

because the distribution consists of assets of the acquired corporation, the distribution does not consist of an amount of T's assets that would result in a liquidation of T for Federal income tax purposes, and the transaction satisfies the requirements of § 1.368-1(d). Further, this paragraph (k) describes the transfer of the acquired stock from S-1 to S-2, but does not describe the transfer of the acquired stock from S-2 to PRS because such transfer causes T to cease to be a member of the qualified group (as defined in § 1.368-1(d)(4)(ii)). Therefore, the characterization of this transaction must be determined under the relevant provisions of law, including the step transaction doctrine. See § 1.368-1(a). The transaction fails to meet the control requirement of a reorganization described in section 368(a)(1)(B) because immediately after the acquisition of the T stock, the acquiring corporation does not have control of T.

*Example 6. Transfers of acquired assets to members of the qualified group after a reorganization under section 368(a)(1)(D).* (i) *Facts.* P owns all of the stock of T. Pursuant to a plan of reorganization, T transfers all of its assets to S-1 solely in exchange for S-1 stock, which T distributes to P, and S-1's assumption of T's liabilities. In addition, pursuant to the plan, S-1 transfers all of the T assets to S-2, and S-2 transfers all of the T assets to S-3.

(ii) *Analysis.* Under this paragraph (k), the transaction, which otherwise qualifies as a reorganization under section 368(a)(1)(D), is not disqualified by the successive transfers of all the T assets from S-1 to S-2 and from S-2 to S-3 because the transfers are not distributions described in paragraph (k)(1)(i) of this section, the transfers consist of part or all of the assets of the acquiring corporation, the acquiring corporation does not terminate its corporate existence in connection with the transfers, and the transaction satisfies the requirements of § 1.368-1(d).

*Example 7. Transfer of stock of the acquiring corporation to a member of the qualified group after a reorganization under section 368(a)(1)(A) by reason of section 368(a)(2)(D).* (i) *Facts.* Pursuant to a plan of reorganization, S-1 acquires all of the T assets in the merger of T into S-1. In the merger, the T shareholders receive solely P stock. Also, pursuant to the plan, P transfers all of the S-1 stock to S-4.

(ii) *Analysis.* Under this paragraph (k), the transaction, which otherwise qualifies as a reorganization under section 368(a)(1)(A) by reason of section 368(a)(2)(D), is not disqualified by the transfer of all of the S-1 stock to S-4 because the transfer is not a distribution described in paragraph (k)(1)(i) of this section, the transfer consists of part or all of the stock of the acquiring corporation, the transfer does not cause S-1 to cease to be a member of the qualified group (as defined in § 1.368-1(d)(4)(ii)), the acquiring corporation does not terminate its corporate existence in connection with the transfer, and the transaction satisfies the requirements of § 1.368-1(d).

*Example 8. Transfer of acquired assets to a partnership after a reorganization under section 368(a)(1)(A) by reason of section 368(a)(2)(D).* (i) *Facts.* Pursuant to a plan of

reorganization, S-1 acquires all of the T assets in the merger of T into S-1. In the merger, the T shareholders receive solely P stock. In addition, pursuant to the plan, S-1 transfers all of the T assets to PRS, a partnership in which S-1 owns a 33 1/3-percent interest. PRS continues T's historic business. S-1 does not perform active and substantial management functions as a partner with respect to PRS's business.

(ii) *Analysis.* Under this paragraph (k), the transaction, which otherwise qualifies as a reorganization under section 368(a)(1)(A) by reason of section 368(a)(2)(D), is not disqualified by the transfer of T assets from S-1 to PRS because the transfer is not a distribution described in paragraph (k)(1)(i) of this section, the transfer consists of part or all of the assets of the acquiring corporation, the acquiring corporation does not terminate its corporate existence in connection with the transfers, and the transaction satisfies the requirements of § 1.368-1(d).

*Example 9. Sale of acquired assets to a member of the qualified group after a reorganization under section 368(a)(1)(C).* (i) *Facts.* Pursuant to a plan of reorganization, T transfers all of its assets to S-1 in exchange for P stock, which T distributes to its shareholders, and S-1's assumption of T's liabilities. In addition, pursuant to the plan, S-1 sells all of the T assets to S-5 for cash equal to the fair market value of those assets.

(ii) *Analysis.* Under this paragraph (k), the transaction, which otherwise qualifies as a reorganization under section 368(a)(1)(C), is not disqualified by the sale of all of the T assets from S-1 to S-5 because the transfer is not a distribution described in paragraph (k)(1)(i) of this section, the transfer consists of part or all of the assets of the acquiring corporation, the acquiring corporation does not terminate its corporate existence in connection with the transfers, and the transaction satisfies the requirements of § 1.368-1(d).

(3) *Effective/applicability date.* This paragraph (k) applies to transactions occurring on or after October 25, 2007, except that it does not apply to any transaction occurring pursuant to a written agreement which is binding before October 25, 2007, and at all times after that.

**Kevin M. Brown,**

*Deputy Commissioner for Services and Enforcement.*

Approved: October 16, 2007.

**Eric Solomon,**

*Assistant Secretary of the Treasury (Tax Policy).*

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## DEPARTMENT OF HOMELAND SECURITY

### Coast Guard

#### 33 CFR Part 100

[Docket No. CGD05-07-098]

#### Special Local Regulations for Marine Events; Approaches to Annapolis Harbor, Spa Creek and Severn River, Annapolis, MD

**AGENCY:** Coast Guard, DHS.

**ACTION:** Notice of enforcement of regulation.

**SUMMARY:** The Coast Guard will enforce special local regulations during the Eastport Yacht Club Lights Parade on the waters of Spa Creek, Annapolis Harbor and the Severn River at Annapolis, Maryland; from 4:30 p.m. to 9 p.m., December 8, 2007. This action is necessary to control vessel traffic due to the confined nature of the waterway and expected vessel congestion during the event. During the enforcement period, the effect will be to restrict general navigation in the regulated area for the safety of event participants, spectators and vessels transiting the event area.

**DATES:** The regulations in 33 CFR 100.511 will be enforced from 4:30 p.m. to 9 p.m. on December 8, 2007.

**FOR FURTHER INFORMATION CONTACT:**

Ronald Houck, Marine Events Coordinator, Commander, Coast Guard Sector Baltimore, 2401 Hawkins Point Road, Baltimore, MD 21226-1971, and (410) 576-2674.

**SUPPLEMENTARY INFORMATION:** The Coast Guard will enforce the special local regulations for the Eastport Yacht Club lighted boat parade on the waters of Spa Creek and the Severn River at Annapolis, Maryland in 33 CFR 100.511 on December 8, 2007 from 4:30 p.m. until 9 p.m. These regulations can be found in the May 24, 1989 issue of the **Federal Register** (54 FR 22438).

The Eastport Yacht Club will sponsor a lighted boat parade on the waters of Spa Creek and the Severn River at Annapolis, Maryland. The event will consist of approximately 50 boats traveling at slow speed along two separate parade routes in Annapolis Harbor. The participating boats will range in length from 10 to 60 feet, and each will be decorated with holiday lights.

In order to ensure the safety of participants, spectators and transiting vessels, 33 CFR 100.511 will be in effect for the duration of the event. Under provisions of 33 CFR 100.511, vessels may not enter the regulated area without

permission from the Coast Guard Patrol Commander. Spectator vessels may anchor outside the regulated area but may not block a navigable channel. Because these restrictions will be in effect for a limited period, they should not result in a significant disruption of maritime traffic. The Coast Guard may be assisted by other Federal, State, or local law enforcement agencies in enforcing this regulation.

This notice is issued under authority of 33 CFR 100.511 and 5 U.S.C. 552(a). In addition to this notice, the maritime community will be provided extensive advance notification via the Local Notice to Mariners, marine information broadcasts, local radio stations and area newspapers, so mariners can adjust their plans accordingly. If the Captain of the Port or Patrol Commander determines that the regulated area need not be enforced for the full duration stated in this notice, he or she may use a Broadcast Notice to Mariners to grant general permission to enter the regulated area.

Dated: October 15, 2007.

**Fred M. Rosa, Jr.,**

*Rear Admiral, U.S. Coast Guard Commander,  
Fifth Coast Guard District.*

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## DEPARTMENT OF HOMELAND SECURITY

### Coast Guard

#### 33 CFR Part 165

[Docket No. COTP Western Alaska-07-003]

RIN 1625-AA00

#### **Safety Zone; Gulf of Alaska, Narrow Cape, Kodiak Island, AK**

**AGENCY:** Coast Guard, DHS.

**ACTION:** Temporary final rule.

**SUMMARY:** The Coast Guard is establishing a temporary safety zone in the Gulf of Alaska, encompassing the navigable waters in the vicinity of Narrow Cape and Ugak Island. The zone is needed to protect persons and vessels operating in the vicinity of the safety zone during a rocket launch from the Alaska Aerospace Development Corporation, Narrow Cape, Kodiak Island facility. Entry of vessels or persons into this zone is prohibited unless specifically authorized by the Commander, Seventeenth Coast Guard District, the Coast Guard Captain of the Port, Western Alaska, or their on-scene representative. The intended effect of this safety zone is to ensure the safety

of human life and property during the rocket launch.

**DATES:** This temporary final rule is effective from 12 p.m. through 4 p.m. September 28, 2007 through October 31, 2007. The safety zones will be enforced each of these days from 12 p.m. through 4 p.m.

**ADDRESSES:** Documents indicated in this preamble as being available in the docket are available for inspection and copying at Coast Guard Marine Safety Detachment Kodiak, Kodiak, AK 99619. Normal Office hours are 7:30 a.m. to 4 p.m., Monday through Friday, except federal holidays.

**FOR FURTHER INFORMATION CONTACT:** LCDR Patrick Lee, Marine Safety Detachment, at (907) 486-5918.

#### **SUPPLEMENTARY INFORMATION:**

##### **Regulatory History**

We did not publish a notice of proposed rulemaking (NPRM) for this regulation. Under 5 U.S.C. 553(b)(8), the Coast Guard finds that good cause exists for not publishing an NPRM. Because the hazardous condition is expected to last for approximately four (4) hours of each day, and because general permission to enter the safety zone will be given during non-hazardous times, the impact of this rule on commercial and recreational traffic is expected to be minimal. Any delay encountered in this regulation's effective date would be contrary to public interest because immediate action is needed to protect human life and property from possible fallout from the rocket launch. The parameters of the zone will not unduly impair business and transits of vessels. The Coast Guard will announce via Broadcast Notice to Mariners the anticipated date and time of each launch and will grant general permission to enter the safety zone during those times in which the launch does not pose a hazard to mariners.

Under 5 U.S.C. 553(d)(3), the Coast Guard finds that good cause exists for making this rule effective less than 30 days after publication in the **Federal Register**. The process of scheduling a rocket launch is uncertain due to unforeseen delays such as weather that can cause cancellation of the launch. The Coast Guard attempts to publish a final rule as close to the expected launch date as possible; however, these attempts often prove futile due to frequent and unexpected re-scheduling. Any delay encountered in this regulation's effective date would be unnecessary and contrary to public interest since immediate action is needed to protect human life and property from possible fallout from the

rocket launch. The parameters of the zone will not unduly impair business and transits of vessels. The Coast Guard will announce via Broadcast Notice to Mariners the anticipated date and time of each launch and will grant general permission to enter the safety zone during those times in which the launch does not pose a hazard to mariners.

#### **Background and Purpose**

The Alaska Aerospace Development Corporation will launch an unmanned rocket from their facility at Narrow Cape, Kodiak Island, Alaska sometime between 12 p.m. and 4 p.m. during a five-day period between September 28, 2007 and October 31, 2007. The safety zone is necessary to protect spectators and transiting vessels from the potential hazards associated with the launch. The duration of the safety zone period will allow time for proper surveillance to be conducted to ensure the public is clear of the hazard area prior to and immediately following the rocket launch. The Captain of the Port, Western Alaska will terminate the safety zone after rocket launch operations are complete.

The Coast Guard will announce via Broadcast Notice to Mariners the anticipated date and time of the launch and will grant general permission to enter the safety zone during those times in which a launch schedule does not pose a hazard to mariners. Because the hazardous situation is expected to last for approximately four (4) hours each day during the five-day launch window period, and because general permission to enter the safety zone will be given during non-hazardous times, the impact of this rule on commercial and recreational traffic is expected to be minimal.

#### **Discussion of Rule**

From the latest information received from the Alaska Aerospace Development Corporation, the launch window is scheduled for four (4) hours during a five-day period between September 28, 2007 and October 31, 2007. The size and duration of the safety zone has been set to protect the public from potential hazards associated with the launch. The Pacific Range Support Team has identified a launch area exclusion zone from the area north of Narrow Cape to a point south of Ugak Island along the launch trajectory. The COTP will enforce a single safety zone in support of their exclusion zone. The established safety zone includes the navigable waters in the vicinity of Narrow Cape and Ugak Island, within the boundaries defined by a line drawn from a point located at 57°29.8' North,