggregate basis in its Controlled 2 stock after the PRS 1 Contribution 1 will equal its basis in its Controlled 2 stock prior to the PRS 1 Contribution 1, increased by (1) PRS 1's aggregate basis in the property it contributed to Controlled 2 and (2) any gain recognized by PRS 1 on such contribution, and decreased by the fair market value of any money or other property distributed to PRS 1; provided that PRS 1's aggregate basis in its Controlled 2 stock may not be increased by more than the aggregate fair market value of the assets transferred to Controlled 2 in the PRS 1 Contribution 1 (§ 358(a) and 362(e)(2)(C)).

(38) Controlled 2's basis in each asset received from PRS 1 in the PRS 1 Contribution 1 will equal the basis of such asset in the hands of PRS 1 immediately before its contribution to Controlled 2, increased by the amount of gain recognized by PRS 1 with respect to such asset (§ 362(a) and 362(e)(2)(C)).

(39) PRS 1's holding period in the Controlled 2 stock constructively received by PRS 1 in the PRS 1 Contribution 1 will include the holding period of the property contributed by PRS 1, provided that such property is held by PRS 1 as a capital asset on the date of the PRS 1 Contribution 1 (§ 1223(1)).

(40) Controlled 2's holding period in each asset received from PRS 1 in the PRS 1 Contribution 1 will include the period during which PRS 1 held such asset (§ 1223(2)).

F. The PRS 1 Contribution 2:

(41) Other than by operation of § 304 with respect to the stock or interests treated as stock being contributed in the PRS 1 Contribution 2, PRS 1 will not recognize any gain or loss in the PRS 1 Contribution 2 (§ 351(a) and 357(a)).

(42) Controlled 1 will not recognize any gain or loss in the PRS 1 Contribution 2 (§ 1032(a)).

(43) § 304 (and not § 351 and not so much of § 357 and § 358 as relates to § 351) will apply to the acquisition by Controlled 1 from PRS 1 of that portion of the stock or interests treated as stock contributed in the PRS 1 Contribution 2 that is deemed exchanged for liabilities assumed by Controlled 1 in the PRS 1 Contribution 2 plus any liabilities to which the transferred assets are subject (§ 304(b)(3)(A)). The acquisition by Controlled 1 from PRS 1 of that portion of the stock or interests treated as stock described in the preceding sentence will be treated as a distribution in redemption of a corresponding portion of Controlled 1 stock (§ 304(a)(1)).

(44) Except as otherwise determined as a result of the application of § 304, PRS 1's aggregate basis in its Controlled 1 stock after the PRS 1 Contribution 2 will equal its basis in its Controlled 1 stock prior to the PRS 1 Contribution 2 increased by PRS 1's aggregate basis in the property it contributed to Controlled 1; provided that PRS 1's aggregate basis in its Controlled 1 stock may not be increased by more than the aggregate fair market value of the assets transferred to Controlled 1 in the PRS 1 Contribution 2 (§ 358(a) and § 362(e)(2)(C)).

(45) Controlled 1's basis in each asset received from PRS 1 in the PRS 1 Contribution 2 will equal the basis of such asset in the hands of PRS 1 immediately before its contribution to Controlled 1 (§ 362(a) and 362(e)(2)(C)).

(46) PRS 1's holding period in the Controlled 1 stock constructively received in the PRS 1 Contribution 2 will include the holding period of the property contributed by PRS 1, provided that such property is held by PRS 1 as a capital asset on the date of the PRS 1 Contribution 2 (§ 1223(1)).

(47) Controlled 1's holding period in each asset received from PRS 1 in the PRS 1 Contribution 2 will include the period during which PRS 1 held such asset (§ 1223(2)).

G. The Distributing 1 Contribution 1:

(48) Distributing 1 will not recognize any gain or loss in the Distributing 1 Contribution 1 (§ 351(a) and 357(a)).

(49) Controlled 2 will not recognize any gain or loss in the Distributing 1 Contribution 1 (§ 1032(a)).

(50) Distributing 1's aggregate basis in its Controlled 2 stock after the Distributing 1 Contribution 1 will equal its basis in its Controlled 2 stock prior to the Distributing 1 Contribution 1 increased by Distributing 1's aggregate basis in the property it contributed to Controlled 2; provided that Distributing 1's aggregate basis in its Controlled 2 stock may not be increased by more than the aggregate fair market value of the assets transferred to Controlled 2 in the Distributing 1 Contribution 1 (§ 358(a) and 362(e)(2)(C)).

(51) Controlled 2's basis in each asset received from Distributing 1 in the Distributing 1 Contribution 1 will equal the basis of such asset in the hands of Distributing 1 immediately before its contribution to Controlled 2 (§ 362(a) and 362(e)(2)(C)).

(52) Distributing 1's holding period in the Controlled 2 stock constructively received by Distributing 1 in the Distributing 1 Contribution 1 will include the holding period of the property contributed by Distributing 1, provided that such property is held

by Distributing 1 as a capital asset on the date of the Distributing 1 Contribution 1 (§ 1223(1)).

(53) Controlled 2's holding period in each asset received from Distributing 1 in the Distributing 1 Contribution 1 will include the period during which Distributing 1 held such asset (§ 1223(2)).

H. *The Controlled 1 Contribution:*

(54) Controlled 1 will not recognize any gain or loss in the Controlled 1 Contribution (§ 351(a) and 357(a)).

(55) Controlled 2 will not recognize any gain or loss in the Controlled 1 Contribution (§ 1032(a)).

(56) Controlled 1's aggregate basis in its Controlled 2 stock after the Controlled 1 Contribution will equal its basis in its Controlled 2 stock prior to the Controlled 1 Contribution increased by Controlled 1's aggregate basis in the property it contributed to Controlled 2 (§ 358(a)).

(57) Controlled 2's basis in each asset received from Controlled 1 in the Controlled 1 Contribution will equal the basis of such asset in the hands of Controlled 1 immediately before its contribution to Controlled 2 (§ 362(a)).

(58) Controlled 1's holding period in the Controlled 2 stock constructively received in the Controlled 1 Contribution will include the holding period of the property contributed by Controlled 1, provided that such property is held by Controlled 1 as a capital asset on the date of the Controlled 1 Contribution (§ 1223(1)).

(59) Controlled 2's holding period in each asset received from Controlled 1 in the Controlled 1 Contribution will include the period during which Controlled 1 held such asset (§ 1223(2)).

I. *The Distributing 1 Contribution 2 and the External Distribution:*

(60) The Distributing 1 Contribution 2 and the External Distribution will qualify as a "reorganization" within the meaning of § 368(a)(1)(G). Distributing 1 and Controlled 1 will each be "a party to a reorganization" within the meaning of § 368(b).

(61) Distributing 1 will not recognize any gain or loss on its transfer of assets in constructive exchange for Controlled 1 stock in the Distributing 1 Contribution 2 (§ 361(a) and 357(a)).

(62) Controlled 1 will not recognize any gain or loss on its receipt of the assets of Distributing 1 in constructive exchange for Controlled 1 stock in the Distributing 1 Contribution 2 (§ 1032(a)).

(63) Distributing 1 will not recognize any gain or loss upon the distribution to the Distributing 1 shareholders of all of its Controlled 1 stock in the External Distribution (§ 361(c)(1)).

(64) The Distributing 1 shareholders will not recognize any gain or loss (and will not include any amount in income) upon receipt of the Controlled 1 stock in the External Distribution (§ 355(a)(1)).

(65) Controlled 1's basis in each asset received from Distributing 1 in the Distributing 1 Contribution 2 will equal the basis of such asset in the hands of Distributing 1 immediately before its contribution to Controlled 1 (§ 362(b)).

(66) Each Distributing 1 shareholder's aggregate basis in its Distributing 1 stock and Controlled 1 stock after the External Distribution will equal such shareholder's aggregate basis in its Distributing 1 stock immediately prior to the External Distribution (§ 358(a)). The basis will be allocated between Distributing 1 stock and Controlled 1 stock in proportion to the fair market values of each immediately after the External Distribution in accordance with § 1.358-2(a)(2) (§ 358(a), (b), and (c)).

(67) Controlled 1's holding period in each asset received from Distributing 1 in the Distributing 1 Contribution 2 will include the period during which Distributing 1 held such asset (§ 1223(2)).

(68) Each Distributing 1 shareholder's holding period in its Controlled 1 stock will include the holding period of the Distributing 1 stock with respect to which the distribution of the Controlled 1 stock is made, provided that such Distributing 1 stock is held by such Distributing 1 shareholder as a capital asset on the date of the External Distribution (§ 1223(1)).

(69) As provided in § 312(h), proper allocation of earnings and profits between Distributing 1 and Controlled 1 will be made in accordance with § 1.312-10(a).

J. The Distributing 1 Reorganization:

(70) The Distributing 1 Reorganization will qualify as a "reorganization" within the meaning of § 368(a)(1)(B). New Parent, New Sub 3, and Distributing 1 will each be "a party to a reorganization" within the meaning of § 368(b).

(71) New Parent will not recognize any gain or loss upon the issuance of its stock to New Sub 3 and New Sub 3 will not recognize any gain or loss upon the receipt of Distributing 1 stock in exchange solely for voting stock of New Parent (§ 1032(a); § 361(a); Rev. Rul. 67-448, 1967-2 C.B. 144; Rev. Rul. 73-427, 1973-2 C.B. 301).

(72) No gain or loss will be recognized by the shareholders of Distributing 1 upon receipt of stock of New Parent in exchange for their Distributing 1 stock (§ 354(a)(1)).

(73) New Sub 3's basis in the Distributing 1 stock received will equal the basis of the shareholders of Distributing 1 in such stock, as provided by § 362(b), taking into account the provisions of § 362(e).

(74) For each of the shareholders of Distributing 1, the basis in the stock of New Parent received will be equal to the basis of the Distributing 1 stock surrendered by such shareholder in exchange therefor (§ 358(a)(1)).

(75) New Sub 3's holding period in the Distributing 1 stock received will include the holding period of the shareholders of Distributing 1 from whom it was received (§ 1223(2)).

(76) For each of the shareholders of Distributing 1, the holding period for the stock of New Parent received will include the period during which such shareholder held the Distributing 1 stock exchanged therefor, provided that such stock is held as a capital asset in the hands of such shareholder on the date of the exchange (§ 1223(1)).

Caveats

We express no opinion about the tax treatment of the Proposed Transaction under other provisions of the Code and regulations or the tax treatment of any conditions existing at the time of, or effects resulting from, the Proposed Transaction that is not specifically covered by the above rulings. In particular, we express no opinion regarding:

- (i) Whether the Distributing 2 Reorganization, the Distributing 3 Reorganization, and the External Distribution each satisfy the business purpose requirement of § 1.355-2(b);
- (ii) Whether the Distributing 2 Reorganization, the Distributing 3 Reorganization, and the External Distribution are being used principally as a device for the distribution of the earnings and profits of Distributing or Controlled or both (see § 355(a)(1)(B) and § 1.355-2(d));
- (iii) Any cost-based transactions between Distributing 1 and Controlled 1;
- (iv) The tax effects of the Proposed Transaction, if the Proposed Transaction is not completed prior to the finalization of Prop. Reg. § 1.355-3;

- (v) The federal income tax consequences of Steps (ii) through (iv), (viii) through (xii), (xv), (xvi), (xix) through (xxiii), (xxvi), (xxxi), (xxxii), (xxxiv) through (xxxix);
- (vi) The federal income tax consequences under Subchapter K; and
- (vii) Whether any entity

Procedural Statements

Temporary or final regulations pertaining to one or more of the issues addressed in this ruling have not yet been adopted. Therefore, this ruling will be modified or revoked by the adoption of temporary or final regulations, to the extent the regulations are inconsistent with any conclusion in the letter ruling. See section 11.04 of Rev. Proc. 2010-1, 2010-1 I.R.B. 1, 49. However, when the criteria in section 11.06 of Rev. Proc. 2010-1, 2010-1 I.R.B. 1, 50 are satisfied, a ruling is not revoked or modified retroactively except in rare or unusual circumstances.

This ruling is directed only to the taxpayer who requested it. Section 6110(k)(3) provides that it may not be used or cited as precedent. A copy of this letter must be attached to any income tax return to which it is relevant. Alternatively, taxpayers filing their returns electronically may satisfy this requirement by attaching a statement to their return that provides the date and control number of this letter ruling.

In accordance with a power of attorney on file in this office, a copy of this ruling letter is being sent to your authorized representative.

Sincerely,

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

cc: