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Date:

March 05, 2014

Legend

Distributing =

Controlled =

Foreign Parent =

FSub1 =

FSub2 =

FSub3 =

FSub4 =

FSub5 =

FSub6 =

FSub7 =

FSub8 =

FSub9 =

FSub10 =

FSub11 =

FSub12 =

FSub13 =

FSub14 =

FSub15 =

FSub16 =

FSub17 =

FSub18 =

FSub19 =

Sub20 =

FSub21 =

FSub22 =

FSub23 =

FSub24 =

LLC1 =

LLC2 =

LLC3 =

LLC4 =

LLC5 =

Branch1 =

Branch2 =

Branch3 =

Business X =

Business Y =

Business Z =

Country A =

Country B =

Country C =

Country D =

State A =

Date 1 =

Date 2 =

Date 3 =

Date 4 =

Date 5 =

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\$i =

\$j =

a% =

b% =

c% =

d% =

e% =

f% =

W =

X =

Y =

Z =

Dear :

This letter responds to a letter dated August 21, 2013, from your authorized representatives, requesting rulings on certain U.S. federal income tax consequences of the Proposed Transaction (defined below). The information provided in that letter and in later correspondence is summarized below.

The rulings contained in this letter are based on facts and representations submitted by the taxpayer and accompanied by a penalty 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. In particular, this office has not reviewed any information pertaining to, and has made no determination regarding, whether the Distribution (defined below): (i) satisfies the business purpose requirement of § 1.355-2(b) of the Income Tax Regulations; (ii) is used principally as a device for the distribution of the earnings and profits of the distributing corporation or the controlled

corporation or both (see § 355(a)(1)(B) of the Internal Revenue Code and § 1.355-2(d)); or (iii) is part of a plan (or series of related transactions) pursuant to which one or more persons will acquire directly or indirectly stock representing a 50-percent or greater interest in the distributing corporation or the controlled corporation (see § 355(e) and § 1.355-7).

SUMMARY OF FACTS

Foreign Parent, a Country A publicly traded corporation, is the parent of a group of multinational affiliated corporations (the “Foreign Parent Group”). Foreign Parent is indirectly engaged in three principal businesses: Business X, Business Y, and Business Z. Foreign Parent wholly owns FSub1, a Country A corporation.

FSub1 wholly owns FSub2 and FSub3, each a Country A corporation, and LLC1, a State A limited liability company treated as a disregarded entity for U.S. federal tax purposes. FSub1 also indirectly wholly owns FSub4, a Country A corporation.

FSub2 wholly owns FSub5, a Country A corporation, and FSub6, a Country B corporation treated as a disregarded entity for U.S. federal tax purposes.

FSub6 wholly owns FSub7, a Country A corporation treated as a disregarded entity for U.S. federal tax purposes.

FSub7 wholly owns FSub8, a Country A corporation treated as a disregarded entity for U.S. federal tax purposes.

FSub8 wholly owns FSub9, a Country C corporation treated as a disregarded entity for U.S. federal tax purposes. FSub8 also owns the Y and Z shares of FSub10, a Country C corporation. FSub9 owns the W and X shares of FSub10.

FSub10, through wholly-owned Branch1, wholly owns FSub11, a Country D corporation treated as a disregarded entity for U.S. federal tax purposes.

FSub11 wholly owns FSub12, a Country A corporation treated as a disregarded entity for U.S. federal tax purposes. FSub11 also owns a% of the shares of FSub13, a Country D corporation. FSub5 owns the remaining b% of the shares of FSub13.

FSub13 wholly owns FSub14, a Country A corporation.

FSub14 wholly owns FSub15, a Country A corporation treated as a disregarded entity for U.S. federal tax purposes.

FSub15, through wholly-owned Branch2, wholly owns FSub16, a Country D corporation.

FSub16 wholly owns FSub17, a Country D corporation treated as a disregarded entity for U.S. federal tax purposes, and FSub18, a Country A corporation.

FSub17 wholly owns FSub19, a Country A corporation.

FSub16 and FSub17 respectively own c% and d% of Distributing, a State A partnership that elected to be treated as an association taxable as a corporation for U.S. federal tax purposes.

Distributing is the common parent of a consolidated U.S. federal income tax group. Distributing actively conducts Business X and Business Y through wholly-owned LLC2, a State A limited liability company treated as a disregarded entity for U.S. federal tax purposes.

LLC2 wholly owns LLC3, which in turn wholly owns LLC4, each of which is a State A limited liability company treated as a disregarded entity for U.S. federal tax purposes. LLC2 also wholly owns Controlled, a State A limited liability company formed on Date 1 that made an initial entity classification election to be treated as an association taxable as a corporation for U.S. federal tax purposes.

Prior to Date 2, LLC4 owned e% of Sub20, a State A corporation engaged in Business Z. LLC1 owned the remaining f% of Sub20. On Date 3, in a transaction independent from the Proposed Transaction (defined below), Distributing separated Business Z in a series of transactions intended to qualify as a tax-free distribution pursuant to § 368(a)(1)(D), § 355, and related provisions (the “Business Z Distribution”). Distributing did not request a ruling with respect to the Business Z Distribution.

As of Date 4, Distributing did not have any non-trade indebtedness to unrelated parties. Distributing, directly and through LLC2, had approximately \$a of debt due to various Foreign Parent Group entities. Of the \$a, Distributing owed approximately \$b to FSub16, and \$c to FSub17. Approximately \$d of the debt owed to FSub16 (the “FSub16 Debt”) was issued on Date 5. Approximately \$e of the debt owed to FSub17 (the “FSub17 Debt”) was issued on Date 6. The remaining \$f of the total \$a debt was owed by LLC2 to FSub4 (the “FSub4 Debt”). The FSub4 Debt was issued on Date 7. Dates 5, 6, and 7 are more than two years prior to the date of the Proposed Transaction (defined below).

Financial information has been received indicating that Business X and Business Y each has had gross receipts and operating expenses representing the active conduct of a trade or business for each of the past five years.

PROPOSED TRANSACTION

For what are represented to be valid corporate business purposes, Distributing desires to separate Business X and Business Y. The separation is intended to be accomplished by the following partially completed series of steps (collectively, the “Proposed Transaction”):

Preliminary Steps

- (1) On Date 8, FSub1 formed FSub21, a Country A corporation. FSub21 made an initial entity classification election to be treated as a disregarded entity for U.S. federal tax purposes.
- (2) On Date 9, FSub21 formed FSub22, a Country A corporation.
- (3) On Date 10, FSub2 made an entity classification election to be treated as a disregarded entity for U.S. federal tax purposes effective Date 11.
- (4) On Date 12, FSub8 contributed its shares in FSub9 to FSub10 in exchange for Y and Z shares in FSub10.
- (5) On Date 13, FSub10’s Y and Z shares were converted to ordinary shares.
- (6) On Date 14, FSub9 merged with and into FSub10 through a simplified Country C merger procedure.
- (7) FSub5 made an entity classification election to be treated as a disregarded entity for U.S. federal tax purposes effective Date 15.
- (8) FSub16 made an entity classification election to be treated as a disregarded entity for U.S. federal tax purposes effective Date 16.
- (9) On Date 17, FSub14 made an entity classification election to be treated as a disregarded entity for U.S. federal tax purposes effective Date 18.
- (10) On Date 2, FSub11 transferred its a% interest in FSub13 to FSub2 for a note (“Loan Note A”).
- (11) On Date 2, FSub11 contributed Loan Note A to FSub12.
- (12) On Date 19, Distributing formed LLC5, a State A limited liability company that is a tax resident of Country A. LLC5 made an initial entity classification election to be treated as a disregarded entity for U.S. federal tax purposes.
- (13) On Date 3, FSub13 made an entity classification election to be treated as a disregarded entity for U.S. federal tax purposes effective Date 20.

- (14) On Date 3, Distributing transferred all of the membership interests in LLC2 to LLC5 in exchange for membership interests in LLC5 and a note ("Loan Note B").
- (15) On Date 21, FSub18 made an entity classification election to be treated as a disregarded entity for U.S. federal tax purposes effective Date 22.
- (16) On Date 23, FSub1 borrowed g Country A currency from FSub3.
- (17) On Date 23, FSub1 contributed the g Country A currency borrowed in Step (16) to FSub21.
- (18) On Date 23, FSub21 contributed the g Country A currency received in Step (17) to FSub22.
- (19) On Date 23, FSub22 deposited the g Country A currency received in Step (18) with FSub3 in exchange for a note ("Loan Note C").

Spin-off Steps

- (20) On Date 24, LLC2 contributed to Controlled all of the assets related to Business Y in exchange for (i) additional Controlled shares (the "Controlled Shares"), (ii) securities (the "Controlled Securities"), and (iii) the assumption by Controlled of the liabilities associated with Business Y as of Date 24, including liabilities that are deductible for U.S. federal income tax purposes (the "Deductible Liabilities") (collectively, the "Contribution").
- (21) Upon the receipt of a favorable private letter ruling, LLC2 will incorporate FSub23, a new Country D finance corporation. FSub23 will make an initial entity classification election to be treated as a disregarded entity for U.S. federal tax purposes.
- (22) LLC2 will contribute the Controlled Securities to FSub23.
- (23) LLC2 will distribute the Controlled Shares and all of the shares of FSub23 to LLC5.
- (24) LLC5 will distribute the Controlled Shares and all of the shares of FSub23 to Distributing.
- (25) Distributing will distribute (i) all of the Controlled Shares to FSub16 and FSub17 pro-rata with respect to their shares of Distributing (the "Share Distribution"), (ii) FSub23 shares with a fair market value of approximately \$h to FSub16 in satisfaction of a portion of the FSub16 Debt (the "FSub16 Securities Exchange"), and (iii) the remaining FSub23 shares with a fair market value of approximately \$i to FSub17 in satisfaction of a portion of the FSub17 Debt (the

“FSub17 Securities Exchange”) (the FSub16 Securities Exchange and FSub17 Securities Exchange, the “Securities Exchanges”) (collectively, the “Distribution”).

Post-Spin-off Steps

- (26) FSub12 will distribute Loan Note A to FSub2 through FSub11, Branch1, FSub10, FSub8, FSub7, and FSub6, and Loan Note A will self-cancel.
- (27) FSub21 will incorporate FSub24, a new Country A corporation with wholly-owned Country D branch (“Branch3”). FSub24 will make an initial entity classification election to be treated as a disregarded entity for U.S. federal tax purposes.
- (28) FSub15 will refinance its existing \$1 debt owed by Branch2.
- (29) FSub1 will acquire the Controlled Shares from FSub16 and FSub17 in exchange for notes (“Loan Note D” and “Loan Note E,” respectively).
- (30) FSub1 will acquire all of the shares of FSub23 from FSub16 and FSub17 in exchange for notes (“Loan Note F” and “Loan Note G,” respectively).
- (31) FSub1 will contribute the Controlled Shares and all of the shares of FSub23 to FSub21.
- (32) FSub21 will contribute all of the shares of FSub23 to FSub24.
- (33) FSub24 will contribute all of the shares of FSub23 to Branch3 in exchange for a note (“Loan Note H”).
- (34) FSub16 will contribute Loan Notes D and F to FSub18.
- (35) FSub19 will make an entity classification election to be treated as a disregarded entity for U.S. federal tax purposes.
- (36) After the effective date of Step (35), FSub17 will contribute Loan Notes E and G to FSub19.
- (37) FSub1 will contribute all of the shares of FSub21 to FSub2.
- (38) FSub18 will distribute Loan Notes D and F to FSub16.
- (39) FSub19 will distribute Loan Notes E and G to FSub17.
- (40) FSub17 will distribute Loan Notes E and G to FSub16.

- (41) FSub16 will distribute Loan Notes D, E, F, and G to FSub1 through Branch2, FSub15, FSub14, FSub13, FSub5, and FSub2, and Loan Notes D, E, F, and G will self-cancel.

It is anticipated that after the Proposed Transaction, Distributing's employees will provide certain administrative, tax, and finance services to Controlled. Distributing and Controlled will enter into a contract pursuant to which Controlled will pay Distributing for providing such services at rates consistent with parties bargaining at arm's-length (the "Continuing Relationships").

REPRESENTATIONS

The following representations have been made in connection with the Proposed Transaction:

- (a) There will be no indebtedness between Controlled and Distributing after the Distribution.
- (b) No part of the Controlled Shares to be distributed by Distributing will be received by a shareholder as a creditor, employee, or in any capacity other than that of a shareholder of Distributing.
- (c) No part of the Controlled Securities to be distributed by Distributing in the Securities Exchanges will be received by a security holder as an employee, shareholder, or in any capacity other than that of a security holder of Distributing.
- (d) The five years of financial information submitted on behalf of Business X is representative of the present operations of Business X, and with regard to Business X, there have been no substantial operational changes since the date of the last financial statements submitted.
- (e) The five years of financial information submitted on behalf of Business Y is representative of the present operations of Business Y, and with regard to Business Y, there have been no substantial operational changes since the date of the last financial statements submitted.
- (f) Each of Distributing and Controlled is directly engaged in an active business.
- (g) Following the Distribution, Distributing and Controlled will each continue the active conduct of its business, independently and with its separate employees.
- (h) The Distribution is being carried out for the following corporate business purposes: (i) to improve the fit and focus of both Business X management and Business Y management, (ii) to facilitate expansion and growth strategies for Business Y, (iii) to increase transparency of the financial results and other

aspects of the current and expected future performance of Business Y, and (iv) to facilitate and increase the options for increasing the value of Business Y through partnerships and other arrangements with third parties. The Distribution is motivated, in whole or substantial part, by one or more of these corporate business purposes.

- (i) The Distribution is not used principally as a device for the distribution of the earnings and profits of Distributing or Controlled or both.
- (j) The Distribution is not part of a plan or series of related transactions (within the meaning of § 1.355-7) pursuant to which one or more persons will acquire directly or indirectly stock representing a 50-percent or greater interest (within the meaning of § 355(d)(4)) in Distributing or Controlled (including any predecessor or successor of any such corporation).
- (k) The total fair market value of the assets Distributing transferred to Controlled in the Contribution exceeded the sum of: (i) the amount of any liabilities assumed (within the meaning of § 357(d)) by Controlled in the Contribution; (ii) the amount of any liabilities owed to Controlled by Distributing that were discharged or extinguished in connection with the Contribution; and (iii) the amount of any money and the fair market value of any other property (other than stock and securities permitted to be received under § 361(a) without the recognition of gain) received by Distributing from Controlled in the Contribution. The fair market value of the assets of Controlled exceeded the amount of its liabilities immediately after the Contribution.
- (l) The total adjusted basis of the assets Distributing transferred to Controlled in the Contribution equaled or exceeded the sum of: (i) the amount of any liabilities assumed (within the meaning of § 357(d)) by Controlled in the Contribution (other than the Deductible Liabilities); and (ii) the sum of any money and the fair market value of any other property (within the meaning of § 361(b)) received by Distributing from Controlled in the Contribution and transferred by Distributing to its creditors in connection with the reorganization.
- (m) The liabilities assumed by Controlled in the Contribution and the liabilities to which the transferred assets are subject were incurred in the ordinary course of business and were associated with the assets being transferred by Distributing to Controlled.
- (n) The income tax liability for the taxable year in which investment credit property (including any building to which § 47(d) applies) is transferred will be adjusted pursuant to § 50(a)(1) or (a)(2) (or § 47, as in effect before amendment by Public Law 101-508, Title 11, 104 Stat. 1388, 536 (1990), if applicable) to reflect an early disposition of the property.

- (o) No intercorporate debt will exist between Distributing (or any of its subsidiaries) and Controlled at the time of the Distribution, and no intercorporate debt will exist between Distributing (or any of its subsidiaries) and Controlled subsequent to the Distribution (except as may exist or arise (i) in the ordinary course of business such as trade receivables and payables, or (ii) with respect to payments pursuant to any continuing relationships between Distributing (or any of its subsidiaries) and Controlled).
- (p) Immediately before the Distribution, items of income, gain, loss, deduction, and credit will be taken into account as required by the applicable intercompany transaction regulations (see § 1.1502-13 and § 1.1502-14 as in effect before the publication of T.D. 8597, 1995-32 I.R.B. 6, and as currently in effect; § 1.1502-13 as published by T.D. 8597). Further, Distributing's excess loss account with respect to the Controlled stock, if any, will be included in income immediately before the Distribution (see § 1.1502-19).
- (q) Payments made in connection with all Continuing Relationships will be for fair market value based on terms and conditions consistent with parties bargaining at arm's-length.
- (r) Neither Distributing nor Controlled is an investment company as defined in § 368(a)(2)(F)(iii) and (iv).
- (s) Immediately after the transaction (within the meaning of § 355(g)(4)), either (i) any person that holds a 50-percent or greater interest (within the meaning of § 355(g)(3)) in any disqualified investment corporation (within the meaning of § 355(g)(2)) will have held such an interest in such corporation immediately before the transaction or (ii) neither Distributing nor Controlled is or will be a disqualified investment corporation for purposes of § 355(g).
- (t) Distributing, Controlled, and their respective shareholders will each pay their own expenses, if any, incurred in connection with the Distribution.
- (u) For purposes of § 355(d), immediately after the Distribution, no person (determined after applying the aggregation rules of § 355(d)(7)) will hold stock possessing 50 percent or more of the total combined voting power of all classes of Distributing stock entitled to vote, or 50 percent or more of the total value of shares of all classes of Distributing stock, that was acquired by purchase (as defined in § 355(d)(5) and (8)) during the five-year period (determined after applying § 355(d)(6)) ending on the date of the Distribution.
- (v) Neither Business X nor control of an entity conducting this business will have been acquired during the five-year period ending on the date of the Distribution in a transaction in which gain or loss was recognized (or treated as recognized) in whole or in part.

- (w) For purposes of § 355(d), immediately after the Distribution, no person (determined after applying the aggregation rules of § 355(d)(7)) will hold stock possessing 50 percent or more of the total combined voting power of all classes of Controlled stock entitled to vote, or 50 percent or more of the total value of shares of all classes of Controlled stock, that was either (i) acquired by purchase (as defined in § 355(d)(5) and (8)) during the five-year period (determined after applying § 355(d)(6)) ending on the date of the Distribution or (ii) attributable to distributions on Distributing stock, that was acquired by purchase (as defined in § 355(d)(5) and (8)) during the five-year period (determined after applying § 355(d)(6)) ending on the date of the Distribution.
- (x) Neither Business Y nor control of an entity conducting this business will have been acquired during the five-year period ending on the date of the Distribution in a transaction in which gain or loss was recognized (or treated as recognized) in whole or in part.
- (y) The Controlled Securities will constitute securities for purposes of § 355(a) and § 361(a).
- (z) All of Distributing's debt to be repaid with Controlled Securities was incurred prior to the date on which the Foreign Parent Group first began taking steps to consider the Proposed Transaction.
- (aa) The incurrence of the liabilities of Distributing to be assumed by Controlled in the Contribution will not have resulted in the creation of, or increase in, basis of any assets of Distributing or Controlled, or the stock of Distributing or Controlled.
- (bb) The Deductible Liabilities will be accrued liabilities of Distributing for financial accounting purposes, but will not meet the timing requirements for a deduction by Distributing before the Contribution under Distributing's method of tax accounting. The Deductible Liabilities will meet the timing requirements for a deduction by Controlled after the Contribution under Controlled's method of tax accounting.
- (cc) Neither Distributing nor Controlled will have been a United States real property holding corporation (as defined in § 897(c)(2)) at any time during the five-year period ending on the date of the Distribution.

RULINGS

Based solely on the information submitted and the representations provided, we rule as follows in connection with the Spin-off Steps:

- (1) The Contribution, followed by the Distribution, will qualify as a reorganization within the meaning of § 368(a)(1)(D). Distributing and Controlled each will be “a party to a reorganization” under § 368(b).
- (2) Distributing will recognize no gain or loss on the Contribution (§§ 361(a), 357(a)).
- (3) Controlled will recognize no gain or loss on the Contribution (§ 1032(a)).
- (4) Controlled’s basis in each asset received in the Contribution will be the same as the basis of that asset in the hands of Distributing immediately before its transfer (§ 362(b)).
- (5) Controlled’s holding period in each asset received from Distributing in the Contribution will include the period during which Distributing held that asset (§ 1223(2)).
- (6) Distributing will recognize no gain or loss on the Share Distribution (§ 361(c)(1)).
- (7) Distributing will recognize no gain or loss on the Securities Exchanges (§ 361(c)(3)). (To the extent permitted or required under general tax principles, Distributing will recognize any (i) deductions attributable to the fact that Distributing’s debt may be redeemed at a premium, (ii) income attributable to the fact that Distributing’s debt may be redeemed at a discount, and (iii) interest expense accrued with respect to Distributing’s debt.)
- (8) No gain or loss will be recognized by (and no amount will be included in the income of) FSub1 on the receipt of the Controlled Shares in the Share Distribution (§ 355(a)(1)).
- (9) The basis of the Distributing and Controlled stock in the hands of FSub1 immediately after the Distribution will equal the basis of the Distributing stock held by FSub1 immediately before the Distribution, allocated between the stock of Distributing and Controlled in proportion to the fair market value of each immediately following the Distribution in accordance with § 1.358-2(a)(2) (§ 358(b)(2), 358(c)).
- (10) The holding period of the Controlled stock received by FSub1 will include the holding period of the Distributing stock with respect to which the Distribution is made, provided that the Distributing stock is held as a capital asset on the date of the Distribution (§ 1223(1)).
- (11) The Deductible Liabilities assumed by Controlled in the Contribution will be excluded in determining the amount of liabilities of Distributing assumed by Controlled or to which property transferred to Controlled is subject for purposes of § 357(c).

- (12) As provided in § 312(h), proper allocation of the earnings and profits of Distributing and Controlled will be made under § 1.312-10(a).

Caveats

We express no opinion about the tax treatment of the Proposed Transaction under other provisions of the Code and regulations, or the tax treatment of any conditions existing at the time of, or effects resulting from, the Proposed Transaction that are not specifically covered by the above rulings. In particular, we express no opinion regarding: (i) whether the Distribution satisfies the business purpose requirement of § 1.355-2(b); (ii) whether the Distribution is used principally as a device for the distribution of the earnings and profits of Distributing or Controlled or both (see § 355(a)(1)(B) and § 1.355-2(d)); and (iii) whether the Distribution is part of a plan (or series of related transactions) pursuant to which one or more persons will acquire directly or indirectly stock representing a 50-percent or greater interest in Distributing or Controlled (see § 355(e) and § 1.355-7). In addition, we express no opinion regarding the federal income tax consequences of any of the Preliminary Steps or Post-Spin-off Steps, or as to whether the Deductible Liabilities are, in fact, deductible for U.S. federal income tax purposes.

Procedural Statements

This ruling letter is directed only to the taxpayer who requested it. Section 6110(k)(3) 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 ruling letter.

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

Sincerely,

Isaac W. Zimbalist

Isaac W. Zimbalist
Senior Technician Reviewer, Branch 5
Office of Associate Chief Counsel (Corporate)

cc: