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Legend

Parent =

USHoldco =

USS =

FHoldco1 =

FHoldco2 =

FDRE1 =

FDRE2 =

FS1 =

FS2 =

FS3 =

FS4 =

FS5 =

FS6 =

FS7 =

FS8 =

FS9 =

FS10 =

FS11 =

FS12 =

Acquiring =

Target =

State A =

State B =

Country A =

Country B =

Country C =

Country D =

Country E =

Country F =

Country G =

Country H =

Country I =

Country J =

Area 1 =

Date 1 =

Date 2 =

Date 3 =

Date 4 =

Date 5 =

Date 6 =

a =

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d =

e =

f =

Dear

This letter responds to your March 30, 2011 request for rulings on the federal income tax consequences of a proposed transaction. The information submitted in that request and in later correspondence is summarized below.

The rulings contained in this letter are based on facts and circumstances 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.

Parent is a publicly traded State A corporation and is the common parent of an affiliated group of corporations electing to file a consolidated U.S. federal income tax return (the "Parent Group").

Parent owns all the outstanding equity of FDRE1, a Country A entity disregarded as separate from Parent for U.S. federal income tax purposes. FDRE1 owns all the

outstanding equity of FS1, FS2, and FS3, each a Country A entity classified as a corporation for U.S. federal income tax purposes. FS1 holds solely an intercompany receivable.

Parent owns all the outstanding equity of FS4, a Country B entity, FS5, a Country C entity, FS6, a Country D entity, and FS7, a Country D entity. FS4, FS5, FS6, and FS7 are each classified as a corporation for U.S. federal income tax purposes.

Parent owns all of the single class of outstanding stock of USS, a State B corporation. USS owns all of the outstanding equity of FS8, a Country E entity, FS9, a Country F entity, and FS10, a Country G entity. FS8, FS9, and FS10 are each classified as a corporation for U.S. federal income tax purposes.

Parent owns a% of the single class of equity of FS11, a Country H entity classified as a corporation for U.S. federal income tax purposes. The remaining b% of FS11 is owned by FS12, an indirect subsidiary of Parent.

Parent owns c% of the single class of outstanding common shares of USHoldco, a State B corporation. Members of the Parent Group own the remaining d% of USHoldco. USHoldco is the principal US holding company for Parent's foreign operations.

USHoldco owns all the outstanding equity of Acquiring, a Country I entity classified as a corporation for U.S. federal income tax purposes.

USHoldco owns all the outstanding equity common shares of FHoldco1, a Country J entity classified as a corporation for U.S. federal income tax purposes. USHoldco also owns all the outstanding Preferred Equity Certificates of FHoldco1 (the "FHoldco1 PECs"), which are treated as debt for Country J legal, tax and accounting purposes and equity for U.S. tax and accounting purpose. The FHoldco1 PECs were issued solely to mitigate foreign currency exposure from a Country J tax perspective. FHoldco1 is a non-U.S. holding company that directly and indirectly holds substantially all of Parent investments in non-Area 1 foreign countries.

FHoldco1 owns, indirectly through disregarded entities, e% of FS12, a Country C entity taxable as a corporation for U.S. federal income tax purposes. Unrelated shareholders own the remaining f% of FS12. As discussed above, FS12 owns b% of FS11.

USHoldco owns all the outstanding equity of FHoldco2, a Country J entity classified as a corporation for U.S. federal income tax purposes. FHoldco2 owns all the outstanding equity of FDRE2, a Country B entity disregarded as separate from FHoldco2 for U.S. federal income tax purposes. On Date 1, FDRE2 acquired from an unrelated party in exchange for cash all the outstanding equity of Target, a Country I entity classified as a corporation for U.S. federal income tax purposes (the "Target Acquisition"), and receivables owing from subsidiaries of Target to the unrelated party (the "Target Receivables" and the "Target Receivables Purchase"). To effect the Target Acquisition

and the Target Receivables Purchase, USHoldco loaned a significant part of the purchase price to FHoldco2 in exchange for promissory notes (the "Target Acquisition Indebtedness"), which proceeds FHoldco2 then contributed to FDRE2. Subsequent to the transaction, FHoldco2 contributed most of the Target Receivables to the capital of the respective debtor subsidiaries, thus extinguishing most of the Target Receivables.

Parent has determined that centralizing its non-US Operations under a single foreign holding company will facilitate (1) foreign tax savings, (2) efficient management of non-U.S. cash for non-U.S. debt repayment and/or for future reinvestment, (3) leveraging the cumulative borrowing capacity of the non-U.S. holding company's multiple non-U.S. subsidiaries, and (4) more effective corporate governance and oversight of non-U.S. subsidiaries.

### Proposed Transaction

To achieve the business purpose described above, Parent has undertaken or will undertake the following steps (together the "Transaction"):

1. On Date 2 and Date 3, USS sold all the stock of each of FS8 and FS9, respectively, to FHoldco1 for an amount of cash equal to the aggregate fair market value of the stock of FS8 and FS9 (the "FS8 Purchase" and the "FS9 Purchase"). As soon as practicable, USS will also sell all the stock of FS10 to FHoldco1 for an amount of cash equal to the aggregate fair market value of the stock of FS10 (the "FS10 Purchase").
2. On Date 4 and Date 5, respectively, FS8 and FS9 distributed excess cash to FHoldco1 as an ordinary distribution. As soon as practicable, FS10 will also distribute excess cash to FHoldco1.
3. On Date 6, FHoldco1 made a distribution to USHoldco of earnings that have been previously taxed under section 951 and that will be excluded from income under section 959(a).
4. Parent will contribute all the outstanding equity of each of FDRE1 (disregarded owner of FS1, FS2, and FS3), FS4, FS5, FS6, and FS7 and the a% interest in FS11 to USHoldco in exchange for shares of USHoldco common stock ("Contribution 1"). The outstanding equity of each of FDRE1 (disregarded owner of FS1, FS2, and FS3), FS4, FS5, FS6, and FS7 and the a% interest in FS11 is, collectively, the "Contribution 1 Property."
5. USHoldco will contribute to the capital of FHoldco2 at least the portion of the Target Acquisition Indebtedness that relates to the Target Receivables Purchase.
6. US Holdco will engage in the following steps (together, "Contribution 2").

- (i) US Holdco will contribute cash, all the outstanding equity of each of FDRE1 (disregarded owner of FS1, FS2, and FS3), FS4, FS5, FS6, FS7, and Acquiring, and the a% interest in FS11 and the FHoldco1 common shares to FHoldco2 in exchange for shares of FHoldco2 common stock. The cash, all the outstanding equity of each of FDRE1 (disregarded owner of FS1, FS2, and FS3), FS4, FS5, FS6, FS7, Acquiring, the a% interest in FS11, the FHoldco1 common shares, and the FHoldco1 PECs (described in step 6(ii) below) is, collectively, the "Contribution 2 Property."
  - (ii) USHoldco will contribute all the FHoldco1 PECs to FHoldco2 in exchange for PECs issued by FHoldco2 (the "FHoldco2 PECs").
  - (iii) FHoldco2 will convert share premium on its common shares held by USHoldco to U.S. dollar denominated PECs (the "FHoldco2 USD PECs").
7. FHoldco2 will contribute all the outstanding equity of each of FDRE1 (disregarded owner of FS1, FS2, and FS3), FS4, FS5, FS6, FS7, Acquiring, and FDRE2 (disregarded owner of Target) and the a% interest in FS11 to FHoldco1 in exchange for FHoldco1 common shares and the assumption of the outstanding balance of the Target Acquisition Indebtedness. The actual or deemed transfer of the stock of each of FS2, FS3, FS6, FS7, Acquiring, Target, and FS11 is "Contribution 3." The transferred stock of each of FS2, FS3, FS6, FS7, Acquiring, Target, and FS11, is collectively, the "Contribution 3 Property."
8. Elections pursuant to Treas. Reg. §§ 301.7701-2 and 301.7701-3 will be made for each of FS1 (the "FS1 CTB Election"), FS4 (the "FS4 CTB Election"), and "FS5 ( the "FS5 CTB Election") to treat each of FS1, FS4, and FS5 as an entity disregarded as separate from FHoldco1 for U.S. federal income tax purposes.

The transfer of the stock of FS1 pursuant to step 7 and the FS1 CTB Election are, together, the "FS1 Reorganization." The transfer of the stock of FS4 pursuant to step 7 and the FS4 CTB Election are, together, the "FS4 Reorganization." The transfer of the stock of FS5 pursuant to step 7 and the FS5 CTB Election are, together, the "FS5 Reorganization."
9. FHoldco1 will contribute the shares of Acquiring to FDRE2.
10. Target will merge with and into Acquiring under the Country I amalgamation statute in exchange for no consideration (the "Target Merger").

It is anticipated that FS12 will sell its b% interest in FS11 to FHoldco1 in exchange for cash.

## Representations

## Purchase

The following representations and respective rulings (referred to below) are made with respect to the FS8 Purchase, the FS9 Purchase, and the FS10 Purchase (each the "Purchase"). For purposes of the following representations, "Purchase Target" refers to each of FS8, FS9 and FS10.

- (a) The stock of Purchase Target is the sole property that USS will transfer to FHoldco1 in the Purchase.
- (b) Purchase Target will be classified as a corporation for U.S. federal income tax purposes under Treas. Reg. §301.7701-2(b).
- (c) FHoldco1 will be classified as a corporation for U.S. federal income tax purposes under Treas. Reg. §301.7701-2(b).
- (d) USS will be in control, within the meaning of section 304(c), of FHoldco1 and Purchase Target at the time of the Purchase within the meaning of section 304(c).
- (e) Except as otherwise described in the Transaction, there is no plan or intention for (1) FHoldco1 to dispose of any of the stock of Purchase Target, (2) US Holdco to dispose of any of the stock of FHoldco1, or (3) Parent to dispose of any of the stock of USHoldco.
- (f) There is no current plan or intention to (a) voluntarily merge, liquidate or dissolve FHoldco1 or Purchase Target, (b) convert FHoldco1 or Purchase Target into another entity, (c) take any action that would result in the involuntary merger, liquidation, bankruptcy, dissolution or winding up of the affairs of FHoldco1 or Purchase Target, or (d) take any action that would result in either FHoldco1 or Purchase Target being treated other than as a corporation for U.S. federal income tax purposes.
- (g) FHoldco1 will have current and accumulated earnings and profits in excess of cash issued in exchange for Purchase Target at the close of FHoldco1's current tax year.
- (h) There is no current plan or intention for USS, or any entity disregarded as separate from USS, to transfer cash to FHoldco1, or an entity disregarded as separate from FHoldco1.
- (i) FHoldco1 was not created, organized or funded through capital contributions or debt, with a principal purpose of avoiding the application of section 304 to any corporation.



The following representations are made with respect to Contribution 1

- (j) No stock or securities will be issued for services to or for the benefit of USHoldco in connection with the transaction, and no stock or securities will be issued for indebtedness of USHoldco.
- (k) The property will not be transferred subject to any liabilities and USHoldco will not assume any liabilities of Parent in connection with the transfer of such property.
- (l) The transfer is not the result of the solicitation by a promoter, broker, or investment house.
- (m) All exchanges in Contribution 1 will occur on approximately the same day.
- (n) Parent will not retain any rights in the property transferred to USHoldco.
- (o) There will be no indebtedness created in favor of Parent as result of the transaction.
- (p) Contribution 1 will occur under a plan agreed before the transaction in which the rights of the parties are defined.
- (q) There is no plan or intention on the part of USHoldco to redeem or otherwise reacquire any stock issued in Contribution 1.
- (r) Taking into account any issuance of additional shares of USHoldco stock; any issuance of stock for services; the exercise of any USHoldco stock rights, warrants, or subscriptions; a public offering of USHoldco stock; and the sale, exchange, transfer by gift, or other disposition of any of the stock of USHoldco to be received in the exchange, Parent by application of Treas. Reg. § 1.1502-34, will be in "control" of USHoldco within the meaning of section 368(c).
- (s) None of the stock to be transferred to USHoldco in Contribution 1 will be "section 306 stock" within the meaning of section 306(c).
- (t) The aggregate fair market value of the property transferred to USHoldco will exceed the aggregate adjusted basis of such property.
- (u) The fair market value of the assets of USHoldco will exceed the sum of the liabilities (whether indebtedness or other forms of obligations including contingent obligations) of USHoldco immediately after Contribution 1.

- (v) Parent will receive stock approximately equal to the fair market value of the property transferred to USHoldco.
- (w) USHoldco will remain in existence and retain and use the property transferred to it in a trade or business, except as described in the proposed transaction.
- (x) There is no plan or intention by USHoldco to dispose of the transferred property except as described pursuant to the Transaction.
- (y) Parent has no plan or intention to sell, exchange, or otherwise dispose of USHoldco shares received in the transaction.
- (z) Each of the parties to the transaction will pay its own expenses, if any, incurred in connection with the transaction.
- (aa) USHoldco will not be an investment company within the meaning of section 351(e)(1) and Treas. Reg. § 1.351-1(c)(1)(ii).
- (bb) Parent will not be 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 exchange will not be used to satisfy the indebtedness of such debtor.
- (cc) USHoldco will not be a personal service corporation within the meaning of section 269A.
- (dd) None of Parent, USHoldco, FS1, FS2, FS3, FS4, FS5, FS6, FS7, or FS11 will be a passive foreign investment company within the meaning of section 1297(a) immediately before or after the Transaction.
- (ee) With respect to any existing gain recognition agreement entered into by Parent in connection with a prior transfer by Parent of stock or securities to FS1, FS2, FS3, FS4, FS5, FS6, FS7 or FS11, Parent will, in accordance with Treas. Reg. § 1.367(a)-8(k), enter into a new gain recognition agreement as described in Treas. Reg. § 1.367-8(c)(5) that designates USHoldco as the U.S. transferor for purposes of Treas. Reg. § 1.367(a)-8, and will comply with the notification requirements thereunder.

The following representations are made with respect to Contribution 2:

- (ff) No stock or securities will be issued for services to or for the benefit of FHoldco2 in connection with the transaction, and no stock or securities will be issued for indebtedness of FHoldco2.

- (gg) The property will not be transferred subject to any liabilities and FHoldco2 will not assume any liabilities of USHoldco in connection with the transfer of such property.
- (hh) The transfer is not the result of the solicitation by a promoter, broker, or investment house.
- (ii) All exchanges in Contribution 2 will occur on approximately the same date.
- (jj) USHoldco will not retain any rights in the property transferred to FHoldco2.
- (kk) There will be no indebtedness created in favor of USHoldco as result of the transaction.
- (ll) Contribution 2 will occur under a plan agreed before the transaction in which the rights of the parties are defined.
- (mm) There is no plan or intention on the part of FHoldco2 to redeem or otherwise reacquire any stock issued in Contribution 2.
- (nn) Taking into account any issuance of additional shares of FHoldco2 stock; any issuance of stock for services; the exercise of any FHoldco2 stock rights, warrants, or subscriptions; a public offering of FHoldco2 stock; and the sale, exchange, transfer by gift, or other disposition of any of the stock of FHoldco2 to be received in the exchange, USHoldco will be in "control" of FHoldco2 within the meaning of section 368(c).
- (oo) None of the stock to be transferred to FHoldco2 in Contribution 2 will be "section 306 stock" within the meaning of section 306(c).
- (pp) The aggregate fair market value of the property transferred to FHoldco2 will exceed the aggregate adjusted basis of such property.
- (qq) The fair market value of the assets of FHoldco2 will exceed the sum of the liabilities (whether indebtedness or other forms of obligations including contingent obligations) of FHoldco2 immediately after Contribution 2.
- (rr) USHoldco will receive FHoldco2 common stock, FHoldco2 PECs, and FHoldco2 USD PECs approximately equal to the fair market value of the property transferred to FHoldco2.

- (ss) FHoldco2 will remain in existence and retain and use the property transferred to it in a trade or business, except as described in the proposed transaction.
- (tt) There is no plan or intention by FHoldco2 to dispose of the transferred property except as described pursuant to the Transaction.
- (uu) None of the FHoldco2 common stock, FHoldco2 PECs, or FHoldco2 USD PECs issued in Contribution 2 will be NQPS as defined in section 354(a)(2)(C) and 351(g).
- (vv) The FHoldco2 PECs will be treated as a separate class of non-voting equity for U.S. tax purposes.
- (ww) The FHoldco2 PECs will not grant a holder the right to vote on the election of the board of directors of FHoldco2.
- (xx) The FHoldco2 USD PECs will be treated as equity for U.S. Federal income tax purposes.
- (yy) Each of the parties to the transaction will pay its own expenses, if any, incurred in connection with the transaction.
- (zz) FHoldco2 will not be an investment company within the meaning of section 351(e)(1) and Treas. Reg. § 1.351-1(c)(1)(ii).
- (aaa) USHoldco will not be 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 exchange will not be used to satisfy the indebtedness of such debtor.
- (bbb) FHoldco2 will not be a personal service corporation within the meaning of section 269A.
- (ccc) None of USHoldco, FHoldco2, FHoldco1, FS2, FS3, FS6, FS7, FS11, or Acquiring, will be a passive foreign investment company within the meaning of section 1297(a) immediately before or after the Transaction.
- (ddd) With respect to any existing gain recognition agreement entered into by Parent in connection with a prior transfer of stock or securities to FHoldco1, FS1, FS2, FS3, FS4, FS5, FS6, FS7, FS11, or Acquiring, Parent will, in accordance with Treas. Reg. § 1.367(a)-8(k), enter into a new gain recognition agreement as described in Treas. Reg. § 1.367-8(c)(5) that includes a statement that a complete or partial disposition of the FHoldco2 stock received in the exchange will constitute a triggering

event for purposes of Treas. Reg. § 1.367(a)-8, and will comply with the notification requirements thereunder.

- (eee) Parent will enter gain recognition agreements, satisfying the requirements of Treas. Reg. § 1.367(a)-8, with respect to the transfer by US Holdco of the stock of FHoldco1, FS1, FS2, FS3, FS4, FS5, FS6, FS7, FS11, and Acquiring to FHoldco2 pursuant to Contribution 2.
- (fff) USHoldco will be a section 1248 shareholder within the meaning of Treas. Reg. § 1.367(b)-2(b) with respect to each of FHoldco1, FS1, FS2, FS3, FS4, FS5, FS6, FS7, FS11, and Acquiring immediately before and after Contribution 2.
- (ggg) FHoldco1, FS1, FS2, FS3, FS4, FS5, FS6, FS7, FS11, and Acquiring will be controlled foreign corporations within the meaning of section 957(a) immediately before and after Contribution 2.
- (hhh) The notice requirements of Treas. Reg. § 1.367(b)-1(c) will be satisfied for Contribution 2.

The following representations are made with respect to Contribution 3

- (iii) No stock or securities will be issued for services to or for the benefit of FHoldco1 in connection with the transaction, and no stock or securities will be issued for indebtedness of FHoldco1.
- (jjj) Other than the Target Acquisition Indebtedness, the property will not be transferred subject to any liabilities and FHoldco1 will not assume any liabilities of FHoldco2 in connection with the transfer of such property.
- (kkk) The transfer is not the result of the solicitation by a promoter, broker, or investment house.
- (lll) All exchanges in Contribution 3 will occur on approximately the same date.
- (mmm) FHoldco2 will not retain any rights in the property transferred to FHoldco1.
- (nnn) There will be no indebtedness created in favor of FHoldco2 as a result of the transaction.
- (ooo) Contribution 3 will occur under a plan agreed before the transaction in which the rights of the parties are defined.

- (ppp) There is no plan or intention on the part of FHoldco1 to redeem or otherwise reacquire any stock issued in Contribution 3.
- (qqq) Taking into account any issuance of additional shares of FHoldco1 stock; any issuance of stock for services; the exercise of any FHoldco1 stock rights, warrants, or subscriptions; a public offering of FHoldco1 stock; and the sale, exchange, transfer by gift, or other disposition of any of the stock of FHoldco1 to be received in the exchange, FHoldco2 will be in “control” of FHoldco1 within the meaning of section 368(c).
- (rrr) None of the stock to be transferred to FHoldco1 in Contribution 3 will be “section 306 stock” within the meaning of section 306(c).
- (sss) The aggregate fair market value of the property transferred to FHoldco1 will exceed the aggregate adjusted basis of such property.
- (ttt) Both the aggregate basis of the property and the aggregate fair market value of the property will exceed the amount of the Target Acquisition Indebtedness to be assumed by FHoldco1.
- (uuu) The fair market value of the assets of FHoldco1 will exceed the sum of the liabilities (whether indebtedness or other forms of obligations including contingent obligations) of FHoldco1 immediately after Contribution 3.
- (vvv) FHoldco2 will receive stock approximately equal to the fair market value of the property transferred to FHoldco1, reduced by the remaining balance of the Target Acquisition Indebtedness.
- (www) FHoldco1 will remain in existence and retain and use the property transferred to it in a trade or business.
- (xxx) There is no plan or intention by FHoldco1 to dispose of the transferred property except as described pursuant to the Transaction.
- (yyy) Each of the parties to the transaction will pay its own expenses, if any, incurred in connection with the transaction.
- (zzz) FHoldco1 will not be an investment company within the meaning of section 351(e)(1) and Treas. Reg. § 1.351-1(c)(1)(ii).
- (aaaa) FHoldco2 will not be 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 exchange will not be used to satisfy the indebtedness of such debtor.

- (bbbb) FHoldco1 will not be a personal service corporation within the meaning of section 269A.
- (cccc) FDRE2 acquired the Target Acquisition from persons unrelated to Parent within the meaning of section 304(b)(3)(B).
- (dddd) None of FHoldco2, FHoldco1, FS2, FS3, FS6, FS7, FS11, Acquiring or Target will be a passive foreign investment company within the meaning of section 1297(a) immediately before or after the Transaction.
- (eeee) With respect to any existing gain recognition agreement entered into by Parent in connection with a prior transfer of stock or securities to FS2, FS3, FS6, FS7, FS11, Acquiring, or Target, Parent will, in accordance with Treas. Reg. § 1.367(a)-8(k), enter into a new gain recognition agreement as described in Treas. Reg. § 1.367-8(c)(5) that includes a statement that a complete or partial disposition of the FHoldco1 stock received in the exchange will constitute a triggering event for purposes of Treas. Reg. § 1.367(a)-8, and will comply with the notification requirements thereunder.
- (ffff) With respect to the gain recognition agreement entered into by Parent in connection with the prior transfer of the stock of FS2, FS3, FS6, FS7, FS11, and Acquiring to FHoldco2 pursuant to Contribution 2, Parent will, in accordance with Treas. Reg. § 1.367(a)-8(k), enter into a new gain recognition agreement as described in Treas. Reg. § 1.367-8(c)(5) that provides that a complete or partial disposition of the stock of FHoldco1 received in the exchange or any other event that is inconsistent with the principles of this Treas. Reg. § 1.367(a)-(k), including the indirect disposition of the transferred stock, will constitute triggering events for purposes of Treas. Reg. § 1.367(a)-8, and will comply with the notification requirements thereunder.
- (gggg) USHoldco will be a section 1248 shareholder within the meaning of Treas. Reg. § 1.367(b)-2(b) with respect to each of FS2, FS6, FS7, FS11, Acquiring, and Target immediately before and after Contribution 3.
- (hhhh) FS2, FS3, FS6, FS7, FS11, Acquiring, and Target will be controlled foreign corporations within the meaning of section 957(a) immediately before and after Contribution 3.
- (iiii) The notice requirements of Treas. Reg. § 1.367(b)-1(c) will be satisfied for Contribution 3.

The following representations are made with respect to the FS1 Reorganization, the FS4, Reorganization, and the FS5 Reorganization (each the “Reorganization”). For purposes of the following representations, “Reorganization Target” refers to each of FS1, FS4, and FS5.

- (jjjj) Reorganization Target will file a valid election pursuant to Treas. Reg. § 301.7701-3 to be treated as a disregarded entity for U.S. federal income tax purposes, effective two days after Contribution 3.
- (kkkk) The fair market value of the deemed and actual FHoldco1 stock received by FHoldco2 will be approximately equal to the fair market value of the Reorganization Target stock surrendered in the transaction.
- (llll) No stock or securities of FHoldco1 will be issued for services rendered to or for the benefit of FHoldco1 in connection with the transaction, and no stock or securities of FHoldco1 will be issued for indebtedness of FHoldco1 in connection with the transaction.
- (mmmm) At least 40 percent of the proprietary interest in Reorganization Target will be exchanged (or deemed exchanged) for shares of FHoldco1 stock and that proprietary interest will be preserved (within the meaning of Treas. Reg. § 1.368-1(e)).
- (nnnn) There is no plan or intention by FHoldco2 to sell, exchange, or otherwise dispose of any of the stock issued (or deemed issued in the Reorganization).
- (oooo) There is no plan or intention on the part of FHoldco1 to redeem or otherwise reacquire any stock issued (or deemed issued) in the Reorganization.
- (pppp) Other than the assumption of the Target Acquisition Indebtedness pursuant to Contribution 3, FHoldco1 will not assume any liabilities of FHoldco2 in connection with the Reorganization nor will the stock of Reorganization Target be subject to any liabilities.
- (qqqq) FHoldco1 has no plan or intention to transfer any cash or other property to FHoldco2 except for the payment of normal, regular dividends and the repayment of existing debt in the ordinary course of business.
- (rrrr) FHoldco1 will acquire at least 90% of the fair market value of Reorganization Target’s net assets and at least 70% of the fair market value of Reorganization Target’s gross assets held by Reorganization Target immediately before the transaction. For purposes of this representation, amounts used by Reorganization Target to pay its



reorganization expenses, and amounts paid to shareholders with respect to Reorganization Target stock (except for regular, normal dividends) made by Reorganization Target immediately before the transaction, are included as Reorganization Target's assets held immediately before the transaction.

- (ssss) After the transaction, FHoldco2 will be in control of FHoldco1 within the meaning of section 368(a)(2)(H).
- (tttt) At the time of the transaction, FHoldco1 will not have outstanding any warrants, options, convertible securities, or any other type of right pursuant to which any person could acquire stock in FHoldco1 that, if exercised or converted, would affect FHoldco2's acquisition or retention of control of FHoldco1, as defined in section 368(a)(2)(H).
- (uuuu) FHoldco1 has no plan or intention to sell or otherwise dispose of any Reorganization Target's assets acquired in the transaction, except for dispositions made in the ordinary course of business or transfers or distributions that satisfy the conditions of Treas. Reg. § 1.368-2(k)(1).
- (vvvv) Reorganization Target incurred the liabilities to be assumed by FHoldco1 in the ordinary course of its business, and such liabilities are associated with the assets transferred.
- (wwww) After the Transaction, FHoldco1 will be deemed to own all beneficial rights in the assets of Reorganization Target, and FHoldco2 will not retain any beneficial ownership rights in the assets of Reorganization Target deemed to have been transferred.
- (xxxx) After the transaction, FHoldco1 (or members of its qualified group, as defined in Treas. Reg. § 1.368-1(d)(4)(ii)) will continue Reorganization Target's historical business or use a significant portion of Reorganization Target's historic business assets in a business.
- (yyyy) At the time of the transaction, there will be no intercorporate indebtedness existing between Reorganization Target and FHoldco1 that was issued, acquired, or will be settled at a discount.
- (zzzz) The fair market value of Reorganization Target's assets transferred to FHoldco1 will exceed the sum of (i) the amount of the liabilities assumed by FHoldco1 plus the liabilities, if any, to which the transferred assets are subject (whether indebtedness or other forms of obligation, including contingent obligations) and (ii) the amount of any liabilities owed to FHoldco1 by Reorganization Target that are discharged or extinguished in connection with the merger.

- (aaaaa) The fair market value of the assets of FHoldco1 will exceed the amount of the liabilities of FHoldco1 immediately after the transaction.
- (bbbbb) None of the stock received by FHoldco2 will be “section 306 stock” within the meaning of section 306(c).
- (ccccc) No two parties to the Reorganization are investment companies as defined in section 368(a)(2)(F)(iii) and (iv).
- (dddd) FHoldco1, FHoldco2, and Reorganization Target will each pay its own expenses, if any, incurred in connection with the transaction.
- (eeeee) Neither Reorganization Target nor FHoldco2 will be 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 exchange will not be used to satisfy the indebtedness of such debtor.
- (ffff) Neither Reorganization Target nor FHoldco2 will be a passive foreign investment company within the meaning of section 1297(a) immediately before or after the Transaction.
- (ggggg) With respect to any existing gain recognition agreement entered into by Parent in connection with a prior transfer of stock or securities to Reorganization Target, Parent will, in accordance with Treas. Reg. § 1.367(a)-8(k), enter into a new gain recognition agreement as described in Treas. Reg. § 1.367-8(c)(5) that designates FHoldco1 as the transferee foreign corporation for purposes of Treas. Reg. § 1.367(a)-8, and will comply with the notification requirements thereunder.
- (hhhhh) With respect to the gain recognition agreement entered into by Parent in connection with the prior transfer of the stock of Reorganization Target to FHoldco2 pursuant to Contribution 2, Parent will, in accordance with Treas. Reg. § 1.367(a)-8(k), enter into a new gain recognition agreement as described in Treas. Reg. § 1.367-8(c)(5) that designates FHoldco1 as the transferred corporation for purposes of Treas. Reg. § 1.367(a)-8, and will comply with the notification requirements thereunder.
- (iiii) USHoldco will be a section 1248 shareholder within the meaning of Treas. Reg. § 1.367(b)-2(b) with respect to Reorganization Target immediately before the Reorganization and a section 1248 shareholder with respect to FHoldco1 immediately after the Reorganization.
- (jjjj) Reorganization Target will be a controlled foreign corporation within the meaning of section 957(a) immediately before the Reorganization and

FHoldco1 will be a controlled foreign corporation immediately after the Reorganization.

- (kkkkk) The Reorganization is not an exchange described in Treas. Reg. §§ 1.367(b)-4(b)(1)(i), 1.367(b)-4(b)(2)(i), or 1.367(b)-4(b)(3).
- (lllll) The notice requirements of Treas. Reg. § 1.367(b)-1(c) will be satisfied for the Reorganization.

The following representations are made with respect to the Target Merger.

- (mmmmm) The merger is being effected pursuant to the laws of Country I and will qualify as a statutory merger under applicable Country I law. Pursuant to the plan of merger, by operation of law, the following will occur simultaneously at the effective time of the merger: (i) all of the assets held by Target immediately before the merger and all of the liabilities of Target immediately before the merger will become the assets and liabilities of Acquiring and (ii) Target will cease its separate legal existence for all purposes.
- (nnnnn) The fair market value of deemed shares of Acquiring stock received by FHoldco1 (through FDRE2, an entity disregarded as separate from FHoldco1) in the merger will be approximately equal to the fair market value of the Target stock surrendered by FHoldco1 in the exchange.
- (ooooo) At least 40 percent of the proprietary interest in Target will be exchanged (or deemed exchanged) for shares of Acquiring stock and that proprietary interest will be preserved (within the meaning of Treas. Reg. § 1.368-1(e)(1)).
- (ppppp) The total net fair market value of the assets of Target transferred to Acquiring in the Proposed Transaction will equal or exceed 40 percent of the total net fair market value of the assets of Target prior to the Proposed Transaction.
- (qqqqq) There is no plan or intention by FHoldco1 to sell, exchange, or otherwise dispose of any of the stock issued (or deemed issued) in the Target Merger.
- (rrrrr) There is no plan or intention on the part of Acquiring to redeem or otherwise reacquire any stock issued (or deemed issued) in the Target Merger.
- (sssss) Acquiring has no plan or intention to sell or otherwise dispose of any of the assets of Target acquired in the merger, except for dispositions made

in the ordinary course of business or transfers or distributions that satisfy the conditions of Treas. Reg. § 1.368-2(k)(1).

- (ttttt) The liabilities of Target assumed (as determined under section 357(d)) by Acquiring and the liabilities to which the transferred assets of Target are subject were incurred by Target in the ordinary course of its business and are associated with the assets transferred.
- (uuuuu) Following the merger, Acquiring, either directly or through members of its qualified group (within the meaning of Treas. Reg. § 1.368-1(d)(4)(ii)), will continue the historic business of Target or use a significant portion of Target's historic business assets in a business.
- (vvvvv) There is no intercorporate indebtedness existing between Target and Acquiring that was issued, acquired, or will be settled at a discount.
- (wwwww) The fair market value of Target's assets transferred to Acquiring will exceed the sum of (i) the amount of the liabilities assumed by Acquiring plus the liabilities, if any, to which the transferred assets are subject (whether indebtedness or other forms of obligations, including contingent obligations), (ii) the amount of any liabilities owed to Acquiring by Target that are discharged or extinguished in connection with the merger, 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 Target in connection with the Target Merger.
- (xxxxx) Immediately after the merger, the fair market value of Acquiring's assets will exceed the amount of its liabilities.
- (yyyyy) No two parties to the Target Merger are investment companies as defined in section 368(a)(2)(F)(iii) and (iv).
- (zzzzz) Acquiring, Target and FHoldco1 will each pay its own expenses, if any, incurred in connection with the transaction.
- (aaaaa) Neither Target nor Acquiring will be 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 exchange will not be used to satisfy the indebtedness of such debtor.
- (bbbbbb) Neither Target nor Acquiring will be a passive foreign investment company within the meaning of section 1297(a) immediately before or after the Transaction.

- (ccccc) With respect to any existing gain recognition agreement entered into by Parent in connection with a prior transfer of stock or securities to Target, Parent will, in accordance with Treas. Reg. § 1.367(a)-8(k), enter into a new gain recognition agreement as described in Treas. Reg. § 1.367-8(c)(5) that designates Acquiring as the transferee foreign corporation for purposes of Treas. Reg. § 1.367(a)-8, and will comply with the notification requirements thereunder.
- (dddddd) With respect to the gain recognition agreement entered into by Parent in connection with the prior transfer of the stock of Target to FHoldco1 pursuant to Contribution 3, Parent will, in accordance with Treas. Reg. § 1.367(a)-8(k), enter into a new gain recognition agreement as described in Treas. Reg. 1.367-8(c)(5) that designates Acquiring as the transferred corporation for purposes of Treas. Reg. § 1.367(a)-8, and will comply with the notification requirements thereunder.
- (eeeeee) USHoldco will be a section 1248 shareholder within the meaning of Treas. Reg. § 1.367(b)-2(b) with respect to Target immediately before the Target Merger and a section 1248 shareholder with respect to Acquiring immediately after the Target Merger.
- (ffffff) Target will be a controlled foreign corporation within the meaning of section 957(a) immediately before the Target Merger, and Acquiring will be a controlled foreign corporation immediately after the Target Merger.
- (gggggg) The Target Merger is not an exchange described in Treas. Reg. §§ 1.367(b)-4(b)(1)(i), 1.367(b)-4(b)(2)(i), or 1.367(b)-4(b)(3).
- (hhhhhh) The notice requirements of Treas. Reg. § 1.367(b)-1(c) will be satisfied for the Target Merger.

### Rulings

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

### Purchase

- (1) The stock of each Purchase Target will be treated as being exchanged for an amount of cash equal to the fair market value of each Purchase Target in an exchange to which section 304(a)(1) applies. Because the deemed distribution in redemption of each of the Purchase Targets would be treated as a distribution to which section 301 applies, each Purchase Target Purchase will be characterized for U.S. federal income tax purposes as a contribution of the stock of the Purchase Target by USS to FHoldco1 in deemed exchange for shares of FHoldco1 stock in a

transaction to which section 351(a) applies, followed by the redemption by FHoldco1 of the newly issued FHoldco1 stock in exchange for an allocable portion of the cash. The determination of the amount of the resulting dividend (and the source thereof) for each Purchase Target Purchase will be made as if the cash allocable to the Purchase Target were distributed (1) by FHoldco1 to the extent of its earnings and profits, and then (2) by the Purchase Target to the extent of its earnings and profits. Any dividend from a Purchase Target to USS will be treated as being made directly to USS for U.S. federal income tax purposes.

- (2) FHoldco1's holding period in the stock of each Purchase Target will include the period during which the stock was held by USS.

#### Contribution 1

- (3) Parent will recognize no gain or loss upon the transfer of the Contribution 1 Property to USHoldco solely in exchange for the USHoldco stock. Sections 351(a) and 357(a).
- (4) No gain or loss will be recognized by USHoldco upon the receipt of the Contribution 1 property in exchange for newly issued USHoldco stock. Section 1032(a).
- (5) The basis of the USHoldco stock received by Parent will be the same as the basis of the Contribution 1 property surrendered in exchange therefor. Section 358(a).
- (6) The basis of the Contribution 1 Property received by USHoldco will be the same as the basis of the property in the hands of Parent determined immediately before the transfer. Section 362(a).
- (7) The holding period of the USHoldco stock received by Parent will include the period during which the Contribution 1 Property exchanged therefore was held, provided such property was held as a capital asset by Parent on the date of the exchange. Section 1223(1).
- (8) The holding period of the Contribution 1 Property received by USHoldco will include the period during which Parent held the Contribution 1 Property. Section 1223(2).
- (9) The earnings and profits of FS1, FS2, FS3, FS4, FS5, FS6 and FS7, to the extent attributable to Parent under §§ 1.1248-2 or 1.1248-3 (whichever is applicable), that were accumulated in tax years of such foreign corporations beginning after December 31, 1962, and during the period in which each such corporation was a CFC, will be attributable to such stock held by USHoldco. (§ 1.1248-1(a)(1)).

#### Contribution 2

- (10) For U.S. federal income tax purposes, Contribution 2 will be treated as a transfer by USHoldco of the Contribution 2 Property to FHoldco2 solely in exchange for newly issued FHoldco2 common shares, the FHoldco2 PECs, and the FHoldco2 USD PECs.
- (11) USHoldco will recognize no gain or loss upon the transfer of the Contribution 2 Property solely in exchange for FHoldco2 common stock, the FHoldco2 PECs and the FHoldco2 USD PECs. Sections 351(a) and 357(a)
- (12) No gain or loss will be recognized by FHoldco2 upon the receipt of the Contribution 2 Property in exchange for FHoldco2 common stock, the FHoldco2 PECs, and the FHoldco2 USD PECs. Section 1032(a).
- (13) The aggregate basis of the stock of FHoldco2 received by USHoldco will be the same as the aggregate basis of the Contribution 2 Property surrendered in exchange therefor and will be allocated between the FHoldco2 common stock, the FHoldco2 PECs, and the FHoldco2 USD PECs received in the exchange in proportion to the fair market value of each class, such that each FHoldco2 common share will have an identical, averaged basis, each FHoldco2 PEC will have an identical, averaged basis, and each FHoldco2 USD PEC will have an identical, averaged basis. Section 358 and Treas. Reg. § 1.358-2(b)(2).
- (14) The basis of the Contribution 2 Property received by FHoldco2 will be the same as the basis of the property in the hands of USHoldco determined immediately before the transfer. Section 362(a).
- (15) The holding period of the FHoldco2 stock received by USHoldco will include the period during which the Contribution 2 Property exchanged therefore was held, provided such property was held as a capital asset by USHoldco on the date of the exchange. Section 1223(1).
- (16) The holding period of the Contribution 2 Property received by FHoldco2 will include the period during which USHoldco held the Contribution 2 Property. Section 1223(2).

### Contribution 3

- (17) For U.S. federal income tax purposes, Contribution 3, will be treated as a transfer by FHoldco2 of the Contribution 3 Property to FHoldco1 solely in exchange for FHoldco1 common shares and the assumption of the Target Acquisition Indebtedness.
- (18) Section 304 will not apply to FHoldco1's assumption of the Target Acquisition Indebtedness in exchange for the Contribution 3 Property. Section 304(b)(3)(B)(i).

- (19) FHoldco2 will recognize no gain or loss upon the transfer of the Contribution 3 Property solely in exchange for FHoldco1 common shares and the assumption of the Target Acquisition Indebtedness. Sections 351 and 357(a).
- (20) No gain or loss will be recognized by FHoldco1 upon the receipt of the Contribution 3 Property in exchange for newly issued FHoldco1 stock. Section 1032.
- (21) The aggregate basis of the FHoldco1 stock received by FHoldco2 will be the same as the aggregate basis of the Contribution 3 Property surrendered in exchange therefore, reduced by the amount of the Target Acquisition Indebtedness assumed, and will be allocated pro rata between each share of FHoldco1 common stock received in the exchange, such that each share of FHoldco1 common stock received in exchange for the Contribution 3 Property will have an identical, averaged, basis. Section 358 and Treas. Reg. 1.358-2(b)(2).
- (22) The basis of the Contribution 3 Property received by FHoldco1 will be the same as the basis of the property in the hands of FHoldco2 determined immediately before the transfer. Section 362(a).
- (23) The holding period of the FHoldco1 common stock received by FHoldco2 in exchange for the Contribution 3 Property will include the period during which the property exchanged therefor was held, provided such property was held as a capital asset by FHoldco2 on the date of the exchange. Section 1223(1).
- (24) The holding period of the Contribution 3 Property received by FHoldco1 will include the period during which FHoldco2 held the Contribution 3 Property. Section 1223(2).
- (25) No amount will be included in income as a deemed dividend equal to the § 1248 amount under § 367(b) as a result of Contribution 2 or Contribution 3 (§§ 1.367(b)-1(b) and 1.367(b)-4(b)).

#### FS1 Reorganization

- (26) For U.S. federal income tax purposes, the FS1 Reorganization will be treated as: (i) a transfer of substantially all of FS1's assets to FHoldco1 in exchange for FHoldco1 stock and the assumption of liabilities of FS1; and (ii) the distribution of FHoldco1 stock in complete liquidation of FS1. The acquisition by FHoldco1 of substantially all of the assets of FS1 solely in exchange for its stock will qualify as a reorganization within the meaning of section 368(a)(1)(D). FS1 and FHoldco1 will each be a "party to a reorganization" within the meaning of section 368(b).
- (27) No gain or loss will be recognized by FHoldco2 upon the exchange of the stock of FS1 solely for the stock of FHoldco1. Section 354.



- (28) No gain or loss will be recognized by FS1 on the transfer of its assets to FHoldco1 in exchange for the FHoldco1 stock and the assumption of the liabilities of FS1. Sections 361(a) and 357(a).
- (29) No gain or loss will be recognized by FHoldco1 on the receipt of the FS1 assets in exchange for FHoldco1 stock. Section 1032(a).
- (30) No gain or loss will be recognized by FS1 upon the distribution of the FHoldco1 stock to FHoldco2. Section 361(c).
- (31) The basis of the FHoldco1 stock received by FHoldco2 in the FS1 Reorganization will be the same as FHoldco2's basis in the FS1 stock surrendered in exchange therefor. Section 358(a)(1).
- (32) FHoldco1's basis in each asset received from FS1 will equal the basis of that asset in the hands of FS1 immediately before the FS1 Reorganization. Section 362(b).
- (33) The holding period of the FHoldco1 stock received by FHoldco2 in the FS1 Reorganization will include the period during which FHoldco2 held the FS1 stock surrendered in the exchange therefore, provided the FS1 stock was held as a capital asset by FHoldco2 on the date of the exchange. Section 1223(1).
- (34) FHoldco1's holding period in each asset received from FS1 will include the period during which FS1 held the asset. Section 1223(2).
- (35) FHoldco1 will succeed to and take into account the items of FS1 described in section 381(c), subject to the conditions and limitations specified in section 381, 382, 383 and 384 and the regulations thereunder.

#### FS4 Reorganization

- (36) For U.S. federal income tax purposes, the FS4 Reorganization will be treated as: (i) a transfer of substantially all of FS4's assets to FHoldco1 in exchange for FHoldco1 stock and the assumption of liabilities of FS4; and (ii) the distribution of FHoldco1 stock in complete liquidation of FS4. The acquisition by FHoldco1 of substantially all of the assets of FS4 solely in exchange for its stock will qualify as a reorganization within the meaning of section 368(a)(1)(D). FS4 and FHoldco1 will each be a "party to a reorganization" within the meaning of section 368(b).
- (37) No gain or loss will be recognized by FHoldco2 upon the exchange of the stock of FS4 solely for the stock of FHoldco1. Section 354.

- (38) No gain or loss will be recognized by FS4 on the transfer of its assets to FHoldco1 in exchange for the FHoldco1 stock and the assumption of the liabilities of FS4. Sections 361(a) and 357(a).
- (39) No gain or loss will be recognized by FHoldco1 on the receipt of the FS4 assets in exchange for FHoldco1 stock. Section 1032(a).
- (40) No gain or loss will be recognized by FS4 upon the distribution of the FHoldco1 stock to FHoldco2. Section 361(c).
- (41) The basis of the FHoldco1 stock received by FHoldco2 in the FS4 Reorganization will be the same as FHoldco2's basis in the FS4 stock surrendered in exchange therefor. Section 358(a)(1).
- (42) FHoldco1's basis in each asset received from FS4 will equal the basis of that asset in the hands of FS4 immediately before the FS4 Reorganization. Section 362(b).
- (43) The holding period of the FHoldco1 stock received by FHoldco2 in the FS4 Reorganization will include the period during which FHoldco2 held the FS4 stock surrendered in the exchange therefor, provided the FS4 stock was held as a capital asset by FHoldco2 on the date of the exchange. Section 1223(1).
- (44) FHoldco1's holding period in each asset received from FS4 will include the period during which FS4 held the asset. Section 1223(2).
- (45) FHoldco1 will succeed to and take into account the items of FS4 described in section 381(c), subject to the conditions and limitations specified in section 381, 382, 383 and 384 and the regulations thereunder.

#### FS5 Reorganization

- (46) For U.S. federal income tax purposes, the FS5 Reorganization will be treated as: (i) a transfer of substantially all of FS5's assets to FHoldco1 in exchange for FHoldco1 stock and the assumption of liabilities of FS5; and (ii) the distribution of FHoldco1 stock in complete liquidation of FS5. The acquisition by FHoldco1 of substantially all of the assets of FS5 solely in exchange for its stock will qualify as a reorganization within the meaning of section 368(a)(1)(D). FS5 and FHoldco1 will each be a "party to a reorganization" within the meaning of section 368(b).
- (47) No gain or loss will be recognized by FHoldco2 upon the exchange of the stock of FS5 solely for the stock of FHoldco1. Section 354.
- (48) No gain or loss will be recognized by FS5 on the transfer of its assets to FHoldco1 in exchange for the FHoldco1 stock and the assumption of the liabilities of FS5. Sections 361(a) and 357(a).

- (49) No gain or loss will be recognized by FHoldco1 on the receipt of the FS5 assets in exchange for FHoldco1 stock. Section 1032(a).
- (50) No gain or loss will be recognized by FS5 upon the distribution of the FHoldco1 stock to FHoldco2. Section 361(c).
- (51) The basis of the FHoldco1 stock received by FHoldco2 in the FS5 Reorganization will be the same as FHoldco2's basis in the FS5 stock surrendered in exchange therefor. Section 358(a)(1).
- (52) FHoldco1's basis in each asset received from FS5 will equal the basis of that asset in the hands of FS5 immediately before the FS4 Reorganization. Section 362(b).
- (53) The holding period of the FHoldco1 stock received by FHoldco2 in the FS5 Reorganization will include the period during which FHoldco2 held the FS5 stock surrendered in the exchange therefor, provided the FS5 stock was held as a capital asset by FHoldco2 on the date of the exchange. Section 1223(1).
- (54) FHoldco1's holding period in each asset received from FS5 will include the period during which FS5 held the asset. Section 1223(2).
- (55) FHoldco1 will succeed to and take into account the items of FS5 described in section 381(c), subject to the conditions and limitations specified in section 381, 382, 383 and 384 and the regulations thereunder.

#### Target Merger

- (56) Provided that the Target Merger qualifies as a statutory merger under applicable law, for U.S. Federal income tax purposes, the Target Merger will be treated as an acquisition by Acquiring of all the assets of Target in exchange for deemed shares of Acquiring stock and the assumption of the liabilities of Target through a statutory merger that qualifies as a reorganization under section 368(a)(1)(A). Acquiring and Target will each be a "party to a reorganization" within the meaning of section 368(b).
- (57) No gain or loss will be recognized by FHoldco1 on the receipt of deemed shares of Acquiring stock solely in exchange for Target stock. Section 354(a)(1)
- (58) No gain or loss will be recognized by Target on the transfer of its assets to Acquiring in exchange for deemed shares of Acquiring stock and the assumption by Acquiring of any liabilities of Target. Section 361(a) and 357(a).
- (59) No gain or loss will be recognized by Acquiring on the receipt of the Target assets in exchange for deemed shares of Acquiring stock. Section 1032(a)

- (60) No gain or loss will be recognized by Target upon the transfer of deemed shares of Acquiring to FHoldco1. Section 361(c).
- (61) The basis in the deemed shares of Acquiring stock received by FHoldco1 will equal the basis of the Target stock surrendered in exchange therefor. Section 358(a)(1).
- (62) Acquiring's basis in each asset received from Target will equal the basis of that asset in the hands of Target immediately before the Target Merger. Section 362(b)
- (63) The holding period in the deemed shares of Acquiring stock received by FHoldco1 will include the holding period of the Target stock surrendered in exchange therefor, provided the Target stock was held as a capital asset on the date of the exchange. Section 1223(1).
- (64) Acquiring's holding period in each asset received from Target will include the period during which Target held the asset. Section 1223(2).
- (65) Acquiring will succeed to and take into account, as of the close of the day of the Target Merger, the items described in section 381(c) of Target, subject to the conditions and limitations specified in section 381, 382, 383 and 384 and the regulations thereunder.

#### Caveats

We express no opinion on the tax effect of the Proposed Transaction under any other provision of the Code or Regulations, or the tax effect of any condition existing at the time of, or effect resulting from, the Proposed Transaction that is not specifically covered by the rulings set forth above.

In particular, no opinion is expressed as to whether any of the preferred equity certificates (PECs) are debt or equity for U.S. Federal income tax purposes. In particular, no opinion is expressed with respect to step 5 of the proposed transaction including whether USHoldco's contribution of the portion of the Target Acquisition Indebtedness that relates to the Target Receivables Purchase to the capital of FHoldco2 is a transaction for which stock is issued for indebtedness of the transferee corporation which is not evidenced by a security as described in section 351(d)(2).

#### Procedural Statements

This ruling 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 the letter ruling.

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

Sincerely,

-----  
Richard Heinecke  
Assistant to the Branch Chief, Branch 6  
Associate Chief Counsel (Corporate)

cc: