



Sub 6 =

Sub 7 =

Other Subs =



Sub 8 =

Sub 9 =

Sub 10 =

Sub 11 =

Sub 12 =

Sub 13 =

Country A =

Business A =

Line X =

Year 1 =

Date 1 =

Date 2 =

Date 3 =

Date 4 =

Date 5 =

a =

b =

c =

d =

e =

f =

g =

h =

i =

j =

Dear :

This letter responds to your August 23, 2013 letter requesting a ruling as to the federal income tax consequences of the proposed transaction. The material information submitted in that letter and subsequent correspondence is summarized below.

The ruling contained in this letter is 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 materials 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.

#### FACTS

Global Parent is a Country A publicly traded corporation. The global group is engaged in Business A. The group conducts Line X of Business A through a chain of corporations in which Global Parent wholly owns Sub 1, which wholly owns Sub 2. Sub 2 in turn wholly owns Foreign Parent. Sub 1, Sub 2, and Foreign Parent are all Country A corporations.

On Date 1, Foreign Parent transferred its subsidiary, Sub 5, to another subsidiary, Domestic Sub. The parties treated the transfer as a § 351 transaction. On Date 3, Foreign Parent contributed Domestic Sub and a portfolio of assets denominated in U.S. dollars to its subsidiary Domestic Parent, and the parties treated the contribution as a § 351 transaction. Immediately after that contribution, Domestic Parent contributed the portfolio of assets to Sub 4, and Sub 4 sold the assets in Year 1.

Currently, Foreign Parent wholly owns Sub 3, a domestic limited liability company that is disregarded as an entity separate from its owner for U.S. federal income tax purposes

(a “disregarded entity”). Foreign Parent also wholly owns Domestic Parent, with approximately a percent of the interest being indirectly owned through Sub 3. Domestic Parent is the common parent of an affiliated group of corporations that files a consolidated federal income tax return. Domestic Parent wholly owns Domestic Sub and Sub 4. Domestic Sub owns Sub 5, Sub 6, Sub 7, and approximately 19 other subsidiaries (these subsidiaries are collectively referred to as the “Other Subs”). Domestic Sub also owns b percent interest in Sub 8.

On Date 2, Domestic Sub redeemed c shares of its series B preferred shares for \$ d and e shares of its series I preferred shares for \$ f from Foreign Parent. On Date 4, Domestic Parent redeemed g shares of its common stock from Sub 3 for \$ h. Separately, Global Parent also wholly owns Sub 9, which wholly owns Sub 10. Sub 10 in turn wholly owns Sub 11, which wholly owns Sub 12. Sub 9, Sub 10, Sub 11, and Sub 12 are all Country A corporations. Sub 12 wholly owns Sub 13, which is a Country A corporation that is disregarded for US federal income tax purposes.

### PROPOSED TRANSACTION

For what are represented as valid business reasons, the Taxpayer proposes the following transaction (the “Proposed Transaction”), in which some steps are already completed:

- (1) In exchange for additional shares in Sub 5 and the assumption by Sub 5 of debt owed by Domestic Sub to certain affiliates, Domestic Sub (i) discharged certain debt owed by Sub 5 to Domestic Sub, (ii) contributed and assigned loan receivables from certain affiliates, and (iii) transferred all of the outstanding equity of Other Subs to Sub 5 (the “Domestic Sub Contribution 1”).
- (2) Sub 5 formed separate holding companies for each line of business, and separated the Other Subs into their respective holding companies by contributing all the outstanding equity in each of the Other Subs to its respective holding company.
- (3) Domestic Sub transferred all of its interest in Sub 6 and Sub 8 to Sub 7 in exchange for additional shares of Sub 7 (the “Domestic Sub Contribution 2,” together with Domestic Sub Contribution 1, “Domestic Sub Contributions”).
- (4) Domestic Parent will adopt a resolution authorizing Domestic Sub’s conversion to a limited liability company. On or around Date 5, Domestic Sub will convert to a limited liability company treated as a disregarded entity for federal income tax purposes (“Domestic Sub Conversion”).
- (5) The unit holders of Domestic Parent will adopt a resolution authorizing its conversion to a limited liability company. Thereafter, Domestic Parent will

convert to a limited liability company treated as a disregarded entity for federal income tax purposes (“Domestic Parent Conversion”).

- (6) Sub 9 will convert to a type of Country A entity that is an eligible entity within the meaning of § 301.7701-3(a). On the day of its conversion, Sub 9 will elect to be a disregarded entity for U.S. federal income tax purposes.
- (7) Sub 10 will convert to a type of Country A entity that is an eligible entity within the meaning of § 301.7701-3(a). On the day of its conversion, Sub 10 will elect to be a disregarded entity for U.S. federal income tax purposes.
- (8) Sub 11 and Sub 12 will each elect to be a disregarded entity.
- (9) Domestic Sub will transfer all of its interest in Sub 7 to Domestic Parent as follows:
  - a. Sub 2 will make a cash daylight loan to Domestic Parent. The amount of the loan will depend on the value of Sub 7 (the “Loan Proceeds”);
  - b. Domestic Parent will use the Loan Proceeds to acquire Sub 7 from Domestic Sub;
  - c. Domestic Sub will distribute the Loan Proceeds to Domestic Parent; and
  - d. Domestic Parent will use the Loan Proceeds received from Domestic Sub to repay the daylight loan from Sub 2.
- (10) Sub 7 will be distributed up the chain to Global Parent.
- (11) Global Parent will contribute cash down the chain to Sub 13. The amount of cash will equal the Loan Proceeds, which is based on the value of Sub 7. Upon receipt of the cash, Sub 13 will purchase all of Global Parent’s interest in Sub 7.
- (12) Upon receiving the requisite approval from the authority in Country A, Domestic Parent may contribute all of its interest in Sub 4 to Domestic Sub for additional shares of Domestic Sub. Domestic Sub will then contribute Sub 4 to Sub 5 for additional shares of Sub 5 (the “Domestic Parent Contribution”).

## REPRESENTATIONS

Taxpayer makes the following representations in connection with the Proposed Transaction:

### Domestic Sub Conversion

- (1a) At the time of the Domestic Sub Conversion, there will be no plan or intention to make any election under § 301.7701-3(c) to treat Domestic Sub as an entity other than a disregarded entity.
- (1b) Domestic Sub and Domestic Parent are, have been for the three years preceding the adoption of the Domestic Sub Conversion plan, and will be at all times until the final liquidating distribution is deemed completed for the Domestic Sub Conversion, classified as corporations for U.S. federal income tax purposes.
- (1c) On the date of the adoption of the Domestic Sub Conversion plan (the “Domestic Sub Conversion Plan Date”), and at all times thereafter until the Domestic Sub Conversion is complete, Domestic Parent will be the owner of at least 80 percent of the total combined voting power of all classes of stock of Domestic Sub entitled to vote and the owner of at least 80 percent of the total value of all classes of stock of Domestic Sub, without regard to any consolidated return regulation.
- (1d) Except as previously described, no shares of Domestic Sub will have been redeemed during the three years preceding the adoption of the Domestic Sub Conversion plan.
- (1e) All deemed distributions from Domestic Sub to Domestic Parent pursuant to the Domestic Sub Conversion plan will be made on the date of the Domestic Sub Conversion.
- (1f) Upon the Domestic Sub Conversion, Domestic Sub will cease to exist for federal income tax purposes.
- (1g) Domestic Sub did not acquire assets in any nontaxable transaction at any time, except for (i) the acquisition on Date 1 and (ii) acquisitions occurring more than three years prior to the Domestic Sub Conversion Plan Date.
- (1h) No assets of Domestic Sub have been, or will be, disposed of by either Domestic Sub or Domestic Parent, except for (i) dispositions in the ordinary course of business, (ii) dispositions occurring more than three years prior to the Domestic Sub Conversion plan, and (iii) dispositions pursuant to the Proposed Transaction.
- (1i) The Domestic Sub Contributions will constitute less than 30 percent by value of Domestic Sub’s total assets. The 30 percent is computed without regard to any Domestic Sub debt that is, or may be, assumed by Sub 5 and Sub 7.
- (1j) Other than the Domestic Sub Contributions and the dispositions mentioned in (1h) above, the Domestic Sub Conversion will not be preceded or followed by the

reincorporation in, or transfer or sale to, a recipient corporation of any of the businesses or assets of Domestic Sub, if persons holding, directly or indirectly, more than 20 percent in value of the Domestic Sub stock also hold, directly or indirectly, more than 20 percent in value of the stock in the recipient corporation. For purposes of this representation ownership will be determined by application of the constructive ownership rules of § 318(a) as modified by § 304(c)(3).

- (1k) Prior to the adoption of the Domestic Sub Conversion plan, no assets of Domestic Sub will have been distributed in kind, transferred, or sold to Domestic Parent, except for (i) transactions occurring in the normal course of business and (ii) transactions occurring more than three years prior to the adoption of the Domestic Sub Conversion plan.
- (1l) Domestic Sub will report all earned income represented by assets that will be deemed distributed to Domestic Parent such as receivables being reported on a cash basis, unfinished construction contracts, commissions due, etc.
- (1m) The fair market value of the assets of Domestic Sub will exceed its liabilities both (i) on the Domestic Sub Conversion Plan Date and (ii) immediately prior to the Domestic Sub Conversion.
- (1n) There is no intercorporate debt existing between Domestic Parent and Domestic Sub, and none has been cancelled, forgiven, or discounted, except for transactions occurring before the date Domestic Parent initially acquired the Domestic Sub stock.
- (1o) Domestic Parent is not an organization that is exempt from U.S. federal income tax under § 501 or any other provision of the Code.
- (1p) All other transactions undertaken contemporaneously with, in anticipation of, in conjunction with, or in any way related to, the Domestic Sub Conversion have been fully disclosed.
- (1q) Within 30 days after adoption of the Domestic Sub Conversion plan, Domestic Sub will file a Form 966 as required under § 1.6043-1.

#### Domestic Parent Conversion

- (2a) At the time of the Domestic Parent Conversion, there will be no plan or intention to make any election under § 301.7701-3(c) to treat Domestic Parent as an entity other than a disregarded entity.
- (2b) Domestic Parent and Foreign Parent are, have been from the earlier of the time of its formation or the three years preceding the adoption of the Domestic Parent

Conversion plan, and will be at all times until the final liquidating distribution is deemed completed for the Domestic Parent Conversion, classified as corporations for U.S. federal income tax purposes.

- (2c) On the date of the adoption of the Domestic Parent Conversion plan (the “Domestic Parent Conversion Plan Date”), and at all times thereafter until the Domestic Parent Conversion is complete, Foreign Parent will be the owner of at least 80 percent of the total combined voting power of all classes of stock of Domestic Parent entitled to vote and the owner of at least 80 percent of the total value of all classes of stock of Domestic Parent, without regard to any consolidated return regulation.
- (2d) Except as previously described, no shares of Domestic Parent stock will have been redeemed during the three years preceding the adoption of the Domestic Parent Conversion plan.
- (2e) All deemed distributions from Domestic Parent to Foreign Parent pursuant to the Domestic Parent Conversion plan will be made on date of the Domestic Parent Conversion.
- (2f) Upon the Domestic Parent Conversion, Domestic Parent will cease to exist for federal income tax purposes.
- (2g) Domestic Parent did not acquire assets in any nontaxable transaction at any time, except for (i) the acquisition on Date 2 and (ii) acquisitions occurring more than three years prior to the Domestic Parent Conversion Plan Date.
- (2h) No assets of Domestic Parent have been, or will be, disposed of by either Domestic Parent or Foreign Parent, except for (i) dispositions previously identified, (ii) dispositions in the ordinary course of business, (iii) dispositions occurring more than three years prior to the Domestic Parent Conversion plan, and (iv) dispositions pursuant to the Proposed Transaction.
- (2i) Other than the Domestic Parent Contribution and the dispositions mentioned in (2h) above, the Domestic Parent Conversion will not be preceded or followed by the reincorporation in, or transfer or sale to, a recipient corporation of any of the businesses or assets of Domestic Parent, if persons holding, directly or indirectly, more than 20 percent in value of the Domestic Parent interest also hold, directly or indirectly, more than 20 percent in value of the stock in the recipient corporation. For purposes of this representation ownership will be determined by application of the constructive ownership rules of § 318(a) as modified by § 304(c)(3).

- (2j) Prior to the adoption of the Domestic Parent Conversion plan, no assets of Domestic Parent will have been distributed in kind, transferred, or sold to Foreign Parent, except for (i) transactions occurring in the normal course of business and (ii) transactions occurring more than three years prior to the adoption of the Domestic Parent Conversion plan.
- (2k) Domestic Parent will report all earned income represented by assets that will be deemed distributed to Foreign Parent such as receivables being reported on a cash basis, unfinished construction contracts, commissions due, etc.
- (2l) The fair market value of the assets of Domestic Parent will exceed its liabilities both (i) on the Domestic Parent Conversion Plan Date and (ii) immediately prior to the Domestic Parent Conversion.
- (2m) There is no intercorporate debt existing between Foreign Parent and Domestic Parent and none has been cancelled, forgiven, or discounted, except for transactions that occurred more than three years prior to the adoption of the Domestic Parent Conversion plan.
- (2n) Foreign Parent is not an organization that is exempt from U.S. federal income tax under § 501 or any other provision of the Code.
- (2o) All other transactions undertaken contemporaneously with, in anticipation of, in conjunction with, or in any way related to, the Domestic Parent Conversion have been fully disclosed.
- (2p) Within 30 days after the adoption of the Domestic Parent Conversion plan, Domestic Parent will file a Form 966 as required under § 1.6043-1.
- (2q) Immediately before the Domestic Parent Conversion and at all times until its completion, Foreign Parent will be the owner (directly and indirectly through a disregarded entity) of 100 percent of the combined voting power of all classes of stock of Domestic Parent and the owner (directly and indirectly through a disregarded entity) of 100 percent of the total value of all classes of stock of Domestic Parent.
- (2r) Domestic Parent will attach the statement described in § 1.367(e)-2(b)(2)(iii)(D) (modified, however, to refer to a disposition by Sub 13 to a person that is not a wholly related affiliate unless it is shown to the satisfaction of the Commissioner that such disposition, viewed together with the Liquidation, does not have a principal purpose of avoidance of U.S. tax) to its U.S. tax return for the taxable year that includes the date of the Liquidation. This statement will be prepared by Domestic Parent and signed under penalties of perjury by an authorized officer of

Domestic Parent and by an authorized officer of Foreign Parent.

- (2s) There are no plans or intentions to sell or otherwise dispose of any of the shares of Sub 7 except as described in the steps of the Proposed Transaction.
- (2t) Global Parent's principal class of shares is and will be listed on, and is and will be regularly traded on, a recognized stock exchange.
- (2u) Foreign Parent would not be subject to U.S. federal income tax withholding on a dividend received from Domestic Parent pursuant to the U.S.-Country A income tax treaty.
- (2v) The Proposed Transaction will not result in a greater ability to use NOLs.
- (2w) The liquidating distribution by Domestic Parent in the Proposed Transaction will consist solely of stock of domestic corporations (including Sub 7) owned by Domestic Parent.
- (2x) Domestic Parent will not be considered to distribute any intangible property, within the meaning of § 936(h)(3)(B), in the Transaction.
- (2y) None of the domestic subsidiaries is a foreign corporation that has made an election under § 897(i) to be treated as a U.S. corporation for purposes of § 897.
- (2z) At the time of the Domestic Parent Conversion, Domestic Parent will not be a United States real property holding corporation (as defined in § 897(c)(2)) and will not be a former U.S. real property holding corporation the stock of which is treated as a U.S. real property interest for 5 years under § 897(c)(1)(A)(ii).
- (2aa) Domestic Parent will comply with the reporting requirements of § 6038B and § 1.6038B-1(e)(4), including in respect of Form 926.

## RULINGS

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

### Domestic Sub Conversion

1. The Domestic Sub Conversion will be treated as a distribution in complete liquidation of Domestic Sub under § 332. Section 332 and § 1.332-2(d).
2. Domestic Parent will recognize no gain or loss on the deemed receipt of all assets and liabilities of Domestic Sub in the Domestic Sub Conversion. Section 332(a).

3. Domestic Sub will recognize no gain or loss on the deemed distribution of its assets and liabilities to Domestic Parent in the Domestic Sub Conversion. Section 337(a).
4. Domestic Parent's basis in each asset deemed received from Domestic Sub in the Domestic Sub Conversion will be the same as the basis of that asset in the hands of Domestic Sub immediately before the Domestic Sub Conversion. Section 334(b)(1).
5. Domestic Parent's holding period in each asset deemed received from Domestic Sub in the Domestic Sub Conversion will include the period during which that asset was held by Domestic Sub. Section 1223(2).
6. Domestic Parent will succeed to and take into account, as of the effective date of the Domestic Sub Conversion, the items of Domestic Sub described in § 381(c), subject to the conditions and limitations specified in §§ 381, 382, 383, and 384 and the regulations thereunder. Section 381(a) and § 1.381(a)-1.

#### Domestic Parent Conversion

7. The Domestic Parent Conversion will be treated as a distribution in complete liquidation of Domestic Parent under § 332. Section 332 and § 1.332-2(d).
8. Foreign Parent will recognize no gain or loss on the deemed receipt of all assets and liabilities of Domestic Parent in the Domestic Parent Conversion. Section 332(a).
9. Domestic Parent will recognize no gain or loss on the deemed distribution of its assets and liabilities to Foreign Parent in the Domestic Parent Conversion. Section 337(a).
10. Foreign Parent's basis in each asset deemed received from Domestic Parent in the Domestic Parent Conversion will be the same as the basis of that asset in the hands of Domestic Parent immediately before the Domestic Parent Conversion. Section 334(b)(1).
11. Foreign Parent's holding period in each asset deemed received from Domestic Parent in the Domestic Parent Conversion will include the period during which that asset was held by Domestic Parent. Section 1223(2).
12. Foreign Parent will succeed to and take into account, as of the effective date of the Domestic Parent Conversion, the items of Domestic Parent described in

§ 381(c), subject to the conditions and limitations specified in §§ 381, 382, 383, and 384 and the regulations thereunder. Section 381(a) and § 1.381(a)-1.

13. Additionally, based solely on the information submitted, the representations set forth above, the specific circumstances in this case, the entry into the closing agreement attached hereto and made part hereof, and continuing to meet the requirements of § 1.367(e)-2, it is ruled as follows:

Domestic Parent will not recognize gain on the distribution of the shares of Sub 7 in liquidation to Foreign Parent under § 367(e)(2) and the regulations thereunder. Section 1.367(e)-2(b)(2)(iii) and 1.367(e)-2(d).

#### CAVEATS

We will, accordingly, approve a closing agreement with the taxpayer with respect to those issues affecting its tax liability on the basis set forth above. The necessary closing agreement for Domestic Parent, Foreign Parent, and Global Parent has been prepared in triplicate and is enclosed. In pursuance of our practice with respect to such agreements, the agreement contains a stipulation to the effect that any change or modification of applicable statutes enacted subsequent to the date of this agreement and made applicable to the taxable period involved will render the agreement ineffective to the extent that it is dependent upon such statutes.

Except as specifically provided herein, we express no opinion concerning the tax consequences of any aspect of any matter or item discussed or referenced in this letter.

#### PROCEDURAL STATEMENTS

This letter is directed only to the taxpayer who requested it. Section 6110(k)(3) of the Code provides that this letter 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 return that provides the date and control number of the letter ruling.

Pursuant to the power of attorney on file with this office, a copy of this letter is being sent to your authorized representative.

Sincerely,

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Gerald B. Fleming  
Senior Technician Reviewer, Branch 2  
Office of Associate Chief Counsel (Corporate)

cc: