

Internal Revenue Service

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Legend

Parent =

USS1 =

USS2 =

USS3 =

USS4 =

FS1 =

PLR-110989-12

2

FS2 =

FS3 =

FS4 =

FS5 =

FS6 =

FS7 =

FDRE1 =

State A =

State B =

Country A =

Country B =

Country C =

Country D =

Business A =

Date 1 =

Date 2 =

Date 3 =

Date 4 =

a =

b =

c =

d =

e =

FS3/FS4
Receivable =

FS4/FS6
Receivable =

FS1/FS4
Receivable =

FS2/FS5
Receivable =

Dear :

This letter responds to your representatives' letter dated March 12, 2012, requesting rulings on certain U.S. federal income tax consequences of the Proposed Transaction (defined below). The information provided in that request and in later correspondence is summarized below.

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.

Summary of Facts

Parent is a publicly traded State A corporation and the common parent of an affiliated group of corporations that files a consolidated federal income tax return. Parent is engaged, through its subsidiaries, in Business A.

Parent wholly owns USS1, a State B holding corporation.

USS1 wholly owns USS2, a State A holding corporation, and FS2, an entity organized under the laws of Country B and treated as a corporation for U.S. federal income tax purposes. FS2 has historically financed the operations of FS5 and its sole asset is the FS2/FS5 Receivable.

USS2 wholly owns USS3, a State A holding corporation, and USS4, a State B holding corporation.

USS3 wholly owns FDRE1, an entity organized under the laws of Country C and treated for U.S. federal income tax purposes as an entity that is disregarded as separate from its owner under § 301.7701-3 of the Income Tax Regulations (a “disregarded entity”).

USS4 wholly owns FS7, an entity organized under the laws of Country D and treated as a corporation for U.S. federal income tax purposes, and owns d% of FS1, an entity organized under the laws of Country A and treated as a corporation for U.S. federal income tax purposes. FS7 owns the remaining e% of FS1. FS1 has historically financed the operations of its affiliates, including FS4, and its primary asset is the FS1/FS4 Receivable.

FDRE1 wholly owns FS6, an entity organized under the laws of Country C and treated as a corporation for U.S. federal income tax purposes.

Before the Completed Phase 1 Transactions (defined below), FDRE1 wholly owned FS3 and FS4, and owned c% of FS5. FS3 owned b% of FS5, and FS4 owned the remaining a% of FS5. Each of FS3, FS4, and FS5 was an entity organized under the laws of Country C and treated as a corporation for U.S. federal income tax purposes. FS3 and FS4 each historically financed the operations of its affiliates and respectively held as an asset the FS3/FS4 Receivable and the FS4/FS6 Receivable.

Proposed Transaction

For business purposes and pursuant to a plan of reorganization, Parent has proposed and partially completed the following transaction (the "Proposed Transaction"):

- (i) On Date 1, USS3 transferred all of the stock of FS3 to FS6 (the "FS3 Contribution"). On Date 2, as part of an integrated plan, FS3 merged with and into FS6 pursuant to the laws of Country C (the "FS3 Merger"). The FS3 Contribution and the FS3 Merger are together the "FS3 Reorganization."
- (ii) On Date 1, USS3 transferred all of the stock of FS4 to FS6 (the "FS4 Contribution"). On Date 2, as part of an integrated plan, FS4 merged with and into FS6 pursuant to the laws of Country C (the "FS4 Merger"). The FS4 Contribution and the FS4 Merger are together the "FS4 Reorganization."
- (iii) On Date 2, USS3 transferred its c% of the stock of FS5 to FS6 (the "FS5 Contribution"). On Date 4, as part of an integrated plan, FS5 made an election to become a disregarded entity effective as of Date 3 (the "FS5 CTB Election"). The FS5 Contribution and the FS5 CTB Election are together the "FS5 Reorganization."

Steps (i) through (iii) were completed on Date 4 and are together the "Completed Phase 1 Transactions."

- (iv) USS1 will transfer all of the stock of FS2 to USS2 (the "FS2 Contribution 1").
- (v) USS2 will transfer all of the stock of FS2 to USS3 (the "FS2 Contribution 2").
- (vi) USS3 will transfer all of the stock of FS2 to FS6 (the "FS2 Contribution 3"). As part of an integrated plan, FS2 will make an election to become a disregarded entity (the "FS2 CTB Election"). The FS2 Contribution 3 and the FS2 CTB Election are together the "FS2 Reorganization."
- (vii) USS2 will transfer all of the stock of USS4 to USS3 (the "USS4 Contribution"). As part of an integrated plan, USS4 will make an election to become a disregarded entity (the "USS4 CTB Election").
- (viii) USS3 will transfer all of the stock of FS7 to FS6 (the "FS7 Contribution"). As part of an integrated plan, FS7 will make an election to become a disregarded entity (the "FS7 CTB Election").
- (ix) USS3 will transfer its d% of the stock of FS1 to FS6 (the "FS1 Contribution"). As part of an integrated plan, FS1 will make an election to become a disregarded entity (the "FS1 CTB Election"). The FS1 Contribution and the FS1 CTB Election are together the "FS1 Reorganization."

Representations

The following representations are made with regard to the named transaction (or transactions):

FS3 Reorganization

- (a) The FS3 Merger was effected pursuant to the laws of Country C and qualified as a statutory merger under applicable Country C law. Pursuant to the plan of merger, by operation of law, the following occurred simultaneously at the effective time of the FS3 Merger: (i) all of the assets held by FS3 immediately before the FS3 Merger and all of the liabilities of FS3 immediately before the FS3 Merger became the assets and liabilities of FS6; and (ii) FS3 ceased its separate legal existence for all purposes.
- (b) The fair market value of the FS6 stock deemed received by USS3 was approximately equal to the fair market value of the FS3 stock deemed surrendered in the exchange.
- (c) At least 40 percent of the proprietary interest in FS3 was deemed exchanged for FS6 stock and was preserved within the meaning of section 1.368-1(e).
- (d) FS6 had no plan or intention to reacquire any of its stock deemed issued in the transaction.
- (e) FS6 had no plan or intention to sell or otherwise dispose of any of the assets of FS3 acquired in the transaction, except for dispositions made in the ordinary course of business or transfers described in section 368(a)(2)(C) of the Internal Revenue Code or section 1.368-2(k).
- (f) The liabilities of FS3 assumed by FS6 and the liabilities to which the transferred assets of FS3 were subject were incurred by FS3 in the ordinary course of its business.
- (g) Following the transaction, FS6 (or members of its qualified group, as defined in section 1.368-1(d)(4)(ii)), is continuing the historical business of FS3 or is using a significant portion of FS3's historic business assets in a business.
- (h) FS6, FS3, and USS3 paid their respective expenses, if any, incurred in connection with the transaction.
- (i) There was no intercorporate indebtedness existing between FS3 and FS6 that was issued, acquired, or to be settled at a discount.

- (j) No two parties to the transaction were investment companies as defined in sections 368(a)(2)(F)(iii) and (iv).
- (k) FS3 was not under the jurisdiction of a court in a Title 11 or similar case within the meaning of section 368(a)(3)(A).
- (l) The fair market value of the assets of FS3 transferred to FS6 equaled or exceeded the sum of the liabilities assumed by FS6 plus the amount of liabilities, if any, to which the transferred assets were subject.
- (m) The fair market value of the property transferred by FS3 to FS6 exceeded the sum of: (i) the amount of any liabilities of FS3 assumed by FS6 in connection with the exchange; (ii) the amount of any liabilities owed to FS6 by FS3 that were discharged or extinguished in connection with the exchange; and (iii) the amount of any money and the fair market value of any other property (other than stock permitted to be received under section 361(a) without the recognition of gain) received by FS3 in connection with the exchange.
- (n) Immediately after the transaction, the fair market value of the assets of FS6 exceeded the amount of its liabilities.
- (o) FS3 was a controlled foreign corporation, within the meaning of section 957(a), immediately before the transaction, and FS6 was a controlled foreign corporation, within the meaning of section 957(a), immediately after the transaction.
- (p) The transaction was not an exchange described in sections 1.367(b)-4(b)(1)(i), 1.367(b)-4(b)(2)(i) or 1.367(b)-4(b)(3).
- (q) The notice requirements of section 1.367(b)-1(c) were satisfied with respect to the transaction.

FS4 Reorganization

- (r) The FS4 Merger was effected pursuant to the laws of Country C and qualified as a statutory merger under applicable Country C law. Pursuant to the plan of merger, by operation of law, the following occurred simultaneously at the effective time of the FS4 Merger: (i) all of the assets held by FS4 immediately before the FS4 Merger and all of the liabilities of FS4 immediately before the FS4 Merger became the assets and liabilities of FS6; and (ii) FS4 ceased its separate legal existence for all purposes.
- (s) The fair market value of the FS6 stock deemed received by USS3 was approximately equal to the fair market value of the FS4 stock deemed surrendered in the exchange.

- (t) At least 40 percent of the proprietary interest in FS4 was deemed exchanged for FS6 stock and was preserved within the meaning of section 1.368-1(e).
- (u) FS6 had no plan or intention to reacquire any of its stock deemed issued in the transaction.
- (v) FS6 had no plan or intention to sell or otherwise dispose of any of the assets of FS4 acquired in the transaction, except for dispositions made in the ordinary course of business or transfers described in section 368(a)(2)(C) or section 1.368-2(k).
- (w) The liabilities of FS4 assumed by FS6 and the liabilities to which the transferred assets of FS4 were subject were incurred by FS4 in the ordinary course of its business.
- (x) Following the transaction, FS6 (or members of its qualified group, as defined in section 1.368-1(d)(4)(ii)), is continuing the historical business of FS4 or is using a significant portion of FS4's historic business assets in a business.
- (y) FS6, FS4, and USS3 paid their respective expenses, if any, incurred in connection with the transaction.
- (z) There was no intercorporate indebtedness existing between FS4 and FS6 that was issued, acquired, or to be settled at a discount.
- (aa) No two parties to the transaction were investment companies as defined in sections 368(a)(2)(F)(iii) and (iv).
- (bb) FS4 was not under the jurisdiction of a court in a Title 11 or similar case within the meaning of section 368(a)(3)(A).
- (cc) The fair market value of the assets of FS4 transferred to FS6 equaled or exceeded the sum of the liabilities assumed by FS6 plus the amount of liabilities, if any, to which the transferred assets were subject.
- (dd) The fair market value of the property transferred by FS4 to FS6 exceeded the sum of: (i) the amount of any liabilities of FS4 assumed by FS6 in connection with the exchange; (ii) the amount of any liabilities owed to FS6 by FS4 that were discharged or extinguished in connection with the exchange; and (iii) the amount of any money and the fair market value of any other property (other than stock permitted to be received under section 361(a) without the recognition of gain) received by FS4 in connection with the exchange.

- (ee) Immediately after the transaction, the fair market value of the assets of FS6 exceeded the amount of its liabilities.
- (ff) FS4 was a controlled foreign corporation, within the meaning of section 957(a), immediately before the transaction, and FS6 was a controlled foreign corporation, within the meaning of section 957(a), immediately after the transaction.
- (gg) The transaction was not an exchange described in sections 1.367(b)-4(b)(1)(i), 1.367(b)-4(b)(2)(i) or 1.367(b)-4(b)(3).
- (hh) The notice requirements of section 1.367(b)-1(c) were satisfied with respect to the transaction.

FS5 Reorganization

- (ii) FS5 was eligible to elect to be treated as a disregarded entity for U.S. federal income tax purposes under section 301.7701-3 and filed a valid election to be treated as a disregarded entity effective three days after the FS5 Contribution.
- (jj) The fair market value of the FS6 stock deemed received by USS3 was approximately equal to the fair market value of the FS5 stock deemed surrendered in the exchange.
- (kk) At least 40 percent of the proprietary interest in FS5 was deemed exchanged for FS6 stock and was preserved within the meaning of section 1.368-1(e).
- (ll) FS6 acquired 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 FS5 immediately prior to the transaction. For purposes of this representation, amounts paid by FS5 to shareholders who received cash or other property, amounts used by FS5 to pay its reorganization expenses, and all redemptions and distributions (except for regular, normal dividends) made by FS5 immediately preceding the transfer were included as assets of FS5 held immediately prior to the transaction.
- (mm) After the transaction, USS3 was in control of FS6 within the meaning of section 368(a)(2)(H)(i).
- (nn) FS6 had no plan or intention to reacquire any of its stock deemed issued in the transaction.
- (oo) FS6 had no plan or intention to sell or otherwise dispose of any of the assets of FS5 acquired in the transaction, except for dispositions made in the ordinary course of business.

- (pp) The liabilities of FS5 assumed by FS6 plus the liabilities, if any, to which the transferred assets were subject were incurred by FS5 in the ordinary course of its business and were associated with the assets transferred.
- (qq) Following the transaction, FS6 (or members of its qualified group, as defined in section 1.368-1(d)(4)(ii)), is continuing the historic business of FS5 or is using a significant portion of FS5's historic business assets in a business.
- (rr) At the time of the transaction, FS6 did not have outstanding any warrants, options, convertible securities, or any other type of right pursuant to which any person could acquire stock in FS6 that, if exercised or converted, would affect the FS5 shareholders' acquisition or retention of control of FS6 (as defined in section 368(a)(2)(H)(i)).
- (ss) FS6, FS5, and the shareholders of FS5 paid their respective expenses, if any, incurred in connection with the transaction.
- (tt) There was no intercorporate indebtedness existing between FS6 and FS5 that was issued, acquired, or to be settled at a discount.
- (uu) No two parties to the transaction were investment companies as defined in sections 368(a)(2)(F)(iii) and (iv).
- (vv) The fair market value of the assets of FS5 transferred to FS6 equaled or exceeded the sum of the liabilities assumed by FS6, plus the amount of liabilities, if any, to which the transferred assets were subject.
- (ww) FS5 was not under the jurisdiction of a court in a Title 11 or similar case within the meaning of section 368(a)(3)(A).
- (xx) FS5 was a controlled foreign corporation, within the meaning of section 957(a), immediately before the transaction, and FS6 was a controlled foreign corporation, within the meaning of section 957(a), immediately after the transaction.
- (yy) The transaction was not an exchange described in sections 1.367(b)-4(b)(1)(i), 1.367(b)-4(b)(2)(i) or 1.367(b)-4(b)(3).
- (zz) The notice requirements of section 1.367(b)-1(c) were satisfied with respect to the transaction.

FS2 Contribution 1 and FS2 Contribution 2

- (aaa) No stock or securities will be issued for services rendered to or for the benefit of USS2 or USS3 in connection with FS2 Contribution 1 or FS2 Contribution 2, and no

stock or securities will be issued for indebtedness of USS2 or USS3 that is not evidenced by a security or for interest on indebtedness of USS2 or USS3 which accrued on or after the beginning of the holding period of USS1 or USS2 for the debt.

- (bbb) The transfers in FS2 Contribution 1 and FS2 Contribution 2 are not the result of the solicitation by a promoter, broker, or investment house.
- (ccc) USS1 and USS2 will not retain any rights in the property transferred to USS2 and USS3.
- (ddd) The value of the stock received in exchange for accounts receivable will be 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.
- (eee) The adjusted basis and the fair market value of the assets to be transferred by USS1 and USS2 to USS2 and USS3 in FS2 Contribution 1 and FS2 Contribution 2 respectively, will be equal to or exceed the sum of the liabilities to be assumed by USS2 and USS3 plus any liabilities to which the transferred assets are subject.
- (fff) The liabilities of USS1 and USS2 to be assumed by USS2 and USS3 in FS2 Contribution 1 and FS2 Contribution 2 respectively, were incurred in the ordinary course of business and are associated with the assets to be transferred.
- (ggg) There is no indebtedness between USS2 and USS1 or between USS3 and USS2 and there will be no indebtedness created in favor of USS1 or USS2 as a result of FS2 Contribution 1 or FS2 Contribution 2.
- (hhh) The transfers and exchanges will occur under a plan agreed upon before the transaction in which the rights of the parties are defined.
- (iii) All exchanges will occur on approximately the same date.
- (jjj) There is no plan or intention on the part of USS2 or USS3 to redeem or otherwise reacquire any stock or indebtedness to be issued in FS2 Contribution 1 or FS2 Contribution 2.
- (kkk) Taking into account any issuance of additional shares of USS2 or USS3 stock; any issuance of stock for services; the exercise of any USS2 or USS3 stock rights, warrants, or subscriptions; a public offering of USS2 or USS3 stock; and the sale, exchange, transfer by gift, or other disposition of any of the stock of USS2 or USS3 to be received in the exchange, USS1 will be in "control" of USS2 within the

meaning of section 368(c) and USS2 will be in “control” of USS3 within the meaning of section 368(c).

(lll) USS1 and USS2 will be deemed to receive stock approximately equal to the fair market value of the property transferred to USS2 and USS3 or for services rendered or to be rendered for the benefit of USS2 and USS3 respectively.

(mmm) USS2 and USS3 will remain in existence.

(nnn) Each of USS1, USS2, and USS3 will pay its own expenses, if any, incurred in connection with FS2 Contribution 1 and FS2 Contribution 2.

(ooo) Neither USS2 nor USS3 will be an investment company within the meaning of section 351(e)(1) and section 1.351-1(c)(1)(ii).

(ppp) Neither USS1 nor USS2 is 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.

(qqq) Neither USS2 nor USS3 will be a “personal service corporation” within the meaning of section 269A.

(rrr) The fair market value of the property to be transferred by USS1 and USS2 to USS2 and USS3 respectively, will exceed the sum of: (i) the amount of any liabilities of USS1 and USS2 to be assumed by USS2 and USS3 in connection with FS2 Contribution 1 and FS2 Contribution 2 respectively; (ii) the amount of any liabilities owed to USS2 and USS3 by USS1 and USS2 that will be discharged or extinguished in connection with FS2 Contribution 1 and FS2 Contribution 2 respectively; and (iii) the amount of any money and the fair market value of any other property (other than stock permitted to be received under section 351(a) without the recognition of gain) to be received by USS1 and USS2 in connection with FS2 Contribution 1 and FS2 Contribution 2 respectively.

(sss) Immediately after FS2 Contribution 1 and FS2 Contribution 2, the fair market value of the assets of USS2 and USS3 will exceed the amount of its liabilities.

FS2 Reorganization

(ttt) FS2 will be eligible to elect to be treated as a disregarded entity for U.S. federal income tax purposes under section 301.7701-3 and will file a valid election to be treated as a disregarded entity effective two days after the FS2 Reorganization.

- (uuu) The fair market value of the FS6 stock deemed received by USS3 will be approximately equal to the fair market value of the FS2 stock deemed surrendered in the exchange.
- (vvv) At least 40 percent of the proprietary interest in FS2 will be deemed exchanged for FS6 stock and will be preserved within the meaning of section 1.368-1(e).
- (www) FS6 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 FS2 immediately prior to the transaction. For purposes of this representation, amounts paid by FS2 to shareholders who receive cash or other property, amounts used by FS2 to pay its reorganization expenses, and all redemptions and distributions (except for regular, normal dividends) made by FS2 immediately preceding the transfer will be included as assets of FS2 held immediately prior to the transaction.
- (xxx) After the transaction, USS3 will in control of FS6 within the meaning of section 368(a)(2)(H)(i).
- (yyy) FS6 has no plan or intention to reacquire any of its stock deemed issued in the transaction.
- (zzz) FS6 has no plan or intention to sell or otherwise dispose of any of the assets of FS2 acquired in the transaction, except for dispositions made in the ordinary course of business.
- (aaaa) The liabilities of FS2 assumed by FS6 plus the liabilities, if any, to which the transferred assets are subject were incurred by FS2 in the ordinary course of its business and are associated with the assets transferred.
- (bbbb) At the time of the transaction, FS6 will not have outstanding any warrants, options, convertible securities, or any other type of right pursuant to which any person could acquire stock in FS6 that, if exercised or converted, would affect the FS2 shareholders' acquisition or retention of control of FS6 (as defined in section 368(a)(2)(H)(i)).
- (cccc) FS6, FS2, and the shareholders of FS2 will pay their respective expenses, if any, incurred in connection with the transaction.
- (dddd) There is no intercorporate indebtedness existing between FS6 and FS2 that was issued, acquired, or will be settled at a discount.
- (eeee) No two parties to the transaction are investment companies as defined in sections 368(a)(2)(F)(iii) and (iv).

- (ffff) The fair market value of the assets of FS2 transferred to FS6 will equal or exceed the sum of the liabilities assumed by FS6, plus the amount of liabilities, if any, to which the transferred assets are subject.
- (gggg) FS2 is not under the jurisdiction of a court in a Title 11 or similar case within the meaning of section 368(a)(3)(A).
- (hhhh) FS2 will be a controlled foreign corporation, within the meaning of section 957(a), immediately before the transaction, and FS6 will be a controlled foreign corporation, within the meaning of section 957(a), immediately after the transaction.
- (iiii) The transaction is not an exchange described in sections 1.367(b)-4(b)(1)(i), 1.367(b)-4(b)(2)(i) or 1.367(b)-4(b)(3).
- (jjjj) The notice requirements of section 1.367(b)-1(c) will be satisfied with respect to the transaction.

FS1 Reorganization

- (kkkk) FS1 will be eligible to elect to be treated as a disregarded entity for U.S. federal income tax purposes under section 301.7701-3 and will file a valid election to be treated as a disregarded entity effective two days after the FS1 Reorganization.
- (llll) The fair market value of the FS6 stock deemed received by USS3 will be approximately equal to the fair market value of the FS1 stock deemed surrendered in the exchange.
- (mmmm) At least 40 percent of the proprietary interest in FS1 will be deemed exchanged for FS6 stock and will be preserved within the meaning of section 1.368-1(e).
- (nnnn) FS6 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 FS1 immediately prior to the transaction. For purposes of this representation, amounts paid by FS1 to shareholders who receive cash or other property, amounts used by FS1 to pay its reorganization expenses, and all redemptions and distributions (except for regular, normal dividends) made by FS1 immediately preceding the transfer will be included as assets of FS1 held immediately prior to the transaction.
- (oooo) After the transaction, USS3 will be in control of FS6 within the meaning of section 368(a)(2)(H)(i).
- (pppp) FS6 has no plan or intention to reacquire any of its stock deemed issued in the transaction.

(qqqq) FS6 has no plan or intention to sell or otherwise dispose of any of the assets of FS1 acquired in the transaction, except for dispositions made in the ordinary course of business.

(rrrr) The liabilities of FS1 assumed by FS6 plus the liabilities, if any, to which the transferred assets are subject were incurred by FS1 in the ordinary course of its business and are associated with the assets transferred.

(ssss) At the time of the transaction, FS6 will not have outstanding any warrants, options, convertible securities, or any other type of right pursuant to which any person could acquire stock in FS6 that, if exercised or converted, would affect the FS1 shareholders' acquisition or retention of control of FS6 (as defined in section 368(a)(2)(H)(i)).

(tttt) FS6, FS1, and the shareholders of FS1 will pay their respective expenses, if any, incurred in connection with the transaction.

(uuuu) There is no intercorporate indebtedness existing between FS6 and FS1 that was issued, acquired, or will be settled at a discount.

(vvvv) No two parties to the transaction are investment companies as defined in sections 368(a)(2)(F)(iii) and (iv).

(wwww) The fair market value of the assets of FS1 transferred to FS6 will equal or exceed the sum of the liabilities assumed by FS6, plus the amount of liabilities, if any, to which the transferred assets are subject.

(xxxx) FS1 is not under the jurisdiction of a court in a Title 11 or similar case within the meaning of section 368(a)(3)(A).

(yyyy) FS1 will be a controlled foreign corporation, within the meaning of section 957(a), immediately before the transaction, and FS6 will be a controlled foreign corporation, within the meaning of section 957(a), immediately after the transaction.

(zzzz) The transaction is not an exchange described in sections 1.367(b)-4(b)(1)(i), 1.367(b)-4(b)(2)(i) or 1.367(b)-4(b)(3).

(aaaa) The notice requirements of section 1.367(b)-1(c) will be satisfied with respect to the transaction.

Rulings

Based solely on the information submitted and representations made, we rule as follows with regard to the following named transaction (or transactions):

FS3 Reorganization

- (1) For U.S. federal income tax purposes, the FS3 Reorganization will be treated as a transfer of all of the assets of FS3 to FS6 in exchange for FS6 stock and the assumption by FS6 of the liabilities of FS3, followed by the distribution of FS6 stock to USS3 in complete liquidation of FS3.
- (2) The FS3 Reorganization will qualify as a reorganization within the meaning of section 368(a)(1)(A). FS3 and FS6 will each be “a party to a reorganization” under section 368(b).
- (3) No gain or loss will be recognized to FS3 on the transfer of its assets to FS6 in exchange for FS6 stock and the assumption by FS6 of the liabilities of FS3. Sections 361(a) and 357(a).
- (4) No gain or loss will be recognized to FS6 on the receipt of the FS3 assets in exchange for FS6 stock. Section 1032(a).
- (5) No gain or loss will be recognized to FS3 on the distribution of FS6 stock to USS3. Section 361(c).
- (6) No gain or loss will be recognized to USS3 on the exchange of FS3 stock for FS6 stock. Section 354(a).
- (7) The basis of each asset acquired by FS6 will equal the basis of that asset in FS3's hands immediately before the FS3 Reorganization. Section 362(b).
- (8) The basis of the FS6 stock received by USS3 will be the same as the basis of the FS3 stock exchanged therefor. Section 358(a)(1).
- (9) FS6's holding period for each asset acquired from FS3 will include the period FS3 held that asset. Section 1223(2).
- (10) USS3's holding period for the FS6 stock received from FS3 will include the period USS3 held the FS3 stock surrendered in exchange therefor, provided USS3 held that stock as a capital asset on the date of the exchange. Section 1223(1).
- (11) FS6 will succeed to and take into account the items of FS3 described in section 381(c), subject to the conditions and limitations specified in sections 381, 382, 383, and 384, and the regulations thereunder.

- (12) No gain or loss will be recognized to FS6 under section 61(a)(12) or section 1.301-1(m) with respect to the extinguishment of the FS3/FS4 Receivable. See Rev. Rul. 74-54, 1974-1 C.B. 76.
- (13) No amount will be included in income as a deemed dividend equal to the section 1248 amount under section 367(b) as a result of the FS3 Reorganization. Sections 1.367(b)-1(b) and 1.367(b)-4(b).

FS4 Reorganization

- (14) For U.S. federal income tax purposes, the FS4 Reorganization will be treated as a transfer of all of the assets of FS4 to FS6 in exchange for FS6 stock and the assumption by FS6 of the liabilities of FS4, followed by the distribution of FS6 stock to USS3 in complete liquidation of FS4.
- (15) The FS4 Reorganization will qualify as a reorganization within the meaning of section 368(a)(1)(A). FS4 and FS6 will each be “a party to a reorganization” under section 368(b).
- (16) No gain or loss will be recognized to FS4 on the transfer of its assets to FS6 in exchange for FS6 stock and the assumption by FS6 of the liabilities of FS4. Sections 361(a) and 357(a).
- (17) No gain or loss will be recognized to FS6 on the receipt of the FS4 assets in exchange for FS6 stock. Section 1032(a).
- (18) No gain or loss will be recognized to FS4 on the distribution of FS6 stock to USS3. Section 361(c).
- (19) No gain or loss will be recognized to USS3 on the exchange of FS4 stock for FS6 stock. Section 354(a).
- (20) The basis of each asset acquired by FS6 will equal the basis of that asset in FS4’s hands immediately before the FS4 Reorganization. Section 362(b).
- (21) The basis of the FS6 stock received by USS3 will be the same as the basis of the FS4 stock exchanged therefor. Section 358(a)(1).
- (22) FS6’s holding period for each asset acquired from FS4 will include the period FS4 held that asset. Section 1223(2).
- (23) USS3’s holding period for the FS6 stock received from FS4 will include the period USS3 held the FS4 stock surrendered in exchange therefor, provided USS3 held that stock as a capital asset on the date of the exchange. Section 1223(1).

- (24) FS6 will succeed to and take into account the items of FS4 described in section 381(c), subject to the conditions and limitations specified in sections 381, 382, 383, and 384, and the regulations thereunder.
- (25) No gain or loss will be recognized to FS6 under section 61(a)(12) or section 1.301-1(m) with respect to the extinguishment of the FS4/FS6 Receivable. See Rev. Rul. 74-54, 1974-1 C.B. 76.
- (26) No amount will be included in income as a deemed dividend equal to the section 1248 amount under section 367(b) as a result of the FS3 Reorganization. Sections 1.367(b)-1(b) and 1.367(b)-4(b).

FS5 Reorganization

- (27) For U.S. federal income tax purposes, the FS5 Reorganization will be treated as a transfer of all of the assets of FS5 to FS6 in exchange for FS6 stock and the assumption by FS6 of the liabilities of FS5, followed by the distribution of FS6 stock to the shareholders of FS5 in complete liquidation of FS5.
- (28) The FS5 Reorganization will qualify as a reorganization within the meaning of section 368(a)(1)(D). FS5 and FS6 will each be “a party to a reorganization” under section 368(b).
- (29) No gain or loss will be recognized to FS5 on the transfer of its assets to FS6 in exchange for FS6 stock and the assumption by FS6 of the liabilities of FS5. Sections 361(a) and 357(a).
- (30) No gain or loss will be recognized to FS6 on the receipt of the FS5 assets in exchange for FS6 stock. Section 1032(a).
- (31) No gain or loss will be recognized to FS5 on the distribution of FS6 stock to the shareholders of FS5. Section 361(c).
- (32) No gain or loss will be recognized to the shareholders of FS5 on the exchange of FS5 stock for FS6 stock. Section 354(a).
- (33) The basis of each asset acquired by FS6 will equal the basis of that asset in FS5’s hands immediately before the FS5 Reorganization. Section 362(b).
- (34) The basis of the FS6 stock received by the shareholders of FS5 will be the same as the basis of the FS5 stock exchanged therefor. Section 358(a)(1).

- (35) FS6's holding period for each asset acquired from FS5 will include the period FS5 held that asset. Section 1223(2).
- (36) The FS5 shareholders' holding period for the FS6 stock received from FS5 will include the period the shareholder held the FS5 stock surrendered in exchange therefor, provided the shareholder held that stock as a capital asset on the date of the exchange. Section 1223(1).
- (37) FS6 will succeed to and take into account the items of FS5 described in section 381(c), subject to the conditions and limitations specified in sections 381, 382, 383, and 384, and the regulations thereunder.
- (38) No amount will be included in income as a deemed dividend equal to the section 1248 amount under section 367(b) as a result of the FS5 Reorganization. Sections 1.367(b)-1(b) and 1.367(b)-4(b).

FS2 Contribution 1 and FS2 Contribution 2

- (39) FS2 Contribution 1 and FS2 Contribution 2 will each qualify as an exchange to which section 351(a) applies.
- (40) No gain or loss will be recognized to USS1 on FS2 Contribution 1 or to USS2 on FS2 Contribution 2. Sections 351(a) and 357(a).
- (41) No gain or loss will be recognized to USS2 on FS2 Contribution 1 or to USS3 on FS2 Contribution 2. Section 1032(a).
- (42) The basis of the FS2 stock acquired by USS2 in FS2 Contribution 1 will equal the basis of the FS2 stock in USS1's hands immediately before FS2 Contribution 1, and the basis of the FS2 stock acquired by USS3 in FS2 Contribution 2 will equal the basis of the FS2 stock in USS2's hands immediately before FS2 Contribution 2. Section 362(a).
- (43) The basis of the USS2 stock deemed received by USS1 in FS2 Contribution 1 and the basis of the USS3 stock deemed received by USS2 in FS2 Contribution 2 will be the same as the basis of the FS2 stock exchanged therefor. Section 358(a)(1).
- (44) USS2's holding period for the FS2 stock acquired from USS1 in FS2 Contribution 1 will include the period USS1 held the FS2 stock, and USS3's holding period for the FS2 stock acquired from USS2 in FS2 Contribution 2 will include the period USS2 held the FS2 stock. Section 1223(2).

- (45) USS1's holding period for the USS2 stock deemed received from USS2 in FS2 Contribution 1 will include the period USS1 held the FS2 stock surrendered in exchange therefor, provided USS1 held that stock as a capital asset on the date of the exchange, and USS2's holding period for the USS3 stock deemed received from USS3 in FS2 Contribution 2 will include the period USS2 held the FS2 stock surrendered in exchange therefor, provided USS2 held that stock as a capital asset on the date of the exchange. Section 1223(1).
- (46) The earnings and profits of FS2, to the extent attributable to USS1 under sections 1.1248-2 or 1.1248-3 (whichever is applicable), that were accumulated in tax years of FS2 beginning after December 31, 1962, and during the period in which FS2 was a CFC, will be attributable to such stock held by USS2 and will be attributable to such stock held by USS3. Section 1248-1(a)(1).

FS2 Reorganization

- (47) For U.S. federal income tax purposes, the FS2 Reorganization will be treated as a transfer of all of the assets of FS2 to FS6 in exchange for FS6 stock and the assumption by FS6 of the liabilities of FS2, followed by the distribution of FS6 stock to USS3 in complete liquidation of FS2.
- (48) The FS2 Reorganization will qualify as a reorganization within the meaning of section 368(a)(1)(D). FS2 and FS6 will each be "a party to a reorganization" under section 368(b).
- (49) No gain or loss will be recognized to FS2 on the transfer of its assets to FS6 in exchange for FS6 stock and the assumption by FS6 of the liabilities of FS2. Sections 361(a) and 357(a).
- (50) No gain or loss will be recognized to FS6 on the receipt of the FS2 assets in exchange for FS6 stock. Section 1032(a).
- (51) No gain or loss will be recognized to FS2 on the distribution of FS6 stock to USS3. Section 361(c).
- (52) No gain or loss will be recognized to USS3 on the exchange of FS2 stock for FS6 stock. Section 354(a).
- (53) The basis of each asset acquired by FS6 will equal the basis of that asset in FS2's hands immediately before the FS2 Reorganization. Section 362(b).
- (54) The basis of the FS6 stock received by USS3 will be the same as the basis of the FS2 stock exchanged therefor. Section 358(a)(1).

- (55) FS6's holding period for each asset acquired from FS2 will include the period FS2 held that asset. Section 1223(2).
- (56) USS3's holding period for the FS6 stock received from FS2 will include the period the shareholder held the FS2 stock surrendered in exchange therefor, provided the shareholder held that stock as a capital asset on the date of the exchange. Section 1223(1).
- (57) FS6 will succeed to and take into account the items of FS2 described in section 381(c), subject to the conditions and limitations specified in sections 381, 382, 383, and 384, and the regulations thereunder.
- (58) No gain or loss will be recognized to FS6 under section 61(a)(12) or section 1.301-1(m) with respect to the extinguishment of the FS2/FS5 Receivable. See Rev. Rul. 74-54, 1974-1 C.B. 76.
- (59) No amount will be included in income as a deemed dividend equal to the section 1248 amount under section 367(b) as a result of the FS2 Reorganization. Sections 1.367(b)-1(b) and 1.367(b)-4(b).

FS1 Reorganization

- (60) For U.S. federal income tax purposes, the FS1 Reorganization will be treated as a transfer of all of the assets of FS1 to FS6 in exchange for FS6 stock and the assumption by FS6 of the liabilities of FS1, followed by the distribution of FS6 stock to the shareholders of FS1 in complete liquidation of FS1.
- (61) The FS1 Reorganization will qualify as a reorganization within the meaning of section 368(a)(1)(D). FS1 and FS6 will each be "a party to a reorganization" under section 368(b).
- (62) No gain or loss will be recognized to FS1 on the transfer of its assets to FS6 in exchange for FS6 stock and the assumption by FS6 of the liabilities of FS1. Sections 361(a) and 357(a).
- (63) No gain or loss will be recognized to FS6 on the receipt of the FS1 assets in exchange for FS6 stock. Section 1032(a).
- (64) No gain or loss will be recognized to FS1 on the distribution of FS6 stock to the shareholders of FS1. Section 361(c).
- (65) No gain or loss will be recognized to the shareholders of FS1 on the exchange of FS1 stock for FS6 stock. Section 354(a).

- (66) The basis of each asset acquired by FS6 will equal the basis of that asset in FS1's hands immediately before the FS1 Reorganization. Section 362(b).
- (67) The basis of the FS6 stock received by the shareholders of FS1 will be the same as the basis of the FS1 stock exchanged therefor. Section 358(a)(1).
- (68) FS6's holding period for each asset acquired from FS1 will include the period FS1 held that asset. Section 1223(2).
- (69) The FS1 shareholders' holding period for the FS6 stock received from FS1 will include the period the shareholder held the FS1 stock surrendered in exchange therefor, provided the shareholder held that stock as a capital asset on the date of the exchange. Section 1223(1).
- (70) FS6 will succeed to and take into account the items of FS1 described in section 381(c), subject to the conditions and limitations specified in sections 381, 382, 383, and 384, and the regulations thereunder.
- (71) No gain or loss will be recognized to FS6 under section 61(a)(12) or section 1.301-1(m) with respect to the extinguishment of the FS1/FS4 Receivable. See Rev. Rul. 74-54, 1974-1 C.B. 76.
- (72) No amount will be included in income as a deemed dividend equal to the section 1248 amount under section 367(b) as a result of the FS1 Reorganization. Sections 1.367(b)-1(b) and 1.367(b)-4(b).

Caveats

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. In particular, we express no opinion regarding: (i) the U.S. federal income tax consequences of the USS4 Contribution, USS4 CTB Election, FS7 Contribution, or FS7 CTB Election; (ii) whether any or all of the above-referenced foreign corporations are PFICs within the meaning of section 1297(a); and (iii) if it is determined that any such corporations are PFICs, no opinion is expressed with respect to the application of sections 1291 through 1298 to the transactions. In particular, in a transaction in which gain is not otherwise recognized, regulations under section 1291(f) may require gain recognition notwithstanding any other provisions of the Code.

Procedural Statements

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.

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 this ruling letter.

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

Sincerely,

Mark J. Weiss
Mark J. Weiss
Reviewing Attorney, Branch 6
Office of Associate Chief Counsel (Corporate)

cc: