

Internal Revenue Service

Department of the Treasury

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Date:

October 6, 1999

Parent =

Sub 1 =

Sub 2 =

Sub 3 =

Sub 4 =

Foreign Distributing 1 =

Distributing 2 =

Distributing 3 =

Foreign Controlled 1 =

Foreign Controlled 2 =

Foreign Controlled 3 =

Controlled 4 =

Foreign Controlled 5 =

Foreign Sub 1 =

Foreign Sub 2 =

Country A =

Country B =

Country C =

Country D =

Business X =

Business Y =

a =

b =

c =

d =

e =

f =

g =

Date A =

Date B =

Date C =

Date D =

Date E =

Date F =

Date G =

Date H =

Date I =

Dear :

We reply to your June 8, 1999 request for rulings on certain federal income tax consequences of a proposed transaction.

The rulings contained in this letter are based on facts and representations submitted by the taxpayer under penalties of perjury. Verification of this information may be required as part of the audit process.

Summary of Facts

Publicly traded Parent is the parent of an affiliated group that comprises both domestic and foreign corporations and conducts, among others, Business X and Business Y. Parent joins with its includible affiliates in filing a consolidated federal income tax return.

Before the transactions described below, Parent wholly owned Sub 1, Sub 2, Distributing 2, Distributing 3, and Foreign Sub 1. Sub 2 wholly owned Sub 3. Distributing 2 and Distributing 3 owned a and b percent, respectively, of Foreign Controlled 3. Distributing 3 wholly owned Sub 4. Sub 4 wholly owned Foreign Controlled 4 and Foreign Controlled 5. Parent, Sub 4, and Foreign Sub 1 owned c, d, and e percent, respectively, of Foreign Distributing 1. Foreign Distributing 1 wholly owned Foreign Controlled 1, Foreign Controlled 2, and Foreign Sub 2.

Distributing 2, Distributing 3, Foreign Sub 1, and Foreign Sub 2 each conducts Business X. Foreign Controlled 1, Foreign Controlled 2, Foreign Controlled 3, Foreign Controlled 4, and Foreign Controlled 5 each conducts Business Y.

We have received financial information indicating that (a) Distributing 2, Distributing 3, and Foreign Sub 2 each has had gross receipts and operating expenses representing the active conduct of Business X for each of the past five years, and (b) Foreign Controlled 1, Foreign Controlled 2, Foreign Controlled 3, Foreign Controlled 4, and Foreign Controlled 5 each has had gross receipts and operating expenses representing the active conduct of Business Y for each of the past five years.

A substantial part of the Business Y sales have been to Parent's Business X, in part because competitors of Business X were reluctant to purchase Business Y products while the two businesses were affiliated. To remove this impediment, all of

the Business Y assets were associated with Sub 1 and, on Date B, Sub 1 was distributed to Parent stockholders (the "Distribution"). Previously, on Date A, the Internal Revenue Service had issued to Parent a private letter ruling concluding that the Distribution would qualify for nonrecognition treatment under § 355 of the Internal Revenue Code. The transactions described in the present letter were designed to move foreign Business Y assets to Sub 1 before the Distribution occurred.

Country A Transaction

- (i) On Date C, Sub 4 was liquidated into Distributing 3 in a transaction intended to qualify under §§ 332 and 337.
- (ii) On Date D, Foreign Distributing 1 declared a dividend of f dollars to its shareholders, Parent, Distributing 3, and Foreign Sub 1.
- (iii) On Date E, Parent purchased the stock of Foreign Controlled 1 and Foreign Controlled 2 from Foreign Distributing 1 for a g dollar note (fair market value as determined by an independent appraisal) (the "Note").
- (iv) On Date F, Parent transferred the Foreign Controlled 1 and Foreign Controlled 2 stock to Sub 2 in a transaction intended to qualify under § 351(a).
- (v) On Date G, the dividend declared on Date D was distributed pro rata to Parent, Distributing 3, and Foreign Sub 1, except that g dollars of Parent's distribution was used by Foreign Distributing 1 to satisfy the Note.
- (vi) On Date H, Parent transferred the Sub 2 stock to Sub 1 in a transaction intended to qualify under § 351(a).

Country A Transaction Representations

The taxpayer has made the following representations concerning Distribution A (defined below in ruling (1)(a)):

- (a) No part of the consideration distributed by Foreign Distributing 1 was received by Parent as a creditor, employee, or in any capacity other than that of a shareholder of Foreign Distributing 1.
- (b) The five years of financial information submitted for Foreign Distributing 1, Foreign Controlled 1, Foreign Controlled 2, and Foreign Sub 2 represents the present operations of each corporation, and with regard to each corporation, there have been no substantial operational changes since the date of the last financial statements submitted.
- (c) Immediately after Distribution A, at least 90 percent of the fair market

value of the gross assets of Foreign Distributing 1 consisted of the stock and securities of a controlled corporation (Foreign Sub 2) that is engaged in the active conduct of a trade or business as defined in § 355(b).

(d) Foreign Controlled 1, Foreign Controlled 2, and Foreign Sub 2 each will continue the active conduct of its business, independently and with its separate employees.

(e) Distribution A was carried out to increase the amount of Business Y that Sub 1 conducts with customers other than Parent. Distribution A was motivated, in whole or substantial part, by this corporate business purpose.

(f) Parent has no plan or intention to sell, exchange, transfer by gift, or otherwise dispose of any stock in, or securities of, Foreign Distributing 1, and Sub 2 has no plan or intention to sell, exchange, transfer by gift, or otherwise dispose of any stock in, or securities of, Foreign Controlled 1 or Foreign Controlled 2.

(g) There is no plan or intention by Foreign Distributing 1, Foreign Controlled 1, or Foreign Controlled 2, directly or through any subsidiary corporation, to purchase any of its outstanding stock, other than through stock purchases meeting the requirements of § 4.05(1)(b) of Rev. Proc. 96-30, 1996-1 C.B. 696, 705.

(h) There is no plan or intention to liquidate Foreign Distributing 1, Foreign Controlled 1, or Foreign Controlled 2, to merge any such corporation with any other corporation, or to sell or otherwise dispose of any of the assets of any such corporation, except in the ordinary course of business.

(i) No intercorporate debt existed between or among any of Foreign Distributing 1, Foreign Controlled 1, and Foreign Controlled 2 at the time of Distribution A, and none will exist after Distribution A, other than trade payables arising in the ordinary course of business.

(j) Except during a transition period expected to last one year or less following Distribution A, payments made in all continuing transactions between or among any of Foreign Distributing 1, Foreign Controlled 1, and Foreign Controlled 2 will be for fair market value based on terms and conditions arrived at by the parties bargaining at arm's length.

(k) Distribution A is not part of a plan or series of related transactions (within the meaning of § 355(e)) pursuant to which one or more persons will acquire directly or indirectly stock possessing 50 percent or more of the total combined voting power of all classes of stock of Foreign Distributing 1, Foreign Controlled 1, or Foreign Controlled 2 entitled to vote, or stock possessing 50 percent or more of the total value of all classes of stock of Foreign Distributing 1, Foreign Controlled 1, or Foreign

Controlled 2.

(l) Parent will treat its transfer of Sub 2 stock to Sub 1 as qualifying under § 351(a).

(m) Parent will treat its transfer of Foreign Controlled 1 stock and Foreign Controlled 2 stock to Sub 2 as qualifying under § 351(a).

(n) Foreign Sub 1 owned e percent of Foreign Distributing 1 immediately before and after Distribution A. Neither Foreign Distributing 1, Foreign Controlled 1, nor Foreign Controlled 2 (i) was a United States real property holding corporation ("USRPHC") (as defined in § 897(c)(2)) at any time during the five-year period ending on the date of Distribution A or (ii) was a USRPHC immediately after Distribution A.

(o) Neither Foreign Distributing 1, Foreign Controlled 1, nor Foreign Controlled 2 was a passive foreign investment corporation under § 1297(a) (a "PFIC") on the date immediately preceding Distribution A, and neither Foreign Distributing 1, Foreign Controlled 1, nor Foreign Controlled 2 was a PFIC immediately thereafter.

(p) Each of Foreign Distributing 1, Foreign Controlled 1, and Foreign Controlled 2 was a controlled foreign corporation under § 957(a) (a "CFC") at all times during the five-year period immediately preceding the date of Distribution A, and each of Foreign Distributing 1, Foreign Controlled 1, and Foreign Controlled 2 was a CFC immediately thereafter.

(q) As to Foreign Distributing 1, each of Parent and Distributing 3 was a United States shareholder under § 7.367(b)-2(b) of the Temporary Regulations on the date immediately preceding Distribution A, and each of Parent and Distributing 3 was a United States shareholder immediately thereafter.

(r) In connection with Distribution A, there were no transfers of property under § 367(a).

(s) In connection with Distribution A, there were no transfers of intangible property under § 367(d).

(t) In connection with Distribution A, there were no transfers of property to a foreign partnership that would be subject to the reporting requirements of § 6038B.

(u) Any royalty payments on licenses of intangible property to Foreign Controlled 1 or Foreign Controlled 2 following Distribution A would be for fair market value consideration and on terms and conditions that are consistent with standards for § 482.

(v) There were no entities involved in Distribution A that were treated as disregarded entities for U.S. federal income tax purposes or were treated as “hybrids” or “reverse hybrids” for U.S. federal income tax and Country A income tax purposes.

(w) Since the g dollar Note paid in step (iii) above was treated as part of a circular flow, and therefore not treated as a dividend from Foreign Distributing 1 to Parent for U.S. tax purposes on Parent’s 1998 federal income tax return, Parent did not claim any deemed paid foreign tax credits associated with such amount in determining Parent’s overall foreign tax credits claimed on its 1998 federal income tax return.

Country A Transaction Rulings

Based solely on the information submitted in the ruling request and the representations set forth above, and provided that Parent satisfies the requirements of paragraph (c)(1) of § 1.367(b)-1 and paragraphs (c)(2) and (d) of § 7.367(b)-1, we rule as follows regarding steps (i) through (vi) above:

(1) For federal income tax purposes, the Note is disregarded, and the transactions described in steps (i) through (vi) are treated as if (a) Foreign Distributing 1 had distributed the stock of Foreign Controlled 1 and Foreign Controlled 2 to Parent (“Distribution A”), (b) Foreign Distributing 1 had distributed cash to Parent, Distributing 3, and Foreign Sub 1, (c) Parent had transferred the stock of Foreign Controlled 1 and Foreign Controlled 2 to Sub 2 in exchange for stock of Sub 2, and (d) Parent had transferred the stock of Sub 2 to Sub 1 in exchange for stock of Sub 1.

(2) No gain or loss was recognized by (and no amount was otherwise included in the income of) Parent on Distribution A (§ 355(a)(1)).

(3) No gain or loss was recognized by Foreign Distributing 1 on Distribution A (§ 355(c)).

(4) The holding period of the Foreign Controlled 1 stock and the Foreign Controlled 2 stock received by Parent includes the holding period of the Foreign Distributing 1 stock on which Distribution A was made, provided the Foreign Distributing 1 stock was held as a capital asset on the date of Distribution A (§ 1223(1) and (1)(B)).

(5) Distribution A is a distribution to which § 7.367(b)-10(c) applies, and the requirements of paragraphs (d) through (j) of § 7.367(b)-10 must be satisfied.

(6) If Parent does not recognize any gain under § 1248 on the contribution of Foreign Controlled 1 stock and Foreign Controlled 2 stock to the capital of Sub 2, the earnings and profits of each of Foreign Controlled 1 and Foreign Controlled 2, to the

extent attributable to such stock under § 1.1248-2 or § 1.1248-3 (whichever is applicable), that were accumulated in taxable years of such foreign corporation beginning after December 31, 1962 and during the period that each of Foreign Controlled 1 and Foreign Controlled 2 was a controlled foreign corporation, shall be attributable to such stock now held by Sub 2 (§ 1.1248-1(a)(1)).

Country B Transaction

(vii) On Date H:

(a) Distributing 3 transferred its b percent interest in Foreign Controlled 3 (the “Minority Foreign Controlled 3 Stock Interest”) to Sub 3.

(b) Distributing 2 distributed its a percent interest in Foreign Controlled 3 stock to Parent (“Distribution B”).

(c) Parent transferred the Foreign Controlled 3 stock to Sub 2 in a transaction intended to qualify under § 351(a).

(d) Parent transferred the Sub 2 stock to Sub 1 in a transaction intended to qualify under § 351(a).

Country B Transaction Representations

The taxpayer has made the following representations concerning Distribution B:

(x) No part of the consideration distributed by Distributing 2 was received by Parent as a creditor, employee, or in any capacity other than that of a shareholder of Distributing 2.

(y) The five years of financial information submitted for Distributing 2 and Foreign Controlled 3 represents the present operations of each corporation, and, with regard to each corporation, there have been no substantial operational changes since the date of the last financial statements submitted.

(z) Distributing 2 and Foreign Controlled 3 each will continue the active conduct of its business, independently and with its separate employees.

(aa) Distribution B was carried out to increase the amount of Business Y that Sub 1 conducts with customers other than Parent. Distribution B was motivated, in whole or substantial part, by this corporate business purpose.

(bb) Parent has no plan or intention to sell, exchange, transfer by gift, or

otherwise dispose of any stock in, or securities of, Distributing 2, and Sub 2 has no plan or intention to sell, exchange, transfer by gift, or otherwise dispose of any stock in, or securities of, Foreign Controlled 3.

(cc) There is no plan or intention by either Distributing 2 or Foreign Controlled 3, directly or through any subsidiary corporation, to purchase any of its outstanding stock, other than through stock purchases meeting the requirements of § 4.05(1)(b) of Rev. Proc. 96-30.

(dd) There is no plan or intention to liquidate either Distributing 2 or Foreign Controlled 3, to merge either corporation with any other corporation, or to sell or otherwise dispose of any of the assets of either corporation, except in the ordinary course of business.

(ee) No intercorporate debt existed between Distributing 2 and Foreign Controlled 3 at the time of Distribution B, and none will exist after Distribution B..

(ff) Except during a transition period expected to last one year or less following Distribution B, payments made in all continuing transactions between Distributing 2 and Foreign Controlled 3 will be for fair market value based on terms and conditions arrived at by the parties bargaining at arm's length.

(gg) Distribution B is not part of a plan or series of related transactions (within the meaning of § 355(e)) pursuant to which one or more persons will acquire directly or indirectly stock possessing 50 percent or more of the total combined voting power of all classes of stock of either Distributing 2 or Foreign Controlled 3 entitled to vote, or stock possessing 50 percent or more of the total value of all classes of stock of either Distributing 2 or Foreign Controlled 3.

(hh) Parent will treat its transfer of Foreign Controlled 3 stock to Sub 2 as qualifying under § 351(a).

(ii) Foreign Controlled 3 was a CFC under § 957(a) at all times during the five-year period immediately preceding the date of Distribution B, and Foreign Controlled 3 was a CFC immediately thereafter.

(jj) As to Foreign Controlled 3, each of Distributing 2 and Distributing 3 was a United States shareholder under §.367(b)-2(b) on the date immediately preceding Distribution B.

(kk) Foreign Controlled 3 was not a PFIC under § 1297(a) on the date immediately preceding Distribution B, and Foreign Controlled 3 was not a PFIC immediately thereafter.

(ll) In connection with Distribution B, there were no transfers of property under § 367(a).

(mm) In connection with Distribution B, there were no transfers of intangible property under § 367(d).

(nn) In connection with Distribution B, there were no transfers of property to a foreign partnership that would be subject to the reporting requirements of § 6038B.

(oo) Any royalty payments on licenses of intangible property to Foreign Controlled 3 following Distribution B would be for fair market value consideration and on terms and conditions that are consistent with standards for § 482.

(pp) There were no entities involved in Distribution B that were treated as disregarded entities for U.S. federal income tax purposes or were treated as “hybrids” or “reverse hybrids” for U.S. federal income tax and Country B income tax purposes.

Country B Transaction Rulings

Based solely on the information submitted in the ruling request and the representations set forth above, and provided that Parent satisfies the requirements of paragraph (c)(1) of § 1.367(b)-1 and paragraphs (c)(2) and (d) of § 7.367(b)-1, we rule as follows on Distribution B:

(7) No gain or loss was recognized by (and no amount was otherwise included in the income of) Parent on Distribution B (§ 355(a)(1)).

(8) No gain or loss was recognized by Distributing 2 on Distribution B (§ 355(c)).

(9) The basis of the Foreign Controlled 3 stock in the hands of Parent is the lesser of the adjusted basis of that stock in the hands of Distributing 2 or the substituted basis allocated to the Foreign Controlled 3 stock in accordance with § 1.358-2(a)(2) (§ 1248(f)(2); Notice 87-64, 1987-2 C.B. 375).

(10) The holding period of the Foreign Controlled 3 stock received by Parent is the greater of the holding period of the Foreign Controlled 3 stock in the hands of Distributing 2 or the holding period of Distributing 2 stock in the hands of Parent (§ 1248(f)(2); Notice 87-64).

(11) Section 1248(f)(1) does not apply to Distribution B (§ 1248(f)(2); Notice 87-64).

(12) If Parent does not recognize any gain under § 1248 on the contribution of Foreign Controlled 3 stock to the capital of Sub 2, the earnings and profits of Foreign

Controlled 3, to the extent attributable to such stock under § 1.1248-2 or § 1.1248-3 (whichever is applicable), that were accumulated in taxable years of such foreign corporation beginning after December 31, 1962 and during the period Foreign Controlled 3 was a controlled foreign corporation, shall be attributable to such stock now held by Sub 2 (§ 1.1248-1(a)(1)).

Country C Transaction

(viii) On Date C, Sub 4 was liquidated into Distributing 3 in a transaction intended to qualify under §§ 332 and 337.

(ix) On Date I:

(a) Distributing 3 distributed the stock of Foreign Controlled 4 and Foreign Controlled 5 to Parent ("Distribution C").

(b) Parent transferred the stock of Foreign Controlled 4 and Foreign Controlled 5 to Sub 2 in a transaction intended to qualify under § 351(a).

(x) On Date H, Parent transferred the Sub 2 stock to Sub 1 in a transaction intended to qualify under § 351(a).

Country C Transaction Representations

The taxpayer has made the following representations concerning Distribution C:

(qq) No part of the consideration distributed by Distributing 3 was received by Parent as a creditor, employee, or in any capacity other than that of a shareholder of Distributing 3.

(rr) The five years of financial information submitted for Distributing 3, Foreign Controlled 4, and Foreign Controlled 5 represents the present operations of each corporation, and with regard to each corporation, there have been no substantial operational changes since the date of the last financial statements submitted.

(ss) Distributing 3, Foreign Controlled 4, and Foreign Controlled 5 each will continue the active conduct of its business, independently and with its separate employees.

(tt) Distribution C was carried out to increase the amount of Business Y that Sub 1 conducts with customers other than Parent. Distribution C was motivated, in whole or substantial part, by this corporate business purpose.

(uu) Parent has no plan or intention to sell, exchange, transfer by gift, or otherwise dispose of any stock in, or securities of, Distributing 3, and Sub 2 has no plan or intention to sell, exchange, transfer by gift, or otherwise dispose of any stock in, or securities of, Foreign Controlled 4 or Foreign Controlled 5.

(vv) There is no plan or intention by Distributing 3, Foreign Controlled 4, or Foreign Controlled 5, directly or through any subsidiary corporation, to purchase any of its outstanding stock, other than through stock purchases meeting the requirements of § 4.05(1)(b) of Rev. Proc. 96-30.

(ww) There is no plan or intention to liquidate Distributing 3, Foreign Controlled 4, or Foreign Controlled 5, to merge any such corporation with any other corporation, or to sell or otherwise dispose of any of the assets of any such corporation after the transaction, except in the ordinary course of business.

(xx) No intercorporate debt existed between or among any of Distributing 3, Foreign Controlled 4, and Foreign Controlled 5 at the time of Distribution C, and none will exist after Distribution C.

(yy) Except during a transition period expected to last one year or less following Distribution C, payments made in all continuing transactions between or among any of Distributing 3, Foreign Controlled 4, and Foreign Controlled 5 will be for fair market value based on terms and conditions arrived at by the parties bargaining at arm's length.

(zz) Distribution C is not part of a plan or series of related transactions (within the meaning of § 355(e)) pursuant to which one or more persons will acquire directly or indirectly stock possessing 50 percent or more of the total combined voting power of all classes of stock of either Distributing 3, Foreign Controlled 4, or Foreign Controlled 5 entitled to vote, or stock possessing 50 percent or more of the total value of all classes of stock of either Distributing 3, Foreign Controlled 4, or Foreign Controlled 5.

(aaa) Parent will treat its transfer of the Foreign Controlled 4 stock and Foreign Controlled 5 stock to Sub 2 as qualifying under § 351(a).

(bbb) Each of Foreign Controlled 4 and Foreign Controlled 5 was a CFC under § 957(a) at all times during the five-year period immediately preceding the date of Distribution C, and each of Foreign Controlled 4 and Foreign Controlled 5 was a CFC immediately thereafter.

(ccc) As to Foreign Controlled 4 and Foreign Controlled 5, Distributing 3 was a United States shareholder under § 7.367(b)-2(b) on the date immediately preceding Distribution C.

(ddd) Neither Foreign Controlled 4 nor Foreign Controlled 5 was a PFIC under § 1297(a) on the date immediately preceding Distribution C, and neither Foreign Controlled 4 nor Foreign Controlled 5 was a PFIC immediately thereafter.

(eee) In connection with Distribution C, there were no transfers of property under § 367(a).

(fff) In connection with Distribution C, there were no transfers of intangible property under § 367(d).

(ggg) In connection with Distribution C, there were no transfers of property to a foreign partnership that would be subject to the reporting requirements of § 6038B.

(hhh) Any royalty payments on licenses of intangible property to Foreign Controlled 4 or Foreign Controlled 5 following Distribution C would be for fair market value consideration and on terms and conditions that are consistent with standards for § 482.

(iii) There were no entities involved in Distribution C that were treated as disregarded entities for U.S. federal income tax purposes or were treated as “hybrids” or “reverse hybrids” for U.S. federal income tax and Country C income tax purposes.

Country C Transaction Rulings

Based solely on the information submitted in the ruling request and the representations set forth above, and provided that Parent satisfies the requirements of paragraph (c)(1) of § 1.367(b)-1 and paragraphs (c)(2) and (d) of § 7.367(b)-1, we rule as follows on Distribution C:

(13) No gain or loss was recognized by (and no amount was otherwise included in the income of) Parent on Distribution C (§ 355(a)(1)).

(14) No gain or loss was recognized by Distributing 3 on Distribution C (§ 355(c)).

(15) The basis of the stock of each of Foreign Controlled 4 and Foreign Controlled 5 in the hands of Parent is the lesser of the adjusted basis of the stock in the hands of Distributing 3 or the substituted basis allocated to the stock in accordance with § 1.358-2(a)(2) (§ 1248(f)(2); Notice 87-64).

(16) The holding period for the Foreign Controlled 4 stock and the Foreign Controlled 5 stock received by Parent is the greater of the holding period of the stock in the hands of Distributing 3 or the holding period of the stock of Distributing 3 in the hands of Parent (§ 1248(f)(2); Notice 87-64).

(17) Section 1248(f)(1) does not apply to Distribution C (§ 1248(f)(2), Notice 87-64).

(18) If Parent does not recognize any gain under §1248 on the contributions of Foreign Controlled 4 stock and Foreign Controlled 5 stock to the capital of Sub 2, the earnings and profits of each of Foreign Controlled 4 and Foreign Controlled 5, to the extent attributable to such stock under § 1.1248-2 or § 1.1248-3 (whichever is applicable), that were accumulated in taxable years of such foreign corporation beginning after December 31, 1962 and during the periods that each of Foreign Controlled 4 and Foreign Controlled 5 was a controlled foreign corporation, shall be attributable to such stock now held by Sub 2 (§ 1.1248-1(a)(1)).

Caveats

We express no opinion on the tax treatment of the transactions under other provisions of the Code or regulations, or the tax treatment of any conditions existing at the time of, or resulting from, the transactions that are not specifically covered in the above rulings. In particular, we express no opinion regarding:

(a) Whether the transfer by Parent of Sub 2 stock to Sub 1 described above in ruling 1(d) and steps (vi), (vii)(d), and (x) qualified under § 351(a);

(b) Whether the transfer by Parent of Foreign Controlled 1 stock and Foreign Controlled 2 stock to Sub 2 described above in ruling 1(c) and step (iv) qualified under § 351(a);

(c) The tax treatment of payments made between parties during the transition periods described above in representations (j), (ff), and (yy).

(d) Whether the liquidation of Sub 4 into Distributing 3 described above in steps (i) and (viii) qualified under §§ 332 and 337;

(e) Whether the transfer by Parent of Foreign Controlled 3 stock to Sub 2 described above in step (vii)(c) qualified under § 351;

(f) The tax treatment of the deemed distribution by Distributing 3 to Parent and subsequent deemed transfers by Parent and Sub 2, respectively, of the Minority Foreign Controlled 3 Stock Interest described above in step (vii)(a);

(g) Whether the transfer by Parent of Foreign Controlled 4 and Foreign Controlled 5 stock to Sub 2 described above in step (ix)(b) qualified under § 351;

(h) The applicability of any transfer pricing issues under § 482 in connection with the continuing transactions or other transactions contemplated in the ruling

request;

(i) The tax treatment of Distributing 3's deemed distribution of its b ownership of Foreign Controlled 3 stock to Parent under § 1248(a) or § 1248(f)(1);

(j) Whether the amount distributed by Foreign Distributing 1 to Foreign Sub 1 as described above in step (v) should be treated as subpart F income; and

(k) Whether any or all of the above-referenced foreign corporations are PFICs (within the meaning of § 1297(a) and the regulations to be promulgated thereunder). If it is determined that any or all of the above-described foreign corporations are PFICs, no opinion is expressed on the application of §§ 1291 through 1298 to the proposed transactions. In particular, in a transaction in which gain is not otherwise recognized, regulations under § 1291(f) may require gain recognition notwithstanding any other provision of the Code.

Procedural Statements

This ruling is directed only to the taxpayers that requested it. Section 6110(k)(3) provides that it may not be used or cited as precedent.

Each taxpayer involved in these transactions should attach a copy of this ruling letter to the taxpayer's federal income tax return for the taxable year in which the transactions covered by this letter are consummated.

In accordance with the power of attorney on file in this office, the taxpayer and one other authorized representative each will receive a copy of this letter.

Sincerely yours,

Assistant Chief Counsel (Corporate)

By: _____

Wayne T. Murray

Senior Technician/Reviewer

Branch 4