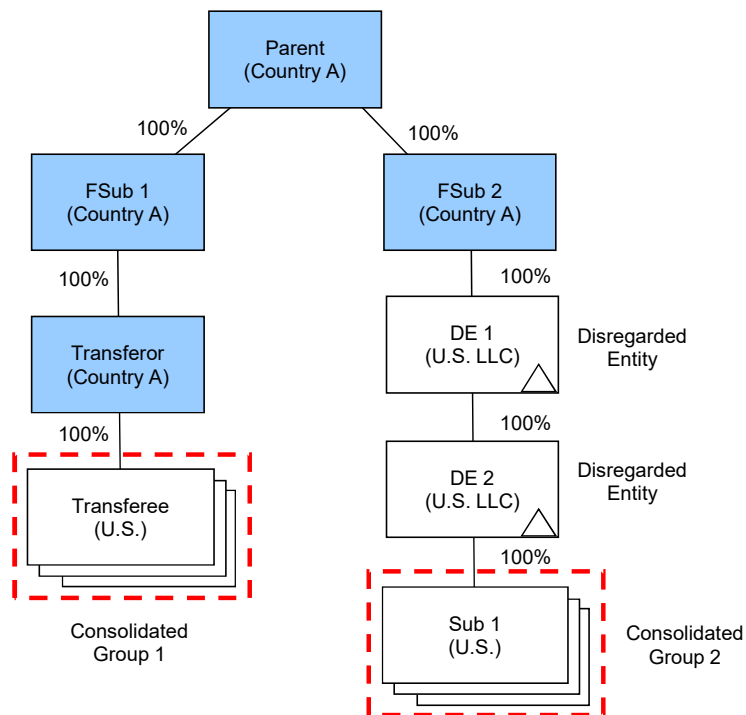
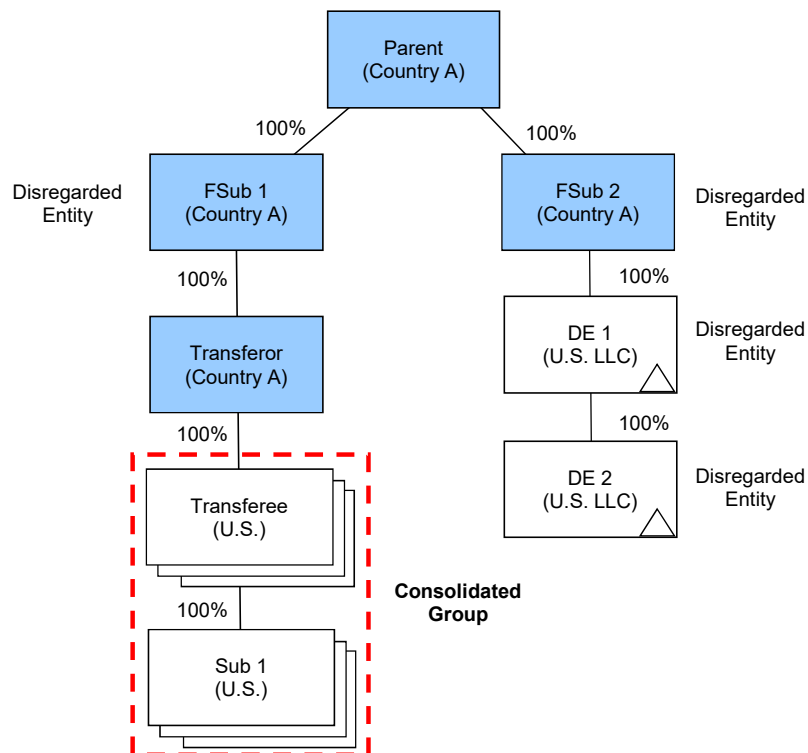


**Combination of Two Consolidated Groups Owned by Foreign Parent**

**Pre-transaction Structure**



**Post-transaction Structure**



△ Means "flow-thru" for U.S. tax purposes      Blue means non-U.S. person or persons

The restructuring included the following steps:

- (i) Parent filed "check the box" elections with respect to FSub 1 and FSub 2, causing FSub 1 and FSub 2 to be treated as disregarded entities and as such branches or divisions of Parent.
- (ii) Parent caused DE 2 to sell all of the stock of Sub 1 to FSub 1 for cash equal to Sub 1's estimated fair market value.
- (iii) Parent (through FSub 1, now a disregarded entity) contributed all of the Sub 1 stock to Transferor in exchange for common stock of Transferor.
- (iv) Transferor contributed all of the Sub 1 stock to Transferee (the "Sub 1 Contribution"), with each share of Sub 1 stock contributed partially to the capital of Transferee and partially in exchange for perpetual non-voting preferred stock of Transferee (the "Preferred Stock"). The Preferred Stock is expected to have an aggregate fair market value equal to approximately Sub 1's fair market value. Further, the Preferred Stock will be redeemable by Transferee at par plus the accrued unpaid preferred return at any time after the X anniversary of issuance. The Parent Group intends that the Preferred Stock will not be "nonqualified preferred stock" (within the meaning of Code §351(g)(2)).

The IRS ruled, among other things: (1) Transferor shall not recognize gain or loss on the transfer of the Sub 1 stock to Transferee. Code §§351(a) and 357(a). (2) Transferee shall not recognize gain or loss on the receipt of the Sub 1 stock. Code §§118(a) and 1032.