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:3
PLR-118631-18

Date:
October 01, 2018

Legend

Distributing	=	
Business A	=	
Business B	=	
Year 1	=	
Year 2	=	
Date X	=	
Termination Date	=	
a	=	
b	=	
c	=	
d	=	

e =

f =

g =

h =

k =

Dear :

This letter responds to your authorized representative's letter dated June 1, 2018, requesting rulings on certain federal income tax consequences of a series of transactions (the "Proposed Transaction"). The information provided in that letter and in later correspondence is summarized below.

The rulings contained in this letter are based upon 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 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.

The letter and the rulings contained herein are issued pursuant to § 6.03 of Rev. Proc. 2018-1, 2018-1 I.R.B. 1, regarding one or more significant issues under §§ 355 and 368(a)(1)(D). The rulings contained in this letter only address one or more discrete legal issues in the transaction. This office expresses no opinion as to the overall tax consequences of the Proposed Transaction 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 and the common parent of a consolidated group engaged in Business A and Business B. Distributing currently maintains two qualified defined-benefit pension plans (the "Pension Plans"). The Pension Plans have been closed to new entrants since Year 1 and Year 2. As of Date X, the Pension Plans' GAAP gross plan assets were $a and gross plan liabilities were $b, resulting in a net liability of $c (the "GAAP Amount"). Distributing plans to terminate the Pension Plans by the Termination Date as part of the Proposed Transaction described below.

As part of the termination process, Distributing must file a Standard Termination Notice (Form 500) with the U.S. Pension Benefit Guarantee Corporation (the "PBGC") within

180 days of the Termination Date. The filing of this notice will initiate an additional 60 day review period with the PBGC. Within 180 days of the expiration of the PBGC's review period, Distributing must make cash contributions to the Pension Plans to allow them to distribute final benefits to plan beneficiaries.

Distributing will make final cash contributions to the Pension Plans in an amount necessary to finance the Pension Plans' purchase of the insurance annuities and lump-sum distributions within d months of the External Distribution (defined below) (such amount , the "Full Termination Amount"). Distributing estimates that the Pension Plans' cost to purchase annuities and make the requisite lump-sum payments will be approximately e percent greater than the corresponding gross plan liabilities.

Proposed Transaction

Taxpayer proposes to separate Business A from Business B into Controlled (defined below), a separate, publicly traded corporation. Distributing has undertaken or proposes to undertake the following steps (each a "step" and, collectively, the Proposed Transaction):

(1) Distributing will form a new, first-tier domestic corporate subsidiary ("Controlled").

(2) Prior to the Contribution (defined below), Distributing will undertake an internal restructuring to transfer the subsidiaries conducting Business A to Distributing and a first-tier domestic corporate subsidiary of Distributing ("RetainCo"), to the extent such subsidiaries are not currently directly held by Distributing or RetainCo.

(3) Distributing will transfer the Business A assets and liabilities that it holds directly to a newly formed corporation ("Business A OpCo") in exchange for Business A OpCo stock. Distributing and RetainCo will then transfer all of the equity interests in Business A OpCo and the remaining Business A entities to Controlled in exchange for (a) Controlled stock and (b) in the case of Distributing, cash that will be funded by newly issued debt of Controlled (an amount equal to the cash received by Distributing in this step, the "Boot," and this step, the "Contribution"). Distributing will receive at least 80% of Controlled's stock in the Contribution.

(4) No later than k months after the External Distribution, Distributing will (i) transfer up to $f of the Boot to its creditors in satisfaction of Distributing's debt (the "Debt Cash Purge"), (ii) transfer to the Pension Plans an amount of the Boot up to the Full Termination Amount (the "Pension Cash Purge") and (iii) use the remainder (if any) of the Boot to repurchase Distributing common stock from its shareholders pursuant to a newly authorized share repurchase plan (the "Repurchase Cash Purge" and, together with the Debt Cash Purge and the Pension Cash Purge, the "Cash Purges").

(5) Distributing will distribute at least 80% of the stock of Controlled *pro rata* to Distributing shareholders (the "External Distribution"). Distributing intends, within g months after the External Distribution, to dispose of (directly or indirectly) the remaining stock of Controlled (the "Retained Stake") in one or more taxable sales. In determining how to dispose of the Retained Stake, Distributing will use business judgment and take into account market conditions. In all cases Distributing will dispose of the entire Retained Stake within five years of the External Distribution.

Representations

(a) Distributing will terminate the Pension Plans no later than the Termination Date.

(b) Distributing will pay the Pension Cash Purge within d months of the External Distribution.

(c) The aggregate amount of Distributing liabilities that will be repaid as part of the Cash Purges will not exceed the weighted quarterly average of third party liabilities of Distributing for the 24-month period ending on the close of the last full business day before the date on which Distributing's board of directors initially discussed the separation.

(d) Distributing will retain (directly or indirectly) the Retained Stake in order to facilitate directly or indirectly Distributing's financing of future acquisitions.

(e) None of Distributing's directors or officers will serve as a director or officer of Controlled as long as Distributing (directly or indirectly) continues to own a portion of the Retained Stake, except that up to h of Distributing's directors may serve as a director of Controlled. If these directors so serve as directors of Controlled, each will do so solely to accommodate Controlled's business need for a director with his or her unique experience or expertise in Business A and to provide a sense of continuity. Any such directors will serve as directors of Controlled for no more than h years.

(f) Distributing (directly or indirectly) will dispose of the Retained Stake as soon as a disposition is warranted consistent with the business purpose for the Retained Stake and, in any event, no later than five years following the External Distribution.

(g) Distributing (directly or indirectly) will vote the Retained Stake in the same proportion to the votes cast by Controlled's other shareholders.

Rulings

Based solely on the information submitted and the representations set forth above, and provided that the Contribution and the External Distribution otherwise qualify under §§ 368(a)(1)(D) and 355, we rule as follows:

(1) The payment of the Pension Cash Purge to the Pension Plans to the extent of the Full Termination Amount will be treated as a transfer to "creditors" of Distributing within the meaning of § 361(b)(3).

(2) Distributing's direct or indirect continuing ownership of the Retained Stake until its disposition within five years of the External Distribution will not be in pursuance of a plan having as one of its principal purposes the avoidance of federal income tax for purposes of § 355(a)(1)(D)(ii).

Caveat

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.

Procedural Statements

This letter ruling is directed only to the taxpayers 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 federal income tax return to which it is relevant. Alternatively, a taxpayer filing its return electronically may satisfy this requirement by attaching a statement to its federal income tax return that sets forth the date and control number (PLR-118631-18) of this ruling letter.

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

Sincerely,

Richard K. Passales
Senior Counsel, Branch 4
Office of Associate Chief Counsel (Corporate)