

Business B =

Country A =

Location A =

Date 1 =

a =

Dear :

This letter is in reply to your letter dated March 23, 2007, requesting rulings as to the federal income tax consequences of a Proposed Transaction (described below). The information submitted in that request and in later correspondence is summarized below.

The rulings contained in this letter are based on facts and representations submitted by the taxpayer and accompanied by a penalty of perjury statement executed by an appropriate party. This office has not verified any of the materials submitted in support of the request for rulings. Verification of the information, representations and other data may be required as part of the audit process.

FACTS

Parent is a publicly traded domestic corporation with common stock and preferred stock outstanding. Parent is the common parent of an affiliated group of corporations that files a consolidated federal income tax return. Parent owns directly and indirectly all of the stock of Sub 1, a domestic corporation.

Sub 1 owns all of the outstanding stock of Oldco and FSub 1, both foreign entities each of which is taxable as a corporation for federal income tax purposes, and FSub 2, an entity disregarded for federal income tax purposes. Sub 1 also owned through FSub 2, a "profit participating note" (the "PPN") issued by Oldco, which Parent treated as equity of Oldco for federal income tax purposes. On Date 1, Sub 1 contributed cash to Oldco in an amount equal to the principal amount plus accrued interest of the PPN, which cash Oldco used to retire the PPN (the "PPN Retirement").

Oldco conducts two businesses in Country A: Business A and Business B. For certain Country A regulatory reasons and to facilitate future opportunities, the taxpayer desires to separate Business A and Business B into two legal entities. After the Proposed Transaction, Sub 1 will transfer the stock of FSub 1 to Newco in exchange for additional Newco stock.

PROPOSED TRANSACTION

To achieve these business objectives, Parent has proposed the following steps (collectively, the "Proposed Transaction"):

- (i) Sub 1, under the laws of Country A, will form Newco which will be a corporation for federal income tax purposes.
- (ii) Sub 1 will contribute all of its stock of Oldco to Newco.
- (iii) Pursuant to Country A law, simultaneously, the following will occur: (a) the assets and liabilities of Business A will become the assets and liabilities of new FSub 3 and the assets and liabilities of Business B will become the assets and liabilities of new FSub 4, (FSub 3 and FSub 4 each will be a Country A entity that is a corporation for federal income tax purposes); (b) Oldco will cease to exist; and (c) Newco will become the owner of 100% of the stock of each of FSub 3 and FSub 4. Simultaneously with these steps, Oldco will assign its lease to its office space in Location A and transfer certain employees to Newco. By operation of Country A law, FSub 3 and FSub 4 will become jointly liable for all of the liabilities of Oldco; however, FSub 3 and FSub 4 will contractually agree as between themselves that FSub 3 and FSub 4 will each be liable only for the liabilities associated with its respective business.

REPRESENTATIONS

Parent has made the following representations with respect to the Proposed Transaction:

- (a) The fair market value of the Newco shares will be approximately equal to the fair market value of the Oldco shares surrendered in the exchange.
- (b) The shareholder of Oldco will own all the outstanding stock of Newco and will own such stock by reason of its ownership of the Oldco shares immediately prior to the Proposed Transaction.
- (c) Immediately prior to the Proposed Transaction, Newco will not be engaged in any business activity and will hold no assets, except for nominal assets necessary for the purpose (i) of paying incidental expenses and (ii) for maintaining Newco's status under Country A law.
- (d) Immediately after the Proposed Transaction, Newco will hold all of the assets held by Oldco immediately prior to the Proposed Transaction either directly, or through FSub 3 and FSub 4, except for the assets used to pay expenses incurred in connection with the Proposed Transaction which will be less than a% of the fair market value of the net assets of Oldco immediately prior to the Proposed Transaction.

(e) The Oldco liabilities to be assumed (as determined under § 357(d)) by FSub 3 and FSub 4, and the liabilities to which the assets transferred to FSub 3 and FSub 4 are subject, were incurred in the ordinary course of business and are associated with the assets transferred.

(f) There is no plan or intention for Newco to issue any additional stock following the Proposed Transaction other than the issuance of additional stock to Sub 1 in exchange for the FSub 1 stock after the Proposed Transaction.

(g) At the time of the Proposed Transaction, Oldco will not have outstanding any warrants, options, convertible securities, or other type of right pursuant to which any person could acquire shares in Oldco.

(h) Sub 1 and the corporations will each pay its own expenses incurred in connection with the Proposed Transaction.

(i) Oldco is not under the jurisdiction of a court in title 11 or similar case within the meaning of § 368(a)(3)(A).

RULINGS

Based solely on the above information and representations, we rule as follows with respect to the Proposed Transaction:

1. The Proposed Transaction, as described above, will constitute a reorganization within the meaning of § 368(a)(1)(F). Oldco and Newco will each be “a party to the reorganization” within the meaning of § 368(b).
2. No gain or loss will be recognized by Oldco on the transfer of its assets to Newco (§ 361(a) and 357(a)).
3. No gain or loss will be recognized by Newco on its receipt of the assets from Oldco in exchange for Newco stock (§ 1032(a)).
4. Newco’s basis in the assets of Oldco will be the same as Oldco’s basis in its assets immediately before the Proposed Transaction (§ 362(b)).
5. Newco’s holding period for each of the assets of Oldco will include the period during which such asset was held by Oldco (§ 1223(2)).
6. No gain or loss will be recognized by Oldco on the distribution to Sub 1 of the Newco stock (§ 361(c)(1)).
7. No gain or loss will be recognized by Sub 1 on the receipt of the stock of Newco in exchange for the stock of Oldco (§ 354(a)(1)).

8. Sub 1's basis in the Newco stock received will be equal to the basis of the Oldco stock surrendered in exchange therefor (§ 358(a)(1)).
9. Sub 1's holding period for the Newco stock received will include the period during which Sub 1 held the Oldco stock exchanged therefor, provided that the Oldco stock is held as a capital asset in the hands of Sub 1 on the date of the exchange (§ 1223(1)).
10. The Proposed Transaction does not result in a closing of the tax year (§ 381(b) and Treas. Reg. § 1.381(b)-1(a)(2)).
11. As provided by § 381(a), Newco will succeed to the tax attributes of Oldco enumerated in § 381(c), including any Oldco earnings and profits or any deficit therein.
12. The PPN Retirement and the contributions to FSub 3 and FSub 4 will not affect the reorganization under § 368(a)(1)(F).

CAVEATS

No opinion is expressed about the federal tax treatment of the Proposed Transaction under other provision of the Code and regulations or the tax treatment of any conditions existing at the time of, or effects resulting from, the Proposed Transaction that are not specifically covered by the above rulings. In particular, no opinion is expressed regarding (i) whether the PPN is debt or equity for the federal income purposes, (ii) the tax treatment of the PPN Retirement, and (iii) the transfer of assets and liabilities to FSub 3 and FSub 4. Additionally, no opinion is expressed regarding the application of § 367 to the Proposed Transaction.

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, a taxpayer filing its return electronically may satisfy this requirement by attaching a statement to the return that provides the date and control number of this letter ruling.

In accordance with the power of attorney on file in this office, a copy of this ruling letter will be sent to your authorized representative.

Sincerely,

Lewis K Brickates
Branch Chief, Branch 4
Office of the Associate Chief Counsel (Corporate)