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Person To Contact: _____, ID No.

Telephone Number:

Refer Reply To:
CC:CORP:6
PLR-147251-12

Date:
April 25, 2013

Legend

Foreign Parent =

Distributing 1 =

Distributing 2 =

Distributing 3 =

Controlled 1 =

Controlled 2 =

PLR-147251-12

2

Controlled 3

=

FSub 1

=

FSub 2

=

FSub 3

=

FSub 4

=

FSub 5

=

FSub 6

=

Sub 1

=

Sub 2

=

Sub 3

=

Sub 4

=

PLR-147251-12

3

Sub 5 =

Sub 6 =

Sub 7 =

Sub 8 =

Sub 9 =

Sub 10 =

Sub 11 =

Sub 12 =

Sub 13 =

Country A Entity =

Business A =

Business B =

Investor =

Act =

Individual A =

Foreign Eligible Entity =

Date 1 =

Date 2 =

Date 3 =

Date 4 =

Date 5 =

Date 6 =

Date 7 =

Date 8 =

Date 9 =

Date 10 =

Date 11 =

Date 12 =

Date 13 =

Date 14 =

a =

b =

c =

d =

e =

f =
g =
h =
i =
j =
k =
l =
m =

Dear _____ :

This letter ruling responds to your October 30, 2012, request, submitted by your authorized representative, for rulings on certain U.S. federal income tax consequences of the Completed Transactions (defined below). The information provided in that request and in later correspondence is summarized below.

The rulings contained in this letter are based upon 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 the First Internal Spin-Off, the Second Internal Spin-Off, or the Demerger (each defined below): (i) satisfied the business purpose requirement of § 1.355-2(b) of the Income Tax Regulations; (ii) was used principally as a device for the distribution of the earnings and profits of the distributing corporation or the controlled corporation or both (see section 355(a)(1)(B) of the Internal Revenue Code and section 1.355-2(d)); or (iii) was 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 (see section 355(e) and section 1.355-7).

SUMMARY OF FACTS

Prior to the Completed Transactions (defined below), Foreign Parent, a Country A Entity, was the parent of a worldwide group of entities engaged in Business A and Business B (the “Foreign Parent Group”). Foreign Parent had one class of voting common stock outstanding that was publicly traded and widely held. Based on notifications made in accordance with Country A disclosure and transparency rules, Investor was the only shareholder of Foreign Parent that owned percent or more of the stock of Foreign Parent at the time of the Completed Transactions. Foreign Parent owned all the stock of FSub 1, which owned all the stock of FSub 2.

FSub 2 owned all the stock of FSub 3 and FSub 4. As of Date 10, FSub 3 had intercompany debt owing to Foreign Parent in the amount of a.

FSub 3 and FSub 4 owned b percent and c percent, respectively, of Distributing 2. Distributing 2 was the common parent of an affiliated group of corporations that joined in filing a U.S. consolidated federal income tax return.

Distributing 2 owned all the stock of Distributing 1, Sub 1, Sub 2, and Sub 3. As of Date 7, Distributing 2 had intercompany debt owing to Foreign Parent in the amount of d and to Distributing 1 in the amount of e. As of Date 8, Distributing 2 had intercompany debt owing to Sub 2 in the amount of f. Sub 1, Sub 2, and Sub 3 were each engaged in Business B.

Distributing 1 owned all the stock of Sub 4, Sub 5, Sub 6, Sub 7, Sub 8, Sub 9, Sub 10, Sub 11, and Sub 12. As of Date 8, Distributing 2 had (i) intercompany receivables from Sub 5, Sub 9, Sub 10, and Sub 11 in the aggregate amount of g, and (ii) intercompany payables to Sub 4, Sub 7, and Sub 8 in the aggregate amount of h. Sub 4, Sub 5, Sub 6, Sub 7, Sub 8, Sub 9, Sub 10, and Sub 11 were each engaged in Business B.

Sub 12 owned all the stock of Sub 13. As of Date 7, Sub 13 had an intercompany receivable from Distributing 2 in the amount of i. Sub 12 and Sub 13 were both engaged in Business A.

Foreign Parent has submitted financial information that indicates that each of Business A, as conducted by Sub 13, and Business B, as conducted by Sub 9, has had gross receipts and operating expenses representative of the active conduct of a trade or business for each of the past five years.

COMPLETED TRANSACTIONS

For what are represented to be valid business reasons, the Foreign Parent Group has completed the following transactions (the “Completed Transactions”):

- (i) On Date 1, Foreign Parent formed FSub 5, a Country A holding company, and an election was made pursuant to section 301.7701-3(c) to treat FSub 5 as an entity that is disregarded as separate from its owner for U.S. federal income tax purposes (a “disregarded entity”), effective as of the date of its formation.
- (ii) On Date 2, Controlled 3 was formed under the laws of Country A. Controlled 3’s initial share capital consisted of one subscriber share issued to Individual A (on behalf of Controlled 3) at par value and j redeemable non-voting preference shares issued to Individual A (on behalf of Controlled 3) at par value, credited as fully paid under an undertaking to pay. Immediately after the Demerger (defined below), Controlled 3 repurchased its subscriber share from Individual A for par value and redeemed its redeemable non-voting preference shares from Individual A in exchange for Controlled 3’s release of Individual A’s undertaking to pay.
- (iii) On Date 3, Distributing 3 was formed under the laws of Country A. Distributing 3’s initial share capital consisted of one subscriber share issued to Individual A (on behalf of Distributing 3) at par value and j redeemable non-voting preference shares issued to Individual A (on behalf of Distributing 3) at par value, credited as fully paid under an undertaking to pay. Neither the subscriber share nor the redeemable non-voting preference shares participated in the Scheme (defined below) or the Demerger (defined below). Immediately after the Demerger (defined below), Distributing 3 repurchased its subscriber share from Individual A for par value and redeemed its redeemable non-voting preference shares from Individual A in exchange for Distributing 3’s release of Individual A’s undertaking to pay.
- (iv) An election was made to treat FSub 1 as a disregarded entity, effective as of Date 4.
- (v) On Date 5, FSub 2 contributed all the stock of FSub 4 to FSub 3 in exchange for newly issued shares of FSub 3 stock (the “FSub 4 Contribution”). Effective one day following the FSub 4 Contribution, an election was made to treat FSub 2 as a disregarded entity.
- (vi) Distributing 1 formed Controlled 1, and on Date 7 contributed all the stock of Sub 12 and the e intercompany receivable from Distributing 2 in exchange for an amount of stock of Controlled 1 equal to the aggregate fair market value of Distributing 1’s interest in Sub 12 and the intercompany receivable (the “First Contribution”). Distributing 1 then distributed all the stock of Controlled 1 to Distributing 2 (the “First Distribution” and together with the First Contribution, the “First Internal Spin-Off”).

- (vii) On Date 7, Distributing 1 and Sub 2 each declared a dividend of k to Distributing 2, funded in each case by way of a loan from FSub 6, a newly formed, wholly owned subsidiary of Foreign Parent, as part of the Internal Debt Restructuring (defined below). Distributing 2 used the dividend proceeds to satisfy a portion of its intercompany liability to Foreign Parent. The effect of these steps was that Distributing 1 and Sub 2 each took on k of debt, which is owed to FSub 6, while the balance of Distributing 2's intercompany debt to Foreign Parent was reduced by l.
- (viii) Distributing 2 formed Controlled 2, and on Date 8 contributed (i) all the stock of Distributing 1, Sub 1, Sub 2, and Sub 3 and (ii) the intercompany receivables from Sub 5, Sub 9, Sub 10, and Sub 11 to Controlled 2 in exchange for (i) stock of Controlled 2 and (ii) Controlled 2's assumption of Distributing 2's intercompany payables to Sub 2, Sub 4, Sub 7, and Sub 8 and certain other liabilities related to previously disposed of entities that had been engaged in Business B (the "Second Contribution"). Distributing 2 then distributed b percent of the stock of Controlled 2 to FSub 3 and c percent of the stock of Controlled 2 to FSub 4 (based on their proportionate ownership) (the "Second Distribution" and together with the Second Contribution, the "Second Internal Spin-Off").
- (ix) On Date 6, FSub 4 reduced its share capital by m by means of a non-court approved solvency statement pursuant to the Act in order to create distributable reserves that were sufficient to allow the distribution of FSub 4's c percent stock interest in Controlled 2. On Date 9, FSub 4 declared a dividend to FSub 3 equal to the fair market value of FSub 4's c percent stock interest in Controlled 2, which FSub 4 satisfied by transferring such stock.
- (x) On Date 10, FSub 3 transferred all the stock of Controlled 2 to Foreign Parent in satisfaction of an amount of the intercompany debt owed by FSub 3 to Foreign Parent equal to the fair market value of such transferred stock.
- (xi) On Date 11, Foreign Parent contributed all the stock of Controlled 2, FSub 6, and other non-U.S. entities engaged in Business B to FSub 5 in exchange for interests in FSub 5.
- (xii) On Date 12, Distributing 3 was inserted as a new group holding company pursuant to a Country A court-approved scheme of arrangement. Under the terms of the Country A court-approved scheme of arrangement, (1) all existing ordinary shares of Foreign Parent stock were cancelled, which reduced the share capital of Foreign Parent, (2) Foreign Parent applied the reserve arising as a result of cancelling its ordinary shares to issue new shares to Distributing 3, and (3) in consideration for the cancellation of

Foreign Parent's ordinary shares, Foreign Parent shareholders received shares of Distributing 3 stock on a one-for-one basis (the "Scheme"). Immediately after the Scheme, Foreign Parent adopted a plan of liquidation for U.S. federal income tax purposes and sold the interests in FSub 5 to Distributing 3 for fair market value. On Date 13, Foreign Parent re-registered as a Foreign Eligible Entity (the "Conversion") and an election was made to treat Foreign Parent as a disregarded entity (the "Foreign Parent CTB Election" and together with the sale of FSub 5 to Distributing 3, the "Foreign Parent Distribution") (collectively, the Scheme, the Conversion, and the Foreign Parent Distribution, the "Reincorporation").

- (xiii) On Date 14, Distributing 3 effected a capital reduction whereby the nominal value of its shares was reduced by an amount at least equal to the fair market value of FSub 5. Distributing 3 then repaid capital to Distributing 3 shareholders equal to the fair market value of FSub 5, such repayment satisfied by the transfer of the interests in FSub 5 to Controlled 3. In consideration for the transfer of FSub 5, Controlled 3 issued one ordinary share to each shareholder of Distributing 3 in respect of each Distributing 3 ordinary share that they held. (The steps described in this paragraph are collectively referred to herein as the "Demerger").

In connection with the Completed Transactions, an intercompany debt restructuring was undertaken to eliminate intercompany balances that ran between certain entities that were engaged in Business A and certain entities that were engaged in Business B (the "Internal Debt Restructuring").

REPRESENTATIONS

Foreign Parent makes the following representations with respect to the Completed Transactions:

The First Internal Spin-Off

- (a) No part of the consideration distributed by Distributing 1 was received by a shareholder as a creditor, employee, or in any capacity other than that of a shareholder of the corporation.
- (b) The five years of financial information submitted on behalf of Business B is representative of its present operation, and with regard to such business, there have been no substantial operational changes since the date of the last financial information submitted.
- (c) The five years of financial information submitted on behalf of Business A is representative of its present operation, and with regard to such business,

there have been no substantial operational changes since the date of the last financial information submitted.

- (d) Neither Business B nor control of an entity conducting this business was acquired during the five-year period ending on the date of the First Distribution in a transaction in which gain or loss was recognized (or treated as recognized) in whole or in part.
- (e) Neither Business A nor control of an entity conducting this business was acquired during the five-year period ending on the date of the First Distribution in a transaction in which gain or loss was recognized (or treated as recognized) in whole or in part, excluding acquisitions that constitute an expansion of Business A.
- (f) Following the First Distribution, Distributing 1, through its separate affiliated group, has and will continue the active conduct of Business B, independently and with its separate employees.
- (g) Following the First Distribution, Controlled 1, through its separate affiliated group, has and will continue the active conduct of Business A, independently and with its separate employees.
- (h) The First Distribution was carried out to facilitate the Demerger, which was undertaken for the following corporate business purposes: (i) to allow the management of Distributing 3 and Controlled 3 to focus more intensely on its business and to pursue strategies that are appropriate for its specific business, (ii) to eliminate the competition between Business A and Business B for capital resources, (iii) to enhance the value of Distributing 3's and Controlled 3's equity-based compensation, (iv) to more directly link the equity-based compensation of employees of Distributing 3 and Controlled 3 to the particular business in which they work, and (v) to facilitate future acquisitions using stock as consideration. The First Distribution was motivated, in whole or substantial part, by one or more of these corporate business purposes.
- (i) The First Distribution was not used principally as a device for the distribution of the earnings and profits of Distributing 1, Controlled 1, or both.
- (j) For purposes of section 355(d), immediately after the First Distribution, no person (determined after applying the aggregation rules of section 355(d)(7)) held 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 sections 355(d)(5) and

- (8)) during the five-year period (determined after applying section 355(d)(6)) ending on the date of the First Distribution.
- (k) For purposes of section 355(d), immediately after the First Distribution, no person (determined after applying the aggregation rules of section 355(d)(7)) held 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 sections 355(d)(5) and (8)) during the five-year period (determined after applying section 355(d)(6)) ending on the date of the First Distribution or (ii) attributable to distributions on Distributing 1's stock or securities that were acquired by purchase (as defined in sections 355(d)(5) and (8)) during the five-year period (determined after applying section 355(d)(6)) ending on the date of the First Distribution.
- (l) The total adjusted basis of the assets transferred by Distributing 1 to Controlled 1 equaled or exceeded the sum of: (i) the amount of any liabilities assumed (within the meaning of section 357(d)) by Controlled 1 and (ii) the sum of any money and the fair market value of any other property (within the meaning of section 361(b)) received by Distributing 1 from Controlled 1 in the First Contribution and transferred by Distributing 1 to its creditors in connection with the First Internal Spin-Off.
- (m) The total fair market value of the assets transferred to Controlled 1 by Distributing 1 in the First Contribution exceeded the sum of: (i) the amount of any liabilities assumed (within the meaning of section 357(d)) by Controlled 1 in connection with the exchange, (ii) the amount of any liabilities owed to Controlled 1 by Distributing 1 that were discharged or extinguished in connection with the exchange, and (iii) the amount of cash and the fair market value of any other property (other than stock and securities permitted to be received under section 361(a) without the recognition of gain) received by Distributing 1 in connection with the exchange. The fair market value of the assets of Controlled 1 exceeded the amount of its liabilities immediately after the exchange.
- (n) No intercorporate debt existed between Distributing 1 and Controlled 1 at the time of, or subsequent to, the First Distribution.
- (o) Immediately before the First Distribution, items of income, gain, loss, deduction, and credit were taken into account as required by the applicable intercompany transaction regulations (see sections 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; section 1.1502-13 as published in T.D. 8597). Further, Distributing 1's excess loss account, if any, with respect to Controlled 1

stock was included in income immediately before the First Distribution (see section 1.1502-19).

- (p) Payments made in connection with all continuing transactions, if any, between Distributing 1 and Controlled 1, have been and will be for fair market value based on terms and conditions arrived at by the parties bargaining at arm's length.
- (q) No two parties to the transaction were investment companies as defined in section 368(a)(2)(F)(iii) and (iv).
- (r) The First Distribution was not part of a plan or series of related transactions (within the meaning of section 1.355-7) pursuant to which one or more persons acquired or will acquire directly or indirectly stock representing a 50-percent or greater interest (within the meaning of section 355(d)(4)) in Distributing 1 or Controlled 1 (including any predecessor or successor of any such corporation).
- (s) Immediately after the First Distribution, no person held a greater than 50-percent interest in either Distributing 1 or Controlled 1 (within the meaning of section 355(g)) who did not hold such an interest immediately before the First Distribution.

The Second Internal Spin-Off

- (t) No part of the consideration distributed by Distributing 2 was received by a shareholder as a creditor, employee, or in any capacity other than that of a shareholder of the corporation.
- (u) The five years of financial information submitted on behalf of Business A is representative of its present operation, and with regard to such business, there have been no substantial operational changes since the date of the last financial information submitted.
- (v) The five years of financial information submitted on behalf of Business B is representative of its present operation, and with regard to such business, there have been no substantial operational changes since the date of the last financial information submitted.
- (w) Neither Business A nor control of an entity conducting this business was acquired during the five-year period ending on the date of the Second Distribution in a transaction in which gain or loss was recognized (or treated as recognized) in whole or in part, excluding acquisitions that constitute an expansion of Business A.

- (x) Neither Business B nor control of an entity conducting this business was acquired during the five-year period ending on the date of the Second Distribution in a transaction in which gain or loss was recognized (or treated as recognized) in whole or in part.
- (y) Following the Second Distribution, Distributing 2, through its separate affiliated group, has and will continue the active conduct of Business A, independently and with its separate employees.
- (z) Following the Second Distribution, Controlled 2, through its separate affiliated group, has and will continue the active conduct of Business B, independently and with its separate employees.
- (aa) The Second Distribution was carried out to facilitate the Demerger, which was undertaken for the following corporate business purposes: (i) to allow the management of Distributing 3 and Controlled 3 to focus more intensely on its business and to pursue strategies that are appropriate for its specific business, (ii) to eliminate the competition between Business A and Business B for capital resources, (iii) to enhance the value of Distributing 3's and Controlled 3's equity-based compensation, (iv) to more directly link the equity-based compensation of employees of Distributing 3 and Controlled 3 to the particular business in which they work, and (v) to facilitate future acquisitions using stock as consideration. The Second Distribution was motivated, in whole or substantial part, by one or more of these corporate business purposes.
- (bb) The Second Distribution was not used principally as a device for the distribution of the earnings and profits of Distributing 2, Controlled 2, or both.
- (cc) For purposes of section 355(d), immediately after the Second Distribution, no person (determined after applying the aggregation rules of section 355(d)(7)) held 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 sections 355(d)(5) and (8)) during the five-year period (determined after applying section 355(d)(6)) ending on the date of the Second Distribution.
- (dd) For purposes of section 355(d), immediately after the Second Distribution, no person (determined after applying the aggregation rules of section 355(d)(7)) held 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 sections 355(d)(5) and (8)) during the five-year period (determined after applying

- section 355(d)(6)) ending on the date of the Second Distribution or (ii) attributable to distributions on Distributing 2's stock or securities that were acquired by purchase (as defined in sections 355(d)(5) and (8)) during the five-year period (determined after applying section 355(d)(6)) ending on the date of the Second Distribution.
- (ee) The total adjusted basis of the assets transferred by Distributing 2 to Controlled 2 equaled or exceeded the sum of: (i) the amount of any liabilities assumed (within the meaning of section 357(d)) by Controlled 2 and (ii) the sum of any money and the fair market value of any other property (within the meaning of section 361(b)) received by Distributing 2 from Controlled 2 in the Second Contribution and transferred by Distributing 2 to its creditors in connection with the Second Internal Spin-Off.
 - (ff) The total fair market value of the assets transferred to Controlled 2 by Distributing 2 in the Second Contribution exceeded the sum of: (i) the amount of any liabilities assumed (within the meaning of section 357(d)) by Controlled 2 in connection with the exchange, (ii) the amount of any liabilities owed to Controlled 2 by Distributing 2 that were discharged or extinguished in connection with the exchange, and (iii) the amount of cash and the fair market value of any other property (other than stock and securities permitted to be received under section 361(a) without the recognition of gain) received by Distributing 2 in connection with the exchange. The fair market value of the assets of Controlled 2 exceeded the amount of its liabilities immediately after the exchange.
 - (gg) The liabilities assumed (within the meaning of section 357(d)) by Controlled 2 were incurred in the ordinary course of business and were associated with the assets transferred.
 - (hh) No intercorporate debt existed between Distributing 2 and Controlled 2 at the time of, or subsequent to, the Second Distribution.
 - (ii) Immediately before the Second Distribution, items of income, gain, loss, deduction, and credit were taken into account as required by the applicable intercompany transaction regulations (see sections 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; section 1.1502-13 as published in T.D. 8597). Further, Distributing 2's excess loss account, if any, with respect to Controlled 2 stock was included in income immediately before the Second Distribution (see section 1.1502-19).
 - (jj) Payments made in connection with all continuing transactions, if any, between Distributing 2 and Controlled 2, have been and will be for fair

market value based on terms and conditions arrived at by the parties bargaining at arm's length.

- (kk) No two parties to the transaction were investment companies as defined in section 368(a)(2)(F)(iii) and (iv).
- (ll) The Second Distribution was not part of a plan or series of related transactions (within the meaning of section 1.355-7) pursuant to which one or more persons acquired or will acquire directly or indirectly stock representing a 50-percent or greater interest (within the meaning of section 355(d)(4)) in Distributing 2 or Controlled 2 (including any predecessor or successor of any such corporation).
- (mm) Immediately after the Second Distribution, no person held a greater than 50-percent interest in either Distributing 2 or Controlled 2 (within the meaning of section 355(g)) who did not hold such an interest immediately before the Second Distribution.
- (nn) Neither Distributing 2 nor Controlled 2 was a U.S. real property holding corporation (as defined in section 897(c)(2)) at any time during the five-year period ending on the date of the Second Distribution, and neither Distributing 2 nor Controlled 2 was a U.S. real property holding corporation immediately after the Second Distribution.

The Reincorporation

- (oo) The shareholders of Foreign Parent received solely Distributing 3 stock in the Reincorporation.
- (pp) The fair market value of the Distributing 3 stock received by each Foreign Parent shareholder was approximately equal to the fair market value of the Foreign Parent stock surrendered in the exchange.
- (qq) Immediately following the Reincorporation, the shareholders of Foreign Parent owned all the outstanding Distributing 3 stock and owned such stock solely by reason of their ownership of Foreign Parent stock immediately prior to the transaction.
- (rr) Immediately following the Reincorporation, each shareholder of Foreign Parent held the same percentage of stock in Distributing 3 as the percentage of stock such shareholder previously held in Foreign Parent.
- (ss) Immediately following the Reincorporation, Distributing 3 held for U.S. federal income tax purposes all the assets held by Foreign Parent

immediately prior to the Reincorporation, except for any assets used to pay expenses incurred in connection with the Reincorporation.

- (tt) The assets used to pay expenses related to the Reincorporation were less than one percent (1%) of the fair market value of the net assets of Foreign Parent immediately prior to the Reincorporation. No assets were distributed, and there were no dissenting shareholders.
- (uu) Except for employee stock options or other employee stock rights, at the time of the Reincorporation, Foreign Parent did not have outstanding any warrants, options, convertible securities, or any other type of right pursuant to which any person could have acquired stock in Foreign Parent.
- (vv) At all times prior to acquiring the assets of Foreign Parent in the Reincorporation: (i) Distributing 3 was engaged in no business activity; (ii) Distributing 3 had no federal income tax attributes (attributes described in section 381(c)); and (iii) Distributing 3 held no assets (except for holding a minimal amount of assets if such assets were required for the purpose of paying Distributing 3's incidental expenses or were required in order to maintain Distributing 3's status as an entity in accordance with applicable law).
- (ww) Other than liabilities incurred in connection with the Completed Transactions, all liabilities to which the Foreign Parent assets were subject at the time of the Reincorporation, and all liabilities of Foreign Parent that were properly treated as being assumed by Distributing 3 in the Reincorporation (as determined under section 357(d)), were liabilities that were incurred by Foreign Parent in the ordinary course of its business and were associated with the assets transferred from Foreign Parent to Distributing 3.
- (xx) Foreign Parent was not under the jurisdiction of a court in a title 11 or similar case within the meaning of section 368(a)(3)(A).

The Demerger

- (yy) No part of the consideration to be distributed by Distributing 3 was received by a shareholder as a creditor, employee, or in any capacity other than that of a shareholder of the corporation.
- (zz) The five years of financial information submitted on behalf of Business A is representative of its present operation, and with regard to such business, there have been no substantial operational changes since the date of the last financial information submitted.

- (aaa) The five years of financial information submitted on behalf of Business B is representative of its present operation, and with regard to such business, there have been no substantial operational changes since the date of the last financial information submitted.
- (bbb) Neither Business A nor control of an entity conducting this business was acquired during the five-year period ending on the date of the Demerger in a transaction in which gain or loss was recognized (or treated as recognized) in whole or in part, excluding acquisitions that constitute an expansion of Business A.
- (ccc) Neither Business B nor control of an entity conducting this business was acquired during the five-year period ending on the date of the Demerger in a transaction in which gain or loss was recognized (or treated as recognized) in whole or in part.
- (ddd) Following the Demerger, Distributing 3, through its separate affiliated group, has and will continue the active conduct of Business A, independently and with its separate employees.
- (eee) Following the Demerger, Controlled 3, through its separate affiliated group, has and will continue the active conduct of Business B, independently and with its separate employees.
- (fff) The Demerger was carried out for the following corporate business purposes: (i) to allow the management of Distributing 3 and Controlled 3 to focus more intensely on its business and to pursue strategies that are appropriate for its specific business, (ii) to eliminate the competition between Business A and Business B for capital resources, (iii) to enhance the value of Distributing 3's and Controlled 3's equity-based compensation, (iv) to more directly link the equity-based compensation of employees of Distributing 3 and Controlled 3 to the particular business in which they work, and (v) to facilitate future acquisitions using stock as consideration. The Demerger was motivated, in whole or substantial part, by one or more of these corporate business purposes.
- (ggg) The Demerger was not used principally as a device for the distribution of the earnings and profits of Distributing 3, Controlled 3, or both.
- (hhh) For purposes of section 355(d), immediately after the Demerger, no person (determined after applying the aggregation rules of section 355(d)(7)) held stock possessing 50 percent or more of the total combined voting power of all classes of Distributing 3 stock entitled to vote or 50 percent or more of the total value of shares of all classes of Distributing 3 stock that was acquired by purchase (as defined in sections 355(d)(5) and (8)) during the

five-year period (determined after applying section 355(d)(6)) ending on the date of the Demerger.

- (iii) For purposes of section 355(d), immediately after the Demerger, no person (determined after applying the aggregation rules of section 355(d)(7)) held stock possessing 50 percent or more of the total combined voting power of all classes of Controlled 3 stock entitled to vote or 50 percent or more of the total value of shares of all classes of Controlled 3 stock that was either (i) acquired by purchase (as defined in sections 355(d)(5) and (8)) during the five-year period (determined after applying section 355(d)(6)) ending on the date of the Demerger or (ii) attributable to distributions on Distributing 3's stock or securities that were acquired by purchase (as defined in sections 355(d)(5) and (8)) during the five-year period (determined after applying section 355(d)(6)) ending on the date of the Demerger.
- (jjj) The total fair market value of the assets transferred to Controlled 3 by Distributing 3 in the Demerger exceeded the sum of: (i) the amount of any liabilities assumed (within the meaning of section 357(d)) by Controlled 3 in connection with the exchange, (ii) the amount of any liabilities owed to Controlled 3 by Distributing 3 that were discharged or extinguished in connection with the exchange, and (iii) the amount of cash and the fair market value of any other property (other than stock and securities permitted to be received under section 361(a) without the recognition of gain) received by Distributing 3 in connection with the exchange. The fair market value of the assets of Controlled 3 exceeded the amount of its liabilities immediately after the exchange.
- (kkk) No intercorporate debt existed between Distributing 3 and Controlled 3 at the time of, or subsequent to, the Demerger.
- (lll) Payments made in connection with all continuing transactions, if any, between Distributing 3 and Controlled 3, have been and will be for fair market value based on terms and conditions arrived at by the parties bargaining at arm's length.
- (mmm) No two parties to the transaction were investment companies as defined in section 368(a)(2)(F)(iii) and (iv).
- (nnn) The Demerger was not part of a plan or series of related transactions (within the meaning of section 1.355-7) pursuant to which one or more persons acquired or will acquire directly or indirectly stock representing a 50-percent or greater interest (within the meaning of section 355(d)(4)) in Distributing 3 or Controlled 3 (including any predecessor or successor of any such corporation).

- (ooo) Immediately after the Demerger, no person held a greater than 50-percent interest in either Distributing 3 or Controlled 3 (within the meaning of section 355(g)) who did not hold such an interest immediately before the Demerger.
- (ppp) Neither Distributing 3 nor Controlled 3 was a passive foreign investment company within the meaning of section 1297(a) immediately before or after the Demerger.
- (qqq) Neither Distributing 3 nor Controlled 3 was a U.S. real property holding corporation (as defined in section 897(c)(2)) at any time during the five-year period ending on the date of the Demerger, and neither Distributing 3 nor Controlled 3 was a U.S. real property holding corporation immediately after the Demerger.

Other Representations

- (rrr) Beginning when Investor acquired 10 percent of the total combined voting power of all classes of stock entitled to vote of Foreign Parent, none of the foreign corporations participating in the Completed Transactions was or had been a controlled foreign corporation (as defined in section 957(a)).
- (sss) Expenses incurred in connection with the Completed Transactions were allocated between the Distributing 3 group and the Controlled 3 group in a manner that the taxpayer believes was reasonable. The parties paid their respective share of the expenses based on that allocation.

RULINGS

Based solely on the information provided and the representations set forth above, we rule as follows with respect to the Completed Transactions:

The First Internal Spin-Off

- (1) The First Contribution, together with the First Distribution, qualifies as a reorganization described in section 368(a)(1)(D). Distributing 1 and Controlled 1 are each a “party to a reorganization” within the meaning of section 368(b).
- (2) No gain or loss is recognized by Distributing 1 as a result of the First Contribution. Sections 357(a) and 361(a).
- (3) No gain or loss is recognized by Controlled 1 as a result of the First Contribution. Section 1032(a).

- (4) Controlled 1's basis in each asset received in the First Contribution is the same as the basis of that asset in the hands of Distributing 1 immediately before its transfer. Section 362(b).
- (5) Controlled 1's holding period in each asset received in the First Contribution includes the period during which Distributing 1 held the asset. Section 1223(2).
- (6) No gain or loss is recognized by Distributing 1 on the First Distribution. Section 361(c).
- (7) No gain or loss is recognized by (and no amount is included in the income of) Distributing 2 upon its receipt of the Controlled 1 stock in the First Distribution. Section 355(a)(1).
- (8) The basis of the Distributing 1 stock and the Controlled 1 stock in the hands of Distributing 2 immediately after the First Distribution is the same as Distributing 2's basis in the Distributing 1 stock held immediately before the First Distribution allocated in the manner described in section 1.358-2(a)(2). Section 358(a)(1) and (b); section 1.358-1(a).
- (9) Distributing 2's holding period in the Controlled 1 stock received in the First Distribution includes the holding period of the Distributing 1 stock with respect to which the distribution of the Controlled 1 stock was made, provided that the Distributing 1 stock was held as a capital asset on the date of the First Distribution. Section 1223(1).
- (10) The earnings and profits of Distributing 1, if any, are allocated between Distributing 1 and Controlled 1 in accordance with section 312(h) and sections 1.312-10(a) and 1.1502-33(e)(3).

The Second Internal Spin-Off

- (11) The Second Contribution, together with the Second Distribution, qualifies as a reorganization described in section 368(a)(1)(D). Distributing 2 and Controlled 2 are each a "party to a reorganization" within the meaning of section 368(b).
- (12) No gain or loss is recognized by Distributing 2 as a result of the Second Contribution. Sections 357(a) and 361(a).
- (13) No gain or loss is recognized by Controlled 2 as a result of the Second Contribution. Section 1032(a).

- (14) Controlled 2's basis in each asset received in the Second Contribution is the same as the basis of that asset in the hands of Distributing 2 immediately before its transfer. Section 362(b).
- (15) Controlled 2's holding period in each asset received in the Second Contribution includes the period during which Distributing 2 held the asset. Section 1223(2).
- (16) No gain or loss is recognized by Distributing 2 on the Second Distribution. Section 361(c).
- (17) No gain or loss is recognized by (and no amount is included in the income of) Distributing 2's shareholders upon their receipt of the Controlled 2 stock in the Second Distribution. Section 355(a)(1).
- (18) The basis of the Distributing 2 stock and the Controlled 2 stock in the hands of each Distributing 2 shareholder immediately after the Second Distribution is the same as such shareholder's basis in the Distributing 2 stock held immediately before the Second Distribution, allocated in the manner described in section 1.358-2(a)(2). Section 358(a)(1) and (b); section 1.358-1(a).
- (19) Each Distributing 2 shareholder's holding period in the Controlled 2 stock received in the Second Distribution includes the holding period of the Distributing 2 stock with respect to which the distribution of the Controlled 2 stock was made, provided that the Distributing 2 stock was held as a capital asset on the date of the Second Distribution. Section 1223(1).
- (20) The earnings and profits of Distributing 2, if any, are allocated between Distributing 2 and Controlled 2 in accordance with section 312(h) and section 1.312-10(a).

The Reincorporation

- (21) For U.S. federal income tax purposes, the Reincorporation is treated as the transfer by Foreign Parent of all of its assets to Distributing 3 in exchange for stock of Distributing 3 and the assumption of liabilities, followed by the distribution by Foreign Parent of the Distributing 3 stock to its shareholders in liquidation, and constitutes a reorganization within the meaning of section 368(a)(1)(F). Distributing 3 and Foreign Parent are each a "party to a reorganization" within the meaning of section 368(b).
- (22) The Demerger does not preclude the Reincorporation from qualifying as a section 368(a)(1)(F) reorganization. Rev. Rul. 96-29, 1996 C.B. 50.

- (23) No gain or loss is recognized by Foreign Parent upon the transfer of all of its assets to Distributing 3 in exchange for Distributing 3 stock and the assumption of liabilities. Sections 357(a) and 361(a).
- (24) No gain or loss is recognized by Distributing 3 upon the receipt of the Foreign Parent assets in exchange for Distributing 3 stock. Section 1032(a).
- (25) Distributing 3's basis in the assets acquired from Foreign Parent is the same as Foreign Parent's basis in such assets immediately before the Reincorporation. Section 362(b).
- (26) Distributing 3's holding period for the assets acquired from Foreign Parent includes the period during which such assets were held by Foreign Parent. Section 1223(2).
- (27) No gain or loss is recognized by Foreign Parent on the distribution of Distributing 3 stock to Foreign Parent's shareholders. Section 361(c)(1).
- (28) No gain or loss is recognized by Foreign Parent's shareholders upon the receipt of the stock of Distributing 3 in exchange for the stock of Foreign Parent. Section 354(a)(1).
- (29) The basis of the Distributing 3 stock in the hands of the Foreign Parent shareholders equals, in the case of each such shareholder, the basis of the Foreign Parent stock surrendered by that shareholder in exchange therefor. Section 358(a)(1).
- (30) The holding period of the Distributing 3 stock in the hands of the Foreign Parent shareholders includes the period, in the case of each such shareholder, during which that shareholder held the Foreign Parent stock exchanged therefor, provided that the Foreign Parent stock was held as a capital asset on the date of the exchange. Section 1223(1).
- (31) Pursuant to section 381(b) and (c), Distributing 3 is treated for purposes of section 381 as Foreign Parent would have been treated if there had been no reorganization. The taxable year of Foreign Parent did not end on the date of the transfer; net operating losses of Foreign Parent for any taxable year ending after the date of transfer may be carried back in accordance with section 172(b); and the tax attributes of Foreign Parent enumerated in section 381(c) are taken into account by Distributing 3 as if there had been no reorganization. Section 1.381(b)-1(a)(2).

The Demerger

- (32) For U.S. federal income tax purposes, the Demerger is treated as if Distributing 3 transferred the Business B assets to Controlled 3 in exchange for all the stock of Controlled 3 and Controlled 3's assumption of the Business B liabilities, and, immediately thereafter, distributed all of the Controlled 3 stock to Distributing 3's shareholders. Cf. Rev. Rul. 77-191, 1977-1 C.B. 94.
- (33) No gain or loss is recognized by (and no amount is included in the income of) Distributing 3's shareholders upon their receipt of the Controlled 3 stock in the distribution. Section 355(a)(1).
- (34) The basis of the Distributing 3 stock and the Controlled 3 stock in the hands of each Distributing 3 shareholder immediately after the distribution is the same as such shareholder's basis in the Distributing 3 stock held immediately before the distribution, allocated in the manner described in section 1.358-2(a)(2). Section 358(a)(1) and (b); section 1.358-1(a).
- (35) Each Distributing 3 shareholder's holding period in the Controlled 3 stock received in the distribution includes the holding period of the Distributing 3 stock with respect to which the distribution of the Controlled 3 stock was made, provided that the Distributing 3 stock was held as a capital asset on the date of the distribution. Section 1223(1).

CAVEATS

Except as expressly provided herein, no opinion is expressed or implied concerning the tax treatment of the Completed Transactions under other provisions of the Code or the regulations, or the tax treatment of any conditions existing at the time of, or effects resulting from, the Completed Transactions that are not specifically covered by the above rulings. In particular, no opinion is expressed regarding:

- (i) whether the First Internal Spin-Off, the Second Internal Spin-Off, or the Demerger satisfied the business purpose requirement of section 1.355-2(b);
- (ii) whether the First Internal Spin-Off, the Second Internal Spin-Off, or the Demerger was used principally as a device for the distribution of the earnings and profits of Distributing 1, Distributing 2, Distributing 3, Controlled 1, Controlled 2, Controlled 3, or any combination thereof (see section 355(a)(1)(B) and section 1.355-2(d)); or
- (iii) whether the First Internal Spin-Off, the Second Internal Spin-Off, or the Demerger was part of a plan (or series of related transactions) under section 355(e)(2)(A)(ii).

PROCEDURAL STATEMENTS

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

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

A copy of this letter ruling 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.

Sincerely,

Mark Weiss

Mark Weiss

Reviewing Attorney, Branch 6

Office of Associate Chief Counsel (Corporate)

cc: