

**Internal Revenue Service**

Department of the Treasury  
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CC:CORP:01  
PLR-122779-14

Date:  
December 22, 2014

Legend

Sub 16 =

Sub 17 =

LLC 1 =

LLC 2 =

LLC 3 =

LLC 4 =

LLC 5 =

LLC 6 =

LLC 7 =

LLC 8 =

PS 6 =

PS 7 =

FDE 5 =

FDE 6 =

FDE 7 =

FDE 8 =

FDE 9 =

FSub 22 =

FSub 23 =

FSub 24 =

FSub 25 =

FSub 26 =

FSub 27 =

FSub 28 =

FSub 29 =

FSub 30 =

Region A =

Country C Type  
A Entity =

Country C Type  
B Entity =

Date 16 =

Date 17 =

Date 18 =

Date 19 =

Date 20 =

Period =

u =

v =

w =

x =

y =

z =

aa =

bb =

cc =

dd =

ee =

ff =

gg =

hh =

ii =

jj =

kk =

ll =

mm =

Dear :

This letter responds to your letter dated June 6, 2014, submitted by your authorized representatives, requesting rulings on certain U.S. federal income tax consequences of a proposed transaction (the "Proposed Transaction," as described below). This ruling supplements the private letter ruling dated September 30, 2014 (PLR-137358-13) (the "Initial Ruling"). The material information submitted in that request and in subsequent correspondence is summarized below. Capitalized or underlined terms not defined in this letter have the meanings assigned to them in the Initial Ruling.

This letter is issued pursuant to section 6.03 of Rev. Proc. 2014-1, 2014-1 I.R.B. 15, regarding one or more significant issues under sections 332, 351, 355, 368, or 1036. The rulings contained in this letter only address one or more discrete legal issues involved in the Proposed Transaction. This Office expresses no opinion as to the overall tax consequences of the Proposed Transaction or 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 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.

## Facts

### *Organizational Structure*

Distributing wholly and directly owns the common and preferred stock of Sub 11, which wholly and directly owns the stock of Sub 16 (a State A corporation). Sub 16 conducts operations in Country D through a wholly owned Country D branch. Sub 16 also wholly and directly owns both the stock of Sub 17 (a dual resident of the United States and Country C) and the interests in LLC 1 (a State A limited liability company). For U.S. federal income tax purposes, Sub 17 was treated as a corporation prior to the Proposed Transaction, and LLC 1 is disregarded as an entity separate from Sub 16. Sub 16 wholly and directly owns the stock of FSub 22, a Country D entity that is treated as a corporation for U.S. federal income tax purposes.

FSub 22, Sub 17, and LLC 1 directly own u%, v%, and w%, respectively, of the stock of FSub 23, which wholly and directly owns the stock of FSub 24. Each of FSub 23 and FSub 24 is a Country E entity that is treated as a corporation for U.S. federal income tax purposes.

FSub 23 and FSub 24 directly own x% and y%, respectively, of the interests in PS 6. In turn, FSub 24, FSub 23, and PS 6 directly own y%, z%, and aa%, respectively, of the interests in PS 7. Each of PS 6 and PS 7 is a Country E entity that is treated as a partnership for U.S. federal income tax purposes. FSub 24, PS 6, and PS 7 are collectively referred to herein as the “D Entities.”

FSub 23 also wholly and directly owns the stock of FSub 2 and FSub 25 (a Country D entity that is treated as a corporation for U.S. federal income tax purposes).

FSub 25 owns bb% of the vote and cc% of the value of the stock of FSub 3; FSub 2 owns the remaining g% and h%, respectively. FSub 25 also owns dd% of the stock of FSub 26, a Country D entity that is treated as a corporation for U.S. federal income tax purposes; FSub 3 owns the remaining ee%.

FSub 3 also owns ff% of the vote and gg% of the value of the stock of FSub 27, a Country D entity that is treated as a corporation for U.S. federal income tax purposes; FSub 26 owns the remaining hh% and ii%, respectively.

FSub 27 wholly and directly owns the stock of FDE 5 (a Country C entity), which wholly and directly owns the interests in LLC 2 (a State A limited liability company). Each of FDE 5 and LLC 2 is disregarded as an entity separate from FSub 27 for U.S. federal income tax purposes. FSub 27 also owns (directly and through FDE 5 and LLC 2) jj% of the interests in PS 5; the remaining kk% is owned by FSub 26.

PS 5 wholly and directly owns the stock of FDE 6, a Country E entity disregarded as an entity separate from PS 5 for U.S. federal income tax purposes. PS 5 also wholly and indirectly owns the stock of FDE 7, a Country C entity disregarded as an entity separate from PS 5 for U.S. federal income tax purposes.

FDE 6 conducts Business 1 in Region A (“Region A Business 1”) as well as the Retained Businesses in Region A (the “Region A Retained Businesses”). PS 5 conducts, through a series of regarded and disregarded entities, Region A Business 1 as well as certain Region A Retained Businesses. FSub 2 also conducts Region A Business 1 and certain Region A Retained Businesses, directly and through its subsidiaries.

### Proposed Transaction

In connection with a broader restructuring of the Distributing Worldwide Group described in PLR-137358-13, Distributing has undertaken or will undertake the following series of transactions (together, the “Proposed Transaction”) for the corporate business purpose of facilitating the Separation.

### *Preparatory Steps*

- 1) On Date 16, Sub 17 converted from a Country C Type A Entity to a Country C Type B Entity in a transaction intended to qualify as an “F reorganization” for U.S. federal income tax purposes.
- 2) On Date 18, Sub 17 elected to be treated as an entity disregarded as separate from Sub 16 for U.S. federal income tax purposes.

No rulings have been requested or provided regarding the U.S. federal income tax treatment of Steps 1 - 2.

#### *PS 5 Disregarded Transactions*

- 3) In a series of transactions that will be disregarded for U.S. federal income tax purposes, (i) FDE 7 will enter into a demerger transaction under Country C law pursuant to which FDE 7 will transfer its Region A Business 1 assets to a new Country C entity (FDE 8) that will be disregarded as an entity separate from PS 5 for U.S. federal income tax purposes, (ii) FDE 6 will enter into a demerger transaction under Country E law pursuant to which FDE 6 will transfer its Region A Retained Business assets to a new Country E entity (FDE 9) that will be disregarded as separate from PS 5 for U.S. federal income tax purposes, and (iii) PS 5 will transfer its shares of FDE 8 to FDE 6.

No rulings have been requested or provided regarding the U.S. federal income tax treatment of Step 3.

#### *FSub 28 Separation*

- 4) On Date 17, FSub 23 formed and transferred nominal assets to a new State A limited liability company (LLC 3) that is disregarded as an entity separate from FSub 23 for U.S. federal income tax purposes. On Date 19, LLC 3 formed a new State A limited liability company (LLC 4) that also is disregarded as an entity separate from FSub 23 for U.S. federal income tax purposes. On Date 20, FSub 23, LLC 3, and LLC 4 formed FSub 28 under Country E law by transferring approximately €11 thereto in exchange for all of the equity interests therein. FSub 28 is treated as a corporation for U.S. federal income tax purposes.
- 5) FSub 2 will transfer all of its Region A Business 1 assets (the “FSub 2 Business 1 Assets”) to FSub 28 in exchange for a note (the “FSub 28 Note”).
- 6) FSub 2 will distribute the FSub 28 Note to FSub 23.
- 7) FSub 23 will contribute the FSub 28 Note to FSub 28 in exchange for additional equity interests therein.

Steps 4 through 7 are referred to herein as the “FSub 28 Separation.”

*FSub 29 Separation and FSub 28 Reorganization*

- 8) On Date 17, FSub 23 formed and transferred nominal assets to a new State A limited liability company (LLC 5) that is disregarded as an entity separate from FSub 23 for U.S. federal income tax purposes. On Date 19, LLC 5 formed a new State A limited liability company (LLC 6) that also is disregarded as an entity separate from FSub 23 for U.S. federal income tax purposes. On Date 20, FSub 23, LLC 5, and LLC 6 formed FSub 29 under Country E law by transferring approximately €11 thereto in exchange for all of the equity interests therein. FSub 29 is treated as a corporation for U.S. federal income tax purposes.
- 9) PS 5 will distribute all of its interests in FDE 6 to FSub 27 in repayment of PS 5 share premium (the “PS 5 Distribution”).
- 10) FSub 27 will transfer all of its interests in FDE 6 to FSub 29 in exchange for a note (the “FSub 29 Note”).
- 11) FSub 23 will contribute its interests in LLC 3 and FSub 28 to FSub 29 in exchange for additional equity interests therein.
- 12) FSub 28 will transfer the FSub 2 Business 1 Assets to FDE 8 in exchange for a note.
- 13) FSub 27 will distribute the FSub 29 Note to FSub 3 in exchange for FSub 27 stock of equal value (the “First FSub 29 Distribution”).
- 14) FSub 3 will distribute the FSub 29 Note to FSub 25 in exchange for FSub 3 stock of equal value (the “Second FSub 29 Distribution”).
- 15) FSub 25 will distribute the FSub 29 Note to FSub 23 (the “Third FSub 29 Distribution”).
- 16) FSub 23 will contribute the FSub 29 Note to FSub 29 in exchange for additional equity interests therein.
- 17) FSub 28 will elect to be treated as disregarded from FSub 29 for U.S. federal income tax purposes.

Steps 10 and 13 through 16 are referred to herein as the “FSub 29 Separation.” Steps 11, 12, and 17 are referred to herein as the “FSub 28 Reorganization.”



*FSub 30 Separation*

- 18) On Date 19, FSub 23 formed and transferred nominal assets to a new State A limited liability company (LLC 7) that is disregarded as an entity separate from FSub 23 for U.S. federal income tax purposes, and LLC 7 formed a new State A limited liability company (LLC 8) that also is disregarded as an entity separate from FSub 23 for U.S. federal income tax purposes. FSub 23, LLC 7, and LLC 8 will form a new Country E limited partnership (FSub 30) that will be treated as a corporation for U.S. federal income tax purposes. FSub 23, LLC 7, and LLC 8 will enter into a limited partnership agreement under Country E law (the “Agreement”) with respect to FSub 30.
- 19) FSub 23 will contribute FSub 29, LLC 5, and its interests in the D Entities to FSub 30 in exchange for additional FSub 30 equity interests (together with the FSub 30 equity interests acquired in Step 18 by FSub 23, LLC 7, and LLC 8, the “FSub 30 Equity”) and FSub 30 securities (the “FSub 30 Securities”). Steps 18 and 19 are referred to herein as the “FSub 30 Contribution.”
- 20) At a general meeting of FSub 23’s shareholders, the shareholders of FSub 23 will resolve (the “General Meeting Resolution”) that FSub 23 will make a distribution consisting of (i) the FSub 30 Equity (through an assignment of the Agreement under Country E law and a distribution of legal title to the FSub 30 assets) and the LLC 7 interests (collectively, the “FSub 30 Stock”) and (ii) the FSub 30 Securities (the “FSub 30 Distribution”). The General Meeting Resolution will be approved by the Board of Directors of FSub 23 (the “Board Resolution” and, collectively with the General Meeting Resolution, the “Resolution”). The FSub 30 Distribution will occur after the Board Resolution as soon as certain legal formalities are satisfied (e.g., execution of a notarial deed). The Resolution will specify the mix of FSub 30 Stock and FSub 30 Securities to be distributed with respect to each share of FSub 23 stock. FSub 23’s shareholders will not surrender any FSub 23 stock in exchange for the FSub 30 Stock and the FSub 30 Securities.

The FSub 30 Contribution and the FSub 30 Distribution are referred to herein as the “FSub 30 Separation.”

#### Representations

- a) The FSub 28 Reorganization will qualify as a reorganization within the meaning of section 368(a)(1).
- b) None of FSub 22, Sub 17, or LLC 1 will surrender any FSub 23 securities in exchange for any FSub 30 Securities in the FSub 30 Distribution.

- c) The total aggregate value of the consideration (in the form of FSub 30 Stock, FSub 30 Securities, or a combination thereof) distributed in the FSub 30 Distribution with respect to each share of FSub 23 stock will be the same, although the proportion of FSub 30 Stock and FSub 30 Securities distributed with respect to each share of FSub 23 stock may differ.
- d) Under Country E law, the FSub 30 Distribution can be made as specified in the Resolution without altering any terms of the FSub 23 stock, and none of the terms of the FSub 23 stock will be altered in preparation for, in connection with, or as a result of the FSub 30 Distribution.
- e) The rights of FSub 23's shareholders under Country E law will not be changed in preparation for, in connection with, or as a result of the FSub 30 Distribution.
- f) Under Country E law, each share of FSub 23 stock has the same dividend, liquidation, and voting rights. Following the FSub 30 Separation, each share of FSub 23 stock will have the same dividend, liquidation, and voting rights as before the FSub 30 Separation.
- g) To the best of Taxpayer's knowledge and belief, based upon basis studies performed by or at the request of Taxpayer, the vast majority (approximately mm%) of the basis in the stock of FSub 23 with respect to which the FSub 30 Distribution is being made was created on or before Date 1. The remainder of the basis in the stock of FSub 23 (other than a small amount of basis arising from ordinary course capital contributions) arose from transactions occurring in Period. The basis that arose from these transactions and the ordinary course capital contributions was not created in preparation for, or in connection with, the Proposed Transaction. The amount of the FSub 30 Securities received with respect to a share of FSub 23 stock will not be applied against and reduce basis in that share (pursuant to section 301(c)(2)) below the amount of the basis in that share which arose from transactions after Date 1.

### Rulings

Based solely on the information submitted and the representations set forth above, we rule as follows:

1. For U.S. federal income tax purposes, the circular flow of the FSub 28 Note in the FSub 28 Separation will be disregarded, and the FSub 28 Separation will be treated as though: (i) FSub 2 transferred the FSub 2 Business 1 Assets to FSub 28 in exchange for stock of FSub 28 and FSub 28's assumption of liabilities associated with the FSub 2 Business 1 Assets; and (ii) thereafter, FSub 2 distributed its stock of FSub 28 to FSub 23 with respect to FSub 23's stock in

- FSub 2. Cf. Rev. Rul. 83-142, 1983-2 C.B. 68; Rev. Rul. 77-191, 1977-1 C.B. 194; Rev. Rul. 57-311, 1957-2 C.B. 243.
2. The FSub 28 Reorganization will not prevent the FSub 28 Separation from being treated as described in Ruling 1 above for purposes of determining whether FSub 2 has the requisite “control” of FSub 28 under section 355(a). Cf. Rev. Rul. 2003-79, 2003-2 C.B. 80; Rev. Rul. 98-27, 1998-1 C.B. 1159.
  3. For U.S. federal income tax purposes, the circular flow of the FSub 29 Note in the FSub 29 Separation will be disregarded, and the FSub 29 Separation will be treated as though: (i) FSub 27 transferred its interests in FDE 6 to FSub 29 in exchange for stock of FSub 29 and FSub 29’s assumption of FDE 6’s liabilities; (ii) FSub 27 distributed its stock of FSub 29 to FSub 3 in exchange for FSub 27 stock of equal value; (iii) FSub 3 distributed its stock of FSub 29 to FSub 25 in exchange for FSub 3 stock of equal value; and (iv) FSub 25 distributed its stock of FSub 29 to FSub 23 with respect to FSub 23’s stock in FSub 25. Cf. Rev. Rul. 83-142, 1983-2 C.B. 68; Rev. Rul. 77-191, 1977-1 C.B. 194; Rev. Rul. 57-311, 1957-2 C.B. 243.
  4. Provided that the FSub 30 Distribution qualifies as a distribution to which section 355 applies, the distribution of the FSub 30 Securities in the FSub 30 Distribution will constitute a distribution of property with respect to the stock of FSub 23 to which section 301 applies. Section 356(b) and § 1.356-2(a). The excess, if any, of the amount of FSub 30 Securities distributed with respect to a share of FSub 23 stock over the amount of such distribution treated as a dividend will be applied against and reduce the shareholder’s adjusted basis in the share, and any remaining excess will be treated as gain from the sale or exchange of property. Section 301(c)(2) and (c)(3). If the amount of FSub 30 Securities distributed with respect to all shares of FSub 23 stock exceeds FSub 23’s current and accumulated earnings and profits, the amount of the distribution that is treated as a dividend with respect to a share of FSub 23 stock on which FSub 30 Securities are distributed will equal: (i) an allocable portion of FSub 23’s current earnings and profits, taking into account all distributions made during the taxable year, and determined based upon the amount of FSub 30 Securities received with respect to such share relative to the total amount of FSub 30 Securities received with respect to all shares of FSub 23 stock; and (ii) an allocable portion of FSub 23’s accumulated earnings and profits that are available on the date of the distribution, determined based upon the amount of FSub 30 Securities received with respect to such share relative to the total amount of FSub 30 Securities received with respect to all shares of FSub 23 stock. See § 1.316-2(b); Rev. Rul. 74-338, 1974-2 C.B. 101.
  5. Provided that the FSub 30 Distribution qualifies as a distribution to which section 355 applies, for purposes of Ruling 4 above and for purposes of determining the

FSub 23 shareholders' basis in the FSub 30 Stock and the FSub 30 Securities under section 358, the shares with respect to which the FSub 30 Stock and FSub 30 Securities are distributed in the FSub 30 Distribution and the amount of the FSub 30 Stock and FSub 30 Securities distributed in the FSub 30 Distribution with respect to each share will be determined based upon the allocation of the FSub 30 Stock and FSub 30 Securities specified in the terms of the Resolution. See § 1.358-2(a)(2)(v).

6. Provided that the FSub 30 Separation qualifies as a reorganization to which section 368(a)(1)(D) applies and the FSub 30 Distribution qualifies as a distribution to which section 355 applies, earnings and profits will be allocated between FSub 23 and FSub 30 in accordance with section 312(h) and § 1.312-10(a) (determined after taking into account the reduction in earnings and profits resulting from the distribution of the FSub 30 Securities).

#### Caveats

Except as expressly provided herein, no opinion is expressed or implied concerning the tax treatment 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) 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 return that provides the date and control number of the letter ruling.

In accordance with the Power of Attorney on file with this office, a copy of this letter is being sent to your authorized representatives.

Sincerely,

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Frances L. Kelly  
Senior Counsel, Branch 2  
Office of Associate Chief Counsel  
(Corporate)