

Internal Revenue Service

Department of the Treasury

Number: **200232009**

Release Date: 8/9/2002

Index Number: 0368.04-00
0332.00-00

Washington, DC 20224

Person to Contact:

Telephone Number:

Refer Reply To:

CC:CORP:1-PLR-124350-01

Date:

April 24, 2002

Parent =

Company 1 =

Company 2 =

Company 3 =

Company 4 =

Holding Company =

Sub 1 =

Sub 2 =

Sub 3 =

Sub 4 =

Sub 5 =

PLR-124350-01

2

Sub 6 =

Sub 7 =

Sub 8 =

Sub 9 =

Shareholder 1 =

Shareholder 2 =

Shareholder 3 =

Shareholder 4 =

Shareholder 5 =

A =

B =

C =

D =

E =

F =

G =

H	=
J	=
K	=
Deed	=
Business L	=
Country U	=
Country V	=
State X	=
Country Y	=
Country Z	=

This letter is in reply to your letter dated April 30, 2001, requesting rulings with respect to a plan of reorganization described below (the "Proposed Transaction"). Additional information relating to the Proposed Transaction was submitted in letters dated July 5, September 6, September 7, October 18, November 14, December 18, and December 26, 2001, and January 3, February 8, March 7, and March 29, 2002. The information submitted for consideration is summarized below.

Parent is a publicly held Country V corporation. Parent is engaged in Business L through its subsidiaries.

Company 1 is a Country U corporation. Parent owns A percent of Company 1, directly and indirectly.

Company 2 is a Country Y corporation. Company 2 is a wholly owned subsidiary of Company 1.

Holding Company is a Country Y corporation. Holding Company is active through certain lower tier subsidiaries, which are primarily engaged in Business L. Holding Company is a wholly owned subsidiary of Company 2. Holding Company has never been a controlled foreign corporation ("CFC") within the meaning of § 957 of the Internal Revenue Code of 1986, as amended (the "Code").

Sub 1 is a Country Y holding company. Sub 1 is a wholly owned subsidiary of Holding Company. Sub 1 has never been a CFC within the meaning of § 957 of the Code.

Sub 2 is a Country Z holding company. Prior to the Proposed Transaction, Sub 2 will have been a CFC within the meaning of § 957 of the Code. Sub 1 owns B percent of Sub 2. Shareholder 1, a State X corporation, owns C percent of Sub 2. Shareholder 2, a State X corporation, owns D percent of Sub 2. Shareholder 3, a Country Y corporation, is a wholly owned subsidiary of Shareholder 2 and owns E percent of Sub 2.

Sub 3 is a Country Z corporation. Prior to the Proposed Transaction, Sub 3 will have been a CFC within the meaning of § 957 of the Code. Sub 2 owns F percent of Sub 3. Sub 4 owns G percent of Sub 3. Sub 3 is actively engaged in Business L. Sub 5, Sub 6, Sub 7, Sub 8, and Sub 9 are actively engaged in Business L and are wholly owned direct and indirect lower tier Country Z subsidiaries of Sub 3.

Sub 4 is a Country Z holding company. Prior to the Proposed Transaction, Sub 4 will have been a CFC within the meaning of § 957 of the Code. Company 1 owns H percent of Sub 4. Shareholder 4, a Country Y corporation, is a lower tier subsidiary of Parent and owns J percent of Sub 4. Shareholder 5, an unrelated Country Z limited liability company, owns K percent of Sub 4.

Shareholder 4 is a wholly owned subsidiary of Company 4, which is a Country Y corporation. Company 4 is a CFC within the meaning of § 957 of the Code and is a wholly owned subsidiary of Company 3, a US corporation that is a lower tier subsidiary of Parent.

The above corporations represent that in order to accomplish corporate business purposes, they desire to streamline Company 2's corporate structure and eliminate several holding companies. To accomplish these goals, they have submitted the following proposed plan of reorganization (the Proposed Transaction):

- A. Company 2 will move its management and control to Country Z, becoming a tax resident of Country Z in accordance with a treaty between Country Y and Country Z. Company 2 will remain a Country Y corporation for Country Y domestic corporate law purposes.
- B. Holding Company will move its management and control to Country Z, becoming a tax resident of Country Z in accordance with a treaty between Country Y and Country Z. Holding Company will remain a Country Y corporation for Country Y domestic corporate law purposes.

- C. Sub 1 will move its management and control to Country Z, becoming a tax resident of Country Z in accordance with a treaty between Country Y and Country Z. Sub 1 will remain a Country Y corporation for Country Y domestic corporate law purposes.
- D. Company 2 will acquire all of the assets of Holding Company, Sub 1, Sub 2, Sub 3, and Sub 4 in accordance with Country Z corporate law by completing the following five sequential transactions in a single operation resulting from a single agreement (the Deed) approved by Company 2, Holding Company, Sub 1, Sub 2, Sub 3, and Sub 4:
 - (i) Sub 4 will merge into Sub 2. The Sub 4 shareholders will be entitled to shares of Sub 2, in accordance with a specified exchange ratio, for each Sub 4 share held. The allotment of Sub 2 shares to the Sub 4 shareholders will take place only in a virtual way upon the actual cancellation of the Sub 4 shares. The Sub 4 shareholders will ultimately be allotted only Company 2 shares.
 - (ii) Sub 3 will merge into Sub 2. The Sub 3 shares outstanding will be cancelled.
 - (iii) Sub 2 will merge into Sub 1. The Sub 2 shareholders will be entitled to shares of Sub 1, in accordance with a specified exchange ratio, for each Sub 2 share held. The allotment of Sub 1 shares to the Sub 2 shareholders will take place only in a virtual way upon the actual cancellation of the Sub 2 shares. The Sub 2 shareholders will ultimately be allotted only Company 2 shares.
 - (iv) Sub 1 will merge into Holding Company. The Sub 1 shareholders will be entitled to shares of Holding Company, in accordance with a specified exchange ratio, for each Holding Company share held. The allotment of Holding Company shares to the Sub 1 shareholders will take place only in a virtual way upon the actual cancellation of the Sub 1 shares. The Sub 1 shareholders will ultimately be allotted only Company 2 shares.
 - (v) Holding Company will merge into Company 2. The Holding Company shareholders will be entitled to shares of Company 2, in accordance with a specified exchange ratio, for each Holding Company share held. Company 2 shares will be issued to the Holding Company shareholders in accordance with their proportionate interests in the merged corporations.

The Deed specifies that if any one of the above mergers fails to be implemented, all of the mergers described in the Deed will be canceled.

We hold that for federal income tax purposes, the five transactions required to effect the proposed Country Z unitary merger described above will be treated as the following sequence of transactions:

1. Sub 2 will acquire all of the assets of Sub 4 in exchange for Sub 2 stock and the assumption of all of the liabilities of Sub 4. The shareholders of Sub 4 will be deemed to receive Sub 2 shares in exchange for their Sub 4 shares.
2. Sub 2 will acquire all of the assets of Sub 3 and the Sub 3 shares outstanding will be cancelled pursuant to a plan deemed to be adopted after the merger of Sub 4 into Sub 2.
3. Sub 1 will acquire all of the assets of Sub 2 in exchange for Sub 1 stock and the assumption of all of the liabilities of Sub 2. The shareholders of Sub 2 will be deemed to receive Sub 1 shares in exchange for their Sub 2 shares.
4. Holding Company will acquire all of the assets of Sub 1 in exchange for Holding Company stock and the assumption of all of the liabilities of Sub 1. The shareholders of Sub 1 will be deemed to receive Holding Company shares in exchange for their Sub 1 shares.
5. Company 2 will acquire all of the assets of Holding Company in exchange for Company 2 stock and the assumption of all of the liabilities of Holding Company. The shareholders of Holding Company will receive Company 2 shares in exchange for their Holding Company shares.

The parties submitted the following representations with respect to step D(i) (the Sub 4 Merger):

- (Ai) The fair market value of the Sub 2 stock deemed received by each Sub 4 shareholder will be approximately equal to the fair market value of the Sub 4 stock deemed surrendered in the exchange.
- (Bi) The Sub 4 shareholders, Company 1, Shareholder 4, and Shareholder 5, will receive no consideration other than Sub 2 stock. No Sub 4 shares will be exchanged for cash in lieu of fractional share interests and there will be

no dissenters to the transaction. Neither Sub 2 nor persons related to Sub 2 within the meaning of § 1.368-1(e)(3) of the Income Tax Regulations (the “Regulations”) acquired stock of Sub 4 in connection with the reorganization for consideration other than Sub 2 stock. Sub 4 neither redeemed its stock nor made distributions to its shareholders in connection with the reorganization.

- (Ci) Sub 2 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 4 immediately prior to Sub 4 Merger. For purposes of this representation, amounts used by Sub 4 to pay its reorganization expenses, all redemptions, and any distributions (except for regular normal dividends) made by Sub 4 immediately preceding the transfer will be included as assets of Sub 4 held immediately prior to the Sub 4 Merger.
- (Di) After the Sub 4 Merger, the shareholders of Sub 4, Shareholder 4, Company 1, and Shareholder 5, will be in control of Sub 2 within the meaning of §§ 368(a)(2)(H) and 304(c) of the Code.
- (Ei) Sub 2 has no plan or intention to dispose of any of the assets of Sub 4 acquired in the Sub 4 Merger, other than dispositions made in the normal course of its business operations and other than the dispositions described as part of this Proposed Transaction.
- (Fi) The fair market value of the assets of Sub 4 transferred to Sub 2 will equal or exceed the sum of the liabilities assumed by Sub 2 (as determined under § 357(d) of the Code).
- (Gi) The total adjusted basis of the assets of Sub 4 transferred to Sub 2 will equal or exceed the sum of the liabilities assumed by Sub 2 (as determined under § 357(d) of the Code).
- (Hi) The liabilities of Sub 4 assumed by Sub 2 (as determined under § 357(d) of the Code) were incurred by Sub 4 in the ordinary course of its business and are associated with the assets transferred.
- (Ii) Following the Sub 4 Merger, Sub 2 and its successors, Sub 1, Holding Company, and Company 2, will continue the historic business of Sub 4 and its subsidiary, Sub 3, and use a significant portion of the historic business assets of Sub 4 and its subsidiary, Sub 3, in a business.
- (Ji) At the time of the Sub 4 Merger, neither Sub 4 nor Sub 2 will have outstanding any warrants, options, convertible securities, or any other type

or right pursuant to which any person could acquire stock in Sub 2 that, if exercised or converted, would affect the acquisition or retention of control of Sub 2 by Company 1, Shareholder 4, and Shareholder 5, as defined in §§ 368(a)(2)(H) and 304(c) of the Code.

- (Ki) Sub 2, Sub 4, and the shareholders of Sub 4 will pay their respective expenses, if any, incurred in connection with Sub 4 Merger.
- (Li) There is no intercorporate indebtedness existing between Sub 4 and Sub 2 that was issued, acquired, or will be settled at a discount.
- (Mi) No two parties to the Sub 4 Merger are investment companies as defined in § 368(a)(2)(F)(iii) and (iv) of the Code.
- (Ni) Neither Sub 4 nor Sub 2 is under the jurisdiction of a court in a title 11 or similar case within the meaning of § 368(a)(3)(A) of the Code.

The parties submitted the following representations with respect to step D(ii) (the Sub 3 Merger):

- (Aii) Sub 2, on the date of the adoption of the plan of liquidation, and at all times until the final liquidating distribution is completed, will be the owner of at least 80 percent of the single class of outstanding stock of Sub 3. For the purpose of this representation, the plan of liquidation of Sub 3 is considered to be adopted after the Sub 4 Merger.
- (Bii) No shares of the stock of Sub 3 will have been redeemed during the three years preceding the adoption of the plan of complete liquidation of Sub 3.
- (Cii) All distributions from Sub 3 to Sub 2 pursuant to the plan of complete liquidation will be made within a single taxable year of Sub 3.
- (Dii) As soon as the first liquidating distribution has been made, Sub 3 will cease to be a going concern and its activities will be limited to winding up its affairs, paying its debts, and distributing its remaining assets to its shareholders.
- (Eii) Sub 3 will retain no assets following the final liquidating distribution.
- (Fii) Sub 3 will not have acquired assets in any nontaxable transaction at any time, except for acquisitions occurring more than three years prior to the date of adoption of the plan of liquidation.
- (Gii) No assets of Sub 3 have been, or will be, disposed of by either Sub 3 or

Sub 2 except for dispositions in the ordinary course of business, dispositions occurring more than three years prior to adoption of the plan of liquidation, and except as otherwise described as part of this Proposed Transaction.

- (Hii) Except as otherwise described as part of this Proposed Transaction, the liquidation of Sub 3 will not be preceded or followed by the reincorporation in, or transfer or sale to, a recipient corporation ("Recipient") of any of the businesses or assets of Sub 3, if persons holding, directly or indirectly, more than 20 percent in value of the stock of Sub 3 also hold, directly or indirectly, more than 20 percent in value of the stock of Recipient. For purposes of this representation, ownership will be determined by application of the constructive ownership rules of § 318(a) as modified by § 304(c)(3) of the Code.
- (Iii) No assets of Sub 3 will have been distributed in kind, transferred, or sold to Sub 2, except for (i) transactions occurring in the normal course of business, and (ii) transactions occurring more than three years prior to adoption of the liquidation plan.
- (Jii) Sub 3 will report all earned income represented by assets that will be distributed to its shareholders such as receivables being reported on a cash basis, unfinished construction contracts, commissions due, etc.
- (Kii) The fair market value of the assets of Sub 3 will exceed its liabilities both at the date of the adoption of the plan of complete liquidation and immediately prior to the time the first liquidating distributing is made.
- (Lii) There is no intercorporate debt existing between Sub 2 and Sub 3. No intercorporate debt has been cancelled, forgiven, or discounted except for transactions that occurred more than three years prior to the date of adoption of the plan of complete liquidation.
- (Mii) Sub 2 is not an organization that is exempt from federal income tax under § 501 or any other provision of the Code.
- (Nii) All other transactions undertaken contemporaneously with, in anticipation of, in conjunction with, or in any way related to, the proposed liquidation of Sub 3 have been fully disclosed.

The parties submitted the following representations with respect to step D(iii) (the Sub 2 Merger):

- (Aiii) The fair market value of the Sub 1 stock deemed received by each Sub 2

shareholder will be approximately equal to the fair market value of the Sub 2 stock deemed surrendered in the exchange.

- (Biii) The Sub 2 shareholders, Company 1, Shareholder 1, Shareholder 2, Shareholder 3, Shareholder 4, and Shareholder 5, will receive no consideration other than Sub 1 stock. No Sub 2 shares will be exchanged for cash in lieu of fractional share interests and there will be no dissenters to the transaction. Neither Sub 1 nor persons related to Sub 1 within the meaning of § 1.368-1(e)(3) of the Regulations acquired stock of Sub 2 in connection with the reorganization for consideration other than Sub 1 stock. Sub 2 neither redeemed its stock nor made distributions to its shareholders in connection with the reorganization.
- (Ciii) Sub 1 will acquire at least 90 percent of the fair market value of the net assets and least 70 percent of the fair market value of the gross assets held by Sub 2 immediately prior to Sub 2 Merger. For purposes of this representation, amounts used by Sub 2 to pay its reorganization expenses, all redemptions, and any distributions (except for regular normal dividends) made by Sub 2 immediately preceding the transfer will be included as assets of Sub 2 held immediately prior to the Sub 2 Merger.
- (Diii) After the Sub 2 Merger, the shareholders of Sub 2, Company 1, Shareholder 1, Shareholder 2, Shareholder 3, Shareholder 4, and Shareholder 5, will be in control of Sub 1 within the meaning of §§ 368(a)(2)(H) and 304(c) of the Code.
- (Eiii) Sub 1 has no plan or intention to dispose of any of the assets of Sub 2 acquired in the Sub 2 Merger, other than dispositions made in the normal course of its business operations and other than the dispositions made in the normal course of its business operations and other than the dispositions described as part of this Proposed Transaction.
- (Fiii) The fair market value of the assets of Sub 2 transferred to Sub 1 will equal or exceed the sum of the liabilities assumed by Sub 1 (as determined under § 357(d) of the Code).
- (Giii) The total adjusted basis of the assets of Sub 2 transferred to Sub 1 will equal or exceed the sum of the liabilities assumed by Sub 1 (as determined under § 357(d) of the Code).
- (Hiii) The liabilities of Sub 2 assumed by Sub 1 (as determined under § 357(d) of the Code) were incurred by Sub 2 in the ordinary course of its business and are associated with the assets transferred.

- (liii) Following the Sub 2 Merger, Sub 1 and its successors, Holding Company and Company 2, will continue the historic business of Sub 2 and use a significant portion of the historic business assets of Sub 2 in a business.
- (Jiii) At the time of the Sub 2 Merger, neither Sub 2 nor Sub 1 will have outstanding any warrants, options, convertible securities, or any other type or right pursuant to which any person could acquire stock Sub 1 that, if exercised or converted, would affect the acquisition or retention of control of Sub 1 by Company 1, Shareholder 1, Shareholder 2, Shareholder 3, Shareholder 4, and Shareholder 5, as defined in §§ 368(a)(2)(H) and 304(c) of the Code.
- (Kiii) Sub 1, Sub 2, and the shareholders of Sub 2 will pay their respective expenses, if any, incurred in connection with the Sub 2 Merger.
- (Liii) There is no intercorporate indebtedness existing between Sub 2 and Sub 1 that was issued, acquired, or will be settled at a discount.
- (Miii) No two parties to the Sub 2 Merger are investment companies as defined in § 368(a)(2)(F)(iii) and (iv) of the Code.
- (Niii) Neither Sub 2 nor Sub 1 is under the jurisdiction of a court in a title 11 or similar case within the meaning of § 368(a)(3)(A) of the Code.

The parties submitted the following representations with respect to step D(iv) (the Sub 1 Merger):

- (Aiv) The fair market value of the Holding Company stock deemed received by each Sub 1 shareholder will be approximately equal to the fair market value of the Sub 1 stock deemed surrendered in the exchange.
- (Biv) The Sub 1 shareholders, Company 1, Shareholder 1, Shareholder 2, Shareholder 3, Shareholder 4, and Shareholder 5, will receive no consideration other than Holding Company stock. No Sub 1 shares will be exchanged for cash in lieu of fractional share interests and there will be no dissenters to the transaction. Neither Holding Company nor persons related to Holding Company within the meaning of § 1.368-1(e)(3) of the Regulations acquired stock of Sub 1 in connection with the reorganization for consideration other than Holding Company stock. Sub 1 neither redeemed its stock nor made distributions to its shareholders in connection with the reorganization.
- (Civ) Holding Company 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 1 immediately prior to Sub 1 Merger. For purposes of this representation, amounts used by Sub 1 to pay its reorganization expenses, all redemptions, and any distributions (except for regular normal dividends) made by Sub 1 immediately preceding the transfer will be included as assets of Sub 1 held immediately prior to the Sub 1 Merger.

- (Div) After the Sub 1 Merger, the shareholders of Sub 1, Company 1, Shareholder 1, Shareholder 2, Shareholder 3, Shareholder 4, and Shareholder 5, will be in control of Holding Company within the meaning of §§ 368(a)(2)(H) and 304(c) of the Code.
- (Eiv) Holding Company has no plan or intention to dispose of any of the assets of Sub 1 acquired in the Sub 1 Merger, other than dispositions made in the normal course of its business operations and other than the dispositions described as part of this Proposed Transaction.
- (Fiv) The fair market value of the assets of Sub 1 transferred to Holding Company will equal or exceed the sum of the liabilities assumed by Holding Company (as determined under § 357(d) of the Code).
- (Giv) The total adjusted basis of the assets of Sub 1 transferred to Holding Company will equal or exceed the sum of the liabilities assumed by Holding Company (as determined under § 357(d) of the Code).
- (Hiv) The liabilities of Sub 1 assumed by Holding Company (as determined under § 357(d) of the Code) were incurred by Sub 1 in the ordinary course of its business and are associated with the assets transferred.
- (liv) Following the Sub 1 Merger, Holding Company and its successor, Company 2, will continue the historic business of Sub 1 and use a significant portion of the historic business assets of Sub 1 in a business.
- (Jiv) At the time of the Sub 1 Merger, neither Sub 1 nor Holding Company will have outstanding any warrants, options, convertible securities, or any other type or right pursuant to which any person could acquire stock in Holding Company that, if exercised or converted, would affect the acquisition or retention of control of Holding Company by Company 1, Shareholder 1, Shareholder 2, Shareholder 3, Shareholder 4, and Shareholder 5, as defined in §§ 368(a)(2)(H) and 304(c) of the Code.
- (Kiv) Holding Company, Sub 1, and the shareholders of Sub 1 will pay their respective expenses, if any incurred in connection with the Sub 1 Merger.

- (Liv) There is no intercorporate indebtedness existing between Sub 1 and Holding Company that was issued, acquired, or will be settled at a discount.
- (Miv) No two parties to the Sub 1 Merger are investment companies as defined in § 368(a)(2)(F)(iii) and (iv) of the Code.
- (Niv) Neither Sub 1 nor Holding Company is under the jurisdiction of a court in a title 11 or similar case within the meaning of § 368(a)(3)(A) of the Code.

The parties submitted the following representations with respect to step D(v) (the Holding Company Merger):

- (Av) The fair market value of the Company 2 stock received by each Holding Company shareholder will be approximately equal to the fair market value of the Holding Company stock surrendered in the exchange.
- (Bv) The Holding Company shareholders, Company 1, Shareholder 1, Shareholder 2, Shareholder 3, Shareholder 4, and Shareholder 5, will receive no consideration other than Company 2 stock. No Holding Company shares will be exchanged for cash in lieu of fractional share interests and there will be no dissenters to the transaction. Neither Company 2 nor persons related to Company 2 within the meaning of § 1.368-1(e)(3) of the Regulations acquired stock of Holding Company in connection with the reorganization for consideration other than Company 2 stock. Holding Company neither redeemed its stock nor made distributions to its shareholders in connection with the reorganization.
- (Cv) Company 2 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 Holding Company immediately prior to Holding Company Merger. For purposes of this representation, amounts used by Holding Company to pay its reorganization expenses, all redemptions, and any distributions (except for regular normal dividends) made by Holding Company immediately preceding the transfer will be included as assets of Holding Company held immediately prior to the Holding Company Merger.
- (Dv) After the Holding Company Merger, the shareholders of Holding Company, Company 1, Shareholder 1, Shareholder 2, Shareholder 3, Shareholder 4, and Shareholder 5, will be in control of Company 2 within the meaning of §§ 368(a)(2)(H) and 304(c) of the Code.

- (Ev) Company 2 has no plan or intention to dispose of any of the assets of Holding Company acquired in the Holding Company Merger, other than dispositions made in the normal course of its business operations.
- (Fv) The fair market value of the assets of Holding Company transferred to Company 2 will equal or exceed the sum of the liabilities assumed by Company 2 (as determined under § 357(d) of the Code).
- (Gv) The total adjusted basis of the assets of Holding Company transferred to Company 2 will equal or exceed the sum of the liabilities assumed by Company 2 (as determined under § 357(d) of the Code).
- (Hv) The liabilities of Holding Company assumed by Company 2 (as determined under § 357(d) of the Code) were incurred by Holding Company in the ordinary course of its business and are associated with the assets of Holding Company in a business.
- (Iv) Following the Holding Company Merger, Company 2 will continue the historic business of Holding Company and use a significant portion of the historic business assets of Holding Company in a business.
- (Jv) At the time of the Holding Company Merger, neither Holding Company nor Company 2 will have outstanding any warrants, options, convertible securities, or any other type or right pursuant to which any person could acquire stock in Company 2 that, if exercised or converted, would affect the acquisition or retention of control of Company 2 by Company 1, Shareholder 1, Shareholder 2, Shareholder 3, Shareholder 4, and Shareholder 5, as defined in §§ 368(a)(2)(H) and 304(c) of the Code.
- (Kv) Company 2, Holding Company, and the shareholders of Holding Company will pay their respective expenses, if any, incurred in connection with the Holding Company Merger.
- (Lv) There is no intercorporate indebtedness existing between Holding Company and Company 2 that was issued, acquired, or will be settled at a discount.
- (Mv) No two parties to the Holding Company Merger are investment companies as defined in § 368(a)(2)(F)(iii) and (iv) of the Code.
- (Nv) Neither Holding Company nor Company 2 is under the jurisdiction of a court in a title 11 or similar case within the meaning of § 368(a)(3)(A) of the Code.

Based solely on the information submitted and on the representations set forth above, we hold as follows with respect to the Sub 4 Merger:

- (1) The acquisition by Sub 2 of substantially all of the assets of Sub 4 solely in exchange for Sub 2 voting stock and Sub 2's assumption of Sub 4's liabilities, if any, followed by Sub 4's distribution of Sub 2 stock, will constitute a reorganization within the meaning of § 368(a)(1)(D) of the Code. For purposes of this ruling, "substantially all" means 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 of Sub 4. Sub 2 and Sub 4 will each be "a party to a reorganization" within the meaning of § 368(b) of the Code.
- (2) No gain or loss will be recognized to Sub 4 on the transfer of substantially all of its assets to Sub 2, subject to liabilities, in exchange for Sub 2 voting stock (§§ 361(a) and 357(a) of the Code).
- (3) No gain or loss will be recognized to Sub 2 upon the receipt of substantially all of the assets of Sub 4 in exchange for Sub 2 voting stock (§ 1032(a) of the Code).
- (4) No gain or loss will be recognized to the Sub 4 shareholders by reason of the exchange of their shares of Sub 4 stock solely for shares of Sub 2 voting stock (§ 354(a)(1) of the Code).
- (5) No gain or loss will be recognized to Sub 4 upon the distribution of Sub 2 voting stock to the Sub 4 shareholders (§ 361(c)(1) of the Code).
- (6) The basis of the Sub 4 assets in the hands of Sub 2 will be the same as the basis of those assets in the hands of Sub 4 immediately prior to the transfer (§ 362(b) of the Code).
- (7) The holding period of the Sub 4 assets in the hands of Sub 2 will include the period during which such assets were held by Sub 4 (§ 1223(2) of the Code).
- (8) The basis of the shares of Sub 2 voting stock received by the Sub 4 shareholders will be the same, in each instance, as their basis in the Sub 4 stock surrendered in exchange therefor (§ 358(a)(1) of the Code).
- (9) The holding period of the Sub 2 voting stock received by the Sub 4

shareholders will include the holding period of the Sub 4 stock surrendered in exchange therefor, provided that such Sub 4 stock is held as a capital asset on the date of the exchange (§ 1223(1) of the Code).

- (10) The taxable year of Sub 4 will end on the date of the transfer of its assets to Sub 2 (§ 381(b) of the Code and § 1.381(b)-1(a) of the Regulations). Pursuant to § 381(a) and § 381(a)-1 of the Code, Sub 2 will succeed to and take into account, as of the date of the proposed transfer, as defined in § 1.381(b)-1(b) of the Regulations, the items of Sub 4 described in § 381(c) of the Code, subject to the conditions and limitations specified in §§ 381, 382, 383, and 384 of the Code and the Regulations thereunder.
- (11) As provided by § 381(c)(2) of the Code and § 1.381(c)(2)-1 of the Regulations, Sub 2 will succeed to and take into account the earnings and profits, or deficit in earnings and profits, of Sub 4 as of the date of transfer. Any deficit in the earnings or profits of either Sub 4 or Sub 2 will be used only to offset the earnings and profits accumulated after the date of transfer (§ 381(c)(2)(B) of the Code).

Based solely on the information submitted and on the representations set forth above, we hold as follows with respect to the Sub 3 Merger:

- (1) The acquisition by Sub 2 of all of the assets of Sub 3 will be treated as a complete liquidation of Sub 3 under § 332 of the Code.
- (2) No gain or loss will be recognized to Sub 3 on the distribution of its assets to Sub 2 (§§ 336(d)(3), 337(a), and 337(b) of the Code).
- (3) No gain or loss will be recognized to Sub 2 upon the receipt of the assets of Sub 3 (§ 332(a) of the Code).
- (4) The basis of the Sub 3 assets in the hands of Sub 2 will be the same as the basis of those assets in the hands of Sub 3 immediately prior to the transfer (§ 334(b)(1) of the Code).
- (5) The holding period of the Sub 3 assets in the hands of Sub 2 will include the period during which such assets were held by Sub 3 (§ 1223(2) of the Code).
- (6) The tax year of Sub 3 will end on the date of the transfer of its

assets to Sub 2 (§ 381(b) of the Code and § 1.381(b)-1(a) of the Regulations). Pursuant to § 381(a) and § 381(a)-1 of the Code, Sub 2 will succeed to and take into account, as of the date of the proposed transfer, as defined in § 1.381(b)-1(b) of the Regulations, the items of Sub 3 described in § 381(c) of the Code, subject to the conditions and limitations specified in §§ 381, 382, 383, and 384 of the Code and the Regulations thereunder.

- (7) As provided by § 381(c)(2) of the Code and § 1.381(c)(2)-1 of the Regulations, Sub 2 will succeed to and take into account the earnings and profits, or deficit in earnings and profits, of Sub 3 as of the date of transfer. Any deficit in the earnings or profits of either Sub 3 or Sub 2 will be used only to offset the earnings and profits accumulated after the date of transfer (§ 381(c)(2)(B) of the Code).

Based solely on the information submitted and on the representations set forth above, we hold as follows with respect to the Sub 2 Merger:

- (1) The acquisition by Sub 1 of substantially all of the assets of Sub 2 solely in exchange for Sub 1 voting stock and Sub 1's assumption of Sub 2's liabilities, if any, followed by Sub 2's distribution of Sub 1 stock, will constitute a reorganization within the meaning of § 368(a)(1)(D) of the Code. For purposes of this ruling, "substantially all" means 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 of Sub 2. Sub 1 and Sub 2 will each be "a party to a reorganization" within the meaning of § 368(b) of the Code.
- (2) No gain or loss will be recognized to Sub 2 on the transfer of substantially all of its assets to Sub 1, subject to liabilities, in exchange for Sub 1 voting stock (§§ 361(a) and 357(a) of the Code).
- (3) No gain or loss will be recognized to Sub 1 upon the receipt of substantially all of the assets of Sub 2 in exchange for Sub 1 voting stock (§ 1032(a) of the Code).
- (4) No gain or loss will be recognized to the Sub 2 shareholders by reason of the exchange of their shares of Sub 2 stock solely for shares of Sub 1 voting stock (§ 354(a)(1) of the Code).
- (5) No gain or loss will be recognized to Sub 2 upon the distribution of Sub 1 voting stock to the Sub 2 shareholders (§ 361(c)(1) of the

Code).

- (6) The basis of the Sub 2 assets in the hands of Sub 1 will be the same as the basis of those assets in the hands of Sub 2 immediately prior to the transfer (§ 362(b) of the Code).
- (7) The holding period of the Sub 2 assets in the hands of Sub 1 will include the period during which such assets were held by Sub 2 (§ 1223(2) of the Code).
- (8) The basis of the shares of Sub 1 voting stock received by the Sub 2 shareholders will be the same, in each instance, as their basis in the Sub 2 stock surrendered in exchange therefor (§ 358(a)(1) of the Code).
- (9) The holding period of the Sub 1 voting stock received by the Sub 2 shareholders will include the holding period of the Sub 2 stock surrendered in exchange therefor, provided that such Sub 2 stock is held as a capital asset on the date of the exchange (§ 1223(1) of the Code).
- (10) The taxable year of Sub 2 will end on the date of the transfer of its assets to Sub 1 (§ 381(b) of the Code and § 1.381(b)-1(a) of the Regulations). Pursuant to § 381(a) and § 381(a)-1 of the Code, Sub 1 will succeed to and take into account, as of the date of the proposed transfer, as defined in § 1.381(b)-1(b) of the Regulations, the items of Sub 2 described in § 381(c) of the Code, subject to the conditions and limitations specified in §§ 381, 382, 383, and 384 of the Code and the Regulations thereunder.
- (11) As provided by § 381(c)(2) of the Code and § 1.381(c)(2)-1 of the Regulations, Sub 1 will succeed to and take into account the earnings and profits, or deficit in earnings and profits, of Sub 2 as of the date of transfer. Any deficit in the earnings or profits of either Sub 2 or Sub 1 will be used only to offset the earnings and profits accumulated after the date of transfer (§ 381(c)(2)(B) of the Code).

Based solely on the information submitted and on the representations set forth above, we hold as follows with respect to the Sub 1 Merger:

- (1) The acquisition by Holding Company of substantially all of the assets of Sub 1 solely in exchange for Holding Company voting stock and Holding Company's assumption of Sub 1's liabilities, if

any, followed by Sub 1's distribution of Holding Company stock, will constitute a reorganization within the meaning of § 368(a)(1)(D) of the Code. For purposes of this ruling, "substantially all" means 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 of Sub 1. Holding Company and Sub 1 will each be "a party to a reorganization" within the meaning of § 368(b) of the Code.

- (2) No gain or loss will be recognized to Sub 1 on the transfer of substantially all of its assets to Holding Company, subject to liabilities, in exchange for Holding Company voting stock (§§ 361(a) and 357(a) of the Code).
- (3) No gain or loss will be recognized to Holding Company upon the receipt of substantially all of the assets of Sub 1 in exchange for Holding Company voting stock (§ 1032(a) of the Code).
- (4) No gain or loss will be recognized to the Sub 1 shareholders by reason of the exchange of their shares of Sub 1 stock solely for shares of Holding Company voting stock (§ 354(a)(1) of the Code).
- (5) No gain or loss will be recognized to Sub 1 upon the distribution of Holding Company voting stock to the Sub 1 shareholders (§ 361(c)(1) of the Code).
- (6) The basis of the Sub 1 assets in the hands of Holding Company will be the same as the basis of those assets in the hands of Sub 1 immediately prior to the transfer (§ 362(b) of the Code).
- (7) The holding period of the Sub 1 assets in the hands of Holding Company will include the period during which such assets were held by Sub 1 (§ 1223(2) of the Code).
- (8) The basis of the shares of Holding Company voting stock received by the Sub 1 shareholders will be the same, in each instance, as their basis in the Sub 1 stock surrendered in exchange therefor (§ 358(a)(1) of the Code).
- (9) The holding period of the Holding Company voting stock received by the Sub 1 shareholders will include the holding period of the Sub 1 stock surrendered in exchange therefor, provided that such Sub 1 stock is held as a capital asset on the date of the exchange (§ 1223(1) of the Code).

- (10) The taxable year of Sub 1 will end on the date of the transfer of its assets to Holding Company (§ 381(b) of the Code and § 1.381(b)-1(a) of the Regulations). Pursuant to § 381(a) and § 381(a)-1 of the Code, Holding Company will succeed to and take into account, as of the date of the proposed transfer, as defined in § 1.381(b)-1(b) of the Regulations, the items of Sub 1 described in § 381(c) of the Code, subject to the conditions and limitations specified in §§ 381, 382, 383, and 384 of the Code and the Regulations thereunder.
- (11) As provided by § 381(c)(2) of the Code and § 1.381(c)(2)-1 of the Regulations, Holding Company will succeed to and take into account the earnings and profits, or deficit in earnings and profits, of Sub 1 as of the date of transfer. Any deficit in the earnings or profits of either Sub 1 or Holding Company will be used only to offset the earnings and profits accumulated after the date of transfer (§ 381(c)(2)(B) of the Code).

Based solely on the information submitted and on the representations set forth above, we hold as follows with respect to the Holding Company Merger:

- (1) The acquisition by Company 2 of substantially all of the assets of Holding Company solely in exchange for Company 2 voting stock and Company 2's assumption of Holding Company's liabilities, if any, followed by Holding Company's distribution of Company 2 stock, will constitute a reorganization within the meaning of § 368(a)(1)(D) of the Code. For purposes of this ruling, "substantially all" means 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 of Holding Company. Company 2 and Holding Company will each be "a party to a reorganization" within the meaning of § 368(b) of the Code.
- (2) No gain or loss will be recognized to Holding Company on the transfer of substantially all of its assets to Company 2, subject to liabilities, in exchange for Company 2 voting stock (§§ 361(a) and 357(a) of the Code).
- (3) No gain or loss will be recognized to Company 2 upon the receipt of substantially all of the assets of Holding Company in exchange for Company 2 voting stock (§ 1032(a) of the Code).
- (4) No gain or loss will be recognized to the Holding Company shareholders by reason of the exchange of their shares of Holding

Company stock solely for shares of Company 2 voting stock (§ 354(a)(1) of the Code).

- (5) No gain or loss will be recognized to Holding Company upon the distribution of Company 2 voting stock to the Holding Company shareholders (§ 361(c)(1) of the Code).
- (6) The basis of the Holding Company assets in the hands of Company 2 will be the same as the basis of those assets in the hands of Holding Company immediately prior to the transfer (§ 362(b) of the Code).
- (7) The holding period of the Holding Company assets in the hands of Company 2 will include the period during which such assets were held by Holding Company (§ 1223(2) of the Code).
- (8) The basis of the shares of Company 2 voting stock received by the Holding Company shareholders will be the same, in each instance, as their basis in the Holding Company stock surrendered in exchange therefor (§ 358(a)(1) of the Code).
- (9) The holding period of the Company 2 voting stock received by the Holding Company shareholders will include the holding period of the Holding Company stock surrendered in exchange therefor, provided that such Holding Company stock is held as a capital asset on the date of the exchange (§ 1223(1) of the Code).
- (10) The taxable year of Holding Company will end on the date of the transfer of its assets to Company 2 (§ 381(b) of the Code and § 1.381(b)-1(a) of the Regulations). Pursuant to § 381(a) and § 381(a)-1 of the Code, Company 2 will succeed to and take into account, as of the date of the proposed transfer, as defined in § 1.381(b)-1(b) of the Regulations, the items of Holding Company described in § 381(c) of the Code, subject to the conditions and limitations specified in §§ 381, 382, 383, and 384 of the Code and the Regulations thereunder.
- (11) As provided by § 381(c)(2) of the Code and § 1.381(c)(2)-1 of the Regulations, Company 2 will succeed to and take into account the earnings and profits, or deficit in earnings and profits, of Holding Company as of the date of transfer. Any deficit in the earnings or profits of either Holding Company or Company 2 will be used only to offset the earnings and profits accumulated after the date of transfer (§ 381(c)(2)(B) of the Code).

We express no opinion about the tax treatment of the transaction under other provisions of the Code or the Regulations or about 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, no opinion is expressed regarding 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 companies, no opinion is expressed with respect to the application of §§ 1291 through 1298 of the Code to the Proposed Transaction. In particular, in a transaction in which gain is not otherwise recognized, Regulations under § 1291(f) of the Code may require gain recognition, notwithstanding any other provision of the Code. Additionally, no opinion is expressed regarding the application of § 367(b) of the Code to the successive reorganizations or the application of § 367(e) of the Code to the § 332 liquidation. See § 1.367(b)-4(b) and (d) and § 1.367(e)-2 of the Regulations.

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 materials submitted in support of the request for a ruling. As part of the audit process, the taxpayer may be required to verify the information, representations, and other data submitted.

This ruling letter has no effect on any earlier documents and is directed only to the taxpayer who requested it. Section 6110(k)(3) of the Code provides that it may not be used or cited as precedent.

Each affected taxpayer must attach a copy of this letter to the taxpayer's federal income tax return for the taxable year in which the transaction covered by this letter ruling is consummated.

In accordance with the power of attorney on file in this office, a copy of this letter is being sent to the taxpayer.

Sincerely yours,
Associate Chief Counsel (Corporate)

By: _____
Lisa A. Fuller
Assistant to the Chief, Branch 1

cc: