

Sub 5 =

State X =

Country A =

Country B =

Date 1 =

Date 2 =

Date 3 =

xx =

yy =

zz =

aa =

bb =

cc =

Dear :

We respond to your representative's letter dated November 9, 2005, requesting rulings concerning the federal tax consequences of a proposed and partially consummated transaction, including whether the transaction qualifies as a reorganization under § 368(a)(1)(F) of the Internal Revenue Code. Additional information was submitted in letters dated January 17, March 1, March 9, and March 23, 2006. The material information submitted for consideration is summarized below.

Parent, a State X corporation, is the common parent of an affiliated group of corporations that files a consolidated federal income tax return. Parent owns, among other assets, all of the outstanding stock of Sub 1. Sub 1 owns all of the outstanding

stock of Sub 2 and an interest in Sub 3. The remaining interest in Sub 3 is owned by Sub 2 (less than xx percent). Sub 2 and Sub 3 have each, respectively, elected to be disregarded as an entity separate from its owner (Sub 1) for U.S. federal tax purposes. Sub 3 owns all of the outstanding stock of Oldco, a Country A entity. Oldco owns all of the outstanding stock of Sub 4 and Sub 5, each of which have elected to be disregarded as an entity separate from its owner for U.S. federal tax purposes. Sub 4 and Sub 5 own directly and indirectly the stock of numerous subsidiaries, all of which have elected to be disregarded as an entity separate from its owner for U.S. federal tax purposes.

Parent's principle purpose for engaging in the following proposed and partially consummated transaction is to change the place of incorporation of Oldco from Country A to Country B to achieve foreign tax savings.

- (i) On Date 1, Oldco and Management Company formed Newco. Oldco transferred yy in exchange for aa percent of Newco stock, and Management Company transferred zz in exchange for bb percent of Newco stock. Management Company had no rights (economic or otherwise) by virtue of its initial receipt of the Newco stock, other than the right to vote, and was a necessary party solely for Country B law purposes. As a result, Newco was viewed, for federal income tax purposes, as having a single economic owner (Oldco) under § 301.7701-3(a). Newco elected to be an entity disregarded as separate from its owner for U.S. federal tax purposes, effective as of Date 1.
- (ii) On Date 1, Oldco contributed the stock of Sub 5 and its subsidiaries (but retained some cash) as well as all of its cc, to Newco in exchange for newly-issued Newco stock. Pursuant to the same transfer, Management Company transferred its stock in Newco to Oldco. Pursuant to these transfers, Oldco became the sole owner of all of the outstanding stock of Newco.
- (iii) On Date 2, Oldco will transfer Sub 4 and its subsidiaries to Newco in exchange for additional stock of Newco.
- (iv) Newco will elect to be treated as a corporation for U.S. federal income tax purposes, and Oldco will elect to be treated as an entity disregarded as separate from its owner for U.S. federal income tax purposes, with both elections to be effective on or before Date 2. Steps (i) through (iv) are hereinafter collectively referred to as the "Proposed Transaction".
- (v) On or after Date 2, but before Date 3, Oldco will distribute the excess cash (described in Step (ii), above) to its sole shareholder, Sub 1 (the Distribution).

The taxpayer has made the following representations in connection with the Proposed Transaction:

- (a) The fair market value of the Newco stock and other consideration deemed received by Sub 1 when Oldco is deemed to liquidate as a result of step (iv), above, will be approximately equal to the fair market value of the Oldco stock surrendered in the exchange.
- (b) There is no plan or intention by Sub 1 to sell, exchange or otherwise dispose of any of the shares of Newco stock received in the Proposed Transaction.
- (c) Immediately following the consummation of the Proposed Transaction, Sub 1 will own all of the outstanding Newco stock and will own those shares solely by reason of its ownership of all of the stock of Oldco immediately prior to the Proposed Transaction.
- (d) Newco has no plan or intention to issue additional shares of its stock following the Proposed Transaction.
- (e) Immediately following consummation of the Proposed Transaction, Newco will possess the same assets and liabilities as those possessed by Oldco immediately prior to the Proposed Transaction, except for (i) assets distributed to Sub 1 who received cash or other property and (ii) assets used to pay expenses incurred in connection with the Proposed Transaction. Assets distributed to Sub 1, assets used to pay expenses, and all redemptions and distributions (except for regular, normal dividends) made by Oldco immediately preceding the Proposed Transaction will, in the aggregate, constitute less than one percent (1%) of the net assets of Oldco.
- (f) At the time of the Proposed Transaction, Oldco will not have outstanding any warrants, options, convertible securities, or any other type of right pursuant to which any person could acquire stock in Oldco.
- (g) Newco has no plan or intention to reacquire any of its Newco stock issued in the Proposed Transaction.
- (h) Newco has no plan or intention to sell or otherwise dispose of any of the assets of Oldco acquired in the Proposed Transaction, except for dispositions made in the ordinary course of business.
- (i) The liabilities of Oldco assumed by Newco plus the liabilities, if any, to which the transferred assets are subject, were incurred by Oldco in the

ordinary course of Oldco's business and are associated with the assets transferred.

- (j) Following the Proposed Transaction, Newco will continue the historic business of Oldco or use a significant portion of Oldco's historic business assets in a business.
- (k) Sub 1 will pay its respective expenses, if any, incurred in connection with the Proposed Transaction.
- (l) Oldco is not under the jurisdiction of a court in a Title 11 or similar case within the meaning of § 368(a)(3)(A).

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

- (1) The Proposed Transaction will qualify as a reorganization within the meaning of § 368(a)(1)(F). Oldco and Newco will each be "a party to the reorganization" under § 368(b). The Distribution will not prevent the Proposed Transaction from qualifying as a reorganization under § 368(a)(1)(F) (Rev. Rul. 96-29, 1996-1 C.B. 50).
- (2) Sub 1 will not recognize any gain or loss upon the deemed exchange of OldCo stock for Newco stock (§ 354(a)(1)).
- (3) Oldco will not recognize any gain or loss on the transfer of its assets to Newco in exchange for Newco stock and the assumption by Newco of the liabilities of Oldco (§§ 361(a) and 357(a)).
- (4) Newco will not recognize any gain or loss on the receipt of Oldco's assets and the assumption of Oldco's liabilities in exchange for Newco stock in the Proposed Transaction (§ 1032(a)).
- (5) The basis of the assets of Oldco in the hands of Newco will be the same as the basis of such assets in the hands of Oldco immediately prior to the Proposed Transaction (§ 362(b)).
- (6) The holding period of the Oldco assets held by Newco will include the period during which such assets were held by Oldco (§ 1223(2)).
- (7) The basis of the Newco stock received by Sub 1 will be the same as the basis of the Oldco stock surrendered in the deemed exchange thereof, (§ 358(a)(1)).

- (8) The holding period of the Newco stock received by Sub 1 will include the period during which the Oldco stock surrendered in deemed exchange thereof was held by Sub 1, provided that the stock was held as a capital asset on the date of the deemed exchange (§ 1223(1)).
- (9) The Distribution will be treated as a distribution of property from Oldco to Sub 1 separate from the reorganization described in the Proposed Transaction (Rev. Rul. 96-29 and § 1.301-1(l)).

Except as expressly provided herein, no opinion is expressed or implied concerning the tax consequences of any aspect of any transaction or item discussed or referenced in this letter. In particular, no opinion is expressed about the tax treatment of the above transactions under the international provisions of the Code. Specifically, no opinion is expressed or implied as to the application of § 1.367(b)-4.

The ruling contained in this letter is based upon information and representations submitted by the taxpayer and accompanied by a penalty of perjury statement executed by an appropriate party. While this office has not verified any of the material submitted in support of the request for rulings, it is subject to verification on examination.

A copy of this letter must be attached to any income tax return to which it is relevant.

This ruling is directed only to the taxpayer requesting it. Section 6110(k)(3) of the Code provides that it may not be used or cited as precedent.

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,

Richard E. Coss
Senior Counsel, Branch 3
Office of Associate Chief Counsel (Corporate)

cc: