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Date:

April 21, 2005

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Dear _____ :

This letter responds to your December 10, 2004 request that we further supplement our letter ruling dated December 30, 2003 (PLR-166869-03) (the "Original Letter Ruling"), as supplemented by our letter ruling dated April 7, 2005 (PLR-154390-04) (together, the "Prior Letter Rulings"). Additional information was submitted in letters dated March 24, 2005, April 1, 2005, and April 20, 2005. Capitalized terms not defined in this ruling have the meanings assigned to them in the Original Letter Ruling.

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

The Prior Letter Rulings address certain federal income tax consequences of the Acquisition of Target by Acquiror and Acquiror Sub. The Acquisition was completed on Date a.

In Date b, through steps (i) through (ix) below, Target and certain Country A subsidiaries of Target sold a number of their subsidiaries to Acquiror, one subsidiary to a wholly owned indirect Country A subsidiary of Acquiror, and one subsidiary to an approximately a percent owned indirect subsidiary of Acquiror incorporated in Country B in exchange for, in the aggregate, approximately \$b.

Prior to the completion of steps (i) through (ix):

Target directly owned all of the outstanding stock of Sub 5, Sub 6, Sub 7 and Sub 8 and i percent of the outstanding stock of Sub 12, each of which is a corporation for U.S. federal income tax purposes (a "Corporation"). Sub 5 owned all of the outstanding stock of Sub 4, a Corporation. Sub 4 owned all of the outstanding stock of Sub 9, which elected to be treated as an entity that is disregarded as separate from its owner for U.S. federal income tax purposes pursuant to § 301.7701-3 (a "Disregarded Entity") effective Date f, and Sub 10, a Corporation. Sub 9 owned all of the outstanding stock of Sub 11, a Corporation. Sub 10 owned the remaining m percent of the outstanding stock of Sub 12. Sub 12 owned all of the outstanding stock of Sub 13, which elected to be treated as a Disregarded Entity effective Date a, and Sub 14, a Corporation.

Acquiror indirectly owned all of the outstanding stock of Sub 15 (through Sub 2, a member of the Acquiror Group), and approximately a percent of the outstanding stock of Sub 16. Sub 15 and Sub 16 are Corporations. The remaining approximately n percent of the outstanding stock of Sub 16 was owned by third parties. Acquiror directly owned all of the outstanding stock of Sub 17, which elected to be treated as a Disregarded Entity effective Date g, and Sub 18, a Corporation. Sub 18 owned all of the outstanding stock of Sub 19, which elected to be treated as a Disregarded Entity effective Date h.

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The following series of transactions has been undertaken to achieve certain local country (*i.e.*, non-U.S.) tax planning and consolidation goals in Country B, Country C, and Country D and to integrate certain of Target's businesses with the existing Acquiror entities in the appropriate country:

- (i) Sub 13 formed Sub 20. Sub 20 elected to be treated as a Disregarded Entity effective Date i.
- (ii) Sub 12 sold all of the outstanding stock of Sub 13 to Acquiror for \$o.
- (iii) Sub 12 sold all of the outstanding stock of Sub 14 to Sub 15 for \$p.
- (iv) Target sold all of the outstanding stock of Sub 6 and Sub 7 to Sub 13, for q and r, respectively.
- (v) Target sold all of the outstanding stock of Sub 8 to Sub 16 for s.
- (vi) Sub 4 sold all of the outstanding stock of Sub 9 to Sub 17 for \$t (together with steps (ii), (iii), (iv) and (v) the "Upstream Sale" and, together with steps (ii) and (iv), the "Upstream Acquiror Sale").
- (vii) Sub 9 sold all of the outstanding stock of Sub 11 to Sub 20 for \$u.
- (viii) Acquiror contributed Sub 13 to Sub 18.
- (ix) Sub 18 sold Sub 13 to Sub 19 for \$v.

Sub 6, Sub 7, Sub 8, Sub 9, Sub 13 and Sub 14 (the "Target Corporations"), which were sold by Target, Sub 4 and Sub 12 (the "Selling Corporations") in the Upstream Sale and the Upstream Acquiror Sale represented approximately c percent and w percent of the value of Target's total assets, respectively.

Following the Upstream Sale, Target (i) directly held substantial operating assets, the stock of the remaining operating companies, and a portion of the cash proceeds from the Upstream Sale, and (ii) indirectly held (through wholly owned Country A subsidiaries) the remaining cash proceeds from the Upstream Sale. Acquiror and Acquiror Sub caused Target to distribute approximately \$d of this cash to Acquiror and Acquiror Sub (proportional to their shareholdings) on Date c which is expected to exhaust the distributable reserves of Target for Date d under Country A company law. To facilitate additional cash distributions from Target to Acquiror and Acquiror Sub, including the distribution of an amount equal to the remaining proceeds from the Upstream Sale, Acquiror and Acquiror Sub propose to cause Target to engage in a restructuring and preferred stock offering (the "Proposed Transaction").

The steps of the Proposed Transaction, one of which has occurred, include: the New Target Transfers, the Conversion/Elections, the Preferred Share Subscriptions, and the Distributions (each defined below).

- (i) On Date e, Target converted its corporate form from a public limited company to a private limited company under the laws of Country A and changed its name to Name a (the "Conversion").

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(ii) The Acquiror and Acquiror Sub each will transfer its shares of Target to a newly incorporated unlimited liability company organized under the laws of Country A (“New Target”). In exchange for such transfers (the “New Target Transfers”), Acquiror will receive the same number of shares of common stock of New Target as it currently owns in Target (with a value of at least \$e). Acquiror Sub will receive the same number of shares of common stock of New Target as it currently owns in Target (with a value of at least \$f). New Target will elect under § 301.7701-3 to be treated as a Corporation effective on or before the date of the New Target Transfers.

(iii) After the New Target Transfers, New Target will elect to treat Target as a Disregarded Entity (the elections under § 301.7701-3 with respect to New Target and Target are collectively referred to herein as the “Elections”).

(iv) Two affiliates of Acquiror will contribute cash to New Target in exchange for newly issued preferred shares of New Target (the “Preferred Share Subscriptions”). Sub 1 will contribute approximately g in cash to New Target in exchange for New Target Class B preferred shares with an equivalent face amount and value. Sub 1 is a Country A unlimited liability company that is a Disregarded Entity and is wholly owned by Sub 2. In addition, Sub 3 will contribute (through a Disregarded Entity) approximately \$h in cash to New Target in exchange for New Target Class A preferred shares with an equivalent face amount and value. The Class A and Class B preferred shares will be voting shares. Sub 3 is a limited liability partnership formed under the laws of Country A that has elected to be treated as a Corporation and is indirectly wholly owned by Acquiror. Neither Acquiror nor Acquiror Sub have ownership interests in Sub 2 or Sub 3 constituting § 368(c) control. Sub 1 and Sub 3 will receive preferred shares (none of which are currently outstanding at Target) to facilitate the possible conversion of their interests into debt of New Target if allowed by a taxing authority of Country A. In addition, Sub 1’s ownership of preferred shares is intended to permit Sub 1 to avoid potential unfavorable accounting treatment under current Country A accounting rules, which would in turn cause unfavorable results under Country A thin capitalization rules.

As part of the Proposed Transaction, Sub 4 will distribute approximately \$i to Sub 5, which will distribute approximately \$i to Target, which will loan approximately \$i to New Target (the “New Target Loan”).

(v) New Target will use a portion of its total cash of k to reduce Country A equivalent of paid-in surplus on the common shares held by Acquiror and Acquiror Sub (the “Distributions”). Neither Acquiror nor Acquiror Sub will surrender any shares in New Target as part of this paid-in surplus reduction.

In connection with its request for a supplemental ruling, the taxpayer reaffirms, as of the date of the Acquisition, the representations made in connection with the Original Letter Ruling.

The taxpayers have made the following representations with respect to the Upstream Sale and the Upstream Acquiror Sale:

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(a) The purchase price of the shares of the Target Corporations sold to Acquiror in the Upstream Acquiror Sale was equal to the approximate fair market value of such shares.

(b) There was and is no plan or intention by Sub 18 to redeem or otherwise reacquire any of its shares held by Acquiror. There is also no plan or intention by Sub 18 to reimburse Acquiror for the cash Acquiror used to purchase the Target Corporations in the Upstream Acquiror Sale.

(c) Neither the New Target Transfers nor the Elections were planned at the time of the consummation of the Upstream Sale.

(d) At the time of the Upstream Sale, the basis of the stock of each Target Corporation was not in excess of the value of the stock of such Target Corporation in the hands of its Selling Corporation.

The taxpayers have made the following representations with respect to the New Target Transfers and the Elections:

(e) Disregarding the Distributions, the fair market value of the New Target shares received by Acquiror and Acquiror Sub will be approximately equal to the fair market value of the of the Target shares surrendered in the New Target Transfers.

(f) There is no plan or intention by Acquiror or Acquiror Sub to sell or otherwise dispose of any shares of New Target received in the New Target Transfers.

(g) Immediately following the New Target Transfers and the effectiveness of the Elections, Acquiror and Acquiror Sub will own all of the shares of New Target (other than those issued to facilitate its incorporation) solely by reason of their ownership of the shares of Target immediately prior to the New Target Transfers and the Elections.

(h) Other than the Preferred Share Subscriptions, New Target has no plan or intention to issue additional shares following the New Target Transfers and the Elections.

(i) Immediately following the New Target Transfers and the effectiveness of the Elections and prior to the Preferred Share Subscriptions and the Distributions, New Target will possess the same assets and liabilities as those possessed by Target immediately prior to the New Target Transfers and the effectiveness of the Elections. For purposes of this representation, assets sold by Target and its subsidiaries in the Upstream Sale and cash distributed by Target on Date c will not be treated as assets held immediately prior to the New Target Transfers and the Elections. Other than the Distributions, no assets are planned to be distributed.

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(j) At the time of the New Target Transfers and the Elections, Target will not have outstanding any warrants, options, convertible securities, or any other type of right pursuant to which any person could acquire stock in Target.

(k) New Target has no plan or intention to reacquire any of its shares issued in the New Target Transfers and the Elections.

(l) Except as disclosed, New Target has no plan or intention to sell or otherwise dispose of any of the assets of Target deemed acquired in New Target Transfers and the Elections, except for dispositions made in the ordinary course of business and the Distributions.

(m) At the time of the New Target Transfers and the effectiveness of the Elections, Target's liabilities assumed (within the meaning of § 357(d)) will not exceed the aggregate basis or value of Target's assets.

(n) The liabilities of Target deemed assumed by New Target plus the liabilities, if any, to which the transferred assets of Target are subject were incurred by Target in the ordinary course of its business and are associated with the assets transferred.

(o) Following the New Target Transfers and the effectiveness of the Elections, New Target will continue the historic business directly conducted by Target or use a significant portion of Target's directly held assets in a business.

(p) Target, New Target, Acquiror, and Acquiror Sub will each pay their expenses, if any, incurred in connection with the New Target Transfers and the Elections.

(q) Target is not under the jurisdiction of a court in a Title 11 or similar case within the meaning of § 368(a)(3)(A).

(r) None of the parties to the transaction are investment companies as defined in § 368(a)(2)(F)(iii) and (iv).

(s) Target is not a passive foreign investment company as defined in § 1297.

(t) Target will be a controlled foreign corporation within the meaning of § 957(a) ("CFC") immediately before the New Target Transfers and the Elections and New Target will be a CFC immediately after the New Target Transfers and the Elections.

(u) Acquiror and Acquiror Sub will be § 1248 shareholders of Target before the New Target Transfers and the Elections, and each of Acquiror and Acquiror Sub will

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be a § 1248 shareholder of New Target, the acquiring foreign corporation, after the New Target Transfers and the Elections.

(v) The notice requirements of § 1.367(b)-1(c)(1) will be met with respect to the transaction resulting from New Target Transfers and the Elections.

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

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

(1) No sale for cash by any Selling Corporation of its Target Corporation stock to Acquiror in the Upstream Acquiror Sale constituted an acquisition of stock by a related corporation within the meaning of § 304.

Based solely on the information submitted in the original and supplemental ruling requests, we rule as follows with respect to the New Target Transfers and the Elections:

(2) The New Target Transfers and the Elections, taken together, qualify as a reorganization under § 368(a)(1)(F). See Rev. Rul. 96-29, 1996-1 C.B. 50.

(3) Target and New Target will each be “a party to a reorganization” within the meaning of § 368(b).

(4) Target will not recognize any gain or loss by virtue of the New Target Transfers or the Elections (§ 361(a)).

(5) New Target will not recognize any gain or loss on the deemed receipt of the assets of Target by virtue of the New Target Transfers and the Elections in exchange for New Target shares (§ 1032(a)).

(6) The basis of the assets of Target deemed held by New Target will be the same as the basis of such assets in the hands of Target immediately prior to the New Target Transfers and the Elections (§ 362(b)).

(7) The holding period of the Target assets deemed held by New Target will include the period during which such assets were held by Target (§ 1223(2)).

(8) Neither Acquiror nor Acquiror Sub will recognize any gain or loss on its receipt of New Target shares in exchange for Target shares (§ 354(a)(1)).

(9) The basis of Acquiror and Acquiror Sub in their New Target shares will be the same as their basis in their Target shares surrendered in exchange therefor (§ 358(a)(1)).

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(10) The holding period of the New Target shares received by Acquiror and Acquiror Sub will include the period during which the Target shares were held, provided that the shares are held as capital assets on the date of the New Target Transfers and the effective date of the Elections (§ 1223(1)).

(11) No amount will be included in income under § 367(b) as a result of the New Target Transfers or the Elections.

(12) For the purposes of applying § 367(b) or § 1248 to subsequent exchanges of New Target stock, the determination of the earnings and profits attributable to an exchanging shareholder's stock in New Target shall be computed in accordance with § 1.367(b)-4(d).

Based solely on the information submitted in the original and supplemental ruling requests, we rule as follows with respect to the Preferred Share Subscriptions and transfer of cash by Target and New Target to Acquiror and Acquiror Sub:

(13) New Target will not recognize any gain or loss on the receipt of cash in exchange for New Target Class A and Class B preferred shares (§ 1032(a)).

(14) The distributions of cash by Target and New Target to Acquiror and Acquiror Sub and the Distributions, including any portion thereof funded by the Preferred Share Subscriptions, will be treated as distributions from Target and New Target to Acquiror and Acquiror Sub that are separate from the New Target Transfers and the Elections and will be governed by § 301 (§ 1.301-1(l)).

No opinion is expressed regarding whether gain realized, if any, (on the sale for cash by any Selling Corporation of its Target Corporation stock to Acquirer in the Upstream Acquirer Sale) is characterized as foreign personal holding company income under § 954(c) of the Code.

Additionally, 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.

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.

Each taxpayer involved in the transaction should attach a copy of this ruling letter to the taxpayer's federal income tax return for the taxable year in which the Proposed Transaction is completed.

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

Sincerely,

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

cc: