

Sub9 =

Sub10 =

Country X =

a% =

b% =

c% =

d% =

Dear

This letter responds to your letter dated September 26, 2005, which requests rulings on certain federal income tax consequences of a proposed transaction. Additional information was received in subsequent letters dated November 16, 2005 and December 17, 2005. The material information submitted for consideration is summarized below.

SUMMARY OF FACTS

Parent is the common parent of a group of corporations that files a consolidated federal income tax return using the accrual method of accounting. Parent is also the common parent of a group of non-US corporations described in relevant part below.

Sub1 is a wholly owned subsidiary of Parent and a member of Parent's consolidated group. Sub2 is a wholly owned subsidiary of Sub1 and a member of Parent's consolidated group. Sub3 is a Country X corporation and a wholly owned subsidiary of Sub2. Sub4 is a Country X corporation and a wholly owned subsidiary of Sub3. Sub 5 is a Country X corporation and a wholly owned subsidiary of Sub3 that is treated as a disregarded entity under the default classification provisions of the check-the-box rules.

Sub6 is a Country X corporation. Sub 5 owns all of Sub6's common shares, which represents substantially greater than a% of the value of Sub6 and are the only shares in Sub6 with voting rights. Sub4 owns all of Sub6's nonvoting preferred shares, which represent no greater than b% of the value of Sub6.

Sub7 is a Country X corporation and a wholly owned subsidiary of Sub6. Sub8 is a Country X corporation and a wholly owned subsidiary of Sub6. Sub8 owns approximately c% of the common shares of Sub9, which is a Country X corporation treated as a partnership for federal income tax purposes. Sub10, an indirect wholly owned subsidiary of Sub3, owns the remaining d% of the common shares of Sub9. Sub9 is obligated on a subordinated loan from Sub4.

Sub7 will make a cash distribution to Sub6 that is approximately equal to Sub7's accumulated and current earnings and profits. Following this distribution, Sub9 will borrow cash from a foreign financing affiliate to repay the subordinated debt which it owes to Sub4. Sub4 will use the cash received from Sub9 to purchase the stock of Sub7 from Sub6 in exchange for such cash (the "Cross-Chain Stock Sale"). The amount of cash which will be paid by Sub4 to acquire the Sub7 shares will be equal to the value of Sub7.

Sub6 then will distribute the sales proceeds received from Sub4, as well as the distribution amount received from Sub7, to Sub5. Sub5 will then distribute such amounts to Sub3, which in turn will distribute such amounts to Sub2. The purpose of this transaction is for Parent to restructure the ownership of Sub7 and effect a dividend from Sub4 to Sub6 that will allow Sub3 to make a "qualifying dividend" within the meaning of section 965(a)(2) to Sub2.

REPRESENTATIONS

In connection with the Cross-Chain Stock Sale, the following representations have been made:

- a) The fair market value of Sub7 stock to be transferred to Sub4 will equal the cash to be received by Sub6 in the transaction.
- b) The stock of Sub7 is the sole property that Sub6 will transfer to Sub4.
- c) There is no plan or intention to liquidate Sub4, Sub6, or Sub7, and there is no plan or intention to engage in any transaction, including a sale or issuance of stock of Sub4 or Sub7, that would have the effect of causing Sub6 to not be in control of Sub4 or Sub7 within the meaning of section 304(c).
- d) Sub7 is not a passive foreign investment company within the meaning of section 1296.
- e) As of the end of the taxable year of Sub7 in which the proposed transfer by Sub6 of the stock of Sub7 to Sub4 will occur, Sub4 will have earnings and profits (including any earnings and profits attributable to amounts included in the gross income of Sub4's U.S. shareholder under sections 951(a)(1)(A) or (B)) in excess

of the purchase price that will be paid by Sub4 to Sub6 for the stock of Sub7.

- f) None of the Sub7 stock transferred will be subject to any liabilities, and no liabilities of Sub6 will be assumed by Sub4.
- g) Sub6's tax basis in the Sub7 stock to be transferred to Sub4 is equal to or less than the fair market value of such stock.

RULINGS

Based solely on the information submitted and the representations set forth above, we hold as follows:

- 1) The cash paid by Sub4 to Sub6 in exchange for the Sub7 stock will be treated, under section 304(a)(1), as a distribution in redemption of the stock of Sub4 in the taxable year in which the Cross-Chain Stock Sale is completed.
- 2) Pursuant to section 302(d), the redemption of Sub4's stock will be treated as a distribution of property to Sub6 to which section 301 applies.
- 3) Pursuant to section 304(b)(2)(A), the distribution is treated as a dividend to Sub6 from Sub4 to the extent of Sub4's earnings and profits.
- 4) The basis of the Sub7 stock acquired by Sub4 from Sub6 will equal the basis of the Sub7 stock in the hands of Sub6 immediately prior to the transfer. Sections 304(a)(1) and 362(a).
- 5) The holding period of the Sub7 stock acquired by Sub4 from Sub6 will include the period during which Sub6 held the Sub7 stock. Section 1223(2).

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. No opinion is expressed or implied as to whether amounts received by Sub2 would qualify for the section 965 dividends received deduction.

The rulings contained in this letter are based upon information and representations submitted by the taxpayer and accompanied by a penalty of perjury statement executed by an appropriate party. While this office has not verified any of the material submitted in support of the request for rulings, it is subject to verification on examination.

This ruling is directed only to the taxpayer(s) requesting it. Section 6110(k)(3) of the Code 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.

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,

Michael J. Wilder
Senior Technician Reviewer, Branch 1
Office of Associate Chief Counsel (Corporate)

cc: