

TS1 =

PLR-140240-08

2

TS2 =

TS3 =

TS4 =

TS5 =

TS6 =

TS7 =

TS8 =

TS9 =

TS10 =

TS11 =

TS12 =

TS13 =

TS14 =

TS15 =

TS16 =

Foreign NewCo =

FS1 =

FS2 =

FS3 =

US NewCo =

Business A =

\$a =

\$b =

\$c =

\$d =

\$e =

\$f =

\$g =

\$h =

\$i =

\$j =

\$k =

\$l =

\$m =

\$n =

\$o =

\$p =

\$q =

\$r =

u percent =

v percent =

w percent =

x percent =

y percent =

z percent =

Country A =

Country B =

Country C =

Country D =

Country E =

Country F =

Country G =

Country H =

Country I =

Date 1 =

Date 2 =

Date 3 =

Date 4 =

Date 5 =

Date 6 =

Date 7 =

Date 8 =

Date 9 =

Date 10 =

Date 11 =

Date 12 =

Date 13 =

Date 14 =
Date 15 =
Date 16 =
Date 17 =
Date 18 =
Date 19 =
Date 20 =
Date 21 =
Foreign Currency =

Dear :

We respond to your authorized representatives' letter of September 16, 2008, and the November 10, 2008, November 21, 2008, and December 22, 2008, supplements thereto, requesting rulings as to the federal income tax consequences of a series of transactions, some of which have already been consummated. The information in that request and in those supplements is summarized below.

Acquirer is a domestic corporation engaged directly or indirectly in a number of businesses, including Business A. Acquirer has various domestic and foreign subsidiaries. Prior at least to the consummation of the Transaction (defined below), Acquirer wholly owned Merger Sub, a domestic subsidiary, and AS2, a domestic limited liability company that is treated as disregarded for U.S. federal income tax purposes. AS1, a domestic subsidiary, is owned u percent by Acquirer and v percent by AS2. Acquirer conducts nearly all its foreign operations through its foreign subsidiaries (the "Acquirer CFCs"), the interests in which are owned indirectly by AS2.

Target is a domestic corporation that is engaged primarily in Business A. Prior to the Transaction, Target directly owned a number of foreign subsidiary corporations (the "Directly Owned CFCs"). Target also directly owned a number of domestic subsidiary corporations, including TS1, TS2, TS3, TS4, and TS5. The domestic subsidiary corporations, other than TS1, TS2, TS3, and TS4, are referred to herein as the "Target Domestic Subsidiaries."

Target's holdings also included a w percent interest in TS6, an x percent interest in TS7, and an x percent interest in TS8.

TS1 owned a number of foreign subsidiaries, including TS9, TS10, TS11, and TS12. These and other foreign subsidiaries owned by TS1, together with the various foreign subsidiaries of TS2 and the Directly Owned CFCs, are collectively referred to herein as the "Target CFCs."

TS1's holdings also included a w percent interest in TS7, a w percent interest in TS8, and all the interests in TS13. TS13 owned, in turn, all the interests in TS14.

TS2's holdings also included an x percent interest in TS6 and all the interests in TS15.

Prior to the Transaction, Target owed approximately \$a to TS1 (the "TS1 Payable") and approximately \$b to TS2 (the "TS2 Payable").

In connection with the Public Acquisition and in furtherance of the integration of Acquirer's Business A with Target's Business A, the following steps (collectively, the "Transaction") have occurred or will occur in the future:

- (i) On Date 1, Target established a domestic limited liability company, TS16, in exchange for a 100 percent member interest. TS16 has not elected to change its default classification as a disregarded entity for U.S. federal income tax purposes.
- (ii) On Date 2, Target transferred all its interests in TS3 to TS1.
- (iii) On Date 3, TS1 transferred all its interests in TS9 to TS3 in exchange for 1,000 shares in TS3.
- (iv) On Date 4, TS1 contributed all its interests in TS10 to TS16 in exchange for a y percent member interest.
- (v) On Date 4, Target and TS1 entered into a trust/contribution agreement whereby Target held its z percent member interest in TS16 in trust for TS1.
- (vi) On Date 5, Target contributed its w percent interest in TS6 to TS1.
- (vii) On Date 5, the Board of Directors and shareholders of each of TS1, TS2, and TS3 agreed to a plan of conversion into a domestic limited liability company, to be effective Date 11.

- (viii) On Date 6, TS1 and TS2, which together owned all the rights to Target's foreign intellectual property, each transferred its rights in the trademark and trade name of Target to TS6 in the form of a perpetual royalty-free license in exchange for a) a note issued by TS6 and b) an increase in their partnership capital accounts.
- (ix) On Date 7, Acquirer formed US Sub, a domestic corporation.
- (x) On Date 8, Target transferred its z percent member interest in TS16 to TS1.
- (xi) On Date 9, TS1 transferred all its interest in TS11 to TS16 in exchange for an additional member interest. TS16 consented to the transfer of TS11, and the cancellations and issuances of membership certificates to TS1. TS16 and TS1 entered into a consent agreement regarding the transfer of TS11 and the cancellations and issuances of membership certificates to TS1.
- (xii) On Date 10, Target contributed its x percent interest in TS8 to TS5.
- (xiii) On Date 11, TS1 converted into a domestic limited liability company ("TS1 LLC") (the "TS1 Liquidation"). TS1 LLC has not elected to change its default classification as a disregarded entity for U.S. federal income tax purposes.
- (xiv) On Date 11, TS2 converted into a domestic limited liability company ("TS2 LLC") (the "TS2 Liquidation"). TS2 LLC has not elected to change its default classification as a disregarded entity for U.S. federal income tax purposes.
- (xv) On Date 11, TS3 converted into a domestic limited liability company ("TS3 LLC"). TS3 LLC has not elected to change its default classification as a disregarded entity for U.S. federal income tax purposes.
- (xvi) On Date 12, TS12 made a dividend distribution of approximately \$c.
- (xvii) On Date 12, TS7 made a dividend distribution of \$d.
- (xviii) On Date 12, Acquirer contributed all its interests in Merger Sub and \$e in cash to US Sub.
- (xix) On Date 12, US Sub contributed \$f in cash to Merger Sub and made two loans to Merger Sub: \$g in cash ("Merger Sub Loan A") and \$g in cash ("Merger Sub Loan B").

- (xx) On Date 13, TS3 LLC distributed net assets worth approximately \$h to TS1 LLC.
- (xxi) On Date 13, US Sub formed Foreign NewCo, a Country I entity that is not a "per se" corporation under section 301.7701-2(b) of the Procedure and Administration Regulations and will elect to be taxed as a corporation for U.S. federal income tax purposes under section 301.7701-3 of the Procedure and Administration Regulations.
- (xxii) On Date 13, Foreign NewCo formed FS1, FS2, and FS3, each a domestic limited liability company. None of FS1, FS2, and FS3 has elected to change its default classification as a disregarded entity for U.S. federal income tax purposes.
- (xxiii) Effective Date 13, Merger Sub merged with and into Target, with Target surviving; the shareholders of Target received approximately \$e in cash in exchange for their shares of Target.
- (xxiv) On Date 14, Target formed US NewCo, a domestic limited liability company, which will elect to be taxed as a corporation for U.S. federal income tax purposes under section 301.7701-3 of the Procedure and Administration Regulations.
- (xxv) On Date 14, Target contributed \$i and its rights and obligations in a rabbi trust and deferred compensation plan to US NewCo.
- (xxvi) On Date 14, Target repaid the TS1 Payable and contributed \$j to TS1 LLC, and thereafter TS1 LLC repaid certain notes denominated in Foreign Currency and settled a Foreign Currency hedge for \$k in total.
- (xxvii) On Date 14, TS2 LLC distributed its receivable from Target relating to the TS2 Payable, eliminating the TS2 Payable.
- (xxviii) On Date 14, Target sold all its interests in the Target Domestic Subsidiaries to AS2 for \$l.
- (xxix) On Date 14, Target contributed \$m to TS1 LLC, which contributed \$n to TS8 and \$o to TS13, which contributed \$o to TS14.
- (xxx) On Date 15, TS5 sold its x percent interest in TS8 to AS2 for \$p.
- (xxxi) On Date 15, TS1 LLC sold all its interests in TS8 and TS13 to AS1 for \$p and \$q respectively.

- (xxxii) On Date 15, TS2 LLC sold all its interests in TS15 to AS1 for \$p.
- (xxxiii) On Date 16, TS1 LLC and TS2 LLC distributed all their interests in intangible assets of Target to Target.
- (xxxiv) On Date 16, FS1 merged with and into Target, with Target surviving, and, thereafter as part of the same plan, Target converted to a domestic limited liability company ("Target LLC") that is treated as an entity that is disregarded from its owner under section 301.7701-3 of the Procedure and Administration Regulations (the components of this paragraph together, the "Foreign Reincorporation").

Immediately before the Foreign Reincorporation, from a U.S. federal income tax perspective, Target held directly domestic operating assets (including the cash proceeds from the sales in steps (xxviii), (xxxi), and (xxxii)) (the "Domestic Operating Assets"), foreign and domestic intangible assets (the "Intangible Assets"), and stock in the Target CFCs.

- (xxxv) On Date 17, Target LLC distributed US NewCo, the Directly Owned CFCs, and shares in other foreign entities (including TS7) that it directly held to Foreign NewCo. In addition, Foreign NewCo assumed the \$g liability incurred as Merger Sub Loan B, and US Sub provided the relevant parties with a novation in which US Sub agreed to release Target LLC from any liability with respect to Merger Sub Loan B. Target LLC retained the Domestic Operating Assets and the Intangible Assets, subject to certain liabilities associated with the Domestic Operating Assets and the \$g liability incurred as Merger Sub Loan A.
- (xxxvi) On Date 17, FS2 merged with and into TS1 LLC, with TS1 LLC surviving, and FS3 merged with and into TS2 LLC, with TS2 LLC surviving.
- (xxxvii) On Date 17, Foreign NewCo contributed all its interests in Target LLC to US NewCo (the "Contribution").
- (xxxviii) On Date 18, Target LLC made a deferred compensation payment to certain executives on behalf of US NewCo in the amount of \$r.
- (xxxix) On or about Date 19, Acquirer will contribute its domestic Business A assets and associated liabilities to a newly formed domestic corporation ("US NewCo2") in exchange for stock of US NewCo2 (the "Acquirer Contribution"). Simultaneously, with the Acquirer Contribution and as part of the same plan, Foreign NewCo will contribute all its interests in US NewCo to US NewCo2 in exchange for stock of US NewCo2 (the "Foreign

NewCo Contribution"). Following the Acquirer Contribution and the Foreign NewCo Contribution, Acquirer and Foreign NewCo will together own 100 percent of the outstanding shares of US NewCo2.

- (xl) Shortly thereafter, and as part of the same plan that includes the transactions described in Step (xxxix), US NewCo2 will contribute Acquirer's domestic Business A assets to US NewCo (the "US NewCo2 Contribution"), which at that time will be a wholly owned subsidiary of US NewCo2.
- (xli) Shortly thereafter, and as part of the same plan that includes the transactions described in Steps (xxxix) and (xl), US NewCo will contribute Acquirer's domestic Business A assets to Target LLC.

Within the past three years, TS1 has disposed of certain assets pursuant to routine restructurings. In no event did the assets disposed of represent more than one percent of the fair market value of TS1.

Within the past three years, on Date 20, TS1 transferred certain assets to Target in exchange for \$t, and, on Date 21, TS1 declared a dividend payable to Target in the amount of \$u. Such dividend was paid in the form of a reduction to an existing receivable from Target held by TS1.

Within the past three years, TS2 has disposed of certain assets pursuant to routine restructurings. In no case did the assets disposed of represent more than one percent of the fair market value of TS2.

The following representations have been made with respect to the TS1 Liquidation:

- (a) Target, on the date of adoption of the plan of liquidation, and at all times until the TS1 Liquidation was completed, was the owner of at least 80 percent of the single outstanding class of TS1 stock.
- (b) No shares of TS1 stock were redeemed during the three years preceding the adoption of the plan of complete liquidation of TS1.
- (c) The distribution by TS1 to Target that is treated as occurring pursuant to the TS1 Liquidation occurred on a single day.
- (d) As a result of the TS1 Liquidation, TS1 ceased to be an entity that is separate from Target for U.S. federal income tax purposes.

- (e) TS1 ceased to exist and retained no assets for U.S. federal income tax purposes following the TS1 Liquidation.
- (f) TS1 had not acquired assets in any nontaxable transaction at any time, other than in the ordinary course of business or in acquisitions occurring more than three years prior to the date of adoption of the plan of liquidation.
- (g) No assets of TS1 have been, or will be, disposed of by either TS1 or Target except as described elsewhere in this letter ruling and for dispositions in the ordinary course of business and dispositions occurring more than three years prior to adoption of the plan of liquidation.
- (h) Except as described elsewhere in this letter ruling, the TS1 Liquidation was not preceded or followed by the transfer of all or a part of the business assets to another corporation (i) that is the alter ego of TS1 and (ii) which, directly or indirectly, is owned more than 20 percent in value by persons holding directly or indirectly more than 20 percent of the value of TS1's stock. For purposes of this representation, ownership will be determined by applying the constructive ownership rules of section 318(a) of the Internal Revenue Code, as modified by section 304(c)(3).
- (i) Except as described elsewhere in this letter ruling, prior to adoption of the liquidation plan, no assets of TS1 were distributed in kind, transferred, or sold to Target, 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.
- (j) TS1 reported all earned income represented by assets that were treated as distributed to Target in the TS1 Liquidation such as receivables being reported on a cash basis, unfinished construction contracts, commissions due, etc.
- (k) The fair market value of the assets of TS1 exceeded its liabilities both at the date of adoption of the plan of complete liquidation and immediately prior to the time of the TS1 Liquidation.
- (l) Prior to the TS1 Liquidation, there was no intercorporate debt existing between Target and TS1 other than the TS1 Payable and none has been cancelled, forgiven, or discounted, other than as described elsewhere in this letter ruling or in the ordinary course of business or in transactions that occurred more than three years prior to the date of adoption of the liquidation plan.

- (m) Target is not an organization that is exempt from federal income tax under section 501 or any other provision of the Code.
- (n) All other transactions undertaken contemporaneously with, in anticipation of, in conjunction with, or in any way related to, the TS1 Liquidation have been fully disclosed.

The following representations have been made with respect to the TS2 Liquidation:

- (a) Target, on the date of adoption of the plan of liquidation, and at all times until the TS2 Liquidation was completed, was the owner of at least 80 percent of the single outstanding class of TS2 stock.
- (b) No shares of TS2 stock were redeemed during the three years preceding the adoption of the plan of complete liquidation of TS2.
- (c) The distribution by TS2 to Target that is treated as occurring pursuant to the TS2 Liquidation occurred on a single day.
- (d) As a result of the TS2 Liquidation, TS2 ceased to be an entity that is separate from Target for U.S. federal income tax purposes.
- (e) TS2 ceased to exist and retained no assets for U.S. federal income tax purposes following the TS2 Liquidation.
- (f) TS2 had not acquired assets in any nontaxable transaction at any time, other than in the ordinary course of business or in acquisitions occurring more than three years prior to the date of adoption of the plan of liquidation.
- (g) No assets of TS2 have been, or will be, disposed of by either TS2 or Target except as described elsewhere in this letter ruling and for dispositions in the ordinary course of business and dispositions occurring more than three years prior to adoption of the plan of liquidation.
- (h) Except as described elsewhere in this letter ruling, the TS2 Liquidation was not preceded or followed by the transfer of all or a part of the business assets to another corporation (i) that is the alter ego of TS2 and (ii) which, directly or indirectly, is owned more than 20 percent in value by persons holding directly or indirectly more than 20 percent of the value of TS2's stock. For purposes of this representation, ownership will be determined by applying the constructive ownership rules of section 318(a), as modified by section 304(c)(3).

- (i) Prior to adoption of the liquidation plan, no assets of TS2 were distributed in kind, transferred, or sold to Target, 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.
- (j) TS2 reported all earned income represented by assets that were treated as distributed to Target in the TS2 Liquidation such as receivables being reported on a cash basis, unfinished construction contracts, commissions due, etc.
- (k) The fair market value of the assets of TS2 exceeded its liabilities both at the date of adoption of the plan of complete liquidation and immediately prior to the time of the TS2 Liquidation.
- (l) Prior to the TS2 Liquidation, there was no intercorporate debt existing between Target and TS2 other than the TS2 Payable and none has been cancelled, forgiven, or discounted, other than in the ordinary course of business or in transactions that occurred more than three years prior to the date of adoption of the liquidation plan.
- (m) Target is not an organization that is exempt from federal income tax under section 501 or any other provision of the Code.
- (n) All other transactions undertaken contemporaneously with, in anticipation of, in conjunction with, or in any way related to, the TS2 Liquidation have been fully disclosed.

The following representations have been made with respect to the Foreign Reincorporation:

- (a) The fair market value of the Foreign NewCo stock deemed received by US Sub was approximately equal to the fair market value of the Target stock surrendered in the exchange.
- (b) Except as described elsewhere in this letter ruling, there is no plan or intention by US Sub to sell, exchange, or otherwise dispose of any of the shares of Foreign NewCo stock deemed received in the transaction.
- (c) Immediately following consummation of the transaction, US Sub owned all the outstanding Foreign NewCo stock and owned such stock solely by reason of its ownership of Target stock immediately prior to the transaction.

- (d) Foreign NewCo has no plan or intention to issue additional shares of its stock following the transaction, except with respect to shares issued in receipt for property in connection with subsequent transactions to integrate the operations of Acquirer and Target.
- (e) Immediately following consummation of the transaction, Foreign NewCo possessed the same assets and liabilities as those possessed by Target immediately prior to the transaction.
- (f) At the time of the transaction, Target did not have outstanding any warrants, options, convertible securities, or other type of right pursuant to which any person could acquire stock in Target.
- (g) Foreign NewCo has no plan or intention to reacquire any of its stock issued in the transaction.
- (h) Except as described elsewhere in this letter ruling, Foreign NewCo has no plan or intention to sell or otherwise dispose of any of the assets of Target acquired in the transaction, except for dispositions made in the ordinary course of business.
- (i) Except for Merger Sub Loan A and Merger Sub Loan B, the liabilities of Target assumed by Foreign NewCo plus the liabilities, if any, to which the transferred assets were subject were incurred by Target in the ordinary course of its business and are associated with the assets transferred.
- (j) Following the transaction, Foreign NewCo (through its subsidiaries) will continue the historic business of Target.
- (k) US Sub paid its expenses incurred in connection with the transaction.
- (l) Target was not under the jurisdiction of a court in a title 11 or similar case within the meaning of section 368(a)(3)(A).

The following representations have been made with respect to the Contribution:

- (a) No stock or securities were issued for services rendered to or for the benefit of US NewCo in connection with the Contribution, and no stock or securities were issued for indebtedness of US NewCo that was not evidenced by a security or for interest on indebtedness of US NewCo which accrued on or after the beginning of the holding period of Foreign NewCo for the debt.

- (b) The proceeds received in collection of the income items will be included as ordinary income in computing the taxable income of US NewCo.
- (c) Any patents or patent applications transferred to US NewCo in the Contribution qualify as "property" within the meaning of section 351. With respect to any such patents, Foreign NewCo transferred all substantial rights in such patents or patent applications within the meaning of section 1235.
- (d) All rights, title, and interests for each copyright, in each medium of exploitation, were transferred to US NewCo in the Contribution.
- (e) Foreign NewCo did not retain any significant power, right, or continuing interest, within the meaning of section 1253(b), in the franchises, trademarks, or trade names that are transferred to US NewCo in the Contribution.
- (f) The transfer was not the result of the solicitation by a promoter, broker, or investment house.
- (g) Foreign NewCo did not retain any rights in the property transferred to US NewCo in the Contribution.
- (h) The value of the stock received in exchange for accounts receivable was equal to the net value of the accounts transferred, i.e., the face amount of the accounts receivable previously included in income less the amount of the reserve for bad debts.
- (i) Any debt relating to the stock being transferred that is being assumed (or to which such stock is subject) was incurred to acquire such stock and was incurred when such stock was acquired, and Foreign NewCo is transferring all the stock for which the acquisition indebtedness being assumed (or to which such stock is subject) was incurred.
- (j) The adjusted basis and the fair market value of the assets transferred by Foreign NewCo to US NewCo was, in each instance, equal to or exceeded the sum of the liabilities assumed by US NewCo plus any liabilities to which the transferred assets were subject.
- (k) Except for Merger Sub Loan A, the liabilities of Foreign NewCo assumed by US NewCo plus the liabilities, if any, to which the transferred assets were subject were incurred by Target in the ordinary course of its business and were associated with the assets transferred.

- (l) There was no indebtedness between US NewCo and Foreign NewCo and there was no indebtedness created in favor of Foreign NewCo as a result of the Contribution.
- (m) The transfers and exchanges occurred under a plan agreed upon before the Contribution in which the rights of the parties are defined.
- (n) All exchanges occurred on approximately the same date.
- (o) There was no plan or intention on the part of US NewCo to redeem or otherwise reacquire any stock to be issued in the Contribution.
- (p) Taking into account any issuance of additional shares of US NewCo stock, any issuance of stock for services, the exercise of any US NewCo stock rights, warrants, or subscriptions, a public offering of US NewCo stock, and the sale, exchange, transfer by gift, or other disposition of any of the stock of US NewCo to be received in the exchange, Foreign NewCo was in "control" of US NewCo within the meaning of section 368(c).
- (q) US NewCo will remain in existence and retain and use the property transferred to it in a trade or business, provided the rulings requested herein are granted.
- (r) There was no plan or intention by US NewCo to dispose of the transferred property other than in the normal course of business operations.
- (s) Each of the parties to the Contribution paid its own expenses incurred in connection with the Contribution.
- (t) US NewCo was not an investment company within the meaning of section 351(e)(1) and section 1.351-1(c)(1)(ii) of the Income Tax regulations.
- (u) Foreign NewCo was not under the jurisdiction of a court in a title 11 or similar case (within the meaning of section 368(a)(3)(A)) and the stock or securities received in the exchange will not be used to satisfy the indebtedness of such debtor.
- (v) US NewCo was not a "personal service corporation" within the meaning of section 269A.

Based solely on the information submitted and the representations made, and subject to any caveats discussed below, we rule as follows regarding the TS1 Liquidation:

- (1) The TS1 Liquidation will be treated as a complete liquidation under section 332 (section 332(b) and section 1.332-2(d)).
- (2) No gain or loss will be recognized by Target or TS1 as a result of the TS1 Liquidation (sections 332(a), 336(d)(3), 337(a), and 337(b)).
- (3) Target's basis in each asset received from TS1 in the TS1 Liquidation will be the same as the basis of that asset in the hands of TS1 immediately before the TS1 Liquidation (section 334(b)(1)).
- (4) Target's holding period in each asset received from TS1 in the TS1 Liquidation will include the period during which that asset was held by TS1 (section 1223(2)).
- (5) Target will succeed to and take into account the items of TS1 described in section 381(c), subject to the conditions and limitations specified in sections 381, 382, 383, and 384 and the regulations thereunder (section 381(a) and section 1.381(a)-1).

Based solely on the information submitted and the representations made, and subject to any caveats discussed below, we rule as follows regarding the TS2 Liquidation:

- (6) The TS2 Liquidation will be treated as a complete liquidation under section 332 (section 332(b) and section 1.332-2(d)).
- (7) Target and TS2 will recognize no gain or loss as a result of the TS2 Liquidation (sections 332(a), 336(d)(3), 337(a), and 337(b)).
- (8) Target's basis in each asset received from TS2 in the TS2 Liquidation will be the same as the basis of that asset in the hands of TS2 immediately before the TS2 Liquidation (section 334(b)(1)).
- (9) Target's holding period in each asset received from TS2 in the TS2 Liquidation will include the period during which that asset was held by TS2 (section 1223(2)).
- (10) Target will succeed to and take into account the items of TS2 described in section 381(c), subject to the conditions and limitations specified in sections 381, 382, 383, and 384 and the regulations thereunder (section 381(a) and section 1.381(a)-1).

Based solely on the information submitted and the representations made, and subject to any caveats discussed below, we rule as follows regarding the Foreign Reincorporation:

- (11) For U.S. federal income tax purposes, the Foreign Reincorporation will be treated as a transfer by Target of all its assets to Foreign NewCo in exchange for stock in Foreign NewCo and the assumption of liabilities, followed by the transfer by Target to US Sub of Foreign NewCo shares in exchange for stock in Target (see Rev. Rul. 67-274, 1967-2 C.B. 141).
- (12) The Foreign Reincorporation will constitute a reorganization within the meaning of section 368(a)(1)(F). Target and Foreign NewCo each will be "a party to the reorganization" within the meaning of section 368(b).
- (13) Except to the extent provided by section 367(a), including section 367(a)(5), no gain or loss will be recognized by Target upon the deemed transfer of all its assets and liabilities to Foreign NewCo as part of the Foreign Reincorporation (sections 361(a) and 357).
- (14) No gain or loss will be recognized by Foreign NewCo upon the deemed receipt of all the assets of Target as part of the Foreign Reincorporation (section 1032(a)).
- (15) Foreign NewCo's basis in the assets of Target will be the same as Target's basis in the assets immediately before the Foreign Reincorporation (section 362(b)).
- (16) Foreign NewCo's holding period for each of the assets of Target will include the period during which such asset was held by Target (section 1223(2)).
- (17) No gain or loss will be recognized by Target on the transfer of the stock of Foreign NewCo to US Sub (section 361(c)).
- (18) Except to the extent provided by section 367(a), no gain or loss will be recognized by US Sub on the receipt of the stock of Foreign NewCo in exchange for the stock of Target (sections 354(a)(1), 1.367(a)-3(a), and 1.367(a)-3(d)(1)(v)).
- (19) The basis of Foreign NewCo stock in the hands of US Sub will be equal to the basis of the Target stock surrendered in exchange therefore (section 358(a)(1)).
- (20) The holding period for Foreign NewCo stock in the hands of US Sub will include the period during which US Sub held the Target stock exchanged therefor, provided that the Target stock is held as a capital asset in the hands of US Sub on the date of the exchange (section 1223(1)).

- (21) As provided by section 381(a), Foreign NewCo will succeed to the tax attributes of Target enumerated in section 381(c), including any Target earnings and profits or any deficit therein.

Based solely on the information submitted and the representations made, and subject to any caveats discussed below, we rule as follows regarding the Contribution:

- (22) For U.S. federal income tax purposes, the contribution by Foreign NewCo of all its interests in Target LLC to US NewCo will be treated as the transfer of all the assets of Target LLC to US NewCo in exchange for US NewCo common stock and the assumption by US NewCo of the liabilities of Target LLC.
- (23) Foreign NewCo will recognize no gain or loss upon the transfer of the assets of Target LLC in exchange for US NewCo common stock and the assumption by US NewCo of the liabilities of Target LLC (sections 351(a) and 357).
- (24) No gain or loss will be recognized by US NewCo upon the receipt of the assets and the assumption of the liabilities of Target LLC in exchange for newly issued US NewCo common stock (section 1032(a)).
- (25) Foreign NewCo's basis in the US NewCo stock received will equal the basis of the Target LLC assets held immediately before the transfer, decreased by the amount of liabilities assumed by US NewCo in the exchange (sections 358(a) and 358(d)).
- (26) US NewCo's basis in each asset received will equal the basis of the assets in the hands of Foreign NewCo immediately before the transfer (section 362(a)).
- (27) Foreign NewCo's holding period in the US NewCo stock received in the exchange will include the holding period of Foreign NewCo with regard to the assets transferred in the exchange, provided the assets transferred in the exchange were held by Foreign NewCo as capital assets or are described in section 1231 (section 1223(1)).
- (28) US NewCo's holding period in each asset received will include the period such asset was treated as held by Foreign NewCo immediately before the Contribution (section 1223(2)).
- (29) No portion of the earnings and profits of Foreign NewCo is allocated to US NewCo as a result of the Contribution (section 1.312-11(a)).

The rulings contained in this letter are based upon information and representations submitted by the Taxpayer and accompanied by a penalty of perjury statement executed by an appropriate party. While this Office has not verified any of the material submitted in support of the request for rulings, it is subject to verification on examination.

Except as expressly provided herein, no opinion is expressed or implied concerning the tax consequences of any aspect of any transaction or item discussed or referenced in this letter. We express no opinion about the tax treatment of the transactions under other provisions of the Code and regulations or on the tax treatment of any condition existing at the time of, or effects resulting from, the transactions that are not specifically covered by the above rules. In particular, except to the extent provided above, no opinion is expressed regarding the application of sections 367, 897, 956, (including section 1.956-1(e)(3)), or 1248 to any transaction described in this ruling letter.

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

A copy of this letter must be attached to any income tax return to which it is relevant. Alternatively, taxpayers filing their returns electronically may satisfy this requirement by attaching a statement to their return that provides the date and control number of the letter ruling.

In accordance with the Power of Attorney on file with this office, a copy of this letter is being sent to your authorized representatives.

Sincerely,

Filiz A. Serbes
Chief, Branch 3
Office of the Associate Chief Counsel (Corporate)