

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.

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Refer Reply To:

CC:CORP:B1

PLR-118518-17

Date:

October 12, 2017

LEGEND

Distributing =

Controlled =

Business 1 =

Business 2 =

Date 1 =

Company =

Partnership

a =

b =

c =

d =

e =

f =

g =

Dear :

This letter responds to your authorized representatives' letter dated June 8, 2017, requesting rulings on certain federal income tax consequences of a proposed transaction (the "Proposed Transaction"). The relevant information provided in that request and in subsequent correspondence is summarized below.

The rulings contained in this letter are based upon information and representations submitted by the taxpayer and accompanied by a penalties of perjury statement executed by an appropriate party. While this office has not verified any of the material submitted in support of the request for rulings, it is subject to verification on examination.

This letter is issued pursuant to section 6.03 of Rev. Proc. 2017-1, 2017-1 I.R.B. 19, 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.

FACTS

Distributing is a publicly traded corporation and the common parent of an affiliated group of corporations that file a consolidated United States federal income tax ("Federal Tax") return.

Distributing and its subsidiaries are engaged in Business 1 and Business 2. Distributing currently conducts Business 1 through various domestic entities—some of which are corporations (the "Regarded Business 1 Entities"), and some of which are disregarded as separate from their respective owners for Federal Tax purposes (the "Disregarded Business 1 Entities"). Additionally, Distributing holds an approximate a percent limited partnership interest and b percent general partnership interest in Partnership. The Regarded Business 1 Entities, Disregarded Business 1 Entities, and Partnership are collectively referred to as the "Business 1 Entities."

PROPOSED TRANSACTION

For what are represented to be valid corporate business purposes, Distributing intends to engage in the Proposed Transaction to distribute Business 1 to its public shareholders. The relevant steps of the Proposed Transaction are set forth below:

- (i) On Date 1, Distributing formed Controlled as a direct wholly owned subsidiary.
- (ii) The Regarded Business 1 Entities, excluding Company, will convert under the relevant state statutes to limited liability companies (the “Conversions”) that will be disregarded as separate from their respective owners for Federal Tax purposes (the “Converted Business 1 Entities”).
- (iii) Controlled will borrow approximately \$c from third-party financing sources.
- (iv) Distributing will contribute the Business 1 Entities and the related liabilities to Controlled in exchange for Controlled stock and approximately \$d (the “Cash Proceeds”).
- (v) Distributing will distribute all of the Controlled stock pro rata to its shareholders (the “Distribution”).
- (vi) To accomplish certain deleveraging goals, within e months of the Distribution, Distributing will use the Cash Proceeds to pay down existing Distributing debt held by third-parties (the “Debt Repayments”). To the extent Distributing can accomplish its deleveraging goals without using all of the Cash Proceeds, and within f months of the Distribution, Distributing will use the remaining Cash Proceeds to redeem outstanding Distributing stock (the “Stock Repurchases”). The Stock Repurchases will be undertaken pursuant to a stock buyback program created in connection with the Distribution. The Debt Repayments and the Stock Repurchases will collectively be referred to as the Cash Proceeds Purge.

REPRESENTATIONS

- (i) The sum of Distributing’s debt to be paid with the Cash Proceeds will not exceed the weighted quarterly average of the Distributing debt for the 12-month period ending upon the close of business on the last full business day before the date on which Distributing’s Board of Directors initially discussed the Proposed Transaction.

- (ii) With respect to each debt retired in the Debt Repayments, Distributing will not have a commitment to secure new borrowings on the same terms with the holders of such debt prior to its repayment.
- (iii) Except as otherwise described in the Proposed Transaction, neither Distributing nor Controlled has any plan or intention to transfer, in the aggregate, more than g% of the fair market value of the respective assets of the Converted Business 1 Entities to another corporation.

RULINGS

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

- (1) The Cash Proceeds Purge will be treated as being distributed pursuant to the Distribution plan of reorganization for purposes of section 361(b).
- (2) The contribution of the Converted Business 1 Entities to Controlled will not preclude the Conversions from qualifying as complete liquidations within the meaning of section 332.

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) 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 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,

Julie T. Wang
Assistant to the Branch Chief, Branch 1
Office of Associate Chief Counsel (Corporate)