Internal Revenue Service

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Department of the Treasury
Washington, DC 20224

Third Party Communication: None
Date of Communication: Not Applicable

Person To Contact:
, ID No.

Telephone Number:

Refer Reply To:
CC:CORP:B05
PLR-123055-15

Date:
December 29, 2015

Legend

Distributing =

Sub 1 =

Sub 2 =

Sub 3 =

Sub 4 =

FSub 1 =

FSub 2 =

FSub 3	=
DRE 1	=
DRE 2	=
DRE 3	=
FDRE 1	=
Asset A	=
Asset B	=
Asset C	=
Asset D	=
Delayed Transfer Agreement	=

Individual A =

Individual B =

Business =

Business A =

Business B =

Component A of Business B =

Revenue Source =

Specific Services =

Distribution Agreement =

Production Services Agreement =

Intellectual =

Property A

Intellectual Property B	=
Specified Event	=
State A	=
State B	=
Country A	=
Date A	=
a	=
b	=
c	=
d	=
e	=
f	=
g	=
h	=
i	=
j	=
k	=

Dear :

This letter responds to your letter dated July 2, 2015, requesting rulings on certain federal income tax consequences of the Proposed Transaction (defined below). The information provided in that letter and in subsequent correspondence is summarized below.

The rulings contained in this letter are based on facts 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 material 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. 2015-1, 2015-1 I.R.B. 1, regarding one or more significant issues under §§ 332, 351, 355, 368, or 1036. The rulings contained in this letter only address one or more discrete legal issues involved in the transactions. 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.

SUMMARY OF FACTS

Distributing is a publicly traded corporation, the parent of a worldwide group of entities (the "Distributing Worldwide Group"), and the common parent of an affiliated group of corporations that join in filing a consolidated federal income tax return (the "Distributing Consolidated Group"). Individual A directly and indirectly owns a% of the single class of common stock of Distributing and directly participates in the management or operation of Distributing. Distributing is aware of b institutional shareholders that, as of Date A, beneficially held 5% or more of the stock of Distributing, but none of these shareholders actively participate in the management or operation of Distributing.

Distributing directly owns all of the stock of Sub 1 and FSub 1, and all of the equity interests in DRE 1, DRE 2, and DRE 3. Distributing directly and indirectly owns all of the stock of Sub 2 and FSub 2. Sub 1 directly owns all of the stock in Sub 3 and Sub 4. Sub 2 owns all of the equity interests in FDRE 1. Sub 3 directly owns Asset A and Asset B. FSub 1 directly owns all of the stock of FSub 3 and Asset C. FSub 3 directly owns Asset D. Distributing holds a note of FSub 1 with a principal amount of $c (the "FSub 1 Note").

The Distributing Worldwide Group is engaged in Business. Business has two divisions, Business A and Business B. Distributing has submitted financial information that indicates that Business A annually had gross receipts and operating expenses representing the active conduct of a trade or business for each of the past five years, and that Component A of Business B has annually had gross receipts and operating expenses representing the active conduct of a trade or business for each of the past five years. For each year documented, Component A of Business B has generated gross receipts from Revenue Source.

PROPOSED TRANSACTION

For what are represented as valid business purposes, Distributing and its affiliates propose to undertake the following steps (collectively, the “Proposed Transaction”) in the order set forth below:

(i) Sub 3 will convert to a State A limited liability company (“DRE 4”) under State A law (the “Sub 3 Liquidation”).

(ii) Sub 1 will merge with and into Distributing under State B law, with Sub 1 ceasing to exist and Distributing surviving as the legal entity (the “Sub 1 Liquidation”).

(iii) Distributing will form Newco LLC, a State B limited liability company.

(iv) DRE 4 will transfer Asset B and related liabilities to Newco LLC.

(v) Distributing expects to contribute a portion of the FSub 1 Note to Newco LLC.

(vi) It is expected that, through a series of transactions, FSub 1 and FSub 3 will restructure the ownership of Asset C and Asset D.

(vii) It is expected that Newco LLC will acquire from FSub 1 (or its successor), in exchange for a portion of the FSub 1 Note, Asset C and Asset D (which may take the form of the acquisition of interests in one or more disregarded entities owning Asset C and Asset D).

(viii) Distributing will form Controlled (which may occur earlier in the sequence of steps) and will contribute DRE 1, Newco LLC, and $d in cash to be used to fund the operations of Business B solely in exchange for Controlled stock and the assumption of liabilities associated with Business B (the “Contribution”).

(ix) Distributing will distribute all of its Controlled stock pro rata to its shareholders (the “Distribution”).

(x) Within six to twelve months following the Distribution, Distributing will transfer to Controlled (or an entity disregarded as separate from Controlled) an additional $e in cash to be used to fund the operations of Business B (the “Delayed Transfer”). The precise corporate law mechanism for accomplishing the Delayed Transfer has not been definitively determined, but it is currently expected that the Delayed Transfer will be effected by the Delayed Transfer Agreement. The Delayed Transfer may be required at a date determined at the time of the Distribution or the timing may be determined based upon the cash flow needs of Controlled in the six to twelve months following the Distribution.

It is possible that, in connection with the Distribution, Controlled will issue shares of its stock to third parties in exchange for cash in a private placement. Such private placement will be structured in such a manner to ensure that Distributing continues to own, immediately prior to the Distribution, at least 80 percent of the single class of Controlled stock outstanding.

In connection with the Proposed Transaction, Distributing and Controlled will enter into certain agreements relating to post-Distribution matters with respect to the Distributing Worldwide Group and the worldwide group of entities of which Controlled will be the common parent (the "Controlled Worldwide Group"), including a separation agreement, a tax matters agreement relating to tax liabilities related to business activity prior to the Distribution or resulting from the Distribution, an employee matters agreement, a Transition Services Agreement (described below), and Commercial Agreements (collectively, the "Continuing Agreements").

The Transition Services Agreement will provide for certain transitional and administrative support services to be provided by the Distributing Worldwide Group to the Controlled Worldwide Group for a transitional period while the Controlled Worldwide Group establishes its own administrative support and corporate service arrangements. Controlled expects to pay Distributing a fee for such services on a cost or cost-plus basis. The Transition Services Agreement will have a term of <u>f</u> years, but Distributing and Controlled may agree to extend the term of the agreement due to unforeseen circumstances, in which case it will be extended on arm's length terms. The services are expected to include information technology, legal, regulatory, finance and accounting, human resources, payroll, benefits, treasury, and other administrative support services, and will also include Specific Services.

The Commercial Agreements will include a Production Services Agreement, an intellectual property agreement, and potentially a Distribution Agreement. The Production Services Agreement and the Distribution Agreement (if applicable) will be based on arm's length terms, including market-based pricing, with terms similar to those entered into in other agreements with third parties. The intellectual property agreement will provide for a perpetual royalty free license to the Controlled Worldwide Group of Intellectual Property A owned by the Distributing Worldwide Group, and the right to sublicense Intellectual Property A, with certain limitations. The Distributing Worldwide Group will also grant the Controlled Worldwide Group a royalty-free license to use Intellectual Property B until Specified Event occurs.

After the Distribution, Distributing and Controlled will have certain persons having a role in both corporations. Individual A is the executive chairman of Distributing's board of directors and will continue in that role after the Distribution. Individual A will not be an executive or other employee of Controlled after the Distribution, but is expected to be the non-executive chairman of Controlled's board of directors. Individual B, who holds less than g% of Distributing's common stock, is the chief executive officer of Distributing and a director of Distributing. It is expected that Individual B will not be an officer or employee of Controlled after the Distribution, but will be a director of Controlled. Individual B's initial term on the board of directors will be h years, at which time the board may nominate Individual B for an additional term. Distributing currently has i directors, and it is expected that Controlled will have j to k directors. Distributing and Controlled may have an additional overlapping director besides Individual A and Individual B after the Distribution. In all events, the total number of overlapping directors will constitute a minority of each board after the Distribution, and none of the overlapping directors besides Individual A or Individual B will be an officer or employee of Distributing or Controlled.

REPRESENTATIONS

(a) In applying Section 355(b)(2)(A) regarding the active conduct of a trade or business, Distributing will treat all members of its separate affiliated group, as defined in Section 355(b)(3)(B) (the "Distributing SAG"), as one corporation.

(b) The five years of financial information submitted on behalf of Business conducted by the Distributing SAG are representative of its present operations, and with regard to such operations, there have been no substantial changes since the date of the last financial statements submitted.

(c) In applying Section 355(b)(2)(A) regarding the active conduct of a trade or business, Controlled will treat all members of its separate affiliated group, as defined in Section 355(b)(3)(B) (the "Controlled SAG"), as one corporation.

(d) The five years of financial information submitted on behalf of Component A of Business B conducted by the Distributing SAG before the Distribution (and to be operated by the Controlled SAG after the Distribution) are representative of its present operations, and with regard to such operations, there have been no substantial changes since the date of the last financial statements submitted.

(e) Other than with respect to the acquisition of Sub 1 and FSub 1 and their subsidiaries and certain asset acquisitions which were not material to the overall scope and nature of Business, the Distributing SAG neither acquired Business 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.

(f) Other than with respect to the acquisition of Sub 1 and FSub 1, the Distributing SAG neither acquired Business B nor acquired control of an entity conducting Business B 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.

(g) Following the Distribution, the Controlled SAG will continue the active conduct of Component A of Business B independently and with their separate employees (except as provided pursuant to the Continuing Agreements).

(h) Except for Distributing's transfer of Newco LLC to Controlled in the Contribution, neither the Sub 3 Liquidation or the Sub 1 Liquidation will be preceded or followed by the reincorporation in, or transfer or sale to, a recipient corporation ("Recipient") of any of the businesses or assets of Sub 3 or Sub 1, if persons holding, directly or indirectly, more than 20 percent of the value of the stock of Sub 3 or Sub 1 also hold, directly or indirectly, more than 20 percent in the value of the stock of Recipient. For purposes of this representation, ownership will be determined by application of the constructive ownership rules of Section 318(a), as modified by Section 304(c)(3).

RULINGS

Based solely on the information submitted, we rule as follows:

(1) The annual revenues earned by Component A of Business B from Revenue Source will not prevent Controlled from satisfying the active trade or business requirement of Section 355(b).

(2) Provided that the Contribution and the Distribution qualify under Sections 368(a)(1)(D) and 355, respectively, Distributing's contribution of Newco LLC to Controlled will not preclude either the Sub 3 Liquidation or the Sub 1 Liquidation from qualifying as tax-free liquidation under Section 332.

(3) Provided that the Contribution otherwise qualifies under Section 368(a)(1)(D), the Delayed Transfer will be treated as a transfer of cash for Controlled stock that occurs pursuant to the plan of reorganization that includes the Contribution and Distribution.

CAVEATS

Except as expressly provided herein, no opinion is expressed or implied concerning the tax treatment of any aspect 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 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 of the letter ruling.

Sincerely,

_Isaac W. Zimbalist_________

Isaac W. Zimbalist
Senior Technician Reviewer
(Corporate)

cc: