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Person To Contact:

ID No.

Telephone Number:

Refer Reply To:

CC:CORP:B04

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## Legend

Date a =

Date j =

Date k =

x =

y =

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aa =

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cc =

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Country D =

Sub 11 =

Sub 13 =

Sub 18 =

Sub 19 =

Sub 20 =

Sub 21 =

Sub 22 =

Sub 23 =

Sub 24 =

Sub 25 =

Sub 26 =

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Sub 28 =

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Sub 30 =

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Sub 33 =

Sub 34 =

Sub 35 =

Sub 36 =

Sub 37 =

Sub 38 =

Dear :

This letter responds to your July 26, 2005 request that we supplement our letter ruling dated December 30, 2003 (PLR-166869-03) (the "Original Letter Ruling"), as supplemented by our letter rulings dated April 7, 2005 (PLR-154390-04) and April 21, 2005 (PLR-165182-04) (together, the "Prior Letter Rulings"). The information submitted for consideration is summarized below. Capitalized terms not defined in this ruling have the meanings assigned to them in the Original Letter Ruling.

The rulings contained in this letter are based on information 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 material submitted in support of the requested ruling. Verification of the information, representations, and other data may be required as part of the audit process.

### **Summary of Facts**

The Prior Letter Rulings address certain federal income tax consequences of the Acquisition of Target by Acquiror and Acquiror Sub and the restructuring of Target and transfer of certain of Target's subsidiaries to Acquiror and certain subsidiaries of Acquiror. The Acquisition was completed on Date a. The restructuring and transfers were completed on various dates. As a result of these transactions and prior to the completion of steps (i) through (x) below:

Acquiror directly owns all of the outstanding stock of Sub 18 and Sub 33 and indirectly owns all of the outstanding stock of Sub 24, Sub 34, Sub 36 and Sub 37. Each of Sub 18, Sub 24, Sub 33, Sub 34, Sub 36 and Sub 37 is a corporation for U.S. federal income tax purposes (a "Corporation"). Sub 18 owns all of the outstanding stock of Sub 19, an entity that is disregarded as separate from its owner for U.S. federal income tax purposes under § 301.7701-3 (a "Disregarded Entity"). Sub 19 owns all of the outstanding stock of Sub 13, a Disregarded Entity. Sub 13 owns all of the outstanding stock of Sub 20, a Disregarded Entity. Sub 20 owns all of the outstanding stock of Sub 11, a Corporation. Sub 11 owns all of the outstanding stock of Sub 21, a Corporation. Sub 21 owns all of the outstanding stock of Sub 22 and Sub 29, both Corporations. Sub 21 also owns all of the outstanding stock of several other Corporations, including Sub 30, Sub 31, and Sub 32 (such other Corporations, the "Sub 21 Subsidiaries"). Sub 22 owns all of the outstanding stock of Sub 23, a Corporation. Sub 23 has a fair market value of approximately \$x. For U.S. federal income tax purposes, Sub 24 directly owns all of the outstanding stock of Sub 25, a Disregarded Entity, and indirectly owns all of the outstanding partnership interests of Sub 35. Sub 35 is treated as a partnership for U.S. federal income tax purposes. Sub 25 owns all of the outstanding stock of Sub 26, a Disregarded Entity. Sub 26 owns all of the outstanding stock of Sub 27, a Disregarded Entity.

### **Proposed Transaction**

For valid business reasons, Acquiror proposes to engage in a further restructuring of certain of Target's former subsidiaries (the "Proposed Transaction").

The steps of the Proposed Transaction for U.S. federal income tax purposes include:

(i) Sub 22 will elect under § 301.7701-3 to be treated as a Disregarded Entity (the "Sub 22 Election").

(ii) Sub 21 will elect under § 301.7701-3 to be treated as a Disregarded Entity (the "Sub 21 Election").

(iii) Sub 24, Sub 35, Sub 36, and Sub 37 will loan a total of approximately \$y to Sub 11 (the "Loan").

(iv) Sub 11 will loan substantially all of the proceeds of the Loan to Sub 23.

(v) Sub 11 will contribute business assets acquired in the Sub 21 Election and the stock of the Sub 21 Subsidiaries to Sub 28, a newly formed Country D subsidiary of Sub 11 (the "First Contribution"). Sub 28 will be a Corporation. In connection with the First Contribution, Sub 28 will assume the Loan.

(vi) Sub 11 will contribute the stock of Sub 28 to Sub 38, a newly formed Country D subsidiary of Sub 11 (the "Second Contribution"). Sub 38 will be a Corporation.

(vii) Sub 11 will adopt a plan of liquidation which meets the requirements of § 332(b) and § 1.332-4.

(viii) Sub 11 will declare and pay a distribution of approximately \$z plus the remainder of the proceeds of the Loan to Sub 20.

(ix) During Date j, Sub 28 will sell the stock of each of Sub 30 and Sub 31 to Sub 33 for approximately aa (the "Sub 30 Sale" and the "Sub 31 Sale," respectively). Also during Date j, Sub 28 will sell the stock of Sub 32 to Sub 34 for approximately bb (the "Sub 32 Sale").

(x) After step (ix) and on or prior to Date k, Sub 11 will, pursuant to the plan of liquidation adopted in step (vii) above, elect under § 301.7701-3 to be treated as a Disregarded Entity (the "Sub 11 Election," together with the distribution in step (viii), the "Sub 11 Liquidation").

(xi) During Date j or following the Proposed Transaction, Sub 24 plans to sell certain assets to Sub 28 or Sub 38 for an amount of cash equal to the fair market value of the assets sold.

## **Representations**

In connection with its request for a supplemental ruling, the taxpayer reaffirms the representations made in connection with the Prior Letter Rulings as of the dates of the transactions to which such representations relate.

The taxpayers have made the following representations with respect to the Sub 22 Election:

(a) Sub 21, on the effective date of the Sub 22 Election will be the owner of at least 80 percent of the single outstanding class of stock of Sub 22.

(b) No shares of Sub 22 will have been redeemed during the period beginning on Date a and ending with the effective date of the Sub 22 Election.

(c) All distributions from Sub 22 pursuant to the Sub 22 Election will be made within a single taxable year of Sub 22.

(d) For U.S. federal income tax purposes, Sub 22 will retain no assets following its deemed liquidation pursuant to the Sub 22 Election.

(e) Sub 22 will not have acquired assets in any nontaxable transaction at any time except for acquisitions occurring prior to Date a.

(f) Other than pursuant to the Sub 22 Election and the Sub 21 Election, no assets of Sub 22 have been or will be disposed of by either Sub 22 or Sub 21, except for dispositions in the ordinary course of business and dispositions occurring prior to Date a.

(g) Provided the Service rules as the taxpayer requests, the deemed liquidation of Sub 22 will not be preceded or followed by the transfer of all or a part of the business assets to another corporation (i) that is the alter ego of Sub 22 and (ii) which, directly or indirectly, is owned more than 20 percent in value by persons holding directly or indirectly more than 20 percent of the value of Sub 22's stock. For purposes of this representation, ownership will be determined by applying the constructive ownership rules of § 318(a), as modified by § 304(c)(3).

(h) Prior to the effective date of the Sub 22 Election, no assets of Sub 22 will have been distributed in kind, transferred, or sold to Sub 21, except for (i) transactions occurring in the normal course of business and (ii) transactions occurring prior to Date a.

(i) Sub 22 will report all earned income represented by assets that will be distributed to its shareholder, such as receivables being reported on a cash basis, unfinished construction contracts, commissions due, etc.

(j) The fair market value of Sub 22's assets will exceed its liabilities on the effective date of the Sub 22 Election.

(k) Other than amounts owed by Sub 22 to Sub 21 in the amount of approximately cc that will be repaid in connection with the Proposed Transaction, there is no intercorporate debt existing between Sub 22 and Sub 21 and none has been canceled, forgiven, or discounted, except for transactions that occurred prior to Date a.

(l) Sub 21 is not an organization that is exempt from federal income tax under § 501 or any other provision of the Code.

(m) All other transactions undertaken contemporaneously with, in anticipation of, in conjunction with, or in any way related to, the Sub 22 Election have been fully disclosed.

(n) As of the date of the Sub 22 Election, Sub 23 will not be a United States real property holding corporation under § 897(c)(2) and its stock will not be treated as a United States real property interest under § 897(c)(1).

(o) The applicable notice requirements of § 1.897-2 will be met with respect to Sub 23 and the notice requirements of § 1.1445-2 will be met with respect to the deemed transfer of the stock of Sub 23 by Sub 22 to Sub 21.

(p) Sub 21 satisfies the 80-percent control requirement of §§ 332(b)(1) and 1504(a)(2) with respect to Sub 22 and Sub 22 does not use the assets deemed to be distributed in a U.S. trade or business.

The taxpayers have made the following representations with respect to the Sub 21 Election should the transaction be treated as a reorganization under § 368(a)(1)(C):

(q) No Sub 11 stock will be issued, therefore, Sub 11 has no plan or intention to reacquire any of its stock issued in the transaction.

(r) Sub 11 will be deemed to receive all of the assets of Sub 21 and, thus, will acquire at least 90 percent of the fair market value of the net assets and at least 70 percent of the fair market value of the gross assets held by Sub 21 immediately prior to the transaction. For purposes of this representation, amounts paid by Sub 21 to dissenters, amounts used by Sub 21 to pay its reorganization expenses, amounts paid by Sub 21 to shareholders who receive cash or other property, and all redemptions and distributions (except for regular, normal dividends) made by Sub 21 immediately preceding the transfer will be included as assets of Sub 21 held immediately prior to the transaction.

(s) Sub 11 has no plan or intention to sell or otherwise dispose of the assets of Sub 21 deemed acquired in the transaction, except for (i) dispositions made in the

ordinary course of business, (ii) transfers described in § 368(a)(2)(C), (iii) the Sub 11 Liquidation, and (iv) the First Contribution.

(t) The Sub 21 liabilities deemed assumed by Sub 11 and the liabilities to which the assets deemed transferred are subject were incurred by Sub 21 in the ordinary course of its business and are associated with the assets deemed transferred.

(u) Following the transaction and other than the First Contribution, Sub 11 will continue the historic business of Sub 21 or use a significant portion of each historic business asset in a business.

(v) Sub 21 and Sub 11 will each pay their respective expenses, if any, incurred in connection with the transaction.

(w) Other than amounts owed by Sub 21 to Sub 11 in the amount of approximately \$dd that will be repaid in connection with the Proposed Transaction, no intercorporate indebtedness exists, or will exist, between Sub 21 and Sub 11 that was issued, acquired or will be settled at a discount.

(x) No two parties to the transaction are investment companies as defined in § 368(a)(2)(F)(iii) and (iv).

(y) The fair market value of the Sub 21 assets deemed transferred to Sub 11 will equal or exceed the sum of the liabilities deemed assumed by Sub 11, plus the amount of the liabilities, if any, to which the assets deemed transferred are subject.

(z) The total adjusted bases of the Sub 21 assets deemed transferred to Sub 11 will equal or exceed the sum of the liabilities deemed assumed by Sub 11, plus the amount of the liabilities, if any, to which the assets deemed transferred are subject.

(aa) Sub 21 is not under the jurisdiction of a court in a title 11 or similar case within the meaning of § 368(a)(3)(A).

(bb) Disregarding the First Contribution, at least 40 percent of the proprietary interest in Sub 21 will be preserved (within the meaning of § 1.368-1(e)) by reason of an exchange of Sub 21 stock held by Sub 11 for a direct interest in the Sub 21 enterprise for U.S. federal income tax purposes.

(cc) Sub 18 will be a § 1248 shareholder (within the meaning of § 1.367(b)-2(b)) of Sub 11 and Sub 21 before the Sub 21 Election and Sub 18 will be a § 1248 shareholder (within the meaning of § 1.367(b)-2(b)) of Sub 11 after the Sub 21 Election.

(dd) The notice requirements of § 1.367(b)-1(c)(1) will be met with respect to the transaction.

(ee) Sub 18 will comply with § 1.367(b)-4(d) rules for subsequent exchanges when and where applicable.



The taxpayers have made the following representations with respect to the Sub 21 Election should the transaction be treated as a liquidation under § 332:

(ff) Sub 11, on the effective date of the Sub 21 Election, will be the owner of at least 80 percent of each outstanding class of stock of Sub 21.

(gg) No shares of Sub 21 will have been redeemed during the period beginning on Date a and ending with the effective date of the Sub 21 Election.

(hh) All distributions from Sub 21 pursuant to the Sub 21 Election will be made within a single taxable year of Sub 21.

(ii) For U.S. federal income tax purposes, Sub 21 will retain no assets following its deemed liquidation pursuant to the Sub 21 Election.

(jj) Except as disclosed and other than pursuant to the Sub 22 Election, Sub 21 will not have acquired assets in any nontaxable transaction at any time except for acquisitions occurring prior to Date a.

(kk) Other than pursuant to the First Contribution, the Sub 11 Liquidation and the Sub 21 Election, the Sub 30 Sale, the Sub 31 Sale and the Sub 32 Sale, no assets of Sub 21 have been or will be disposed of by either Sub 21 or Sub 11, except for dispositions in the ordinary course of business and dispositions occurring prior to Date a.

(ll) Provided the Service rules as the taxpayer requests, the deemed liquidation of Sub 21 will not be preceded or followed by the transfer of all or a part of the business assets to another corporation (i) that is the alter ego of Sub 21 and (ii) which, directly or indirectly, is owned more than 20 percent in value by persons holding directly or indirectly more than 20 percent of the value of Sub 21's stock. For purposes of this representation, ownership will be determined by applying the constructive ownership rules of § 318(a), as modified by § 304(c)(3).

(mm) Prior to the effective date of the Sub 21 Election, no assets of Sub 21 will have been distributed in kind, transferred, or sold to Sub 11, except for (i) transactions occurring in the normal course of business and (ii) transactions occurring prior to Date a.

(nn) Sub 21 will report all earned income represented by assets that will be distributed to its shareholder, such as receivables being reported on a cash basis, unfinished construction contracts, commissions due, etc.

(oo) The fair market value of Sub 21's assets will exceed its liabilities on the effective date of the Sub 21 Election.

(pp) Other than amounts owed by Sub 21 to Sub 11 of approximately \$dd that will be repaid in connection with the Proposed Transaction, there is no intercorporate

debt existing between Sub 11 and Sub 21 and none has been canceled, forgiven, or discounted, except for transactions that occurred prior to Date a.

(qq) Sub 11 is not an organization that is exempt from federal income tax under § 501 or any other provision of the Code.

(rr) All other transactions undertaken contemporaneously with, in anticipation of, in conjunction with, or in any way related to, the Sub 21 Election have been fully disclosed.

(ss) Sub 11 satisfies the 80-percent control requirement of §§ 332(b)(1) and 1504(a)(2) with respect to Sub 21 and Sub 21 does not use the assets deemed to be distributed in a U.S. trade or business.

The taxpayers have made the following representations with respect to the First Contribution:

(tt) No stock or securities will be issued for services rendered to or for the benefit of Sub 28 in connection with the First Contribution, and no stock or securities will be issued for Sub 28 indebtedness that is not evidenced by a security or for interest on Sub 28 indebtedness which accrued on or after the beginning of the holding period of Sub 11 for the debt.

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

(vv) Sub 11 will not retain any rights in the property transferred to Sub 28.

(ww) The value of the Sub 28 stock received in exchange for accounts receivable will be equal to the net value of the accounts transferred, i.e. the face amount of the accounts receivable previously included in income less the amount of the reserve for bad debts. See Rev. Rul. 78-280, 1978-2 C.B. 139.

(xx) The total adjusted bases of the assets being transferred by Sub 11 to Sub 28 will equal or exceed the sum of the liabilities assumed (within the meaning of § 357(d)) by Sub 28.

(yy) The fair market value of the assets being transferred by Sub 11 to Sub 28 will equal or exceed the sum of the liabilities assumed (within the meaning of § 357(d)) by Sub 28.

(zz) The aggregate adjusted bases of the assets of Sub 11 to be transferred to Sub 28 in the First Contribution will not exceed their fair market values immediately following the First Contribution.

(aaa) Other than the Loan, the Sub 11 liabilities to be assumed (within the meaning of § 357(d)) by Sub 28 were incurred in the ordinary course of business and are associated with the assets to be transferred.

(bbb) Other than indebtedness created in connection with the Proposed Transaction (including the Loan), there is no indebtedness between Sub 28 and Sub 11, and there will be no indebtedness created in favor of Sub 11 as a result of the First Contribution.

(ccc) The transfers and exchanges will occur under a plan agreed upon before the transaction in which the rights of the parties are defined.

(ddd) All exchanges will occur on approximately the same date.

(eee) There is no plan or intention on the part of Sub 28 to redeem or otherwise reacquire any stock or indebtedness that will be issued as part of the First Contribution.

(fff) Taking into account any issuance of additional shares of Sub 28 stock; any issuance of stock for services; the exercise of any Sub 28 stock rights, warrants, or subscriptions; a public offering of Sub 28 stock; and the sale, exchange, transfer by gift, or other disposition of any of the stock of Sub 28 to be received in the exchange, Sub 11 will be in control of Sub 28 within the meaning of § 368(c) (Rev. Rul. 2003-51, 2003-1 C.B. 938).

(ggg) Sub 11 will actually or constructively receive stock, securities or other property approximately equal to the fair market value of the property transferred to Sub 28 less the amount of the Loan.

(hhh) Sub 28 will remain in existence and will retain and use the property transferred to it in a trade or business.

(iii) Other than the Sub 30 Sale, the Sub 31 Sale and the Sub 32 Sale, there is no plan or intention by Sub 28 to dispose of the transferred property other than in the normal course of business operations.

(jjj) Each of the parties to the transaction will pay its own expenses, if any, incurred in connection with the First Contribution.

(kkk) Sub 28 will not be an investment company within the meaning of § 351(e)(1) and § 1.351-1(c)(1)(ii).

(lll) Sub 11 is not 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.

(mmm) Sub 28 will not be a "personal service corporation" within the meaning of § 269A.

(nnn) Sub 18 will be a § 1248 shareholder (within the meaning of § 1.367(b)-2(b)) of Sub 11 and Sub 28 before the First Contribution and Sub 18 will be a § 1248 shareholder (within the meaning of § 1.367(b)-2(b)) of Sub 11 and Sub 28 after the First Contribution.

(ooo) The notice requirements of § 1.367(b)-1(c)(1) will be met with respect to the transaction.

(ppp) Sub 18 will comply with § 1.367(b)-4(d) rules for subsequent exchanges when and where applicable.

The taxpayers have made the following representations with respect to the Second Contribution:

(qqq) No stock or securities will be issued for services rendered to or for the benefit of Sub 38 in connection with the Second Contribution, and no stock or securities will be issued for Sub 38 indebtedness that is not evidenced by a security or for interest on Sub 38 indebtedness which accrued on or after the beginning of the holding period of Sub 11 for the debt.

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

(sss) Sub 11 will not retain any rights in the Sub 28 stock transferred to Sub 38.

(ttt) No liabilities will be assumed by Sub 38 in the Second Contribution.

(uuu) The adjusted basis of the Sub 28 stock to be transferred by Sub 11 to Sub 38 in the Second Contribution will not exceed its fair market value immediately following the Second Contribution.

(vvv) There is no indebtedness between Sub 38 and Sub 11, and there will be no indebtedness created in favor of Sub 11 as a result of the Second Contribution.

(www) The transfers and exchanges will occur under a plan agreed upon before the transaction in which the rights of the parties are defined.

(xxx) All exchanges will occur on approximately the same date.

(yyy) There is no plan or intention on the part of Sub 38 to redeem or otherwise reacquire any stock that will be issued as part of the Second Contribution.

(zzz) Taking into account any issuance of additional shares of Sub 38 stock; any issuance of stock for services; the exercise of any Sub 38 stock rights, warrants, or subscriptions; a public offering of Sub 38 stock; and the sale, exchange, transfer by gift, or other disposition of any of the stock of Sub 38 to be received in the exchange, Sub 11 will be in control of Sub 38 within the meaning of § 368(c).

(aaaa) Sub 11 will actually or constructively receive stock, securities or other property approximately equal to the fair market value of the Sub 28 stock transferred to Sub 38.

(bbbb) Sub 38 will remain in existence and will retain and use the property transferred to it in a trade or business.

(cccc) There is no plan or intention by Sub 38 to dispose of the transferred property other than in the normal course of business operations.

(dddd) Each of the parties to the transaction will pay its own expenses, if any, incurred in connection with the Second Contribution.

(eeee) Sub 38 will not be an investment company within the meaning of § 351(e)(1) and § 1.351-1(c)(1)(ii).

(ffff) Sub 11 is not 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.

(gggg) Sub 38 will not be a “personal service corporation” within the meaning of § 269A.

(hhhh) Sub 18 will be a § 1248 shareholder (within the meaning of § 1.367(b)-2(b)) of Sub 11, Sub 28 and Sub 38 before the Second Contribution and Sub 18 will be a § 1248 shareholder (within the meaning of § 1.367(b)-2(b)) of Sub 11, Sub 28 and Sub 38 after the Second Contribution.

(iiii) The notice requirements of § 1.367(b)-1(c)(1) will be met with respect to the proposed transaction.

(jjjj) Sub 18 will comply with § 1.367(b)-4(d) rules for subsequent exchanges when and where applicable.

The taxpayers have made the following representations with respect to the Sub 11 Liquidation:

(kkkk) For U.S. federal income tax purposes, Sub 18, on the effective dates of the distribution described in step (viii) above and the Sub 11 Election, will be the owner of at least 80 percent of the single outstanding class of stock of Sub 11.

(llll) No shares of Sub 11 will have been redeemed during the period beginning on Date a and ending with the effective date of the Sub 11 Election.

(mmmm) All distributions from Sub 11 pursuant to the Sub 11 Liquidation will be made within a single taxable year of Sub 11.

(nnnn) For U.S. federal income tax purposes, Sub 11 will retain no assets following its deemed liquidation pursuant to the Sub 11 Election.

(oooo) The aggregate adjusted bases of the assets distributed by Sub 11 to Sub 18 in liquidation (including the assets acquired pursuant to the Sub 21 Election) will not exceed their fair market values immediately after the Sub 11 Liquidation.

(pppp) Except as disclosed and other than pursuant to the First Contribution, the Second Contribution and the Sub 21 Election, Sub 11 will not have acquired assets in any nontaxable transaction at any time except for acquisitions occurring prior to Date a.

(qqqq) Other than pursuant to the First Contribution, the Second Contribution and the Sub 11 Liquidation, no assets of Sub 11 have been or will be disposed of by either Sub 11 or Sub 18, except for dispositions in the ordinary course of business and dispositions occurring prior to Date a.

(rrrr) Provided the Service rules as the taxpayer requests, the deemed liquidation of Sub 11 will not be preceded or followed by the transfer of all or a part of the business assets to another corporation (i) that is the alter ego of Sub 11 and (ii) which, directly or indirectly, is owned more than 20 percent in value by persons holding directly or indirectly more than 20 percent of the value of Sub 11's stock. For purposes of this representation, ownership will be determined by applying the constructive ownership rules of § 318(a), as modified by § 304(c)(3).

(ssss) Prior to the adoption of the plan of liquidation described in step (vii) above, no assets of Sub 11 will have been distributed in kind, transferred, or sold to Sub 18, except for (i) transactions occurring in the normal course of business and (ii) transactions occurring prior to Date a.

(tttt) Sub 11 will report all earned income represented by assets that will be distributed to its shareholder, such as receivables being reported on a cash basis, unfinished construction contracts, commissions due, etc.

(uuuu) The fair market value of Sub 11's assets will exceed its liabilities on the effective date of the Sub 11 Election.

(vvvv) There is no intercorporate debt existing between Sub 11 and Sub 18 and none has been canceled, forgiven, or discounted, except for transactions that occurred prior to Date a.

(www) Sub 18 is not an organization that is exempt from federal income tax under § 501 or any other provision of the Code.

(xxxx) All other transactions undertaken contemporaneously with, in anticipation of, in conjunction with, or in any way related to, the Sub 11 Liquidation have been fully disclosed.

(yyyy) The notice requirements of § 1.367(b)-1(c)(1) will be met with respect to the transaction.

The taxpayers have made the following representations with respect to the Sub 30 Sale, the Sub 31 Sale and the Sub 32 Sale:

(zzzz) The aggregate adjusted bases of the stock of Sub 30 and Sub 31 to be transferred to Sub 33 in the Sub 30 Sale and the Sub 31 Sale will not exceed their fair market values immediately following the Sub 30 Sale and the Sub 31 Sale.

(aaaaa) The adjusted basis of the stock of Sub 32 to be transferred to Sub 34 in the Sub 32 Sale will not exceed its fair market value immediately following the Sub 32 Sale.

### **Rulings**

Based solely on the information and representations submitted in the original and supplemental ruling requests, we rule as follows with respect to the Sub 22 Election:

(1) The Sub 22 Election will constitute a complete liquidation of Sub 22 under § 332 and § 1.332-2(d). (§ 301.7701-3)

(2) No gain or loss will be recognized by Sub 21 or Sub 22 as a result of the Sub 22 Election (§ 332(a), § 337(a) and § 336(d)(3)).

(3) Sub 21's basis in each asset deemed received from Sub 22 will be the same as the basis of that asset in the hands of Sub 22 immediately before the Sub 22 Election (§ 334(b)(1)).

(4) Sub 21's holding period in each asset deemed received from Sub 22 in the Sub 22 Election will include the period during which the asset was held by Sub 22 (§ 1223(2)).

(5) Sub 21 will succeed to and take into account as of the close of the effective date of the Sub 22 Election the items of Sub 22 described in § 381(c), subject to the conditions and limitations specified in §§ 381, 382, 383, and 384 and the regulations thereunder (§ 381(a) and § 1.381(a)-1).

(6) Sub 21 will succeed to and take into account the earnings and profits of Sub 22 as of the close of the effective date of the Sub 22 Election (§ 381(c)(2)(A) and § 1.381(c)(2)-1). Any deficit in the earnings and profits of Sub 21 or Sub 22 will be used only to offset earnings and profits accumulated after the date of the Sub 22 Election (§ 381(c)(2)(B)).

(7) Sub 22 will not recognize gain on the deemed distribution of its assets in liquidation to Sub 21 under § 367(e)(2) and § 1.367(e)-2.

Based solely on the information and representations submitted in the original and supplemental ruling requests, we rule as follows with respect to the Sub 21 Election:

(8) No gain or loss will be recognized by Sub 21 or Sub 11 as a result of the Sub 21 Election.

(9) Sub 11's basis in each asset deemed received from Sub 21 will be the same as the basis of that asset in the hands of Sub 21 immediately before the Sub 21 Election.

(10) Sub 11's holding period in each asset deemed received from Sub 21 in the Sub 21 Election will include the period during which the asset was held by Sub 21.

(11) Sub 11 will succeed to and take into account as of the close of the effective date of the Sub 21 Election the items of Sub 21 described in § 381(c), subject to the conditions and limitations specified in §§ 381, 382, 383, and 384 and the regulations thereunder.

(12) Sub 11 will succeed to and take into account the earnings and profits of Sub 21 as of the close of the effective date of the Sub 21 Election. Any deficit in the earnings and profits of Sub 11 or Sub 21 will be used only to offset earnings and profits accumulated after the date of the Sub 21 Election.

(13) Sub 21 will not recognize gain on the deemed distribution of its assets in liquidation to Sub 11 under § 367(e)(2) and the regulations thereunder (§ 1.367(e)-2).

(14) No amount of gain will be recognized and no amount will be included in income under § 367(b) as a result of the Sub 21 Election (§ 1.367(b)-4(b)).

Based solely on the information and representations submitted in the original and supplemental ruling requests, we rule as follows with respect to the First Contribution:

(15) § 304 (and not § 351 and not so much of §§ 357 and 358 as related to § 351) will apply to the acquisition by Sub 28 from Sub 11 of that portion of the stock of the Sub 21 Subsidiaries deemed exchanged for liabilities of Sub 11 assumed by Sub 28 attributable to the stock of the Sub 21 Subsidiaries (§ 304(b)(3)(A)). The acquisition by Sub 28 from Sub 11 of the portion of the stock of the Sub 21 Subsidiaries deemed exchanged for liabilities of Sub 11 assumed by Sub 28 attributable to the stock of the Sub 21 Subsidiaries will be treated as a distribution in redemption of the corresponding portion of Sub 11's Sub 28 stock. Sub 11 and Sub 28 will be treated in the same manner as if Sub 11 had transferred the portion of the stock of the Sub 21 Subsidiaries so acquired to Sub 28 in exchange for a corresponding portion of Sub 28 stock in a transaction to which § 351(a) applies, and then Sub 28 had redeemed the corresponding portion of stock it was treated as issuing (§ 304(a)(1)). The deemed redemption distribution will constitute a dividend to the extent of the earnings and profits of Sub 28 and the Sub 21 Subsidiaries. The balance of the deemed redemption



distribution, if any, will reduce Sub 11's basis in the Sub 28 stock (§ 301(c)(2)). The remaining balance of the deemed redemption distribution, if any, will be treated as gain from the sale or exchange of property (§ 301(c)(3)).

(16) No gain or loss will be recognized by Sub 11 upon the transfer to Sub 28 of the stock of the Sub 21 Subsidiaries not described in ruling (15) and other assets solely in exchange for Sub 28 stock and the assumption by Sub 28 of liabilities of Sub 11 not attributable to the stock of the Sub 21 Subsidiaries (§ 351(a) and § 357(a)).

(17) Sub 11's basis in the Sub 28 stock received in the First Contribution will equal the basis of the property transferred in exchange therefor, reduced by (i) the sum of the liabilities assumed by Sub 28 or subject to which assets transferred were taken other than liabilities attributable to the stock of the Sub 21 Subsidiaries described in ruling (15); and (ii) if applicable and to the extent applicable, the amount specified in § 301(c)(2), as provided in ruling (15) (§§ 358(a) and (d)).

(18) The basis of the assets transferred by Sub 11 in the First Contribution to Sub 28 will equal the basis of those assets in the hands of Sub 11 immediately before the First Contribution (§ 362(a)).

(19) The holding period of the assets received by Sub 28 as a result of the exchange in the First Contribution will include the holding period of the assets in the hands of Sub 11 (§ 1223(2)).

(20) No amount of gain will be recognized and no amount will be included in income under § 367(b) as a result of the First Contribution (§ 1.367(b)-4(b)).

(21) The order of the steps of the Proposed Transaction will be respected and therefore the First Contribution and the Second Contribution will be treated as occurring prior to the Sub 11 Liquidation.

Based solely on the information and representations submitted in the original and supplemental ruling requests, we rule as follows with respect to the Second Contribution:

(22) No gain or loss will be recognized by Sub 11 on the transfer of the stock of Sub 28 to Sub 38 in exchange for Sub 38 stock as a result of the Second Contribution (§ 351(a)).

(23) No gain or loss will be recognized by Sub 38 on the receipt of the stock of Sub 28 from Sub 11 as a result of the exchange in the Second Contribution (§ 1032).

(24) The basis of the Sub 38 stock held by Sub 11 will be equal to the basis of the Sub 28 stock transferred to Sub 38 in the Second Contribution (§ 358(a)(1)).

(25) The basis of the Sub 28 stock transferred by Sub 11 in the Second Contribution to Sub 38 will equal the basis of the Sub 28 stock in the hands of Sub 11 immediately before the Second Contribution (§ 362(a)).

(26) The holding period of the Sub 28 stock received by Sub 38 as a result of the exchange in the Second Contribution will include the holding period of the Sub 28 stock in the hands of Sub 11 (§ 1223(2)).

(27) No amount of gain will be recognized and no amount will be included in income under § 367(b) as a result of the Second Contribution (§ 1.367(b)-4(b)).

Based solely on the information submitted in the original and supplemental ruling requests, we rule as follows with respect to the Sub 11 Liquidation:

(28) The Sub 11 Liquidation will constitute a complete liquidation of Sub 11 under § 332 and § 1.332-2(d).

(29) No gain or loss will be recognized by Sub 11 or Sub 18 as a result of the Sub 11 Liquidation (§ 332(a), § 337(a) and § 336(d)(3)).

(30) Sub 18 shall include in gross income as a deemed dividend the all earnings and profits amount attributable to the stock of Sub 11 (§ 1.367(b)-3(b)(3)).

(31) Sub 18's basis in each asset deemed received from Sub 11 will be the same as the basis of that asset in the hands of Sub 11 immediately before the Sub 11 Liquidation (§ 334(b)(1)).

(32) Sub 18's holding period in each asset deemed received from Sub 11 in the Sub 11 Liquidation will include the period during which the asset was held by Sub 11 (§ 1223(2)).

Based solely on the information and representations submitted in the original and supplemental ruling requests, we rule as follows with respect to the Sub 30 Sale:

(33) The Sub 30 Sale constitutes an acquisition of stock by a related corporation within the meaning of § 304(a)(1). Therefore, Sub 28 will be deemed to receive a distribution in redemption of the stock of Sub 33 equal to the amount of cash received by Sub 28. Sub 28 and Sub 33 will be treated in the same manner as if Sub 28 had transferred the Sub 30 stock to Sub 33 in exchange for stock of Sub 33 in a transaction to which 351(a) applies, and then Sub 33 had redeemed the corresponding portion of stock it was treated as issuing (§ 304(a)(1)). The deemed redemption distribution will constitute a dividend to the extent of the earnings and profits of Sub 33 and Sub 30. The balance of the deemed redemption distribution, if any, will reduce Sub 28's basis in the Sub 33 stock (§ 301(c)(2)). The remaining balance of the deemed redemption distribution, if any, will be treated as gain from the sale or exchange of property (§ 301(c)(3)).

(34) The basis of the Sub 30 stock transferred by Sub 28 to Sub 33 in the Sub 30 Sale equals the basis of the Sub 30 stock in the hands of Sub 28 immediately prior to the Sub 30 Sale (§ 1.304-2(a) and § 362(a)).

(35) Sub 33's holding period of the Sub 30 stock received from Sub 28 in the Sub 30 Sale will include the period during which the asset was held by Sub 28 (§ 1223(2)).

Based solely on the information and representations submitted in the original and supplemental ruling requests, we rule as follows with respect to the Sub 31 Sale:

(36) The Sub 31 Sale constitutes an acquisition of stock by a related corporation within the meaning of § 304(a)(1). Therefore, Sub 28 will be deemed to receive a distribution in redemption of the stock of Sub 33 equal to the amount of cash received by Sub 28. Sub 28 and Sub 33 will be treated in the same manner as if Sub 28 had transferred the Sub 31 stock to Sub 33 in exchange for stock of Sub 33 in a transaction to which 351(a) applies, and then Sub 33 had redeemed the corresponding portion of stock it was treated as issuing (§ 304(a)(1)). The deemed redemption distribution will constitute a dividend to the extent of the earnings and profits of Sub 33 and Sub 31. The balance of the deemed redemption distribution, if any, will reduce Sub 28's basis in the Sub 33 stock (§ 301(c)(2)). The remaining balance of the deemed redemption distribution, if any, will be treated as gain from the sale or exchange of property (§ 301(c)(3)).

(37) The basis of the Sub 31 stock transferred by Sub 28 to Sub 33 in the Sub 31 Sale equals the basis of the Sub 31 stock in the hands of Sub 28 immediately prior to the Sub 31 Sale (§§ 1.304-2(a) and 362(a)).

(38) Sub 33's holding period of the Sub 31 stock received from Sub 28 in the Sub 31 Sale will include the period during which the asset was held by Sub 28 (§ 1223(2)).

Based solely on the information and representations submitted in the original and supplemental ruling requests, we rule as follows with respect to the Sub 32 Sale:

(39) The Sub 32 Sale constitutes an acquisition of stock by a related corporation within the meaning of § 304(a)(1). Therefore, Sub 28 will be deemed to receive a distribution in redemption of the stock of Sub 34 equal to the amount of cash received by Sub 28. Sub 28 and Sub 34 will be treated in the same manner as if Sub 28 had transferred the Sub 32 stock to Sub 34 in exchange for stock of Sub 34 in a transaction to which 351(a) applies, and then Sub 34 had redeemed the corresponding portion of stock it was treated as issuing (§ 304(a)(1)). The deemed redemption distribution will constitute a dividend to the extent of the earnings and profits of Sub 34 and Sub 32. The balance of the deemed redemption distribution, if any, will reduce Sub 28's basis in the Sub 34 stock (§ 301(c)(2)). The remaining balance of the deemed

redemption distribution, if any, will be treated as gain from the sale or exchange of property (§ 301(c)(3)).

(40) The basis of the Sub 32 stock transferred by Sub 28 to Sub 34 in the Sub 32 Sale equals the basis of the Sub 32 stock in the hands of Sub 28 immediately prior to the Sub 32 Sale (§§ 1.304-2(a) and 362(a)).

(41) Sub 34's holding period of the Sub 32 stock received from Sub 28 in the Sub 32 Sale will include the period during which the asset was held by Sub 28 (§ 1223(2)).

### **Caveats**

No opinion is expressed about the federal tax treatment of the Proposed Transaction under other provisions of the Code or 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 ruling. Specifically, no opinion is expressed regarding the following:

(1) To the extent not otherwise specifically ruled upon above, any other consequence under § 367 on any internal restructuring transaction in this letter ruling.

(2) The application of § 482 to the sale by Sub 24 of certain assets to Sub 28 or Sub 38.

(3) Whether any or all of the above-referenced foreign corporations are passive foreign investment companies within the meaning of § 1297(a) of the Code. If it is determined that any or all of the above described foreign corporations are passive foreign investment corporations, no opinion is expressed with respect to the application of §§ 1291 through 1298 to the Proposed Transaction. In particular, in a transaction in which gain is otherwise recognized, regulations under § 1291(f) may require gain recognition notwithstanding any other provision of the Code.

(4) To the extent not otherwise specifically ruled upon above, the federal income tax consequences of step (xi) of the Proposed Transaction.

### **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 ruling letter must be attached to the federal income tax return of each party involved in the Proposed Transaction for the taxable year in which the Proposed Transaction is completed.

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

Sincerely,

***Richard K. Passales***

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Richard K. Passales  
Senior Counsel, Branch 4  
Office of Associate Chief Counsel  
(Corporate)

cc: