

Internal Revenue Service

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Date:

June 17, 2005

New Foreign Parent =

Old Foreign Parent =

Business A =

Foreign Sub 1 =

Foreign Sub 2 =

Foreign Sub 3 =

Foreign Sub 4 =

Sub 1 =

Sub 2 =

Loan 2 =

Worldwide Group =

Country X =

Country Y =

State X =

Date 1 =

Date 2 =

Date 3 =

Date 4 =

Date 5 =

a =

b =

c =

d =

e =

f =

Dear

This letter responds to your December 23, 2004 request for rulings on certain federal income tax consequences of the restructuring of certain indebtedness of Sub 1 held by Sub 1's former corporate shareholders (the "Sub 1 Debt Restructuring," as

defined below). Additional information was submitted in letters dated March 10, 2005 and May 27, 2005. The information provided 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

New Foreign Parent, a Country X corporation, has been the common parent of Worldwide Group since Date 1, when New Foreign Parent acquired all of the stock of Old Foreign Parent, formerly the common parent of Worldwide Group, in a holding company formation. Worldwide Group conducts Business A.

Before the Sub 1 Debt Restructuring, Old Foreign Parent owned all the stock of Foreign Sub 1, a Country X corporation. Old Foreign Parent and Foreign Sub 1 owned all the stock of Foreign Sub 2, a Country X corporation. Foreign Sub 2 owned all of the stock of Foreign Sub 3, a Country Y corporation. Foreign Sub 3 owned all of the stock of Foreign Sub 4, a Country X corporation.

Foreign Sub 3 owned a percent and Foreign Sub 4 owned b percent of the stock of Sub 1, a State X corporation. Sub 1 has historically operated the Worldwide Group's business in the United States.

Sub 1, Foreign Sub 3, and Old Foreign Parent each filed a separate Chapter 11 bankruptcy petition on Date 2. Sub 1 owed \$c to Foreign Sub 3, consisting of \$d of principal and \$e of accrued interest (Loan 1). Sub 1 owed Foreign Sub 4 \$f, consisting entirely of principal, pursuant to a debtor-in-possession financing arrangement (Loan 2).

Pursuant to the Plan of Reorganization approved by the bankruptcy court, the following transactions were consummated on Date 3 (collectively, the Sub 1 Debt Restructuring):

- (i) Loan 1 and Loan 2 were contributed to the capital of Sub 1.
- (ii) Foreign Sub 3 then transferred its a percent interest in Sub 1 to Foreign Sub 4.
- (iii) All of the outstanding stock of Sub 1 was then cancelled.
- (iv) Sub 1 then issued new shares to Foreign Sub 4 in exchange for the contribution of Loan 2.

Immediately after the foregoing steps, Foreign Sub 4 owned all of the stock of Sub 1.

On Date 4, Sub 1 was transferred to New Foreign Parent. On Date 5, Sub 1 was transferred to a newly formed U.S. subsidiary of New Foreign Parent, Sub 2, in a transaction that Sub 2 represents was a reverse acquisition within the meaning of Treas. Reg. § 1.1502-75(d)(3).

Representations

Sub 2 makes the following representations in connection with the Sub 1 Debt Restructuring:

(a) Loan 1 qualified as debt for federal income tax purposes and was treated by Foreign Sub 3 and Sub 1 as debt of Sub 1 for all U.S. federal income tax purposes.

(b) Loan 2 qualified as debt for federal income tax purposes and was treated by Foreign Sub 4 and Sub 1 as debt of Sub 1 for all U.S. federal income tax purposes.

(c) Sub 1 has not claimed a deduction for the accrued, unpaid interest on Loan 1 that was contributed to Sub 1.

(d) Loan 1 and Loan 2 each had a positive fair market value at the time they were contributed to the capital of Sub 1.

Rulings

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

(1) Foreign Sub 3's contribution of Loan 1 to Sub 1 will be treated as a contribution to the capital of Sub 1, and Sub 1 will be deemed to satisfy Loan 1 for an amount equal to Foreign Sub 3's adjusted basis in the debt (§108(e)(6)).

(2) Sub 1 will not recognize income from the discharge of its obligation to pay accrued interest on Loan 1 to Foreign Sub 3 to the extent that payment of such interest would have given rise to a deduction (§ 108(e)(2)).

(3) Sub 1 will be treated as having satisfied Loan 2 with an amount of money equal to the fair market value of the Sub 1 stock issued to Foreign Sub 4 in exchange for the contribution of Loan 2 (§ 108(e)(8)).

Caveats

We express no opinion about the tax treatment of any transaction described above under other provisions of the Code and regulations or the tax treatment of any condition existing at the time of, or effect resulting from, any of these transactions that is not specifically covered by the above rulings.

Procedural Matters

This ruling 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 Sub 1 Debt Restructuring for the taxable year in which the Sub 1 Debt Restructuring was completed.

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

Sincerely yours,

Michael J. Wilder
Senior Technician Reviewer, Branch 1
Office of Associate Chief Counsel
(Corporate)

cc: