

Internal Revenue Service

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Department of the Treasury
Washington, DC 20224

Third Party Communication: None
Date of Communication: Not Applicable

Person To Contact: _____, ID No.

Telephone Number:

Refer Reply To:
CC:CORP:B02
PLR-107664-07

Date:
July 11, 2007

LEGEND:

Common Parent =

Subsidiary =

Controlled A =

Controlled B =

Controlled C =

Date 1 =

Date 2 =

Date 3 =

Date 4 =

Dear :

This letter responds to your December 30, 2006, request for a ruling pursuant to section 355(d) and § 1.355-6(d)(5)(ii), and request to enter into a closing agreement, pursuant to section 7121, with respect to the determination of Common Parent's basis in the stock of Subsidiary. The information submitted in that request and in later correspondence is summarized below.

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

Summary of Facts

Common Parent acquired all of the outstanding common stock of Subsidiary (the "Acquisition") on Date 1. Common Parent represents that the Acquisition qualified as a reorganization under section 368(a)(1)(A), by reason of section 368(a)(2)(E), and believes the Acquisition also qualified as a reorganization under section 368(a)(1)(B).

Following the Acquisition, Common Parent engaged in a series of transactions pursuant to which the businesses of Common Parent and Subsidiary were combined in order to facilitate the integration of such businesses in a timely manner (the "Restructuring"). As part of the Restructuring, Subsidiary and its subsidiaries contributed to Controlled A, Controlled B, and Controlled C, the following assets: (i) certain non-U.S. entities that were disregarded as entities separate from Subsidiary for U.S. Federal tax purposes; (ii) certain non-U.S. entities in which Subsidiary owned interests that were treated as partnerships for U.S. Federal tax purposes; and (iii) Subsidiary's less than 100 percent-owned corporate subsidiaries. Each of Controlled A, Controlled B, and Controlled C is a corporation for U.S. Federal tax purposes. Subsidiary then distributed the stock of Controlled A, Controlled B, and Controlled C to Common Parent on Date 2, Date 3, and Date 4, respectively (collectively, the "Distributions"). Common Parent represents that, assuming the requested closing agreement is entered into, the requirements of section 368(a)(1)(D) and section 355 have been satisfied with respect to each of the Distributions and has provided documentation in support of its representations.

Each of the Distributions occurred within five years of Date 1. Thus, section 355(d) will prevent the Distributions from qualifying for nonrecognition treatment under

section 355(c) or section 361(c)(2) if Common Parent acquired fifty percent or more of the stock of Subsidiary by purchase within the meaning of section 355(d).

If Common Parent's acquisition of Subsidiary qualified as a reorganization under both section 368(a)(1)(A) (by reason of section 368(a)(2)(E)) and section 368(a)(1)(B), the general rule of § 1.355-6(d)(5)(i) treats Common Parent as purchasing an amount of Subsidiary stock equal to the higher of:

- (A) The amount of surviving corporation stock that would be treated as purchased (on the date of the deemed section 351 transfer) by the controlling corporation if the controlling corporation acquired the surviving corporation's assets and assumed its liabilities in a transaction in which the controlling corporation's basis in the surviving corporation assets was determined under section 362(b), and then transferred the acquired assets and liabilities to the surviving corporation in a section 351 transfer (see §§ 1.358-6(c)(1) and (2)(ii)(A), and 1.1502-30(b)); or
- (B) The amount of surviving corporation stock that would be treated as purchased (on the date the surviving corporation shareholders purchased their surviving corporation stock) if the controlling corporation acquired the stock of the surviving corporation in a transaction in which the basis in the surviving corporation's stock was determined under section 362(b) (see §§ 1.358-6(c)(2)(ii)(B) and 1.1502-30(b)).

The general rule of § 1.355-6(d)(5)(i), however, is subject to an exception. Under § 1.355-6(d)(5)(ii), if a taxpayer receives a letter ruling and enters into a closing agreement in which it agrees to determine its basis in surviving corporation stock under § 1.358-6(c)(2)(ii)(A), or under § 1.1502-30(b) by applying § 1.358-6(c)(2)(ii)(A), then for purposes of determining the amount of surviving corporation stock that is treated as purchased, within the meaning of section 355(d), the taxpayer is permitted to use the method described in § 1.355-6(d)(5)(i)(A). Common Parent has agreed to determine its basis in Subsidiary stock under § 1.1502-30(b) by applying § 1.358-6(c)(2)(ii)(A) and has agreed to enter into a closing agreement to that effect.

Ruling

Based solely on the information submitted, the representations made, and the entry into the closing agreement attached hereto and made a part hereof, we rule that for purposes of section 355(d), section 355(d)(5)(B) and § 1.355-6(d)(3)(i) through (iv) apply (and section 355(d)(5)(C) and § 1.355-6(e)(2) do not apply) in determining the amount of stock in Subsidiary that is to be treated as purchased by Common Parent as a result of the Date 1 acquisition.

We will, accordingly, approve a closing agreement with Common Parent with respect to those issues affecting the method by which Common Parent will determine its basis in

the stock of Subsidiary as set forth above. The necessary closing agreement with Common Parent has been prepared in triplicate and is enclosed. In pursuance of our practice with respect to such agreements, the agreement contains a stipulation to the effect that any change or modification of applicable statutes enacted subsequent to the date of this agreement and made applicable to the taxable period involved will render the agreement ineffective to the extent that it is dependent upon such statutes.

Caveats

We express no opinion about the tax treatment of the Acquisition or the Restructuring under other provisions of the Code or regulations, or the tax treatment of any conditions existing at the time of, or effects resulting from, the Acquisition or the Restructuring that are not specifically ruled upon in this letter. In particular, we express no opinion regarding:

- (i) The qualification of the Acquisition as a reorganization under section 368(a)(1)(A), by reason of section 368(a)(2)(E), or under section 368(a)(1)(B).
- (ii) The qualification of the Distributions as transactions described in sections 368(a)(1)(D) and 355, and whether the Distributions would be disqualified distributions as defined in section 355(d)(2).
- (iii) The tax consequences under section 1248(f) relating to the Distributions, and the determination of Common Parent's basis in Controlled A, Controlled B, or Controlled C.

Procedural Statements

This ruling is addressed 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 the letter ruling.

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

Sincerely,

Mark A. Schneider
Deputy Associate Chief Counsel
Office of Associate Chief Counsel (Corporate)

cc:

Form 906
(Rev. August 1994)

Department of the Treasury - Internal Revenue Service
**Closing Agreement On Final Determination
Covering Specific Matters**

Under section 7121 of the Internal Revenue Code,

("Taxpayer"), a domestic corporation with its principal place of business at _____ on behalf of itself and as agent for the consolidated group of which it is the common parent (the "Group"), and the Commissioner of Internal Revenue (the "Commissioner") make the following closing agreement:

WHEREAS, based on representations made and information submitted with Taxpayer's request for a private letter ruling dated December 30, 2006, and in subsequent correspondence, Taxpayer and the Commissioner wish to resolve with finality, the method by which Taxpayer is to determine its basis in the stock of ("Subsidiary").

WHEREAS, Taxpayer represents that on _____ Taxpayer acquired all of the outstanding common stock of Subsidiary.

WHEREAS, Taxpayer represents that its acquisition of Subsidiary common stock qualified as a reorganization under section 368(a)(1)(A), by reason of section 368(a)(2)(E), and also believes that its acquisition qualified as a reorganization under section 368(a)(1)(B).

NOW IT IS HEREBY DETERMINED AND AGREED FOR FEDERAL INCOME TAX PURPOSES THAT:

Based upon the representations made and the information submitted by Taxpayer in its request for a private letter ruling dated December 30, 2006, and in subsequent correspondence, and under the circumstances stated in the private letter ruling from the Associate Chief Counsel (Corporate) to Taxpayer, dated July 11, 2007, a copy of which is attached hereto and made a part hereof, and in the absence of other material factual or legal circumstances concerning the completed transactions described therein, that:

1. Taxpayer will determine its basis in the common stock of Subsidiary acquired on _____ under § 1.1502-30(b) by applying § 1.358-6(c)(2)(ii)(A).
2. For purposes of section 355(d), section 355(d)(5)(B) and § 1.355-6(d)(3)(i) through (iv) apply (and section 355(d)(5)(C) and § 1.355-6(e)(2) do not apply) in

determining the amount of stock in Subsidiary that is to be treated as purchased by Taxpayer as a result of the acquisition on .

3. This closing agreement resolves only the aforementioned determinations. This closing agreement does not resolve or apply to any other issues.

4. This closing agreement was drafted or reviewed by counsel for both parties. Accordingly, the parties agree that the rule of construction resolving ambiguities against the drafting party has no bearing in interpreting this closing agreement.

WHEREAS, the determinations set forth above are hereby agreed to by Taxpayer.

This agreement is final and conclusive except:

(i) The matter it relates to may be reopened in the event of fraud, malfeasance, or misrepresentation of material fact;

(ii) It is subject to the Internal Revenue Code sections that expressly provide that effect be given to their provisions (including any stated exception for section 7122) notwithstanding any other law or rule of law; and

(iii) If it relates to a tax period ending after the date of this agreement, it is subject to any law, enacted after the agreement date, which applies to that tax period.

By signing, the above parties certify that they have read and agreed to the terms of this document.

Taxpayer (signing on behalf of itself and as agent for the Group)

By: _____ Date Signed _____

Title: _____

Commissioner of Internal Revenue

By: _____ Date Signed _____

Title: _____