

INTERNAL REVENUE SERVICE

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Person To Contact:

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Date:
April 7, 2005

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Name a =

Dear :

This letter responds to your October 8, 2004 request that we supplement our letter ruling dated December 30, 2003 (PLR-166869-03) (the "Original Letter Ruling"). Additional information was submitted in letters dated November 19, 2004, January 26, 2005, March 24, 2005 and April 1, 2005. Capitalized terms not defined in this ruling retain the meanings assigned 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

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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 Original Letter Ruling addresses 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, Target and certain Country A subsidiaries of Target (together, the “Selling Corporations”) 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 (the “Upstream Sale”). The subsidiaries sold by the Selling Corporations represented approximately c percent of the value of Target’s total assets. Acquiror then contributed all of the subsidiaries it had purchased to one of its wholly owned U.S. subsidiaries. The Upstream Sale and subsequent contribution were 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.

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 Distribution (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”).

(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

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at least \$f). New Target will elect under § 301.7701-3 to be treated as a corporation for U.S. federal income tax purposes 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 an entity that is disregarded as separate from its owner for U.S. federal income tax purposes pursuant to § 301.7701-3 (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 disregarded for U.S. federal income tax purposes and is wholly owned by Sub 2, a member of the Acquiror Group. In addition, Sub 3 will contribute 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 for U.S. federal income tax purposes 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, an indirect Country A subsidiary of Target, will then distribute approximately \$i to its Country A parent, 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 “Distribution”). 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.

Based solely on the information submitted in the original and supplemental ruling requests we affirm the rulings and caveats set forth in the Original Letter 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.

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Each taxpayer involved in the transaction should attach a copy of this ruling letter to the taxpayer's federal income tax returns for the taxable years in which the Acquisition and the Proposed Transaction are completed.

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: