Internal Revenue Service

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Date:
September 14, 2007

LEGEND:

Parent =

FSub 1 =

FSub 2 =

FSub 3 =

Business 1 =

Business 2 =

Company A =

Company B =

Company C =

Company D =

Company E =

Company F =

Company G =

Company H =

Company I =

Company J =

Company K =

Company L =

Company M =

Company N =

Company O =

Company P =

Company Q =

Company R =

Company S =

Company T =

Company U =

Company V =

Company W =

Company X =

Company Y =

Company Z =

Company AA =

Company BB =

Date 1 =

Date 2 =

Date 3 =

Date 4 =

Amount 5 =

Amount 6 =

Amount 7 =

Amount 8 =

Amount 8A =

Amount 9 =

Amount 10 =

Amount 11 =

Amount 12 =

Amount 13 =

Amount 14 =

Amount 15 =

Amount 16 =

Country A =

Country B =

Country C =

a =

b =

c =

d =

e =

f =

g =

h =

i =

j =

k =

l =

m =

n =

o =

p =

q =

r =

s =

t =

u =

v =

w =

x =

y =

z =

aa =

bb =

cc =

dd =

ee =

ff =

gg =

hh =

ii =

jj =

kk =

ll =

mm =

nn =

Dear :

This letter responds to your authorized representative's letter dated June 22, 2007, requesting rulings under § 351 of the Internal Revenue Code regarding a completed transaction. The information provided in that letter and in later correspondence is summarized below.

The rulings contained in this letter are based upon facts and representations submitted by the taxpayer and accompanied by a penalties of perjury statement

executed by an appropriate party. This office has not verified any of the material 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.

SUMMARY OF FACTS

Parent is a publicly traded domestic corporation engaged, directly and through its subsidiaries, in Business 1. Parent wholly owns FSub 1 and FSub 2, each a controlled foreign corporation within the meaning of § 957 ("CFC"). FSub 1 and FSub 2 own interests in lower-tier operating companies engaged in Business 1.

FSub 1 owns a percent of Company A, which owns b percent of Company B. The remaining c percent of Company B is owned by unrelated minority interest shareholders. Prior to the completed transaction (described below), Company B wholly owned Company C and Company D. Neither Company A, Company B, Company C, nor Company D is (or was) a CFC.

Additionally, before the completed transaction, FSub 2 wholly owned FSub 3. FSub 3 had elected under §301.7701-3 of the Procedure and Administration Regulations to be treated as an entity that is disregarded from its owner for U.S. federal income tax purposes.

Company E is a publicly traded foreign corporation engaged in Business 2 (a segment of Business 1). Company E has a single class of voting common stock outstanding. Prior to the completed transaction, Company B owned d percent, and the public and unrelated third parties owned e percent, of Company E's outstanding stock. Company E is not a CFC.

Group I Target Assets

Prior to the completed transaction, FSub 1 and Company B owned voting common stock in the following companies and in the following percentages:

(i) Company F was owned f percent by FSub 1 and g percent by Company B.

(ii) Company G was owned h percent by FSub 1 and h percent by Company B.

(iii) Company H was owned i percent by FSub 1 and i percent by Company B.

(iv) Company I was owned j percent by FSub 1 and k percent by Company B.

Additionally, FSub 1 owned an l percent interest in Company J. Company B owned indirectly an a percent interest in Company J through its 100 percent interest in Company D. Company D is part of Target Group IV (described below).

Collectively, Company F, Company G, Company H, Company I, and Company J comprise "Target Group I." None of the Target Group I companies is a CFC. There are four lower-tier Country A companies that are owned by the Target Group I companies. None of those companies is a CFC.

Group II Target Assets

Prior to the completed transaction, FSub 2 and Company B owned voting common stock in the following companies and in the following percentages:

(i) Company K was owned m percent by FSub 2 and n percent by Company B.

(ii) Company L was owned o percent by FSub 2 and p percent by Company B.

Collectively, Company K and Company L comprise "Target Group II." Company K and Company L are both CFCs. There are five lower-tier Country A operating companies that are owned by the Target Group II companies. All of those companies are CFCs.

Group III Target Assets

Prior to the completed transaction, FSub 3 and Company B owned voting common stock in the following companies and in the following percentages:

(i) Company M was owned q percent by FSub 3 and r percent by Company B.

(ii) Company N was owned s percent by FSub 3 and s percent by Company B.

(iii) Company O was owned s percent by FSub 3 and s percent by Company B.

(iv) Company P was owned s percent by FSub 3 and s percent by Company B.

(v) Company Q was owned m percent by FSub 3 and n percent by Company B.

Additionally, FSub 3 owned a t percent interest in Company R. Company B owned a t percent interest in Company R through its 100 percent interest in Company C. Company C is part of Target Group IV.

Collectively, Company M, Company N, Company O, Company P, Company Q, and Company R comprise "Target Group III." All of the Target Group III companies are CFCs except Company R. There are sixteen lower-tier Country A companies owned by the Target Group III companies. Fourteen of those companies are CFCs.

Group IV Target Assets

"Target Group IV" consists of entities that were either wholly owned by Company B or in which Company B owned an interest but in which no interest was held by either Parent, FSub 1, FSub 2, FSub 3, Company S, Company T, Company U, Company V, Company W, or Company X. None of the Target Group IV companies is a CFC.

Target Asset V

The "Foreign Group" consists of a series of commonly controlled foreign entities, including Company S, Company T, Company U, Company V, Company W, and Company X that are unrelated to Parent.

Company S is owned u percent by Company Y and the remainder by the public or other minority shareholders.

Prior to the completed transaction, Company Z was owned v percent by Company S and w percent by the public. The voting common stock of Company Z owned by Company S is "Target Asset V."

Target Asset VI

Prior to the completed transaction, Company AA was owned x percent by Company T and y percent by Company Z. The voting common stock of Company AA owned by Company T is "Target Asset VI."

Target Asset VII

Prior to the completed transaction, Company BB was owned z percent by Company U, s percent by Company V, aa percent by Company W, bb percent by Company T, and cc percent by Company X. The voting common stock of Company BB is "Target Asset VII."

COMPLETED TRANSACTION

On Date 1, the Foreign Group, Parent, FSub 1, FSub 2, Company B, and Company E publicly announced a plan (the "Plan") to combine certain assets and businesses within Company E to improve significantly Company E's competitive presence in Business 1. The Plan included a description of the assets to be contributed to Company E and the resulting ownership percentages in Company E resulting from the transfers. As announced, the Plan provided for the transfer of Target Group I, Target Group II, Target Group III, Target Group IV, Target Asset V, Target Asset VI, and Target Asset VII (collectively, the "Target Assets") by the respective owners of such assets (the "Transferors") to Company E (the "Transferee") in exchange for shares of

Company E voting common stock. The amount of Company E stock to be received by each Transferor was valued based on the share price of the Company E stock determined on the day immediately preceding the public announcement of the Plan. In addition to the public announcements, the Plan and the rights of the parties were defined, among other things, in formal resolutions of the Boards of Directors of Company E, as well as Company B, FSub 1, and FSub 2.

A variety of regulatory constraints imposed by Country A, Country B, and Country C laws and governmental agencies (as well as practical considerations such as differences in ownership of the Target Assets and multiple transferors) prevented the transfers of the Target Assets from occurring simultaneously or pursuant to a single agreement. Accordingly, the Plan provided that all transfers of the Target Assets were to occur between Date 2 and Date 3. Except as provided below, all transfers of the Target Assets were completed between Date 2 and Date 3.

Pursuant to the Plan, each Transferor transferred a portion of the Target Assets to the Transferee in exchange for shares of the Transferee's common stock as follows:

(i) Company B transferred the common stock that it held in the entities constituting Target Group I, Target Group II, Target Group III and Target Group IV (including Company C and Company D) to Company E in exchange for Amount 5 additional shares of Company E common stock. After the exchange, Company B owned Amount 6 shares of Company E common stock representing dd percent of Company E's outstanding shares. Immediately prior to the exchange, Company B owned Amount 7 shares of Company E common stock. The fair market value of the property transferred by Company B to Company E was approximately ee percent of the fair market value of Company B's interest in Company E prior to the exchange.

(ii) FSub 1 transferred the common stock that it held in the entities constituting Target Group I to Company E in exchange for Amount 8 shares of Company E common stock. After the exchange, and subject to the Trust Agreement and the Escrow Arrangement (described below), FSub 1 owned Amount 8 shares of Company E common stock representing ff percent of the outstanding Company E shares.

Although the beneficial ownership of the stock of Company F, Company G, Company H, and Company I were transferred to Company E on Date 3, the transfers have not yet been perfected. The taxpayer has represented that legal title to the stock of Company F, Company G, Company H, and Company I is to be transferred pursuant to the Plan.

The transfer of the stock of Company J requires certain Country A regulatory approvals. Such regulatory approvals were not obtained by Date 3. Consequently, in

accordance with the terms of the Acquisition Agreement governing the transfer, on Date 3, Company E issued Amount 8A shares of its common stock into an escrow account to be held for the benefit of FSub 1 until the regulatory approvals are obtained (the "Escrow Arrangement"), and FSub 1 executed a deed of trust over the Company J shares for the benefit of Company E (the "Trust Agreement"). The taxpayer has represented that the terms of the Escrow Arrangement comply with Rev. Proc. 84-42, 1984-1 C.B. 521, and Rev. Proc. 77-37, 1977-2 C.B. 568. If the Country A regulatory approvals are not obtained within a six-month period from the date of the Acquisition Agreement (Date 4), FSub 1 is required to contribute cash to Company E in lieu of the shares of Company J common stock. The amount of the cash that would be required to be contributed equals the Date 1 established value of the Company J shares that were to be transferred by FSub 1.

(iii) FSub 2 transferred the common stock that it held in the entities constituting Target Group II and Target Group III (through the transfer of its 100 percent interest in FSub 3) to Company E in exchange for Amount 9 shares of Company E common stock. After the exchange, FSub 2 owned Amount 9 shares of Company E common stock representing gg percent of the outstanding Company E shares.

(iv) Company S transferred Target Asset V to Company E in exchange for Amount 10 shares of Company E common stock. After the exchange, Company S owned Amount 10 shares of Company E common stock representing hh percent of the outstanding Company E shares.

(v) Company T transferred Target Asset VI and its interests in Target Asset VII to Company E in exchange for Amount 11 shares of Company E common stock. After the exchange, Company T owned Amount 11 shares of Company E common stock representing ii percent of the outstanding Company E shares.

(vi) Company U transferred its interest in Target Asset VII to Company E in exchange for Amount 12 shares of Company E common stock. After the exchange, Company U owned Amount 12 shares of Company E common stock representing jj percent of the outstanding Company E shares.

(vii) Company V transferred its interest in Target Asset VII to Company E in exchange for Amount 13 shares of Company E common stock. After the exchange, Company V owned Amount 13 shares of Company E common stock representing kk percent of the outstanding Company E shares.

(viii) Company W transferred its interest in Target Asset VII to Company E in exchange for Amount 14 shares of Company E common stock. After the exchange, Company W owned Amount 14 shares of Company E common stock representing ll percent of the outstanding Company E shares.

(ix) Company X transferred its interest in Target Asset VII to Company E in exchange for Amount 15 shares of Company E common stock. After the exchange, Company X owned Amount 15 shares of Company E common stock representing mm percent of the outstanding Company E shares.

Upon completion of the transfers of the Target Assets, the Transferors cumulatively held Amount 16 shares of Company E common stock, representing nn percent of the sole class of Company E stock outstanding.

REPRESENTATIONS

With regard to the transfers of the Target Assets, the following representations have been made:

(a) (i) No stock or securities were issued for services rendered to or for the benefit of the Transferee in connection with the transaction, and (ii) No stock or securities were issued for indebtedness of the Transferee that was not evidenced by a security or for interest on indebtedness of the Transferee which accrued on or after the beginning of the holding period of the Transferors for the debt.

(b) All of the property transferred to the Transferee consisted of the common stock of the companies that comprise the Target Assets.

(c) The property transferred was not subject to any liabilities and no liabilities of the Transferors were assumed in connection with the transfer of such property.

(d) The transfer was not the result of the solicitation by a promoter, broker, or investment house.

(e) The Transferors did not retain any rights in the property transferred to the Transferee.

(f) Any debt relating to the stock transferred that was being assumed (or to which such stock was subject) was incurred to acquire such stock and was incurred when such stock was acquired, and each Transferor transferred all of the stock for which the acquisition indebtedness being assumed (or to which such stock was subject), if any, was incurred.

(g) No liabilities were assumed in the transaction.

(h) There is no indebtedness between the Transferee and the Transferors and there was no indebtedness created in favor of the Transferors as a result of the transaction.

(i) The transfers and exchanges occurred under a plan agreed upon before the transaction in which the rights of the parties were defined.

(j) The value of the Target Assets transferred by Company B to Company E was not of relatively small value in comparison to the value of the Company E stock owned by Company B immediately prior to the transfer.

(k) All exchanges occurred between Date 2 and Date 3 except to the extent that regulatory constraints resulted in the Company J shares held by FSub 1 becoming subject to the Trust Agreement and the related Company E shares becoming subject to the Escrow Arrangement.

(l) There is no plan or intention on the part of the Transferee to redeem or otherwise reacquire any stock or indebtedness issued in the transaction.

(m) Taking into account any issuance of additional shares of Transferee stock; any issuance of stock for services; the exercise of any Transferee stock rights, warrants, or subscriptions; a public offering of Transferee stock; and the sale, exchange, transfer by gift, or other disposition of any of the stock of the Transferee to be received in the exchange, the Transferors were in “control” of the Transferee within the meaning of § 368(c).

(n) Each Transferor received stock, securities or other property approximately equal to the fair market value of the property transferred to the Transferee or for services rendered or to be rendered for the benefit of the Transferee.

(o) The Transferee will remain in existence and retain and use the property transferred to it in a trade or business.

(p) To the best of the knowledge and belief of Parent, FSub 1, and FSub 2, there is no plan or intention by the Transferee to dispose of the transferred property other than in the normal course of business operations.

(q) Each of the parties to the transaction will pay its or his/her own expenses, if any, incurred in connection with the transaction.

(r) The Transferee will not be an investment company within the meaning of § 351(e)(1) and § 1.351-1(c)(1)(ii) of the Income Tax Regulations.

(s) No Transferor is under the jurisdiction of a court in a Title 11 or similar case (within the meaning of § 368(a)(3)(A)) and the stock or securities received in the exchange will not be used to satisfy the indebtedness of such debtor.

(t) The Transferee is not a “personal service corporation” within the meaning of § 269A.

(u) The terms of the Escrow Arrangement pursuant to which Company E on Date 3 issued its shares to an escrow account to be held for the benefit of FSub 1 under the Escrow Arrangement comply with Rev. Proc. 84-42, 1984-1 C.B. 521, and Rev. Proc. 77-37, 1977-2 C.B. 568.

(v) The total fair market value of the assets transferred by the Transferors to Company E exceeded the sum of (i) the amount of any liabilities assumed (within the meaning of § 357(d)) by Company E in connection with the exchange, (ii) the amount of any liabilities owed to Company E by the Transferors that were discharged or extinguished in connection with the exchange, and (iii) the amount of cash and the fair market value of any other property (other than stock permitted to be received under § 351(a) without recognition of gain) received by the Transferors in connection with the exchange. The fair market value of the assets of Company E exceeded the amount of its liabilities immediately after the exchange.

(w) FSub 2 will comply with the notice requirements of §1.367(b)-1(c) with respect to the transfers of the voting common stock of Company K, Company L, and five lower-tier operating companies held by these entities.

(x) FSub 2 will comply with the notice requirements of §1.367(b)-1(c) with respect to the transfers of the voting common stock of Company M, Company N, Company O, Company P, Company Q, and fourteen lower-tier operating companies held by these entities.

(y) None of the transactions included the transfer of stock of any corporation that has been the U.S. transferor, the transferee foreign corporation, or the transferred corporation with respect to any unexpired "gain recognition agreement" within the meaning of §§1.367(a)-3 and 1.367(a)-8.

RULINGS

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

(1) The transfers by FSub 1, FSub 2, Company B, and the Foreign Group of the Target Assets to Company E are contributions of property by a group of transferors that constitute a single transferor group for purposes of § 351.

(2) No gain or loss will be recognized by FSub 1, FSub 2, or Company B on the transfer of the Target Assets to Company E solely in exchange for shares of Company E common stock (§ 351(a)).

(3) The basis of the common stock of Company E received by FSub 1, FSub 2, and Company B will be the same as the basis of the assets exchanged therefor (§ 358(a)).

(4) The transfers of the voting common stock of Company K, Company L, and five lower-tier operating companies held by these entities, all of which were CFCs prior to the transaction, are each an exchange to which §1.367(b)-4(b)(1)(i) applies. Therefore, FSub 2 will include in income as a deemed dividend the § 1248 amount attributable to the stock of Company K, Company L, and the five lower-tier operating companies that FSub 2 exchanged in accordance with the requirements of §§1.367(b)-4(b), 1.367(b)-2(c) and (e), and § 1248(c)(2). However, the amount of the deemed dividend included in the income of FSub 2 shall not be included as foreign personal holding company income under § 954(c).

(5) The transfers of the voting common stock of Company M, Company N, Company O, Company P, Company Q, and fourteen lower-tier operating companies held by these entities, all of which were CFCs prior to the transaction, are each an exchange to which §1.367(b)-4(b)(1)(i) applies. Therefore, FSub 2 will include in income as a deemed dividend the § 1248 amount attributable to the stock of Company M, Company N, Company O, Company P, Company Q, and the fourteen lower-tier operating companies that FSub 2 exchanged in accordance with the requirements of §§1.367(b)-4(b), 1.367(b)-2(c) and (e), and § 1248(c)(2). However, the amount of the deemed dividend included in the income of FSub 2 shall not be included as foreign personal holding company income under § 954(c).

CAVEATS

We express no opinion about the tax treatment of the completed transaction under other provisions of the Code and regulations or on the tax treatment of any condition existing at the time of, or effects resulting from, the completed transaction that are not specifically covered by the above rulings. In particular, no opinion is expressed regarding:

(i) To the extent not otherwise specifically ruled upon above, the adjustments to earnings and profits or deficits in earnings and profits, if any, in any of the transactions to which § 367 applies;

(ii) To the extent not otherwise specifically ruled upon above, any other consequences under § 367 on any transaction in this ruling letter;

(iii) The application of § 1503(d) to any dual resident corporation that is involved in a putative triggering event in connection with any of the transactions described above; and

(iv) Whether any or all of the above-referenced foreign corporations are PFICs within the meaning of § 1297(a). If it is determined that any such corporations are PFICs, no opinion is expressed with respect to the application of §§ 1291 through 1298 to the completed transaction. In particular, in a transaction in which gain is not otherwise recognized, regulations under § 1291(f) may require gain recognition notwithstanding any other provisions of the Code.

PROCEDURAL STATEMENTS

This ruling letter 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 the letter ruling.

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

Sincerely,

Lewis K Brickates
Chief, Branch 4
Associate Chief Counsel (Corporate)

cc: