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Date:
September 07, 2012

LEGEND

Parent =

FCo =

DSub =

F-LLC 1 =

F-LLC 2 =

Sub =

Foreign Acquirer =

Foreign Target 1 =

Foreign Target 2 =

Foreign Target 3 =

Foreign Target 4 =

Foreign Target 5 =

Foreign Target 6 =

Foreign Target 7 =

Foreign Target 8 =

Foreign Target 9 =

Foreign Target 10 =

Foreign Target 11 =

Foreign Target 12 =

Foreign Target 13 =

Foreign Target 14 =

Foreign Transfer 1 =

Foreign Transfer 2 =

Foreign Transfer 3 =

Foreign Transfer 4 =

TopCo 1 =

TopCo 2 =

Individual A =

Corporation 1 =

Corporation 2 =

Business A =

Country X =

Date 1 =

Date 2 =

Date 3 =

Date 4 =

Date 5 =

Date 6 =

Date 7 =

Date 8 =

Date 9 =

Date 10 =

a =

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c =

d =

e =

f =

g =

h =

i =

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k =

l =

m =

n =

Dear :

This letter responds to your letter dated March 12, 2012, in which you requested rulings on certain federal income tax consequences of a proposed and partially completed series of transactions. The information provided 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 material 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 the common parent of an affiliated group of corporations that files a consolidated U.S. federal income tax return. Parent stock is publicly traded and widely held.

FCo is a Country X entity that is treated as a corporation for U.S. federal tax purposes under Treas. Reg. § 301.7701-3(b)(2)(i)(B). Immediately prior to the steps described herein, FCo was owned as follows: Individual A owned approximately a percent; Corporation 1 owned approximately b percent; Corporation 2 owned approximately c percent; and the management of FCo owned the remaining approximately d percent.

FCo is engaged in Business A. The activities of FCo are conducted through subsidiaries. FCo directly owns 100 percent of the following entities: Foreign Target 1, Foreign Target 2, Foreign Target 3, Foreign Target 5, Foreign Target 6, Foreign Target 7, Foreign Target 8, Foreign Target 9, Foreign Target 10, Foreign Target 11, Foreign Target 12, Foreign Target 13 and Foreign Target 14. In addition, FCo owns an e percent interest in Foreign Target 4. For purposes of this letter, Foreign Target 1, Foreign Target 2, Foreign Target 3, Foreign Target 4, Foreign Target 5, Foreign Target 6, Foreign Target 7, Foreign Target 8, Foreign Target 9, Foreign Target 10, Foreign Target 11, Foreign Target 12, Foreign Target 13 and Foreign Target 14 are hereinafter referred to collectively as the "Foreign Targets" and, individually, as a "Foreign Target." Each Foreign Target is classified as a foreign corporation for U.S. federal tax purposes.

FCo also owns 100 percent of the stock of F-LLC 2, a foreign corporation that is treated as a disregarded entity for U.S. federal tax purposes under §§ 301.7701-2 and 301.7701-3. F-LLC 2 owns 100 percent of the stock of Sub, a domestic corporation.

In addition, FCo owns stock of Foreign Transfer 1 representing approximately f percent of the value and g percent of the voting stock of Foreign Transfer 1. FCo owns an h percent ownership interest in Foreign Transfer 2. FCo owns an i percent ownership interest in Foreign Transfer 3. Foreign Transfer 1, Foreign Transfer 2, and

Foreign Transfer 3 each is classified as a foreign corporation for U.S. federal tax purposes.

Additionally, FCo owns an i percent ownership interest in Foreign Transfer 4, an entity classified as a foreign partnership for U.S. federal tax purposes.

Completed Transaction

Pursuant to stock purchase and sale agreements entered into between the former shareholders of FCo and F-LLC 1 and Parent (as its guarantor), the FCo shareholders agreed to sell all of their FCo stock to F-LLC 1 for cash. The following steps were implemented in connection with the purchase of the FCo stock:

1. On Date 1, Parent organized DSub, a domestic corporation, with nominal share capital.

2. On Date 2, Parent formed F-LLC 1 as a special purpose company to formally purchase all of the shares of FCo stock. F-LLC 1 elected to be treated as a disregarded entity for U.S. federal tax purposes under §§ 301.7701-2 and 301.7701-3, effective on Date 2, the date of its formation.

3. On Date 3, Parent contributed cash in the amount of j to F-LLC 1 in exchange for stock and k to F-LLC 1 in exchange for three notes: Note A with a stated principal amount of l, Note B with a stated principal amount of m, and Note C with a stated principal amount of n (collectively, hereinafter referred to as, "The Notes").

4. On Date 4, F-LLC 1 purchased for cash all of the issued and then outstanding stock of FCo. No election under § 338(g) of the Internal Revenue Code has been or will be made for such acquisition.

5. On Date 5, Parent transferred all of the stock of F-LLC 1 and The Notes to DSub in exchange for DSub stock.

6. On Date 7, FCo elected to be treated as a disregarded entity for U.S. federal tax purposes under §§ 301.7701-2 and 301.7701-3 effective as of Date 6 (the "FCo Election"). Step 5 and Step 6 are together referred to as the "Reincorporation."

7. On Date 6, F-LLC 2 sold the stock of Sub to DSub in exchange for Note A and Note B in a transaction that was disregarded for U.S. federal tax purposes.

8. On Date 8, F-LLC 2 distributed (or otherwise transferred) Note A and Note B to FCo in a transaction that was disregarded for U.S. federal tax purposes.

9. On Date 9, FCo distributed Note A and Note B to F-LLC 1 in a transaction that was disregarded for U.S. federal tax purposes.

10. On Date 10, Note C was contributed to F-LLC 1 in a transaction that was disregarded for U.S. federal tax purposes.

Proposed Transaction

For what are represented to be valid business reasons and pursuant to a plan of reorganization, Parent proposes to implement the following series of transactions (collectively, the "Proposed Transaction") in the order enumerated below:

11. DSub will form, with nominal share capital, TopCo 1 and TopCo 2, each a domestic limited liability company. TopCo 1 and TopCo 2 each will be a disregarded entity for U.S. federal tax purposes.

12. TopCo 1 and TopCo 2 will form Foreign Acquirer, a foreign partnership. An initial entity classification election will be made for Foreign Acquirer to treat it as a corporation for U.S. federal tax purposes under § 301.7701-3(a), effective as of the date upon which Foreign Acquirer is validly created under local law.

13. DSub will transfer the stock of F-LLC 1 to TopCo 1 and TopCo 2 as capital contributions, the relative sizes of which remain to be determined.

14. TopCo 1 and TopCo 2 will transfer the stock of F-LLC 1 to Foreign Acquirer in exchange for newly issued common stock of Foreign Acquirer. Because F-LLC 1 and FCo will each be a disregarded entity for U.S. federal tax purposes, this Step 11 is treated as if the assets and liabilities of F-LLC 1 and FCo, which includes the stock of the Foreign Targets, the stock of Foreign Transfer 1, the stock of Foreign Transfer 2, the stock of Foreign Transfer 3, and the ownership interests in Foreign Transfer 4, are transferred to the Foreign Acquirer.

    For purposes of this letter, the exchange of property (other than the stock of the Foreign Targets) for Foreign Acquirer stock pursuant to this Step 14 is hereinafter referred to as, the "Exchange".

15. With an effective date no earlier than the day after implementing Step 14, each Foreign Target will elect to be disregarded for U.S. federal tax purposes under §§ 301.7701-2 and 301.7701-3 (in each instance, a "Foreign Target Election"). Steps 14 and 15 are, with respect to each Foreign Target, hereinafter referred to as a "Reorganization."

Representations

The following representations have been submitted regarding the Reincorporation, each Reorganization, and the Exchange:

The Reincorporation

(a1) The fair market value of the DSub stock received by Parent, in the Reincorporation, approximately equaled the fair market value of the FCo stock surrendered in the exchange.

(b1) Immediately following the Reincorporation, from a U.S. federal tax perspective, DSub had the same assets and liabilities as those owned by FCo immediately prior to the Reincorporation.

(c1) Immediately following the Reincorporation, except for a de minimis amount of DSub stock received by Parent at the time of organizing DSub with minimum regulatory capital, Parent owned all of the outstanding shares of DSub stock and owned such stock solely by reason of its ownership of FCo stock immediately prior to the Reincorporation.

(d1) Parent, DSub, and FCo each paid their respective expenses, if any, incurred in connection with the Reincorporation.

(e1) At the time of the Reincorporation, FCo was not under the jurisdiction of a court in a Title 11 or similar case within the meaning of § 368(a)(3)(A).

(f1) The Reincorporation did not result in either (i) the importation of a “net built-in loss” subject to limitation under § 362(e)(1), or (ii) a “net built-in loss” subject to limitation under § 362(e)(2).

(g1) The liabilities of FCo assumed by DSub in the Reincorporation (as determined under § 357(d)) were incurred by FCo in the ordinary course of its business and were associated with the assets transferred.

(h1) The notice requirements of § 1.367(b)-1(c)(1) will be met with respect to the Reincorporation.

(i1) No amount is required to be included in Parent’s income as a deemed dividend under § 1.367(b)-3(b)(3) because, at the time of the Reincorporation, the all earnings and profits amount with respect to Parent’s stock of FCo is zero.

(j1) Immediately before the Reincorporation, each of the Foreign Targets (excluding Foreign Target 4 and Foreign Target 11) and each of Foreign Transfer 1, Foreign Transfer 2, and FCo will be a CFC (within the meaning of § 957(a)) with respect to which Parent will be a section 1248 shareholder (within the meaning of

§ 1.367(b)-2(b)). Immediately after the Reincorporation, each of the Foreign Targets (excluding Foreign Target 4 and Foreign Target 11) and each of Foreign Transfer 1 and Foreign Transfer 2 will be a CFC (within the meaning of § 957(a)) with respect to which DSub will be a section 1248 shareholder (within the meaning of § 1.367(b)-2(b)).

(k1) At all times before the Reincorporation, FCo will not have been a PFIC (within the meaning of § 1297(a)).

Each Reorganization

(a2) In each Reorganization, the fair market value of the Foreign Acquirer stock received by DSub will be approximately equal to the fair market value of the Foreign Target stock deemed surrendered by DSub in the exchange.

(b2) Neither Foreign Acquirer (nor any person related to it within the meaning of § 1.368-1(e)(4)) has any plan or intention to acquire any of the Foreign Acquirer stock deemed received by DSub in any of the Reorganizations.

(c2) In each Reorganization, Foreign Acquirer 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 each Foreign Target immediately prior to each Reorganization. For purposes of this representation, assets used by any Foreign Target to pay its reorganization expenses, and all redemptions and distributions (except for those that are regular and normal dividends) made by a Foreign Target immediately prior to a Reorganization will be included as assets of the Foreign Target held immediately prior to the Reorganization.

(d2) After each Reorganization, and at the conclusion of all Reorganizations, DSub, the shareholder of each Foreign Target immediately prior to each Reorganization, will be in control of Foreign Acquirer within the meaning of § 368(a)(2)(H)(i); and, Foreign Acquirer has no plan or intention to issue any additional shares during, or after, the Reorganizations to any other person, such that, after the issue of such shares, DSub would not be in control of Foreign Acquirer, within the meaning of § 368(a)(2)(H)(i), immediately after the implementation of all the Reorganizations.

(e2) DSub has no plan or intention to sell or otherwise dispose of its Foreign Acquirer stock directly or indirectly through a disposition of DSub's interests in TopCo 1 or TopCo 2.

(f2) Foreign Acquirer has no plan or intention to sell or otherwise dispose of any of the assets of any Foreign Target to be acquired in any one of the

Reorganizations, except for dispositions made in the ordinary course of business or transfers allowed under § 368(a)(2)(C) and the regulations thereunder.

(g2) The liabilities of each Foreign Target assumed (within the meaning of § 357(d)) by Foreign Acquirer will have been incurred, in each instance, by the respective Foreign Target in the ordinary course of its business and are associated with the assets transferred.

(h2) Following each Reorganization, Foreign Acquirer will continue the historic business of each respective Foreign Target or use a significant portion of each Foreign Target's historic business assets in a business as required by § 1.368-1(d).

(i2) Foreign Acquirer, DSub and each Foreign Target will pay its respective expenses, if any, incurred in connection with each Reorganization.

(j2) There is no intercorporate indebtedness existing between Foreign Acquirer and any Foreign Target that has been issued, acquired, or will be settled at a discount.

(k2) No two parties to each Reorganization are investment companies as defined in § 368(a)(2)(F)(iii) and (iv).

(l2) At the time of each Reorganization, the respective Foreign Target will not be under the jurisdiction of a court in a Title 11 or similar case within the meaning of § 368(a)(3)(A).

(m2) The fair market value of the property of each Foreign Target will exceed the amount of its liabilities immediately before the respective Reorganization (including any liabilities that are cancelled, extinguished, or assumed (as determined under § 357(d)) in connection with the respective Reorganization). The fair market value of the assets of Foreign Acquirer will equal or exceed the amount of its liabilities immediately after the respective Reorganization.

(n2) Immediately before each Reorganization, Foreign Target will not hold any United States real property interests (as defined in § 1.897-1(c)).

(o2) Immediately before each Reorganization, Foreign Target will be a CFC (within the meaning of § 957(a)) with respect to which DSub will be a section 1248 shareholder (within the meaning of § 1.367(b)-2(b)).

(p2) Immediately before and after the Reorganizations, Foreign Acquirer will be a CFC (within the meaning of § 957(a)) with respect to which DSub will be a section 1248 shareholder (within the meaning of § 1.367(b)-2(b)).

(q2) The Reorganizations are not exchanges described in § 1.367(b)-4(b)(1)(i), 1.367(b)-4(b)(2)(i), or 1.367(b)-4(b)(3).

(r2) The notice requirements of § 1.367(b)-1(c)(1) will be met with respect to each Reorganization.

(s2) At all times before each Reorganization, Foreign Target will not have been a PFIC (within the meaning of § 1297(a)).

The Exchange

(a3) No stock or securities will be issued for services rendered to or for the benefit of Foreign Acquirer in connection with the Exchange, and no stock or securities will be issued for indebtedness of Foreign Acquirer that is not evidenced by a security or for interest on indebtedness of Foreign Acquirer which accrued on or after the beginning of the holding period of DSub for the debt.

(b3) None of the stock to be transferred in the Exchange is “section 306 stock” within the meaning of § 306(c).

(c3) The Exchange is not the result of the solicitation by a promoter, broker, or investment house.

(d3) DSub will not retain any rights in the property deemed transferred to Foreign Acquirer in the Exchange.

(e3) No stock will be received in exchange for accounts receivable in the Exchange.

(f3) The adjusted basis and the fair market value of the assets deemed transferred by DSub to Foreign Acquirer will, in each instance, be equal to or exceed the sum of the liabilities to be assumed (as determined under section 357(d)) by Foreign Acquirer plus the amount of any liabilities to which the assets are subject.

(g3) The liabilities to be assumed (as determined under section 357(d)) by Foreign Acquirer were incurred in the ordinary course of business and are associated with the assets to be transferred.

(h3) The fair market value of the property deemed transferred to Foreign Acquirer will equal or exceed the aggregate adjusted bases of such property immediately after the Exchange.

(i3) The fair market value of the property transferred by DSub to Foreign Acquirer will exceed the sum of (i) the amount of liabilities to be assumed (as

determined under § 357(d)) by Foreign Acquirer in connection with the Exchange, (ii) the amount of liabilities owed to Foreign Acquirer by DSub that will be 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 § 351(a) without the recognition of gain) to be received by DSub in connection with the Exchange. The fair market value of the assets of Foreign Acquirer will exceed the amount of its liabilities immediately after the Exchange.

(j3) There is no indebtedness between Foreign Acquirer and DSub and there will be no indebtedness created in favor of DSub as a result of the Proposed Transaction.

(k3) The steps of the Exchange will occur under a plan agreed upon before the transaction in which the rights of the parties are defined.

(l3) The deemed transfers by DSub to Foreign Acquirer will occur on approximately the same date.

(m3) There is no plan or intention on the part of Foreign Acquirer to redeem or otherwise reacquire any stock or indebtedness to be issued in the Proposed Transaction.

(n3) Taking into account any issuance of additional shares of Foreign Acquirer's stock; any issuance of stock for services; the exercise of any Foreign Acquirer stock rights, warrants, or subscriptions; a public offering of Foreign Acquirer's stock; and the sale, exchange, transfer by gift, or other disposition of any of the stock of Foreign Acquirer to be received in the Exchange, DSub will be in "control" of Foreign Acquirer within the meaning of § 368(c).

(o3) DSub will receive stock of Foreign Acquirer approximately equal to the fair market value of the property transferred to Foreign Acquirer.

(p3) Foreign Acquirer will remain in existence and retain and use the property transferred to it in a trade or business.

(q3) There is no plan or intention by Foreign Acquirer to dispose of any of its assets or property following the Exchange.

(r3) Each of DSub and Foreign Acquirer will pay its own expenses, if any, incurred in connection with the Exchange.

(s3) Foreign Acquirer will not be an investment company within the meaning of § 351(e)(1) and § 1.351-1(c)(1)(ii).

(t3) DSub is not under the jurisdiction of a court in a title 11 or similar case (within the meaning of § 368(a)(3)(A)) and the stock or securities received in the Exchange will not be used to satisfy the indebtedness of DSub.

(u3) Foreign Acquirer will not be a "personal service corporation" within the meaning of § 269A.

(v3) Immediately before and after the Exchange, each of Foreign Acquirer, Foreign Transfer 1 and Foreign Transfer 2 will be a CFC (within the meaning of § 957(a)) with respect to which DSub will be a section 1248 shareholder (within the meaning of § 1.367(b)-2(b)).

(w3) At all times before and immediately after the Exchange, neither Foreign Transfer 1, Foreign Transfer 2, nor Foreign Transfer 3 will have been or will be a PFIC (within the meaning of § 1297(a)).

(x3) DSub will comply with the requirements of § 367(a) and (d).

(y3) DSub will comply with the reporting requirements under § 6038B and the regulations thereunder.

(z3) Neither F-LLC 1 nor any combined separate unit (within the meaning of § 1.1503(d)-1(b)(4)(ii)) of which F-LLC 1 is a part has incurred any losses that are subject to an agreement, election or certification filed pursuant to § 1503(d) and the regulations thereunder.

(aa3) Parent will comply with § 1503(d) and the regulations thereunder to the extent applicable to the combined separate unit (within the meaning of § 1.1503(d)-1(b)(4)(ii)) of which F-LLC 2 is a part.

Rulings

Based solely on the information submitted and the representations made by the taxpayer, we rule as follows regarding the Reincorporation, each Reorganization, and the Exchange:

The Reincorporation

1. For U.S. federal income tax purposes, the Reincorporation is treated as a transfer by FCo of its assets to DSub in exchange for DSub stock and the assumption of liabilities followed by FCo's distribution of such DSub stock to its sole shareholder, Parent. Rev. Rul. 67-274, 1967-2 C.B. 141. The Reincorporation qualifies as a reorganization described in § 368(a)(1)(F). FCo and DSub are each "a party to a reorganization" within the meaning of § 368(b).

The implementation of the Proposed Transaction will not preclude the Reincorporation from qualifying as a § 368(a)(1)(F) reorganization. Rev. Rul. 96-29, 1996-1 C.B. 50.

2. FCo recognized no gain or loss upon the transfer of all of its assets to DSub in exchange for DSub stock and the assumption of liabilities (§§ 361(a) and 357(a)).

3. DSub recognized no gain or loss upon its receipt of the FCo assets in exchange for DSub stock (§ 1032(a)).

4. DSub's basis in the assets acquired from FCo is the same as FCo's basis in such assets immediately before the Reincorporation (§ 362(b)).

5. DSub's holding period for the assets acquired from FCo includes the period during which such assets were held by FCo (§ 1223(2)).

6. FCo recognized no gain or loss on the distribution to Parent of the DSub stock (§ 361(c)(1)).

7. Parent recognized no gain or loss upon the exchange of its shares of FCo stock for stock of DSub (§ 354(a)(1)).

8. Parent's basis in the DSub stock received in the Reincorporation is the same as Parent's basis in the FCo stock exchanged therefor, as determined immediately prior to the Reincorporation, adjusted for any deemed dividend income recognized under § 1.367(b)-3(b)(3) (§ 358(a)(1) and § 1.367(b)-2(e)(3)(ii)).

9. Parent's holding period for the DSub stock includes the period during which Parent held the FCo stock exchanged therefor, provided Parent held the FCo stock as a capital asset at the time of the exchange (§ 1223(1)).

10. FCo's taxable year closed on the day before the effective date of the FCo Election (§ 1.367(b)-2(f)(4) and § 301.7701-3(g)(3)(i)).

11. Subject to the conditions and limitations of sections 381, 382, 383 and 384 and the regulations thereunder, and § 1.367(b)-3(d), (e), and (f), DSub succeeds to and takes into account the tax attributes of FCo described in § 381(c) (§ 381(a) and § 1.381(a)-1).

12. The earnings and profits of the Foreign Targets, Foreign Transfer 1, and Foreign Transfer 2, 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 DSub (§ 1.1248-1(a)(1)).

Each Reorganization

13. For U.S. federal income tax purposes, each Reorganization will be treated as a transfer by each Foreign Target of all of its assets to Foreign Acquirer in exchange for stock of Foreign Acquirer and assumption of liabilities followed by the distribution by each Foreign Target of the Foreign Acquirer stock to DSub. Rev. Rul. 67-274, 1967-2 C.B. 141. Each Reorganization will qualify as a reorganization described in § 368(a)(1)(D). Each Foreign Target and Foreign Acquirer will, in each instance, be "a party to a reorganization" within the meaning of § 368(b).

14. Each Foreign Target will recognize no gain or loss upon the transfer of its assets to Foreign Acquirer, in each Reorganization, in exchange for Foreign Acquirer stock (§§ 361(a) and 357(a)).

15. Foreign Acquirer will recognize no gain or loss upon its receipt of the assets of each Foreign Target, in each Reorganization, in exchange for Foreign Acquirer stock (§ 1032(a)).

16. The basis of the assets of each Foreign Target received by Foreign Acquirer, in each Reorganization, will be the same as the basis of such assets in the hands of each Foreign Target immediately before each Reorganization (§ 362(b)).

17. The holding period for each asset of each Foreign Target acquired by Foreign Acquirer will include the period during which each Foreign Target held that asset (§ 1223(2)).

18. In each instance, DSub will recognize no gain or loss upon the exchange of stock of each Foreign Target for Foreign Acquirer stock (§ 354(a)).

19. In each instance, DSub's basis in the Foreign Acquirer stock received in each Reorganization will be the same as DSub's basis in the stock of the respective Foreign Target surrendered in the same Reorganization, as determined immediately prior to that same Reorganization (§ 358(a)).

20. Provided DSub holds the stock of each Foreign Target as a capital asset at the time of each respective Reorganization, the holding period of Foreign Acquirer stock received in each Reorganization will include the holding period for the shares of each respective Foreign Target surrendered in the same exchange (§ 1223(1)).

21. The taxable year of each Foreign Target will close on the day before the effective date of its Foreign Target Election (§ 381(b)(1), § 1.381(b)-1(a) and § 301.7701-3(g)(3)(i)).

22. Section 1.367(b)-4 will apply to each Reorganization involving a Foreign Target.

23. DSub will include no amount under § 367(b) as a result of any of the Reorganizations involving a Foreign Target (§ 1.367(b)-4(b)(1)(i)).

24. Subject to the conditions and limitations of sections 381, 382, 383, and 384 and the regulations thereunder, Foreign Acquirer will succeed to and take into account the tax attributes of each Foreign Target described in § 381(c) (§ 381(a) and §§ 1.381(a)-1 and 1.367(b)-7). If either Foreign Acquirer or a Foreign Target has a deficit in one or more separate categories of post-1986 undistributed earnings or an aggregate deficit in pre-1987 accumulated profits, such deficit is a hovering deficit that will offset only earnings and profits accumulated after the date of the Reorganization. Any post-1986-foreign income taxes that are related to a hovering deficit in a separate category of post-1986 undistributed earnings are added to Foreign Acquirer's post-1986 foreign income taxes in that separate category on a pro rata basis as the hovering deficit is absorbed. Section 381(c)(2)(B) and § 1.367(b)-7(d)(2).

25. With respect to each Reorganization, the earnings and profits of Foreign Target, to the extent attributable to DSub under §§ 1.1248-2 or 1.1248-3 (whichever is applicable), that were accumulated in tax years of Foreign Target beginning after December 31, 1962, and during the period in which Foreign Target was a CFC, will be attributable to the stock of Foreign Acquirer that is distributed to DSub during Foreign Target's liquidation (§ 1.1248-1(a)(1)).

The Exchange

26. Except as provided in ruling 27, DSub will recognize no gain or loss on the Exchange (§§ 351(a) and 357(a)).

27. Section 304 (and not section 351 and not so much of sections 357 and 358 as relates to section 351) will apply to Foreign Acquirer's acquisition of the portion of the stock of Foreign Transfer 1, Foreign Transfer 2, and Foreign Transfer 3 treated as received in exchange for Foreign Acquirer's assumption of liabilities in the Exchange (§ 304(b)(3)(A)). The acquisition by Foreign Acquirer of the portion of the stock of the Foreign Transfer 1, Foreign Transfer 2, and Foreign Transfer 3 treated as received in exchange for Foreign Acquirer's assumption of DSub's liabilities will be treated as a distribution in redemption of a corresponding portion of Foreign Acquirer stock, subject to the limitations and provisions of section 302.

28. Foreign Acquirer will recognize no gain or loss on the Exchange (§ 1032(a)).

29. The basis of each asset received by Foreign Acquirer in the Exchange will be the same as the basis of that asset in the hands of DSub immediately before the Exchange, increased in the amount of any gain recognized by DSub on the Exchange (§ 362(a)).

30. The holding period of each asset received by Foreign Acquirer in the Exchange will include the period during which DSub held that asset (§ 1223(2)).

31. Except as provided in ruling 27, the basis of the Foreign Acquirer stock received by DSub in the Exchange will be the same as that of the property exchanged therefor, decreased by the amount of liabilities assumed by Foreign Acquirer and increased by the amount of gain or dividend, if any (§ 358(a)(1) and (d)).

32. The holding period of the Foreign Acquirer stock received by DSub in the Exchange will include the holding period of the property exchanged therefor, provided the assets are held as capital assets on the date of the Exchange (§ 1223(1)).

33. The earnings and profits of Foreign Transfer 1 and Foreign Transfer 2, to the extent attributable to DSub under §§ 1.1248-2 or 1.1248-3 (whichever is applicable), that were accumulated in tax years of such foreign corporation beginning after December 31, 1962, and during the period in which such corporation was a CFC, will be attributable to the stock of Foreign Acquirer that DSub receives during the Exchange in exchange for the stock of Foreign Transfer 1 and Foreign Transfer 2 (§ 1.1248-1(a)(1)).

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, this office has not reviewed any information pertaining to and has made no determination regarding, to the extent not otherwise specifically ruled upon above, the adjustments to earnings and profits or deficits in earnings and profits, if any, in any one of the transactions to which § 367(a) or (b) applies. In addition, no opinion is expressed or implied concerning whether the Reincorporation results in a technical termination of Foreign Transfer 4 under § 708(b)(1)(B) and any tax consequences under subchapter K resulting from any such termination, and whether the Exchange results in a separate technical termination of Foreign Transfer 4 under § 708(b)(1)(B) and any tax consequences under subchapter K resulting from any such termination.

Procedural Statements

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

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

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

Sincerely,

_Lewis K. Brickates_____
Lewis K Brickates
Branch Chief, Branch 4
Office of Associate Chief Counsel (Corporate)

cc: