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Dear :

This letter is in response to your letter dated April 23, 2021, and supplemented by additional letters requesting rulings on certain federal income tax consequences of a proposed transaction described below (the "Proposed Transaction"). The information submitted in that request and in later correspondence is summarized below.

This letter is issued pursuant to section 6.03(2) of Rev. Proc. 2021-1, 2021-1 I.R.B. 1, regarding one or more significant issues under section 368. The rulings contained in this letter related to section 368 address only one or more significant issues involved in the transaction. This office expresses no opinion as to the overall tax consequences of the transactions described in this letter or as to any issue not specifically addressed by the rulings 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 materials submitted in support of the request for rulings, it is subject to verification on examination.

Facts

HoldCo1 is a Country A company, classified as a corporation for US federal income tax purposes, owned by members of a family of US individuals (each a "family member"). HoldCo1 owns stock in HoldCo2 representing a% of the voting power and b% of the value of all stock of HoldCo2.

HoldCo2 is a Country A company, classified as a corporation for US federal income tax purposes. Aside from the stock held by HoldCo1, the remainder of HoldCo2's stock is held directly by family members. HoldCo2's principal asset is c% of the single class of stock of OpCo; the OpCo stock represents more than d% of both the gross and net assets of HoldCo2. HoldCo2 also holds Other Assets and cash. HoldCo2 has no significant liabilities.

OpCo is a Country B corporation engaged in Business C. Aside from the c% of its shares held by HoldCo2, e% of its shares are held by its employees, and the remaining f% of its shares are held directly by family members.

OpCo is preparing for its initial public offering. In order to ensure an appropriate stock value for the offering and satisfy certain requirements under the laws of Country A and Country B, HoldCo2 has proposed the following transaction.

Proposed Transaction

To achieve the business purpose described above, HoldCo2 proposes the following steps (collectively, the “Proposed Transaction”):

1. HoldCo2 and the other OpCo shareholders will transfer each of their OpCo shares (par value g of Currency D) to OpCo in exchange for h newly issued shares of OpCo (par value i of Currency D).
2. HoldCo2 will transfer its cash and Other Assets to OpCo in exchange for newly issued shares of OpCo (par value i of Currency D). (Steps 1-2 are collectively the “Exchange.”)
3. Immediately after the Exchange, HoldCo2 will elect under Treas. Reg. § 301.7701-3(c) to be treated as a partnership for US federal income tax purposes. (Steps 1-3 are collectively the “Reorganization.”)
4. OpCo will convert to the Country B entity type suitable for a publicly traded corporation.

Representation

HoldCo2 has made the following representation:

Aside from the issues addressed by the rulings below, the Reorganization will qualify as a reorganization under section 368(a)(1)(D).

Rulings

Based solely on the information submitted and the representation made above, we rule as follows:

1. The Exchange will constitute a transfer of assets from HoldCo2 to OpCo for purposes of section 368(a)(1)(D).
2. HoldCo2’s deemed liquidation under Treas. Reg. § 301.7701-3(g)(1)(i) will constitute a distribution for purposes of sections 368(a)(1)(D) and 354(b)(1)(B).
3. The Reorganization will satisfy the continuity of business enterprise requirement of Treas. Reg. § 1.368-1(d)(1).

Caveats

Except as expressly provided herein, no opinion is expressed or implied concerning the tax treatment of the Proposed Transaction under other provisions of the Internal Revenue Code or regulations thereunder that is not specifically addressed 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.

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

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 (PLR-109797-21) of the letter ruling.

Sincerely,

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

cc: