Internal Revenue Service

Department of the Treasury
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LEGEND

Foreign Parent =

Foreign Entity =

Taxpayer =

Sub 1 =

Year 1 =

Year 2 =

Year 3 =

Year 4 =

Date 1 =

Country A =

Dear :

In a letter dated April 17, 2009, and supplemental letters, you requested rulings under §§ 1502, 165, and 381 of the Internal Revenue Code (the "Code"). The information submitted for consideration is summarized below.

FACTS

Taxpayer is a wholly owned subsidiary of Foreign Entity, a Country A entity that is disregarded for U.S. tax purposes as an entity separate from Foreign Parent. Taxpayer is the common parent of an affiliated group that joins in the filing of a consolidated income tax return. Sub 1 is a wholly owned subsidiary of Taxpayer, and was formed in Year 1. Prior to Year 2, Sub 1 was the common parent of an affiliated group that joined in the filing of a consolidated income tax return (the "Old Sub 1 Group"). In Year 2, Foreign Parent's predecessor, which owned all of the stock of Sub 1 at that time, engaged in transactions which resulted in the termination of the Old Sub 1 Group, and Sub 1 and its domestic subsidiaries joined the Taxpayer Group; Taxpayer represents that such transaction was not a "reverse acquisition" as defined in Treas. Reg. § 1.1502-75(d)(3). Years 1 and 2 are years prior to 1995.

Between Year 3 and Year 4, some of Sub 1's foreign and domestic subsidiaries (the "Transferor Subsidiaries") either merged with and into, or were liquidated into, Sub 1 in the "Subsidiary Transactions." Some of the Transferor Subsidiaries held subsidiaries (the "Second-Tier Transferor Subsidiaries") that either merged with and into, or were liquidated into, their immediate parent entity prior to that entity's merger or liquidation into Sub 1 in the "Second-Tier Subsidiary Transactions".

Sub 1 also owned, directly or indirectly, other domestic and foreign subsidiaries whose stock has been sold outside of the Taxpayer Group (the "Sold Subsidiaries"). Prior to Year 2, certain of the domestic Sold Subsidiaries made intercompany distributions to the Transferor Subsidiaries (the "Distributing Domestic Subsidiaries"), as described in former § 1.1502-14, which generally applies to transactions involving intercompany distributions with respect to the stock of members occurring in consolidated return taxable years beginning before July 12, 1995. In addition, prior to Year 2, certain of the domestic Sold Subsidiaries that were owned directly by the Distributing Domestic Subsidiaries made intercompany distributions to the Transferor Subsidiaries, as described in former § 1.1502-14 (the "Second-Tier Distributing Domestic Subsidiaries").

PROPOSED TRANSACTION

Sub 1 has liabilities that exceed the fair market value of its assets, and which are owed solely to Taxpayer. Taxpayer has concluded that there is no reasonable

expectation of future business activity by Sub 1. Taxpayer proposes to cause Sub 1 to transfer all of its assets to Taxpayer in partial satisfaction of the liabilities owed by Sub 1 (the "Proposed Transaction"). The Proposed Transaction will likely occur through a statutory merger of Sub 1 with and into Taxpayer under applicable state law. Taxpayer intends to claim a worthless stock deduction with respect to its Sub 1 stock in an amount equal to its basis in the stock, to the extent permitted by § 1.1502-36.

REPRESENTATIONS

Taxpayer has made the following representations in connection with the Proposed Transaction:

(a) Sub 1 has a single class of stock outstanding and Taxpayer owns directly 100 percent of that single class of stock in Sub 1 (meaning, Taxpayer owns directly more than 80 percent of the voting power and value of Sub 1 within the meaning of § 1504(a)(2));

(b) Sub 1 is currently insolvent and will be insolvent as of the date of the Proposed Transaction;

(c) Sub 1 has not made any distributions that caused it to become insolvent;

(d) On the date of the Proposed Transaction, Sub 1's stock will be worthless within the meaning of § 165(g). If the stock was worthless within the meaning of § 165(g)(1) at any time on or prior to Date 1, the stock was not worthless under § 1.1502-80(c) because, prior to the date of the Proposed Transaction, Sub 1 will remain a member of the Taxpayer Group and will continue to own assets (beyond minimal capital);

(e) Each of the Subsidiary Transactions and the Second-Tier Subsidiary Transactions was tax-free under § 332 or § 368;

(f) Taxpayer has no excess loss account ("ELA") in its Sub 1 stock; and,

(g) Taxpayer will claim a worthless stock loss with respect to the stock of Sub 1 only to the extent permitted by § 1.1502-36.

RULINGS

Based upon the information submitted and representations made by Taxpayer, we rule as follows:

(1) Assuming the requirements for claiming a worthless stock deduction under § 165(g) are otherwise satisfied, Taxpayer may claim a worthless stock

deduction under the consolidated return regulations (specifically, § 1.1502-80(c)) upon the occurrence of the Proposed Transaction.

(2) For purposes of computing the "more than 90 percent gross receipts" test under § 165(g)(3)(B), Sub 1 will take into account the historic gross receipts of each of Transferor Subsidiary and Second-Tier Transferor Subsidiary in the Subsidiary Transactions and Second-Tier Subsidiary Transactions provided, however, that (i) each Transferor Subsidiary will eliminate intercompany distributions received from a Second-Tier Subsidiary prior to such subsidiary's Second-Tier Subsidiary Transaction; and, (ii) Sub 1 will eliminate intercompany distributions received from any Transferor Subsidiary prior to such subsidiary's Subsidiary Transaction.

(3) For purposes of computing the "more than 90 percent gross receipts" test under § 165(g)(3)(B), Sub 1 must treat as a dividend the full amount of any intercompany distributions made out of earnings and profits, and received in a taxable year beginning prior to July 12, 1995, from a lower tier subsidiary (e.g., a Distributing Domestic Subsidiary or Second-Tier Distributing Domestic Subsidiary).

CAVEATS

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.

No opinion is expressed about the tax treatment of the proposed transaction under other provisions of the Code or Income Tax Regulations or the tax treatment of any conditions existing at the time of, or effects resulting from, the proposed transaction that are not specifically covered by the above rulings. Specifically, we express or imply no opinion whether Taxpayer otherwise meets the requirements of § 165, or whether the Subsidiary Transactions and Second-Tier Subsidiary Transactions qualify for tax-free treatment under any section of the Code including § 332 and § 368.

PROCEDURAL STATEMENTS

This ruling is directed only to the taxpayer requesting 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 in this office, a copy of this ruling letter will be sent to your authorized representative.

Sincerely,

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Gerald B. Fleming
Senior Technician Reviewer, Branch 2
Office of Associate Chief Counsel (Corporate)

cc: