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Legend

Distributing 2 =

Distributing 1 =

Controlled 2 =

Controlled 1 =

Foreign Parent =

Sub 1 =

Sub 2 =

Sub 3 =

Sub 4 =

Sub 5 =

Sub 6 =

FSub 1 =

FSub 2 =

FSub 3 =

FSub 4 =

FSub 5 =

FSub 6 =

FSub 7 =

LLC 1 =

LLC 2 =

Business A =

Business B =

Business C =

Business D =

Country 1 =

Country 2 =

Country 3 =

Country 4 =

Country 5 =

State =

A =

B =

C =

D =

E =

F =
G =
Services =

Dear

This letter responds to your March 13 request for rulings on certain federal income tax consequences of the Proposed Transactions (as defined below). 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 penalties 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. In particular, this office has not reviewed any information pertaining to, and has made no determination regarding, whether each of the Distributions (defined below): (i) satisfies the business purpose requirement of §1.355-2(b) of the Income Tax Regulations; (ii) is used principally as a device for the distribution of earnings and profits of the distributing corporation or the controlled corporation or both (§355(a)(1)(B) of the Internal Revenue Code and §1.355-2(d)); or (iii) is part of a plan (or series of related transactions) pursuant to which one or more persons will acquire directly or indirectly stock representing a 50-percent or greater interest in the distributing corporation or the controlled corporation (§355(e) and §1.355-7).

Summary of Facts

Foreign Parent, a Country 1 corporation, is the parent of a corporate group (the “Foreign Parent Group”) that includes domestic and foreign corporations engaged in four principal businesses: Business A, Business B, Business C and Business D. Foreign Parent indirectly wholly owns FSub 1, a Country 2 corporation, and FSub 3, a Country 4 corporation. FSub 1 wholly owns FSub 2, a Country 2 corporation. FSub 3 wholly owns Sub 1. Sub 1 wholly owns Sub 2 and Sub 2 wholly owns Sub 3.

Foreign Parent also wholly owns Distributing 2. Distributing 2 is the common parent of an affiliated group of corporations that files a consolidated return for Federal income tax purposes (the “Distributing 2 Group”).

Distributing 2 wholly owns Distributing 1, Controlled 1, Sub 4, Sub 5, Sub 6, LLC 1, and LLC 2. LLC 1, LLC 2 and Controlled 1 are each a State limited liability corporation that is treated an entity that is disregarded as separate from its owner for U.S. Federal tax purposes under §301.7701-3 (a “disregarded entity”).

Distributing 1 wholly owns Controlled 2, a disregarded entity. Controlled 2 owns A% of FSub 4. Sub 4 and FSub 5 each own C% and B%, respectively of FSub 7. FSub 5 also owns D% of FSub 6, E% of FSub 7, and F% of FSub 4. Sub 4 also owns the remaining G% interests in FSub 6. FSub 4, FSub 5, and FSub 6 are Country 3 corporations that are engaged in Business B.

Distributing 2, Sub 5 and LLC 2 provide administrative support services to the members of the Distributing 2 Group as well as to U.S. members of the Foreign Parent Group.

Distributing 2 and the members of its separate affiliated group (or “SAG”) as defined in §355(b)(3)(B) (the “Distributing 2 SAG”) are engaged in Business A.

Distributing 1 and the members of its SAG (the “Distributing 1 SAG”) are engaged in Business A. Controlled 1 is engaged in Business C and Controlled 2 is engaged in Business B.

Financial information has been submitted indicating that Business A, Business B, Business C each has had gross receipts and operating expenses representing the active conduct of a trade or business for each of the past five years.

Proposed Transactions

For what are represented to be valid business purposes, Distributing 2 proposes to undertake the following steps:

- (i) Intercompany obligations between Controlled 1 and Controlled 2, on the one hand, and other members of the Distributing 2 Group, on the other hand, will be eliminated, through offsets, contributions or distributions, as appropriate.
- (ii) Controlled 1 will elect to be treated as an association taxable as a corporation (“Deemed Contribution 1”), and Controlled 2 will elect to be treated as an association taxable as a corporation (“Deemed Contribution 2”) (together the “Deemed Contributions”).
- (iii) Distributing 1 will distribute all of the membership interests of Controlled 2 to Distributing 2 (“Distribution 1”).
- (iv) Distributing 2 will distribute all of the membership interests of Controlled 1

("Distribution 2") and Controlled 2 ("Distribution 3") to Foreign Parent (Step iii and Step iv collectively, the "Distributions").

- (v) Foreign Parent will sell or contribute the membership interests of Controlled 1 directly or indirectly to Sub 2, and Sub 3 will merge with and into Controlled 1. Controlled 1, Sub 1 and Sub 2 may also thereafter be transferred from Foreign Parent's Country 4 branch to a Country 5 subsidiary that is also in the Business C global business unit.
- (vi) Foreign Parent will directly or indirectly transfer the stock of Controlled 2 to FSub 2.
- (vii) Sub 4 and LLC 1 will sell all of the stock of FSub 5, FSub 6 and FSub 7 to FSub 1, which will then sell the stock to FSub 2, after receiving a ruling from the Country 3 taxing authorities. Sub 4 will likely be dissolved following the sale (together with Step (v) and Step (vi) comprise the "Post-Distribution Transfers").

Following the Proposed Transactions described above, Distributing 2 directly and through Distributing 1, Sub 5 and LLC 2, will continue to provide the Services to Controlled 1 and Controlled 2, as it currently does to other members of the Foreign Parent Group. The recipients of the Services will pay arm's-length charges for the Services ("Continuing Transactions").

Representations

Deemed Contribution 1 and Distribution 2

- (a) Any indebtedness owed by Controlled 1 (or any entity controlled directly or indirectly by Controlled 1) to Distributing 2 (or any entity controlled directly or indirectly by Distributing 2) after Distribution 2 will not constitute stock or securities.
- (b) No part of the consideration distributed to Foreign Parent will be received as a creditor, employee, or in any capacity other than that of a shareholder of Distributing 2.
- (c) The five years of financial information submitted for Business A, conducted by members of the Distributing 2 SAG, and for Business C, conducted by Controlled 1, is representative of the present operations of each business, and there have been no substantial changes in either business since the date of the last financial statements submitted.
- (d) Neither Business A, conducted by the members of the Distributing 2 SAG, nor control of any entity conducting this business will have been acquired during the five-year period ending on the date of Distribution 2 in a transaction in which gain or

loss was recognized (or treated as recognized under Prop. Reg. §1.355-3) in whole or in part. Throughout the five-year period ending on the date of Distribution 2, Distributing 1 (a member of the Distributing 2 SAG) will have been the principal owner of the goodwill and significant assets of Business A and will continue to be the principal owner following Distribution 2.

- (e) Neither Business C, conducted by Controlled 1, nor control of Controlled 1 will have been acquired during the five-year period ending on the date of Distribution 2 in a transaction in which gain or loss was recognized (or treated as recognized under Prop. Reg. §1.355-3) in whole or in part. Throughout the five-year period ending on the date of Distribution 2, Controlled 1 will have been the principal owner of the goodwill and significant assets of Business C and will continue to be the principal owner following Distribution 2.
- (f) Distributing 2 (through members of its SAG) will continue the active conduct of Business A, independently and with its separate employees, following the Proposed Transaction .
- (g) Apart from the Continuing Transactions, Controlled 1 will continue the active conduct of Business C, independently and with its separate employees, following the Proposed Transaction.
- (h) Distribution 2 will be carried out to further the comprehensive restructuring of the Foreign Parent Group in order to increase the efficiency and effectiveness of its different businesses' strategic planning, financing and operations, based upon the unique characteristics of each business and its conduct throughout the world, including by enhancing the ability of certain businesses to pursue joint ventures with third parties and to more effectively incentivize and reward their employees. Distribution 2 is motivated, in whole or substantial part, by these corporate business purposes.
- (i) Distribution 2 will not be used principally as a device for the distribution of the earnings and profits of Distributing 2 or Controlled 1 or both.
- (j) The total adjusted basis of the assets deemed transferred by Distributing 2 to Controlled 1 in Deemed Contribution 1 will equal or exceed the sum of (i) the total amount of any liabilities deemed assumed (as determined under §357(d)) by Controlled 1 and (ii) the total amount of any money and the fair market value of any other property (within the meaning of §361(b)) received by Distributing 2 and transferred to its creditors in connection with the reorganization.
- (k) Any liabilities deemed assumed (as determined under §357(d)) by Controlled 1 in Deemed Contribution 1 will have been incurred in the ordinary course of business and will be associated with the assets being transferred.

- (l) The total fair market value of the assets deemed transferred to Controlled 1 by Distributing 2 in Deemed Contribution 1 will exceed the sum of (i) the amount of any liabilities deemed assumed (as determined under §357(d)) by Controlled 1 in connection with Deemed Contribution 1, (ii) the amount of any liabilities owed to Controlled 1 by Distributing 2 that are discharged or extinguished in connection with Deemed Contribution 1, and (iii) the amount of any cash and the fair market value of any other property (other than stock and securities permitted to be received under §361(a) without the recognition of gain) received by Distributing 2 in connection with Deemed Contribution 1. The fair market value of the assets of Controlled 1 will exceed the amount of its liabilities immediately after Deemed Contribution 1.
- (m) Distributing 2 will neither accumulate its receivables nor make extraordinary payment of its payables in anticipation of Deemed Contribution 1 and Distribution 2.
- (n) No intercorporate debt will exist between Distributing 2 (or any entity controlled directly or indirectly by Distributing 2) and Controlled 1 (or any entity controlled directly or indirectly by Controlled 1) at the time of, or after, Distribution 2, other than intercompany loans or other obligations that have arisen, or will arise, in the ordinary course of business.
- (o) Immediately before Distribution 2, items of income, gain, loss, deduction, and credit will be taken into account as required by the applicable intercompany transaction regulations (see §1.1502-13 and -14 as in effect before the publication of T.D. 8597, 1995-2 C.B. 147, and as currently in effect; §1502-13 as published in T.D. 8597). Further, any excess loss account that Distributing 2 has in the Controlled 1 stock or the stock of any direct or indirect subsidiary of Controlled 1 will be included in income immediately before Distribution 2 to the extent required by regulations (see §1.1502-19). At the time of Distribution 2, Distributing 2 will not have an excess loss account in the stock of Controlled 1 or the stock of any direct or indirect subsidiary of Controlled 1.
- (p) Payments made in connection with the Continuing Transactions between Distributing 2 (or any entity controlled directly or indirectly by Distributing 2) and Controlled 1 (or any entity controlled directly or indirectly by Controlled 1) will be for fair market value based on terms and conditions arrived at by the parties bargaining at arm's length or terms and conditions comparable to those that would be arrived at by parties bargaining at arm's length.
- (q) No two parties to Distribution 2 are investment companies as defined in §368(a)(2)(F)(iii) and (iv).
- (r) For purposes of §355(d), immediately after Distribution 2, no person (determined after applying §355(d)(7)) will hold stock possessing 50 percent or more of the total

combined voting power of all classes of Distributing 2 stock entitled to vote, or 50 percent or more of the total value of shares of all classes of Distributing 2 stock, that was acquired by purchase (as defined in §355(d)(5) and (8)) during the five-year period (determined after applying §355(d)(6)) ending on the date of Distribution 2.

- (s) For purposes of §355(d), immediately after Distribution 2, no person determined after applying §355(d)(7) will hold stock possessing 50 percent or more of the total combined voting power of all classes of Controlled 1 stock entitled to vote, or 50 percent or more of the total value of shares of all classes of Controlled 1 stock, that was either (i) acquired by purchase (as defined in §355(d)(5) and (8)) during the five-year period (determined after applying §355(d)(6)) ending on the date of Distribution 2 or (ii) attributable to distributions on Distributing 2 stock or securities that were acquired by purchase (as defined in §355(d)(5) and (8)) during the five-year period (determined after applying §355(d)(6)) ending on the date of Distribution 2.
- (t) Distribution 2 is not part of a plan or a series of related transactions (within the meaning of §1.355-7) pursuant to which one or more persons will acquire, directly or indirectly, stock representing a 50-percent or greater interest (within the meaning of §355(d)(4)) in Distributing 2 or Controlled 1 (including any predecessor or successor of any such corporation).
- (u) Immediately after the transaction (as defined in §355(g)(4)), neither Distributing 2 nor Controlled 1 will be a disqualified investment corporation (within the meaning of §355(g)(2)).
- (v) Neither Distributing 2 nor Controlled 1 will have been a U.S. real property holding corporation (as defined in §897(c)(2)) at any time during the five-year period preceding Distribution 2, and neither will be a U.S. real property holding corporation immediately after Distribution 2.

Deemed Contribution 2 and Distribution 1

- (w) Any indebtedness owed by Controlled 2 (or any entity controlled directly or indirectly by Controlled 2) to Distributing 1 (or any entity controlled directly or indirectly by Distributing 1) after Distribution 1 will not constitute stock or securities.
- (x) No part of the consideration distributed to Distributing 2 will be received as a creditor, employee, or in any capacity other than that of a shareholder of Distributing 1.
- (y) The five years of financial information submitted for Business A, conducted by members of the Distributing 1 SAG, and for Business B, conducted by Controlled 2, is representative of the present operations of each business, and there have been

no substantial changes in either business since the date of the last financial statements submitted.

- (z) Neither Business A, conducted by the members of the Distributing 1 SAG, nor control of any entity conducting such business will have been acquired during the five-year period ending on the date of Distribution 1 in a transaction in which gain or loss was recognized (or treated as recognized under Prop. Reg. §1.355-3) in whole or in part. Throughout the five-year period ending on the date of Distribution 1, Distributing 1 will have been the principal owner of the goodwill and significant assets of Business A and will continue to be the principal owner following Distribution 1.
- (aa) Neither Business B, conducted by Controlled 2, nor control of Controlled 2 will have been acquired during the five-year period ending on the date of Distribution 1 in a transaction in which gain or loss was recognized (or treated as recognized under Prop. Reg. §1.355-3) in whole or in part. Throughout the five-year period ending on the date of Distribution 1, Controlled 2 will have been the principal owner of the goodwill and significant assets of Business B and will continue to be the principal owner following Distribution 1.
- (bb) Apart from the Continuing Transactions, Distributing 1 (and members of its SAG) will continue the active conduct of Business A, independently and with its own separate employees, following Distribution 1.
- (cc) Apart from the Continuing Transactions, Controlled 2 will continue the active conduct of Business B, independently and with its own separate employees, following Distribution 1.
- (dd) Distribution 1 will be carried out to further the comprehensive restructuring of the Foreign Parent Group in order to increase the efficiency and effectiveness of its different businesses' strategic planning, financing and operations, based upon the unique characteristics of each business and its conduct throughout the world, including by enhancing the ability of certain businesses to pursue joint ventures with third parties and to more effectively incentivize and reward their employees. Distribution 1 is motivated, in whole or substantial part, by these corporate business purposes.
- (ee) Distribution 1 will not be used principally as a device for the distribution of the earnings and profits of Distributing 1 or Controlled 2 or both.
- (ff) The total adjusted basis and of the assets deemed transferred by Distributing 1 to Controlled 2 in Deemed Contribution 2 will equal or exceed the sum of (i) the total amount of any liabilities deemed assumed (as determined under §357(d)) by Controlled 2 and (ii) the total amount of any money and the fair market value of any

other property (within the meaning of §361(b)) received by Distributing 1 and transferred to its creditors in connection with the reorganization.

- (gg) Any liabilities deemed assumed (as determined under §357(d)) by Controlled 2 in Deemed Contribution 2 will have been incurred in the ordinary course of business and will be associated with the assets being transferred.
- (hh) The total fair market value of the assets deemed transferred to Controlled 2 by Distributing 1 in Deemed Contribution 2 will exceed the sum of (i) the amount of any liabilities deemed assumed (as determined under §357(d)) by Controlled 2 in connection with Deemed Contribution 2, (ii) the amount of any liabilities owed to Controlled 2 by Distributing 1 that are discharged or extinguished in connection with Deemed Contribution 2, and (iii) the amount of any cash and the fair market value of any other property (other than stock and securities permitted to be received under §361(a) without the recognition of gain) received by Distributing 1 in connection with Deemed Contribution 2. The fair market value of the assets of Controlled 2 will exceed the amount of its liabilities immediately after Deemed Contribution 2.
- (ii) Distributing 1 will neither accumulate its receivables nor make extraordinary payment of its payables in anticipation of Deemed Contribution 2 and Distribution 1.
- (jj) No intercorporate debt will exist between Distributing 1 (or any entity controlled directly or indirectly by Distributing 1) and Controlled 2 (or any entity controlled directly or indirectly by Controlled 2) at the time of, or after, Distribution 1, other than intercompany loans or other obligations that have arisen, or will arise, in the ordinary course of business.
- (kk) Immediately before Distribution 1, items of income, gain, loss, deduction, and credit will be taken into account as required by the applicable intercompany transaction regulations (see §1.1502-13 and -14 as in effect before the publication of T.D. 8597, 1995-2 C.B. 147, and as currently in effect; §1502-13 as published in T.D. 8597). Further, any excess loss account that Distributing 1 has in the Controlled 2 stock or the stock of any direct or indirect subsidiary of Controlled 2 will be included in income immediately before Distribution 1 to the extent required by regulations (see §1.1502-19). At the time of Distribution 1, Distributing 1 will not have an excess loss account in the stock of Controlled 2 or the stock of any direct or indirect subsidiary of Controlled 2.
- (ll) Payments made in connection with the Continuing Transactions between Distributing 1 (or any entity controlled directly or indirectly by Distributing 1) and Controlled 2 (or any entity controlled directly or indirectly by Controlled 2) will be for fair market value based on terms and conditions arrived at by the parties bargaining at arm's length or terms and conditions comparable to those that would be arrived at by parties bargaining at arm's length.

- (mm) No two parties to Distribution 1 are investment companies as defined in §368(a)(2)(F)(iii) and (iv).
- (nn) For purposes of §355(d), immediately after Distribution 1, no person (determined after applying §355(d)(7)) will hold stock possessing 50 percent or more of the total combined voting power of all classes of Distributing 1 stock entitled to vote, or 50 percent or more of the total value of shares of all classes of Distributing 1 stock, that was acquired by purchase (as defined in §355(d)(5) and (8)) during the five-year period (determined after applying §355(d)(6)) ending on the date of Distribution 1.
- (oo) For purposes of §355(d), immediately after Distribution 1, no person (determined after applying §355(d)(7)) will hold stock possessing 50 percent or more of the total combined voting power of all classes of Controlled 2 stock entitled to vote, or 50 percent or more of the total value of shares of all classes of Controlled 2 stock, that was either (i) acquired by purchase (as defined in §355(d)(5) and (8)) during the five-year period (determined after applying §355(d)(6)) ending on the date of Distribution 1 or (ii) attributable to distributions on Distributing 1 stock or securities that were acquired by purchase (as defined in §355(d)(5) and (8)) during the five-year period (determined after applying §355(d)(6)) ending on the date of Distribution 1.
- (pp) Distribution 1 is not part of a plan or a series of related transactions (within the meaning of §1.355-7) pursuant to which one or more persons will acquire, directly or indirectly, stock representing a 50 percent or greater interest (within the meaning of §355(d)(4)) in Distributing 1 or Controlled 2 (including any predecessor or successor of any such corporation).
- (qq) Immediately after the transaction (as defined in §355(g)(4)), neither Distributing 1 nor Controlled 2 will be a disqualified investment corporation (within the meaning of §355(g)(2)).

Distribution 3

- (rr) Any indebtedness owed by Controlled 2 (or any entity controlled directly or indirectly by Controlled 2) to Distributing 2 (or any entity controlled directly or indirectly by Distributing 2) after Distribution 3 will not constitute stock or securities.
- (ss) No part of the consideration distributed to Foreign Parent will be received as a creditor, employee, or in any capacity other than that of a shareholder of Distributing 2.
- (tt) The five years of financial information submitted for Business A, conducted by Distributing 2 and certain members of its SAG, and for Business B, conducted by Controlled 2, is representative of the present operations of each business, and there

have been no substantial changes in either business since the date of the last financial statements submitted.

- (uu) Neither Business A, conducted by the members of the Distributing 2 SAG, nor control of an entity conducting this business will have been acquired during the five-year period ending on the date of Distribution 3 in a transaction in which gain or loss was recognized (or treated as recognized under Prop. Reg. §1.355-3) in whole or in part. Throughout the five-year period ending on the date of Distribution 3, Distributing 1 (a member of the Distributing 2 SAG) will have been the principal owner of the goodwill and significant assets of Business A and will continue to be the principal owner following Distribution 3.
- (vv) Neither Business B, conducted by Controlled 2, nor control of Controlled 2 will have been acquired during the five-year period ending on the date of Distribution 3 in a transaction in which gain or loss was recognized (or treated as recognized under Prop. Reg. §1.355-3) in whole or in part. Throughout the five-year period ending on the date of Distribution 3, Controlled 2 will have been the principal owner of the goodwill and significant assets of Business B and will continue to be the principal owner following Distribution 3.
- (ww) Distributing 2 (through members of its SAG) will continue the active conduct of Business A, independently and with its own separate employees, following Distribution 3.
- (xx) Apart from the Continuing Transactions, Controlled 2 will continue the active conduct of Business B, independently and with its own separate employees, following Distribution 3.
- (yy) Distribution 3 will be carried out to further the comprehensive restructuring of the Foreign Parent Group in order to increase the efficiency and effectiveness of its different businesses' strategic planning, financing and operations, based upon the unique characteristics of each business and its conduct throughout the world, including by enhancing the ability of certain businesses to pursue joint ventures with third parties and to more effectively incentivize and reward their employees. Distribution 3 is motivated, in whole or substantial part, by these corporate business purposes.
- (zz) Distribution 3 will not be used principally as a device for the distribution of the earnings and profits of Distributing 2 or Controlled 2 or both.
- (aaa) Distributing 2 will neither accumulate its receivables nor make extraordinary payment of its payables in anticipation of Distribution 3.

- (bbb) No intercorporate debt will exist between Distributing 2 (or any entity controlled directly or indirectly by Distributing 2) and Controlled 2 (or any entity controlled directly or indirectly by Controlled 2) at the time of, or after, Distribution 3, other than intercompany loans or other obligations that have arisen, or will arise, in the ordinary course of business.
- (ccc) Immediately before Distribution 3, items of income, gain, loss, deduction, and credit will be taken into account as required by the applicable intercompany transaction regulations (see §1.1502-13 and-14 as in effect before the publication of T.D. 8597, 1995-2 C.B. 147, and as currently in effect; §1502-13 as published in T.D. 8597). Further, any excess loss account that Distributing 2 has in the Controlled 2 stock or the stock of any direct or indirect subsidiary of Controlled 2 will be included in income immediately before Distribution 3 to the extent required by regulations (see §1.1502-19). At the time of Distribution 3, Distributing 2 will not have an excess loss account in the stock of Controlled 2 or the stock of any direct or indirect subsidiary of Controlled 2.
- (ddd) Payments made in connection with the Continuing Transactions between Distributing 2 (or any entity controlled directly or indirectly by Distributing 2) and Controlled 2 (or any entity controlled directly or indirectly by Controlled 2) will be for fair market value based on terms and conditions arrived at by the parties bargaining at arm's length or terms and conditions comparable to those that would be arrived at by parties bargaining at arm's length.
- (eee) No two parties to Distribution 3 are investment companies as defined in §368(a)(2)(F)(iii) and (iv).
- (fff) For purposes of §355(d), immediately after Distribution 3, no person determined after applying §355(d)(7) will hold stock possessing 50 percent or more of the total combined voting power of all classes of Distributing 2 stock entitled to vote, or 50 percent or more of the total value of shares of all classes of Distributing 2 stock, that was acquired by purchase (as defined in §355(d)(5) and (8)) during the five-year period (determined after applying §355(d)(6)) ending on the date of Distribution 3.
- (ggg) For purposes of §355(d), immediately after Distribution 3, no person (determined after applying §355(d)(7)) will hold stock possessing 50 percent or more of the total combined voting power of all classes of Controlled 2 stock entitled to vote, or 50 percent or more of the total value of shares of all classes of Controlled 2 stock, that was either (i) acquired by purchase (as defined in §355(d)(5) and (8)) during the five-year period (determined after applying §355(d)(6)) ending on the date of Distribution 3 or (ii) attributable to distributions on Distributing 2 stock or securities that were acquired by purchase (as defined in §355(d)(5) and (8)) during the five-year period (determined after applying §355(d)(6)) ending of the date of Distribution 3.

- (hhh) Distribution 3 is not part of a plan or a series of related transactions (within the meaning of Treas. Reg. §1.355-7) pursuant to which one or more persons will acquire directly or indirectly, stock representing a 50-percent or greater interest (within the meaning of §355(d)(4)) in Distributing 2 or Controlled 2 (including any predecessor or successor of any such corporation).
- (iii) Immediately after the transaction (as defined in §355(g)(4), neither Distributing 2 nor Controlled 2 will be a disqualified investment corporation (within the meaning of §355(g)(2)).
- (jjj) Neither Distributing 2 nor Controlled 2 will have been a U.S. real property holding corporation (as defined in §897(c)(2)) at anytime during the five-year period preceding Distribution 3, and neither will be a U.S. real property holding corporation immediately after Distribution 3.

Rulings

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

Deemed Contribution 1 and Distribution 2

- (1) Deemed Contribution 1, followed by Distribution 2, will be a reorganization under §368(a)(1)(D). Distributing 2 and Controlled 1 will each be a “party to a reorganization” within the meaning of §368(b).
- (2) No gain or loss will be recognized by Distributing 2 on Deemed Contribution 1 (§§361(a) and 357(a)).
- (3) No gain or loss will be recognized by Controlled 1 in Deemed Contribution 1 (§1032(a)).
- (4) The basis of each asset received by Controlled 1 in Deemed Contribution 1 will equal the basis of that asset in the hands of Distributing 2 immediately before Deemed Contribution 1 (§362(b)).
- (5) The holding period of each asset deemed received by Controlled 1 in Deemed Contribution 1 will include the period during which Distributing 2 held that asset (§1223(2)).
- (6) No gain or loss will be recognized by Distributing 2 on the distribution of Controlled 1 stock in Distribution 1 (§361(c)(1); §1.367(e)(1)(c)).

- (7) No gain or loss will be recognized by (and no amount will be included in the income of) Foreign Parent on the receipt of Controlled 1 stock in Distribution 2 (§355(a)(1)).
- (8) The basis of the stock of Distributing 2 and Controlled 1 in the hands of Foreign Parent after Distribution 2 will be the same as the basis of the Distributing 2 stock held immediately before Distribution 2, allocated in proportion to the fair market value of Distributing 2 and Controlled 1 in accordance with §358(a)(1) and §1.358-2(a) (§358(b)(2), (c)).
- (9) The holding period of the Controlled 1 stock received by Foreign Parent in Distribution 2 will include the holding period of the Distributing 2 stock on which Distribution 2 is made, provided the Distributing 2 stock is held as a capital asset on the date of Distribution 1 (§1223(1)).
- (10) Earnings and profits, if any, will be allocated among Distributing 2 and Controlled 1 in accordance with §312(h) and §§1.312-10(a) and 1.1502-33(e)(3).

Deemed Contribution 2 and Distribution 1

- (11) Deemed Contribution 2, followed by Distribution 1, will be a reorganization under §368(a)(1)(D). Distributing 1 and Controlled 2 will each be a “party to a reorganization” within the meaning of §368(b).
- (12) No gain or loss will be recognized by Distributing 1 on Deemed Contribution 2 (§§361(a) and 357(a)).
- (13) No gain or loss will be recognized by Controlled 2 in Deemed Contribution 2 (§1032(a)).
- (14) The basis of each asset received by Controlled 2 in Deemed Contribution 2 will equal the basis of that asset in the hands of Distributing 1 immediately before Deemed Contribution 2 (§362(b)).
- (15) The holding period of each asset deemed received by Controlled 2 in Deemed Contribution 2 will include the period during which Distributing 1 held that asset (§1223(2)).
- (16) No gain or loss will be recognized by Distributing 1 on the distribution of Controlled 2 stock in Distribution 1 (§361(c)(1)).
- (17) No gain or loss will be recognized by (and no amount will be included in the income of) Distributing 2 on the receipt of Controlled 2 stock in Distribution 1 (§355(a)(1)).

- (18) The basis of the stock of Distributing 1 and Controlled 2 in the hands of Distributing 2 after Distribution 1 will be the same as the basis of the Distributing 1 stock held immediately before Distribution 1, allocated in proportion to the fair market value of Distributing 1 and Controlled 2 in accordance with §358(a)(1) and §1.358-2(a) (§358(b)(2), (c)).
- (19) The holding period of the Controlled 2 stock received by Distributing 2 in Distribution 1 will include the holding period of the Distributing 1 stock on which Distribution 1 is made, provided the Distributing 1 stock is held as a capital asset on the date of Distribution 1 (§1223(1)).
- (20) Earnings and profits, if any, will be allocated among Distributing 1 and Controlled 2 in accordance with §312(h) and §§1.312-10(a) and 1.1502-33(f)(2).

Distribution 3

- (21) No gain or loss will be recognized by Distributing 2 on the distribution of Controlled 2 stock in Distribution 3 (§355(c); Treas. Reg. §1.367(e)(1)(c)).
- (22) No gain or loss will be recognized by (and no amount will be included in the income of) Foreign Parent on the receipt of Controlled 2 stock in Distribution 3 (§355(a) (1)).
- (23) The basis of the stock of Distributing 2 and Controlled 2 in the hands of Foreign Parent after Distribution 3 will be the same as the basis of the Distributing 2 stock held immediately before Distribution 3, allocated in proportion to the fair market value of Distributing 2 and Controlled 2 in accordance with §358(a)(1) and §1.358-2(a) (§358(b)(2), (c)).
- (24) The holding period of the Controlled 2 stock received by Foreign Parent in Distribution 3 will include the holding period of the Distributing 2 stock on which Distribution 3 is made, provided the Distributing 2 stock is held as a capital asset on the date of Distribution 3 (§1223(1)).
- (25) Earnings and profits, if any, will be allocated among Distributing 2 and Controlled 2 in accordance with §312(h) and §§1.312-10(a) and 1.1502-33(e)(3).

Caveats

No opinion is expressed about the tax treatment of the Proposed Transactions under other provisions of the Code and regulations or on the tax treatment of any conditions existing at the time of, or effects resulting from, the Proposed Transactions that are not specifically covered by the above rulings. In particular, this office has not reviewed any information pertaining to and has made no determination regarding:

- (i) Whether the Distributions satisfy the business purpose requirement of Treas. Reg. §1.355-2(b);
- (ii) Whether the Distributions are used principally as a device for the distribution of earnings and profits of the distributing corporations or the controlled corporation or both;
- (iii) Whether the Distributions and an acquisition or acquisitions are part of a plan (or series of related transactions) under §355(e)(2)(A)(ii); and
- (iv) the Federal income tax treatment of the Post-Distribution Transfers.

Procedural Statements

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

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

Sincerely,

Mark J. Weiss
Mark J. Weiss
Reviewing Attorney, Branch 6
Associate Chief Counsel (Corporate)

cc: