Internal Revenue Service

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Department of the Treasury
Washington, DC 20224

Third Party Communication: None
Date of Communication: Not Applicable

Person To Contact:
, ID No.
Telephone Number:

Refer Reply To:
CC:CORP:B03
PLR-134526-07

Date:
September 24, 2007

In Re:

US Parent =

Foreign Sub 1 =

Foreign Sub 2 =

Foreign Sub 3 =

Amalco =

Date A =

Date B =

Date C =

Country X =

Dear

We respond to your letter dated July 27, 2007, submitted on behalf of US Parent, requesting rulings concerning the Federal income taxation of the proposed transaction described below. Additional information was submitted in letters dated August 24, August 30, September 21, and September 24, 2007. The information submitted is summarized below.

Prior to the consummation of an agreement of amalgamation ("the amalgamation") between Foreign Sub 1, Foreign Sub 2, and Foreign Sub 3, which agreement was dated on Date A (effective Date B), US Parent owned all the outstanding common stock of Foreign Sub 1 and Foreign Sub 2. Minority shareholders owned preferred stock in Foreign Sub 1. Foreign Sub 2 had no preferred stock outstanding. Foreign Sub 1 owned all the outstanding common stock of Foreign Sub 3. Minority shareholders owned preferred stock in Foreign Sub 3. The preferred shareholders in Foreign Sub 1 and Foreign Sub 3 are hereinafter referred to as "the minority preferred shareholders."

In the amalgamating transaction, Foreign Sub 1, Foreign Sub 2, and Foreign Sub 3 amalgamated under the corporate law of Country X, with newly-created Amalco being the resulting entity. In the amalgamation, shareholders gave up all shares in Foreign Sub 1, Foreign Sub 2, and Foreign Sub 3. The minority preferred shareholders received preferred shares in Amalco with terms identical to those of the Foreign Sub 1 and Foreign Sub 3 preferred shares they gave up. US Parent, in exchange for the common of Foreign Sub 1 and Foreign Sub 2 that it gave up, was issued all the common stock of Amalco. Country X counsel to US Parent caused Amalco also to issue preferred stock to US Parent in the amalgamation, in the belief that such issuance would benefit US Parent under Country X corporate law.

Neither US Parent nor its United States tax advisors realized that Amalco was going to issue preferred stock to US Parent, and as soon as US Parent's United States tax advisors became aware of the preferred stock issuance they took immediate action to attempt to rescind the issuance of preferred stock to US Parent out of concern that such preferred stock constituted nonqualified preferred stock under §354(a)(2)(C) of the Internal Revenue Code. On Date C, a Country X court ruled that Amalco will be considered never to have issued preferred stock to US Parent.

Parent also makes the following representations:

(a) There were no actual or constructive transfers of money or property between US Parent and Amalco with respect to the common or preferred stock held by US Parent.

(b) No material changes in the legal or financial arrangements occurred since the amalgamation between any member of the affiliated group of which US Parent and Amalco are members.

(c) After the rescission of the preferred shares, the legal and financial arrangements among US Parent, the minority preferred shareholders, and Amalco will be identical in all material respects to the legal and financial arrangements among US Parent, the minority preferred shareholders, and Amalco (or its predecessor corporations) prior to the amalgamation.

(d) The issuance of the preferred shares in the amalgamation and the rescission of those shares will occur within the same taxable year of US Parent and Amalco. US Parent and Amalco both have a taxable year ending Date D.

(e) The rescission of the preferred shares is intended to restore the legal and financial arrangements between US Parent and Amalco as would have existed had the preferred stock not been issued.

(f) The effect of the rescission is to cause the legal and financial arrangements between US Parent, Amalco (or its predecessor corporations), and the minority preferred shareholders to be identical in all material respects, from the date immediately before the issuance of the preferred shares to US Parent, to such arrangements as would have existed had the issuance not occurred.

(g) Neither US Parent nor Amalco has taken or will take any material position inconsistent with the position that would have existed had the preferred stock not been issued.

(h) The distribution on the preferred shares to the minority preferred shareholders would have occurred regardless of the amalgamation.

(i) Neither US Parent nor its United States tax advisors realized that the preferred shares were going to be issued prior to the amalgamation, and as soon as the United States tax advisors were aware of the preferred stock issuance, they took immediate action to rescind the shares.

(j) All parties to the amalgamation, US Parent, Amalco (or its predecessor corporations), and the minority preferred shareholders, will be in the same economic position after the rescission of the issuance of the preferred shares to US Parent as they were before the amalgamation. The rescission will not result in any economic or value shift between and among US Parent, Amalco, and the minority preferred shareholders.

(k) Additional shares of common stock will be issued to US Parent in an amount that would have been issued in the amalgamation had the preferred stock not been issued to US Parent.

Based solely on the facts submitted, the representations made, and the parties' restoration, before the end of the taxable year, of the relative positions they would have occupied if preferred stock had not been issued to US Parent (Rev. Rul. 80-58, 1980-1 C.B. 181), we rule that, for Federal income tax purposes, US Parent will be treated as not having received preferred shares in Amalco in the amalgamation.

Except as specifically set forth above, we express no opinion concerning the tax consequences of these transactions under any other provision of the Code and regulations, or about the tax treatment of any conditions existing at the time of, or effects resulting from, these transactions.

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 Internal Revenue 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. Alternatively, taxpayers filing their returns electronically may satisfy this requirement by attaching a statement to their returns 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 first two authorized representatives listed on Form 2848, the Power of Attorney and Declaration of Representative.

Sincerely,

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Ross E. Poulsen
Assistant to the Branch Chief, Branch 3
Office of Associate Chief Counsel (Corporate)

cc: