

Internal Revenue Service

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Department of the Treasury
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TY:

LEGEND

Distributing =

Controlled =

FSub1 =

FSub2 =

FSub3 =

FSub4 =

FSub5 =

FDE1 =

FDE2 =

FDE3 =

FDE4 =

FDE5 =

FDE6 =

FDE7 =

LLC 1 =

USSub1 =

USSub2 =

State X =

Country A =

Country B =

Country C =

Country D =

Country E =

Country F =

Country G =

Business A =

Business B =

Dear :

This letter responds to your authorized representatives' letter dated July 24, 2015, requesting rulings on certain Federal income tax consequences of a proposed transaction (the "Proposed Transaction"). The information provided in that letter and in later correspondence is summarized below.

The rulings contained in this letter are based upon information and representations submitted by the taxpayer and accompanied by a penalty of perjury statement executed by an appropriate party. While this office has not verified any of the material submitted in support of the request for rulings, it is subject to verification on examination.

This letter and the ruling contained herein are issued pursuant to section 6.03 of Rev. Proc. 2015-1, 2015-1 I.R.B. 1, 17, regarding a significant issue under section 355 and only addresses a discrete legal issue involved in the transaction. This Office expresses no opinion as to the overall tax consequences of the transaction described in this letter, or as to any issue not specifically addressed by the ruling below.

FACTS

Distributing is a State X corporation that is publicly traded and is the common parent of an affiliated group the includible corporations of which join in the filing of a consolidated Federal income tax return.

Distributing wholly owns FSub1, a Country A entity treated as a corporation for Federal income tax purposes, and LLC 1.

FSub1 wholly owns FSub2, a Country B entity treated as a corporation for Federal income tax purposes. FSub2 owns FDE1, a Country C entity treated as a disregarded entity for Federal income tax purposes (a “disregarded entity”), FDE2, a Country D disregarded entity, and FDE5, a Country E disregarded entity. FDE1 and FDE2 cumulatively own all of the interests in FDE3, a Country D disregarded entity. FDE3 wholly owns FDE4, a Country D disregarded entity. FDE4 wholly owns FSub3, a Country D corporation. FSub3 wholly owns FDE6, a Country F disregarded entity. FDE6 wholly owns FDE7, a Country G disregarded entity. FDE6 also wholly owns FSub4, a Country G corporation.

LLC 1 wholly owns USSub1. USSub1 wholly owns USSub2. USSub2 wholly owns FSub5, a Country F corporation.

Distributing has been engaged in the conduct of Business A and Business B.

PROPOSED TRANSACTION

Distributing is entering into the Proposed Transaction in order to separate Business A from Business B in Country G. The relevant steps of the Proposed Transaction are set forth below:

- (i) Distributing will form Controlled.
- (ii) FDE7 and FSub4 will distribute cash and/or reserves to FDE6 under Country G law.
- (iii) FDE6 will contribute all of the shares of FSub4 to FDE7 in exchange for additional shares in FDE7. FDE7 will elect to be regarded as a corporation for Federal income tax purposes.
- (iv) FDE6 will sell the shares of FDE7 to FSub5 in exchange for an unsecured interest-bearing note with a principal amount equal to the fair market value of 100 percent of the shares of FDE7 (the “Note”).

- (v) FDE 6 will distribute the Note through the corporate ownership chain through each intermediary holding company to Distributing in a series of distributions, as follows:
 - a. FDE6 will distribute the Note to FSub3.
 - b. FSub3 will distribute the Note to FDE4.
 - c. FDE4 will transfer the Note to FDE5 in partial payment of pre-existing debt owed by FDE4 to FDE5.
 - d. FDE5 will distribute the Note to FSub2.
 - e. FSub2 will distribute the Note to FSub1.
 - f. FSub1 will distribute the Note to Distributing.
- (vi) Distributing will contribute the Note down through the corporate ownership chain through each intermediary company to FSub5 in a series of contributions, as follows:
 - a. Distributing will contribute the Note to LLC 1 for no consideration.
 - b. LLC 1 will contribute the Note to USSub1 for no consideration.
 - c. USSub1 will contribute the Note to USSub2 for no consideration.
 - d. USSub2 will contribute the Note to its wholly owned subsidiary FSub5 in exchange for additional shares in FSub5 (which it already wholly owned). The Note in the hands of FSub5 will be cancelled.
- (vii) Distributing will contribute LLC 1 to Controlled.
- (viii) Distributing will distribute the stock of Controlled to Distributing's shareholders.

REPRESENTATIONS

- (a) The Note issued as part of the Proposed Transaction by FSub5 to FDE6 will not constitute stock or securities for Federal income tax purposes.
- (b) Steps (iv), (v), and (vi) will each occur pursuant to a binding commitment.

RULING

Based solely on the information submitted and the representations set forth above, we rule that for Federal income tax purposes, the transactions described in Steps (iv) through (vi) are circular and therefore disregarded for Federal income tax purposes. See Rev. Rul. 77-191, 1977-1 C.B. 94; Rev. Rul. 57-311, 1957-2 C.B. 243; and Rev. Rul. 83-142, 1983-2 C.B. 68. Accordingly, the transaction in Steps (iv) through (vi) will be treated as if:

- (a) FSub3 distributed the shares of FDE7 to FSub2;
- (b) FSub2 distributed the shares of FDE7 to FSub1;

- (c) FSub1 distributed the shares of FDE7 to Distributing;
- (d) Distributing contributed the shares of FDE7 to USSub1;
- (e) USSub1 contributed the shares of FDE7 to USSub2;
- (f) USSub2 contributed the shares of FDE7 to FSub5.

CAVEATS

Except as expressly stated in the ruling section herein, no opinion is expressed or implied concerning the tax consequences of any aspect of any transaction or item discussed or referenced in this letter.

PROCEDURAL STATEMENTS

This ruling 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.

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.

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

Sincerely,

Mark J. Weiss

Mark J. Weiss
Chief, Branch 2
Office of Associate Chief Counsel (Corporate)

cc: