

FC 3 =

FC 4 =

FC 5 =

FC 6 =

FC 7 =

Holdco =

LLC 1 =

LLC 1
Management =

Sub 1 =

Sub 2 =

Business A =

Business B =

Business C =

Country A =

State A =

a =

b =

c =

d =

e =

f =

g =

h =

i =

i =

k =

Year 1 =

Year 2 =

Year 3 =

Continuing
Relationships =

Dear _____ :

This letter responds to your letter dated March 4, 2024, as supplemented by subsequent information and documentation, requesting rulings on certain federal income tax consequences of a series of transactions (the "Proposed Transaction," as described below). The material information submitted in that request and subsequent correspondence is summarized below.

This letter is issued pursuant to Rev. Proc. 2024-1, 2024-1 I.R.B. 1 and Rev. Proc. 2017-52, 2017-41 I.R.B. 283, regarding one or more "Covered Transactions" under section 355 and/or section 368 of the Internal Revenue Code (the "Code"). This office expresses no opinion as to any issue not specifically addressed by the rulings below.

The rulings contained in this letter are based on facts and representations submitted by Foreign Parent and Distributing, 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 is subject to verification on examination.

This office has made no determination regarding whether the Proposed Transaction satisfies the business purpose requirement of § 1.355-2(b).

Summary of Facts

Foreign Parent, a publicly traded Country A corporation, is the ultimate parent of a worldwide group that includes both domestic and foreign entities. Distributing is the parent company of an affiliated group of corporations that files a consolidated US federal income tax return ("Distributing Group"). The Distributing Group is engaged in multiple businesses, including Business A, Business B and Business C.

Foreign Parent wholly owns Distributing, DC 1, DC 2, FC 1 and FC 2. Each of Distributing, DC 1 and DC 2 is a domestic corporation while each of FC 1 and FC 2 is a foreign corporation. Distributing wholly owns Controlled. Controlled wholly owns Sub 1 and Sub 2, as well as owns a% of the issued and outstanding equity interests in LLC 1, a limited liability company classified as a partnership for U.S. federal income tax purposes. Unrelated third parties, including LLC 1 Management, own the remaining issued and outstanding equity interests in LLC 1.

Foreign Parent and Distributing's wholly-owned subsidiary respectively own b% and c% of FC 3, a foreign corporation that indirectly wholly owns FC 4, a foreign subsidiary that directly wholly owns FC 5. Moreover, FC 3 indirectly wholly owns FC 6, a foreign subsidiary that directly wholly owns FC 7.

Foreign Parent and Distributing propose to undertake a series of transactions to separate the Controlled Business from the Distributing Group pursuant to a plan of reorganization.

For purposes of satisfying the active trade or business requirements of section 355(b) with respect to the Distribution (defined below), Distributing and the members of its “separate affiliated group” as defined in section 355(b)(3) will rely on the U.S. business operations of Business A and Business B (“Distributing Business”), and Controlled will rely on the U.S. business operations of Business C conducted by LLC 1 (“Controlled Business”). Financial information has been submitted in accordance with Rev. Proc. 2017-52 indicating that each of the Distributing Business and Controlled Business has had gross receipts and operating expenses representing the active conduct of a trade or business for each of the past five years.

Immediately prior to the Proposed Transaction, Foreign Parent and certain of its subsidiaries will have approximately \$d of outstanding net indebtedness to external lenders in the form of a revolving credit facility due in Year 1 and senior notes due in Year 2 and Year 3. Of such amount, Distributing will owe external lenders at least \$e in the form of a revolving credit facility.

Further, Controlled will owe to Foreign Parent a net indebtedness of approximately \$f, while DC 1, DC 2 and FC 2 will owe a net indebtedness to Distributing of approximately \$g, \$h and \$i, respectively (“Related Party Loan”). Finally, Distributing will owe a net indebtedness of approximately \$j to Controlled.

Proposed Transaction

For what are represented to be valid corporate business purposes, Distributing proposed to engage in the following transaction to separate Controlled from the Distributing Group (the “Proposed Transaction”):

Step 1: LLC 1 will make a pro rata distribution of cash and/or notes receivable to Controlled and its other members.

Step 2: Controlled will distribute to Distributing a note receivable owed by Distributing to Controlled and may distribute additional cash and/or notes receivable.

Step 3: DC 1, DC 2 and FC 2 will offset their respective Related Party Loan payables with Distributing.

Step 4: Controlled will be added to the existing credit facility to which Foreign Parent and Distributing are parties, and Controlled will draw down on such credit facility an amount of cash equal to the Related Party Loan.

Step 5: Distributing will contribute its intercompany notes receivable owed by DC 1, DC 2, and FC 2 to Controlled in exchange for an amount of cash equal to the Related Party Loan (the “First Controlled Contribution”).

Step 6: Distributing will distribute all of the issued and outstanding equity interests in Controlled to Foreign Parent (the “Distribution”).

Step 7: Within 30 days from the date of Distribution, Distributing will use at least \$k of the cash received from Controlled to satisfy: (1) an outstanding intercompany payable owed to Foreign Parent, and Foreign Parent, in turn, will use the cash received from Distributing to satisfy third-party debt; and (2) a portion of Distributing’s obligations under its revolving credit facility.

Step 8: FC 4 will sell all the issued and outstanding equity interests in FC 5 to FC 1 (or a newly formed subsidiary directly or indirectly owned by FC 1) in exchange for cash or a note.

Step 9: FC 6 will sell all the issued and outstanding equity interests in FC 7 to FC 1 (or a newly formed subsidiary directly or indirectly owned by FC 1) in exchange for cash or a note.

Step 10: Foreign Parent is expected to contribute additional assets associated with Business C, if any, to Controlled (the “Second Controlled Contribution”).

Step 11: Foreign Parent will form Holdco as a Country A unlimited liability company that will initially be treated as a disregarded entity for U.S. federal income tax purposes under the default provisions of § 301.7701-3(b)(2)(i)(C) and contribute the issued and outstanding equity interests in each of Controlled, DC 1, DC 2, FC 1 and FC 2 to Holdco in exchange for Holdco equity.

Step 12: Holdco will assign all of its equity interests in DC 1 and DC 2 to Controlled. Immediately following such assignments, DC 1 and DC 2 will each convert into a limited liability company under state law and thereafter be disregarded as separate from Controlled for U.S. federal income tax purposes (the assignment of the DC 1 equity interests, together with the conversion of DC 1 into a limited liability company, the “DC 1 Reorganization” and the assignment of DC 2 equity interests, together with the conversion of DC 2 into a limited liability company, the “DC 2 Reorganization”).

In addition, Controlled is expected to cause Sub 1 and Sub 2 to either merge or liquidate into Controlled or convert into limited liability companies under state law (and thereafter be disregarded as separate from Controlled for U.S. federal income tax purposes) (the “Sub 1 and Sub 2 Mergers and Liquidations”).

Step 13: Controlled (and, to the extent Sub 1 and Sub 2 are not merged out of existence, Sub 1 and Sub 2), DC 1, DC 2, FC 1, FC 2, and LLC 1 Management will

enter into an agreement pursuant to which the parties share in the economics of the underlying operating entities and assets supporting Business C (“Contractual Partnership”). Each will be deemed to contribute its interest in the relevant operating entity and in the relevant assets to the newly formed Contractual Partnership in exchange for an equity interest in the Contractual Partnership and the assumption by the Contractual Partnership of liabilities, if any.

Step 14: Holdco will file a check-the-box election to be treated as a corporation for U.S. federal income tax purposes (the “Holdco CTB Election”).

Following the Distribution, Distributing and Controlled will operate independently of one another. To the extent they will have Continuing Relationships, such continuing arrangements were or will be based on arm’s length terms and conditions, including arm’s length pricing. All such relationships are not inconsistent with the separation of Controlled from the Distributing Group.

Representations

Except as set forth below, Foreign Parent on behalf of its wholly owned subsidiaries, Distributing and Controlled, has made all of the representations in section 3 of the Appendix to Rev. Proc. 2017-52 with respect to the Proposed Transaction.

1. Foreign Parent has made the following alternative representations: 3(a), 8(b), 11(a), 15(a), 22(a), 31(a), and 41(a).
2. Foreign Parent has not made the following representations, which do not apply to the Proposed Transaction: 7, 24, 25 and 35.
3. Foreign Parent has not made Representation 40, but has provided the required explanation.
4. Foreign Parent has made the following modified representations:

Representation 19: To the extent of any gain in the property transferred by Distributing to Controlled prior to the Distribution, any Other Property issued or transferred by Controlled to Distributing in pursuance of the plan of reorganization will be transferred by Distributing to its shareholders in pursuance of the plan of reorganization or to its creditors in connection with the reorganization.

5. Foreign Parent has made the following additional representations in lieu of Representations 14 and 15 in Rev. Proc. 2017-52:

(a) Immediately after the Distribution, the fair market value of the business assets of each of Distributing and Controlled will be greater than 80 percent of the fair market value of its total assets. For this purpose, the term “business assets” of a

corporation means its gross assets used in one or more businesses. Such assets include cash and cash equivalents held as a reasonable amount of working capital for one or more businesses. Such assets also include assets required (by binding commitment or legal requirement) to be held to provide for exigencies related to a business or for regulatory purposes with respect to a business.

(b) There is no plan or intention by the shareholder(s) or securityholder(s) of Distributing to sell, exchange, transfer by gift, or otherwise dispose of any of its (their) stock in, or securities of, either Distributing or Controlled after the Distribution, except pursuant to the steps of the Proposed Transaction.

(c) There is no plan or intention by Distributing or Controlled, directly or through any related person (within the meaning of section 267(b) or section 707(b)(1)), to purchase any of its outstanding stock after the Distribution.

(d) There is no plan or intention to liquidate either Distributing or Controlled, to merge either corporation with any other corporation, or to sell or otherwise dispose of the assets of either corporation after the Distribution, except in the ordinary course of business.

6. Foreign Parent has made the following additional representation in lieu of Representation 29 in Rev. Proc. 2017-52:

(a) There will have been no agreement, understanding, arrangement, or substantial negotiations at any point during the two-year period ending on the date of the Distribution regarding an acquisition of either Distributing or Controlled (including a predecessor or successor within the meaning of § 1.355-8) or a similar acquisition.

Except as set forth below, Foreign Parent on behalf of its wholly owned subsidiaries, Distributing and Controlled, has made all of the representations in section 3.04 of the Appendix to Rev. Proc. 2018-53 with respect to the Proposed Transaction.

7. Distributing has not made Representation 6, which does not apply to the Proposed Transaction.

8. Distributing has made the following modified representations:

Representation 2: Other than with respect to the satisfaction of intercompany debt owed by Distributing to Foreign Parent, no holder of Distributing debt that will be assumed or satisfied in connection with the Distribution is a person related to Distributing or Controlled within the meaning of sections 267(b) or 707(b)(1) (a "Related Person").

Representation 3: The holder of Distributing debt that will be assumed or satisfied in connection with the Distribution will not hold the debt for the benefit of Distributing,

Controlled, or any Related Person (other than with respect to the satisfaction of intercompany debt owed by Distributing to Foreign Parent).

Foreign Parent also has made the following additional representations:

9. The fair market value of Distributing's Related Party Loan receivables that it will contribute to Controlled in the First Controlled Contribution will each be equal to the adjusted basis and adjusted issue price of such respective instrument.
10. The Contractual Partnership will be treated as a partnership for U.S. federal income tax purposes and will file all tax returns consistent with such treatment.
11. The deemed contribution to the Contractual Partnership will qualify as a contribution to a partnership under section 721(a).
12. The Second Controlled US Contribution will qualify as a contribution to a corporation under section 351(a).
13. The Holdco CTB Election will qualify as a contribution to a corporation under section 351(a).
14. The DC 1 Reorganization will qualify as a reorganization within the meaning of section 368(a)(1)(D).
15. The DC 2 Reorganization will qualify as a reorganization within the meaning of section 368(a)(1)(D).
16. The Sub 1 and Sub 2 Mergers and Liquidations will each qualify as a liquidation to which sections 332 and 337 apply.

Rulings

Based solely on the information submitted and the representations made, we rule as follows with respect to the Proposed Transaction:

1. The First Controlled Contribution and Distribution will qualify as a reorganization under sections 368(a)(1)(D) and 355. Distributing and Controlled will each be a "party to a reorganization" within the meaning of section 368(b).
2. No gain or loss will be recognized by Distributing upon the transfer of property to Controlled in the First Controlled Contribution. Section 361(a).
3. No gain or loss will be recognized by Controlled on the receipt of property in the First Controlled Contribution. Section 1032(a).

4. Controlled's basis in the property received in the First Controlled Contribution will equal the basis of such property in Distributing's hands immediately before the First Controlled Contribution. Section 362(b).
5. The holding period of the property transferred by Distributing to Controlled in the First Controlled Contribution will include the holding period of such property held by Distributing. Section 1223(2).
6. No gain or loss will be recognized by (and no amount will be included in the income of) Foreign Parent upon the receipt of Controlled stock in the Distribution. Section 355(a).
7. No gain or loss will be recognized by Distributing upon the Distribution. Section 361(c).
8. The holding period of the Controlled stock received by Foreign Parent in the Distribution will include the holding period of the Distributing stock held by Foreign Parent with respect to which the Distribution will be made, provided that such Distributing stock is held as a capital asset on the date of the Distribution. Section 1223(1).
9. The earnings and profits, if any, will be allocated between Distributing and Controlled in accordance with section 312(h), and §§ 1.312-10(a) and 1.1502-33(e)(3).

Caveats

Except as expressly provided herein, no opinion is expressed or implied concerning the tax treatment of the Proposed Transaction under other provisions of the Code or regulations or the tax treatment of any condition existing at the time of, or effects resulting from the Proposed Transaction that are not specifically covered by the above rulings. In particular, no opinion is expressed as to the tax treatment of Step 1 or Steps 8 through 14 of the Proposed Transaction.

Procedural Statements

The 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.

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 returns that provides the date on and control number (PLR-104244-24) of the letter ruling.

Pursuant to a power of attorney on file with this office, a copy of this letter is being sent to your authorized representatives.

Sincerely,

By: _____

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

cc: