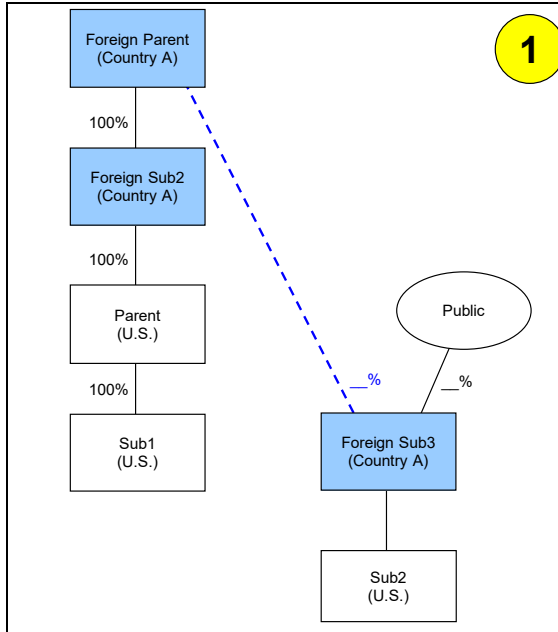
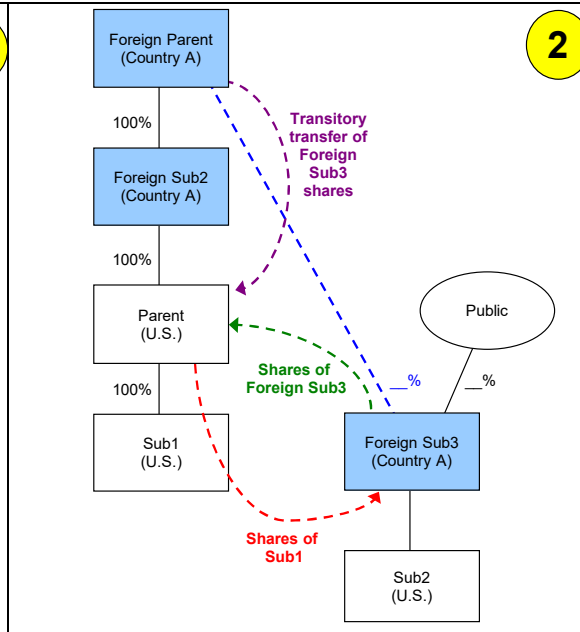


A Transitory Transfer of Stock Pursuant to a Forward Triangular Merger Was Disregarded

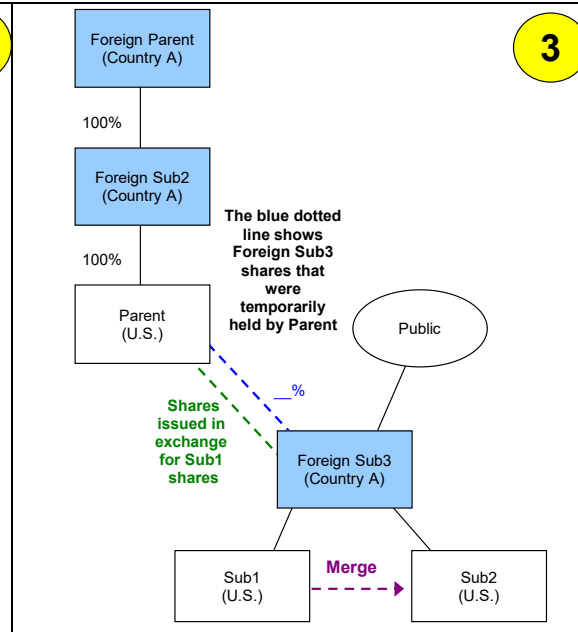
Initial Structure



Forward Triangular Merger (Step 1)



Forward Triangular Merger (Step 2)



Foreign parent is a Country A corporation that owns all the stock of Foreign Sub1 (not shown above) and Foreign Sub2. Foreign Parent also owns x% of Foreign Sub3. The remainder of Foreign Sub3 stock is owned by the public. Foreign Sub2 owns all the stock of Parent, a U.S. corporation. Parent owned all the stock of Sub1, a U.S. corporation. Foreign Sub3 owns all the stock of Sub2, a U.S. corporation.

Foreign Parent proposed a global reorganization where Parent would transfer its shares of Sub1 to Foreign Sub3 for Foreign Sub3 shares, and then Sub1 would merge with Sub2 (the Merger). The Merger was designed to qualify as a tax free reorganization under §§368(a)(1)(A) and 368(a)(2)(D). However, under Country A law, the minority public shareholders of Foreign Sub3 had to be provided with the option to participate in the planned equity increase in Foreign Sub3. In addition, under Country A law, Sub1 could not participate in the Restructuring unless Parent was an existing shareholder of Foreign Sub3.

Foreign Sub3 stock was transferred to Parent and was returned to Foreign Parent in a single overall plan. Foreign Parent transferred the stock of Foreign Sub3 to Parent solely to satisfy Country A law in order to effectuate the Merger. All events surrounding the transfer of the Foreign Sub3 stock to Parent were reversed within the same fiscal year and will be treated by all parties as not having occurred. The PLR ruled that, for Federal income tax purposes, the circular flows of cash and Parent's transitory ownership of Foreign Sub3 stock was disregarded (Rev. Rul. 83-142).

Ending Point

