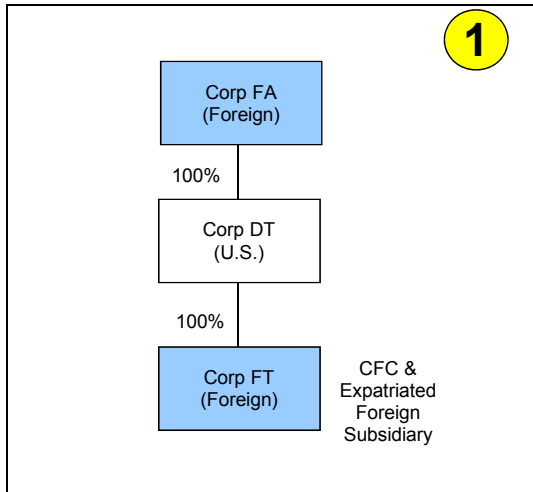
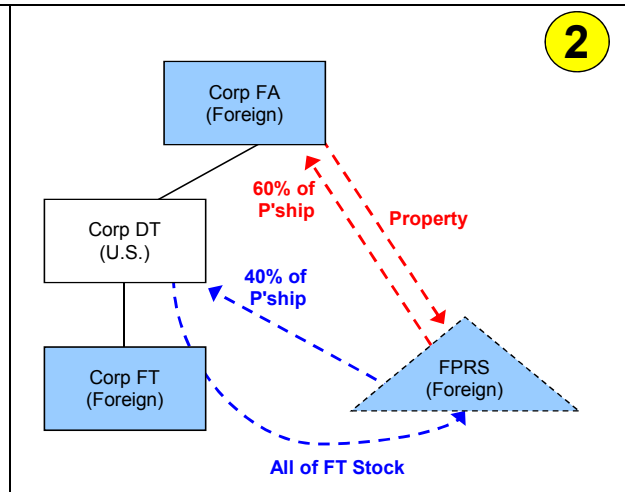


**Invalidation of Post-Inversion CFC  
Decontrol Attempt Via Partnership**

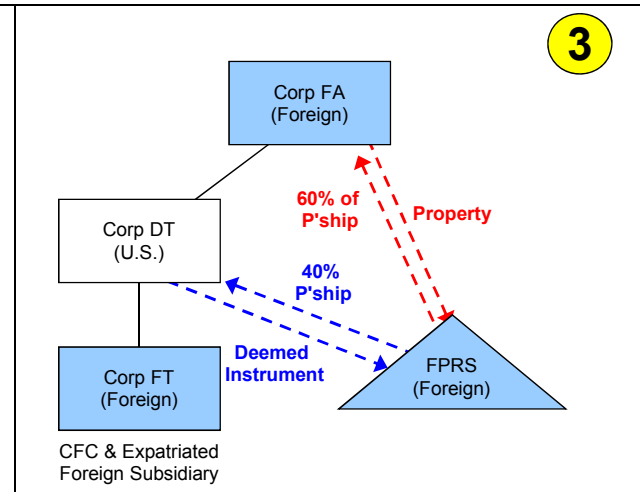
**Initial Structure**



**Contributions to Partnership**



**Recharacterization**



FA, a foreign corporation, wholly owns DT, a domestic corporation, which, in turn, wholly owns FT, a foreign corporation that is a CFC. FA acquired DT in an inversion transaction that was completed on January 1, 2015. Accordingly, DT is a domestic entity and FT is an expatriated foreign subsidiary. On February 1, 2015, DT transfers all of the stock of FT to FPRS, a foreign partnership, in exchange for 40% of the capital and profits interests in the partnership. Furthermore, FA contributes property to FPRS in exchange for the other 60% of the capital and profits interests.

DT's transfer of the FT stock is a specified transaction, because stock of an expatriated foreign subsidiary was transferred to a specified related person (FPRS). Under the principles of section 3.02(e)(i)(A) of Notice 2014-52, DT's transfer of the FT stock is recharacterized as follows, with the result that FT continues to be a CFC:

- (1) FPRS is treated as having issued 40% of its capital and profits interests to DT in exchange for a deemed instrument treated as having been issued by DT.
- (2) DT is treated as continuing to own all of the stock of FT.

(3) Any distribution with respect to the FT stock actually acquired by FPRS will be treated as a distribution to DT, which, in turn, will be treated as making a matching distribution with respect to the deemed instrument that DT is treated as having issued to FPRS. FT is treated as the paying agent of DT with respect to the deemed instrument issued by DT to FPRS.

**FT Stock Distribution Deemed Transactions**

