

Internal Revenue Service

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Date:
June 20, 2017

Legend

Parent =

USS1 =

USS2 =

Target =

Nominee =

FinCo =

Business A =

Laws =

Country X =

Country Y =

Exchange =

Eligible Entity =

a =

b =

c =

d =

e =

f =

g =

Dear :

This letter responds to your authorized representatives' letter dated December 21, 2016 requesting rulings on certain federal income tax consequences of a proposed transaction (the "Proposed Transaction"). The information provided in that request and in subsequent correspondence is summarized below.

The rulings contained in this letter are based upon information 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.

This letter is issued pursuant to section 6.03 of Rev. Proc. 2016-1, 2016-1 I.R.B. 1 regarding one or more significant issues under section 368. The rulings contained in this letter only address one or more discrete legal issues involved in the Proposed Transaction. This Office expresses no opinion as to the overall tax consequences of the Proposed Transaction or as to any issue not specifically addressed by the rulings below.

FACTS

Parent is a U.S. publicly traded corporation and the parent of a worldwide group of entities. Parent is also the common parent of an affiliated group of corporations that files a U.S. consolidated federal income tax return. Parent owns all the stock of USS1 and USS1 owns all of the stock of USS2.

Target is a Country X public company, engaged in Business A. Target has a single class of voting shares outstanding, and the shares are listed and traded on the Exchange. USS2 is the beneficial owner of approximately a% of Target, with the remaining approximately b% held by the public (the "Public Shareholders"). USS2's beneficial interest in Target is currently held through Nominee, an entity disregarded as separate from USS2 for federal income tax purposes. It is anticipated that prior to the Proposed Transaction described below, Nominee will transfer the legal title to the a% Target shares it holds to USS2 before the winding up of Nominee.

PROPOSED TRANSACTION

In order to make Target a wholly owned subsidiary of USS2, while complying with Country X laws, the following steps will be implemented (The "Proposed Transaction"). Many of the steps will be effected pursuant to the Laws of Country X (the "Scheme").

- (i) USS1 will form FinCo under the laws of Country Y.
- (ii) USS2 will form NewCo in Country X with capital of approximately c.
- (iii) Pursuant to Country X laws, Target will obtain a court order for Public Shareholders to vote on the Scheme.
- (iv) Following an affirmative vote from the Public Shareholders and obtaining the proper court orders required under Country X laws, the following will be implemented: (a) the Target stock held by the Public Shareholders will be transferred to NewCo; (b) in exchange for their Target stock, the Public Shareholders will receive approximately d per share consideration in the form of NewCo notes ("NewCo Notes"); and (c) the Target stock owned by USS2 will be transferred to NewCo in exchange for NewCo stock of equal value.

NewCo will pay off the NewCo Notes within a short period of time, and pursuant to Country X laws, such payment will occur no later than e days after issuance. In addition, solely to satisfy certain requirements under the regulations of Country X, the NewCo Notes will be guaranteed by Parent (the "Parent Guarantee").

- (v) The day after step (iv), Target will pass a special resolution to convert to a Country X Eligible Entity and will convert thereafter.

- (vi) Following the conversion, Target will elect to be treated as a disregarded entity for federal income tax purposes.
- (vii) USS1 will transfer approximately \underline{f} to USS2 in exchange for equity, debt, or a combination of both.
- (viii) USS1 will transfer approximately \underline{g} to FinCo in exchange for equity, debt, or a combination of both.
- (ix) At least one day after step (vi), USS2 will contribute approximately \underline{f} to NewCo in exchange for additional shares of NewCo ("Equity Contribution") and NewCo will borrow approximately \underline{g} from FinCo in various tranches including short term debt (the debt, "NewCo Financing Debt," and the borrowing, "Debt Financing"). The funds resulting from the Equity Contribution and the Debt Financing ($\underline{f} + \underline{g}$ in total) will be used to settle the NewCo Notes issued in step (iv).

REPRESENTATIONS

- (a) The NewCo Financing Debt is debt for federal income tax purposes. The NewCo Financing Debt will remain outstanding following the Proposed Transaction, and NewCo will repay such debt in accordance with its terms.
- (b) The Parent Guarantee, in step (iv), is required for Country X regulatory purposes.
- (c) Steps (iv) through (vi), without regard to the issues addressed in the rulings herein, will qualify as a reorganization under section 368(a)(1)(F).

RULINGS

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

1. For federal income tax purposes, the NewCo Notes issued in step (iv) will be disregarded, and instead: (a) to the extent the NewCo Notes are settled with funds from the Debt Financing, Target will be treated as redeeming its shares from the Public Shareholders, and (b) to the extent the NewCo Notes are settled with funds from the Equity Contribution, USS2 will be treated as directly purchasing Target stock from the Public Shareholders immediately before step (iv). Cf. Waterman Steamship Corp. v. Comm'r, 430 F.2d 1185 (5th Cir. 1970); Rev. Rul. 79-273, 1979-2 C.B. 125.

2. The Parent Guarantee will not preclude steps (iv) through (vi) from qualifying as a reorganization under section 368(a)(1)(F).
3. The Debt Financing will not preclude steps (iv) through (vi) from qualifying as a reorganization under section 368(a)(1)(F). Treas. Reg. § 1.368-2(m)(1)(ii).

CAVEATS

Except as expressly provided herein, no opinion is expressed or implied concerning the tax treatment of the Proposed Transaction under any provision of the Code and regulations or the tax treatment of any condition existing at the time of, or effects resulting from, the Proposed Transaction that is not specifically covered by the above rulings.

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.

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

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.

Sincerely,

Julie T. Wang
Assistant to the Branch Chief, Branch 1
Office of Associate Chief Counsel
(Corporate)

cc: