

Internal Revenue Service

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Department of the Treasury
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None

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Person To Contact:
, ID No.

Telephone Number:

Refer Reply To:
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Date:
September 18, 2014

Legend

Parent =

FPS =

Foreign Parent =

FSub1 =

FSub2 =

Sub1 =

Sub2 =

FSub3 =

FDRE1 =

DRE1 =

FDRE2 =

FDRE3 =

HoldCo =

Business A =

Business B =

Business C =

Country A =

Country B =

State A =

State B =

a =

b =

c =

d =

e =

f =

Date 1 =

Date 2 =

Date 3 =

Date 4 =

Date 5 =

x =

y =

Dear _____ :

This letter responds to your March 19, 2014 letter requesting rulings on certain U.S. federal income tax consequences of a series of transactions (such transactions collectively, the "Transaction"). The material information provided in that letter and in subsequent correspondence is summarized below.

The rulings contained in this letter are based upon facts 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.

Summary of Facts

Prior to the Transaction, FPS, an entity organized under the laws of Country B, treated as a partnership for U.S. federal income tax purposes, and a group of public investors owned a percent and b percent, respectively, of the issued and outstanding ownership interests in Foreign Parent, an entity organized under the laws of Country A and treated as a corporation for U.S. federal income tax purposes. Foreign Parent, along with its subsidiaries (Foreign Parent and its subsidiaries collectively the "Company"), is engaged in Business A, Business B and Business C.

Foreign Parent owned, indirectly through its subsidiaries, f percent of the issued and outstanding ownership interests in FSub1, an entity organized under the laws of Country B and treated as a corporation for U.S. federal income tax purposes. FSub1 owned f percent of the issued and outstanding ownership interests in FDRE1, an entity organized under the laws of Country A and treated as a disregarded entity for U.S. federal income tax purposes. FDRE1 owned f percent of the issued and outstanding ownership interests in Parent, a State A corporation. Parent is the common parent of an affiliated group of corporations that join in the filing of a consolidated tax return for U.S. federal income tax purposes (the "Parent Group").

FDRE1 also owned f percent of the issued and outstanding ownership interests in FSub2, an entity organized under the laws of Country A and treated as a corporation for U.S. federal income tax purposes. FSub2 owned f percent of the issued and outstanding ownership interests in more than x foreign legal entities organized in various foreign jurisdictions (such entities collectively the "FDRE1 Foreign Entities"). The FDRE1 Foreign Entities were not controlled foreign corporations ("CFCs") within the meaning of section 957(a) prior to the Transaction.

Parent owned, indirectly, f percent of the issued and outstanding ownership interests in Sub1, a State B corporation that is a member of the Parent Group. Sub1 owned f percent of the issued and outstanding ownership interests in DRE1, a limited liability company organized under the laws of State B that is treated as a disregarded entity for U.S. federal income tax purposes. DRE1 owned f percent of the issued and outstanding ownership interests in Sub2, a State B corporation. Prior to the Transaction, Sub1 and Sub2 were each members of the Parent Group.

DRE1 also owned f percent of the issued and outstanding ownership interests in FDRE2, an entity organized under the laws of Country A and treated as a disregarded entity for U.S. federal income tax purposes. FDRE2 owned f percent of the issued and outstanding ownership interests in FSub3, an entity organized under the laws of Country A and treated as a corporation for U.S. federal income tax purposes. FSub3 owned, directly and indirectly, f percent of the issued and outstanding ownership interests in more than y foreign legal entities organized in various foreign jurisdictions (such entities collectively the “Parent Group Foreign Entities”), the majority of which are treated as disregarded entities for U.S. federal income tax purposes. FSub3 and the Parent Group Foreign Entities which are treated as corporations for U.S. federal income tax purposes (such entities collectively the “Parent Group Foreign Corporate Entities”) are CFCs.

Prior to the Transaction, significant overlap existed between the place of formation and business operations of the Parent Group Foreign Entities and the FDRE1 Foreign Entities. The Company undertook the Transaction as part of the Global Structure Alignment Plan to consolidate the Parent Group Foreign Entities and the FDRE1 Foreign Entities underneath the Parent Group in order to facilitate the reduction of such overlapping legal entities and simplify its overall global structure.

Prior to the Transaction, the Parent Group had a consolidated overall foreign loss (“COFL”) account, a consolidated separate loss limitation (“CSLL”) account, and an overall domestic loss (“ODL”) account. All income, loss, tax attributes, and COFL and CSLL accounts currently are, and are expected to continue to be, in the section 904(d) general category, except for a small ODL in the passive category.

THE TRANSACTION

Pursuant to a pre-arranged plan and for the business reasons described above, the following transactions were undertaken:

1. On Date 1, Sub1 formed Holdco, a limited liability company organized under the laws of State B. Holdco subsequently made a valid Entity Classification Election (“check-the-box election”) to be treated as a corporation for U.S. federal income tax purposes from its inception. On Date 3, following the date of Contribution 1 but prior to the date of Contribution 2 (each described below), the articles of

incorporation for Holdco were amended to convert Holdco from a limited liability company to a corporation under State B law.

2. On Date 2, Sub1 contributed its ownership interests in DRE1 (along with certain intercompany agreements) to Holdco solely in exchange for all of the issued and outstanding ownership interests in Holdco ("Contribution 1").
3. On Date 4, FDRE1 contributed its ownership interests in FSub2 to FDRE3, a newly formed entity organized under the laws of Country A treated from its inception as a disregarded entity for U.S. federal income tax purposes. Immediately following this transfer, FDRE1 contributed certain assets, including all of its interests in FDRE3, to Holdco solely in exchange for common stock in Holdco ("Contribution 2"). Immediately after Contribution 2, FSub1 and Sub1 owned c percent and d percent, respectively, of the vote and value in the issued and outstanding common stock of Holdco. As a result of Contribution 2, Sub1's ownership of Holdco no longer met the requirement of section 1504(a)(2), and Holdco became the parent of a consolidated group that includes Sub2.

REPRESENTATIONS

Parent makes the following representations with respect to the Transaction:

1. Holdco was an "eligible entity" within the meaning of Treas. Reg. § 301.7701-3 upon its formation.
2. Holdco was an includible corporation within the meaning of section 1504(b) when it made an election to be treated as a corporation for U.S. federal income tax purposes from its inception.
3. The Parent Group constitutes an affiliated group of entities that are eligible to file and file a consolidated U.S. federal income tax return under section 1504, which includes all appropriate members.
4. The Parent Group Foreign Corporate Entities were CFCs within the meaning of section 957(a) at the time of Contribution 1 and remained CFCs after Contribution 1.
5. Contribution 1 qualified as an exchange to which section 351(a) applied.
6. Holdco and its group members have made a valid consolidated return election, and, effective Date 5, the consolidated returns to be filed by the group will include all appropriate members.
7. At the time of Contribution 1, the Parent Group had a COFL and CSLL in its general category as well as a small ODL account in the passive category.

8. Following Contribution 1 and Contribution 2, Sub1 and FSub1 own d percent and c percent, respectively, of the outstanding common stock of Holdco. Holdco has no other class of stock outstanding.

Rulings

Based solely upon the information submitted and the representations made, we rule as follows on the Transaction:

1. Holdco is considered a member of the Parent Group for the time period between Date 1 and Contribution 2.
2. Since Holdco is considered a member of the Parent Group for the time period between Date 1 and Contribution 2, Contribution 1 is an intercompany transaction within the meaning of Treas. Reg. § 1.1502-13(b).
3. Since Contribution 1 is an intercompany transaction within the meaning of Treas. Reg. § 1.1502-13(b), except to the extent required by Treas. Reg. § 1.1502-9(b)(6)(i), no recapture will arise under section 904(f)(3) or section 904(f)(5)(F) at the time of either Contribution 1 or Contribution 2 to reduce the Parent Group's COFL and CSLL accounts that are apportioned at the time of Contribution 2 between the Parent Group, Holdco, and Sub2 under Treas. Reg. § 1.1502-9(c)(2).

Caveats

Except as expressly provided 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 this letter ruling.

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

Sincerely,

Jeffrey L. Parry
Senior Counsel, Branch 3
(International)

cc: