

Sub 6 =

Controlled =

Business 1 =

Business 2 =

Business 3 =

a =

b =

c =

d =

e =

f =

g =

r =

s =

t =

u =

v =

Dear _____ :

This letter responds to your letter dated April 10, 2019, requesting a ruling on certain federal income tax consequences of a series of transactions (the “Proposed Transaction”). The material information submitted in that request and subsequent submissions is summarized below.

The ruling contained in this letter is 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 ruling request. Verification of the facts, representations, and other information described in this letter may be required as part of the audit process.

This letter is issued pursuant to section 6.03(2)(b) of Rev. Proc. 2019-1, 2019-1 I.R.B. 1, regarding one or more significant issues under section 355. The ruling contained in this letter only addresses one discrete legal issue involved in the transaction. 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

Except as otherwise provided below, this Summary of Facts reflects the facts immediately before the first step of the Proposed Transaction.

Distributing, a widely held State A corporation, is the common parent of an affiliated group of corporations that files a consolidated return (the “Distributing Group”).

Distributing wholly owns the stock of Sub 1, a State A corporation, Sub 2, a State A corporation, and FSub, a Country A entity treated as a corporation for federal income tax purposes that will be formed prior to the start of the Proposed Transaction.

Sub 1 wholly owns the stock of Sub 3, Sub 4, and Sub 5, each a State A corporation, and Sub 6, a State B corporation. Each of Sub 1, Sub 2, Sub 3, Sub 4, Sub 5, and Sub 6 is a member of the Distributing Group.

Distributing and its various direct and indirect subsidiaries are engaged in Business 1, Business 2, and Business 3. Distributing intends to separate Business 3 from Business 1 and Business 2 for what are represented to be valid corporate business purposes in a transaction intended to qualify under sections 368(a)(1)(D) and 355.

Proposed Transaction

Distributing has undertaken, or proposes to undertake, the following steps pursuant to a single overall plan.

- (i) Distributing formed Controlled as a State A limited liability company with no assets or liabilities for purposes of making certain initial securities filings.

Before the date of the Distribution (defined below):

- (ii) Distributing will assign its interests in Controlled to Sub 1.
- (iii) Controlled will convert under the laws of State A into a State A corporation.
- (iv) Sub 1 will contribute all of the Sub 3 stock to Controlled in exchange for approximately g shares of Controlled common stock, representing approximately a percent of the Controlled common stock (determined immediately after Step (viii)).
- (v) Sub 3 will convert to a State A limited liability company.
- (vi) Distributing will contribute all of the stock of Sub 2 and FSub to Controlled in exchange for (i) approximately r shares of Controlled common stock, representing approximately b percent of the Controlled common stock (determined immediately after Step (viii)), and (ii) the proceeds of the loans to Controlled as described in Step (ix) (the "First Contribution").
- (vii) Sub 1 will sell all of the Controlled common stock that it received pursuant to Step (iv) to a third-party purchaser in exchange for cash on arm's-length terms. Sub 1 expects to recognize a capital loss as a result of this sale.
- (viii) Distributing will contribute all of the Sub 1 stock to Controlled in exchange for approximately s shares of Controlled common stock, representing approximately c percent of the Controlled common stock (determined immediately after Step (viii)) (the "Second Contribution"). At the time of the Second Contribution, the assets of Sub 1 will consist of the sales proceeds received pursuant to Step (vii) and the stock of Sub 4, Sub 5, and Sub 6.
- (ix) Controlled will contribute d percent of the Sub 1 common stock to FSub. Distributing represents that it qualifies to elect and will elect under Treas. Reg. §1.1502-36(d) to reattribute certain attributes of Sub 1 to Distributing.

On the date of the Distribution (defined below):

- (x) Controlled will issue approximately \$t face amount of Controlled debt in exchange for cash and distribute approximately \$u of the loan proceeds to Distributing. Distributing will use the cash received in the distribution from Controlled to retire a portion of Distributing's existing debt, repurchase stock, or pay a special dividend.

(xi) Distributing will distribute at least e percent of the Controlled common stock pro rata to its common shareholders (the "Distribution" and, together with the First Contribution and Second Contribution, the "Separation").

(xii) Distributing may sell up to f percent of the Controlled common stock to a third party purchaser before the Distribution to raise additional working capital for the Distributing Group or to raise funds to repurchase stock or retire a portion of Distributing's existing debt. Such third party purchaser may be the same purchaser of the approximately a percent of the Controlled common stock described in Step (vii).

If an agreement with a third party purchaser has not been entered into by the time of the Distribution, Distributing may retain such f percent of the Controlled common stock (the "Retained Shares") and sell some or all of the Retained Shares into the public market or through privately negotiated transactions with third parties in exchange for cash, as soon as reasonably practicable after the Distribution (the "Retention"). It is expected that any such transaction would take place within y months after the Distribution.

Representations

- (1) The Proposed Transaction is being undertaken for a valid corporate business purpose.
- (2) Steps (iv) and (v), together, will qualify as a reorganization within the meaning of section 368(a)(1)(F).
- (3) The business purpose for the Retention is to raise working capital and raise funds to repurchase stock or retire existing debt.
- (4) In no event will the retention of the Retained Shares prevent Distributing from distributing in the Distribution an amount of Controlled stock that represents control within the meaning of section 368(c).
- (5) None of Distributing's directors or officers will serve as directors or officers of Controlled as long as Distributing retains the Retained Shares.
- (6) Distributing will vote the Retained Shares in proportion to the votes cast by Controlled's other shareholders.
- (7) The Retained Shares will be disposed of as soon as a disposition is warranted consistent with the business purposes for the Retention, but in any event, not later than five years after the Distribution.

Ruling

Based solely on the information submitted and the representations set forth above, and provided that the Separation otherwise qualifies under sections 368(a)(1)(D) and 355, we rule as follows:

The retention by Distributing of the Retained Shares following the 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 section 355(a)(1)(D)(ii).

Caveats

Except as expressly provided herein, no opinion is expressed or implied concerning the tax consequences of the Proposed Transaction or any aspect of any other transaction or item discussed or referenced in this letter under any provision of the Internal Revenue Code or the regulations thereunder. In addition, no opinion is expressed or implied concerning the tax treatment of any conditions existing at the time of, or effects resulting from, the Proposed Transaction that are not specifically addressed by this letter.

Procedural Statements

This ruling 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 ruling letter must be attached to any 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 return that sets forth the date and control number of this ruling letter [PLR-108355-19].

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,

Maurice M. LaBrie
Assistant to the Branch Chief, Branch 5
Office of Associate Chief Counsel (Corporate)

cc: