

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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CC:CORP:1

PLR-126296-17

Date:

February 21, 2018

Legend

Distributing =

Controlled =

Company A =

Corporation B =

Business A =

Business B =

Business C =

Business D =

State A =

Month 1 Notes =

Month 2 Notes =

Month 3 Notes =

Month 4 Notes =

Month 5 Notes =

Month 6 Notes =

Month 7 Notes =

Month 8 Notes =

Month 9 Notes =

Revolving Credit Facility 1 =

Revolving Credit Facility 2 =

Term Loan =

Investment Banks =

Date A =

Date B =

Date C =

Date D =

Month 1 =

Month 2 =

a =

b =

c =

d =

e =

f =

g =

h =

i =

i =

Dear :

This letter responds to your representative's August 25, 2017 letter requesting rulings on certain federal income tax consequences of the Proposed Transaction (defined below). 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 penalty 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. 1 regarding one or more significant issues under sections 355 and 368. 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, a publicly traded State A corporation, is the common parent of an affiliated group of corporations that files a consolidated Federal income tax return. Distributing is directly and indirectly engaged in Business A, Business B, Business C, and Business D through its domestic and foreign subsidiaries (together, the "Distributing Group").

Distributing and its worldwide group will engage in certain internal restructuring transactions to align Business A, Business B, Business C, and Business D in anticipation of the Proposed Transaction. Business D assets held indirectly by Distributing will be separated through internal restructurings into Controlled, a newly formed domestic corporation wholly owned by Distributing such that Controlled will own all of the assets and operations of Business D.

Distributing publicly announced its intention to undertake the Proposed Transaction on Date A.

Distributing has several tranches of debt owed to third parties (the "Distributing Debt"), including: the Month 1 Notes, the Month 2 Notes, the Month 3 Notes, the Month 4 Notes, the Month 5 Notes, the Month 6 Notes, the Month 7 Notes, the Month 8 Notes, and the Month 9 Notes (collectively, the "Notes"). In addition, Distributing has outstanding commercial paper and has entered into Revolving Credit Facility 1,

Revolving Credit Facility 2, and the Term Loan. Each tranche of Notes and the Term Loan were borrowed before Date A.

Immediately following the announcement of Distributing's intention to undertake the Proposed Transaction on Date A, Distributing drew approximately \$a on its Revolving Credit Facility 1 to refinance certain outstanding commercial paper. Since Date A, the balance on Revolving Credit Facility 1 has fluctuated in the ordinary course of business. Additional borrowings under Revolving Credit Facility 1 have financed (1) expenses incurred by Distributing in the course of conducting and expanding its trades or businesses, including the acquisition of Company A, (2) regular quarterly dividends to its public shareholders, (3) share repurchases under a board-authorized share repurchase program, and (4) general operating expenses. In addition, Distributing put in place Revolving Credit Facility 2 on Date B in order to ensure available liquidity to retire the Month 1 and Month 2 Notes, which are scheduled to mature in Month 1 and Month 2, respectively (the "Maturing Notes"). Distributing currently plans to retire the Maturing Notes with a combination of proceeds from borrowings under Revolving Credit Facility 1 and Revolving Credit Facility 2 in a total amount of approximately \$b. Distributing may borrow additional amounts under both revolving credit facilities to fund ongoing cash needs of its businesses.

On Date C, Distributing entered into an agreement pursuant to which Distributing (or, at Distributing's election, a subsidiary of Distributing) will acquire 100% of the outstanding stock of Corporation B, a publicly traded corporation engaged in Business D (the "Merger Agreement"). In the event that the acquisition of Corporation B closes prior to the Distribution, Distributing expects to cause Controlled to acquire 100% of the outstanding stock of Corporation B in accordance with the Merger Agreement. In the event that the acquisition of Corporation B has not closed at the time of the Distribution, Distributing expects to assign its rights under the Merger Agreement to Controlled at the time of the Distribution such that Controlled will acquire 100% of the outstanding stock of Corporation B following the Distribution. In each case, Distributing expects Controlled to incur indebtedness of approximately \$c to fund the acquisition of Corporation B.

On Date D, Distributing entered into an agreement pursuant to which certain subsidiaries of Distributing will sell a division of Business B (the "Business B Sale"). In the event the Business B Sale closes prior to the Distribution, Distributing intends to use all or a portion of the proceeds of the Business B Sale to repay existing creditors of Distributing. A portion of the proceeds from the Business B Sale may also be used to fund share repurchases, to pay dividends to shareholders of Distributing, or to fund the acquisition of Corporation B.

Proposed Transaction

In furtherance of the Plan of Reorganization (defined below), Distributing has undertaken or proposes to undertake the following transactions pursuant to a single

integrated plan (together, the “Proposed Transaction”), and certain of such steps may take place in a different order in a manner that will not affect the rulings below:

- (i) Distributing has formed Controlled, a State A corporation.
- (ii) Prior to or on the effective date of the Plan of Reorganization and through a series of internal reorganization transactions, the Business D assets will be transferred between and among Distributing Group entities such that Distributing will hold Business D through subsidiaries that neither own any assets nor are subject to any of the liabilities of Businesses A, B, and C.
- (iii) Controlled will issue new debt to third parties for cash.
- (iv) Distributing will contribute Business D to Controlled in exchange for a combination of (A) all of the stock of Controlled (the “Controlled Stock”), (B) senior unsecured notes with a minimum term of d years (the “Controlled Securities”), and (C) all or a portion (but in any case not exceeding \$e) of the cash borrowed in step (iii) (the “Controlled Cash”) (the “Contribution”). Because the Business D assets will consist, in part, of certain entities that are disregarded for Federal income tax purposes, Controlled will be treated as assuming certain liabilities as part of the transaction. To effectuate the Contribution, Distributing and Controlled will enter into an agreement that will serve as the plan of reorganization for purposes of Section 361 (which, in combination with certain other documents effecting the Proposed Transactions, will constitute the “Plan of Reorganization”).
- (v) The Investment Banks may acquire certain Distributing Debt (together, with any such Distributing Debt currently held by the Investment Banks, the “Distributing Exchange Debt”) from existing holders for their own accounts and not as agents of Distributing. The Distributing Exchange Debt may include a portion or all of the Term Loan and Distributing’s various tranches of then-outstanding Notes.
- (vi) No fewer than f days after the Investment Banks acquire the Distributing Exchange Debt, Distributing and the Investment Banks are expected to enter into an exchange agreement (the “Securities-for-Debt Exchange Agreement”) pursuant to which the parties would agree to exchange the Distributing Exchange Debt for the Controlled Securities.
- (vii) No fewer than g days after the Investment Banks acquire the Distributing Exchange Debt, Distributing is expected to transfer the Controlled Securities to the Investment Banks pursuant to the Securities-for-Debt Exchange Agreement and in satisfaction of the Distributing Exchange Debt (the “Securities-for-Debt Exchange”). The Investment Banks are expected to sell the Controlled Securities received in the Securities-for-Debt Exchange to third party investors. The Investment Banks may hedge various risks related to holding the Distributing Exchange Debt with third parties.

(viii) Distributing will distribute the Controlled Stock to holders of the Distributing stock on a pro rata basis (the “Distribution”).

(ix) Distributing will distribute the Controlled Cash to creditors of Distributing in full or partial repayment of some or all of the following Distributing Debt: the Term Loan, outstanding balances under Revolving Credit Facility 1 and Revolving Credit Facility 2, and the Notes (including interest and associated fees, such as consent fees, as well as principal), in each case not to exceed the sum of (A) the amount outstanding with respect to such Distributing debt on Date A (the “Announcement Date Distributing Debt”) and (B) the amount of such Distributing debt incurred after Date A to refinance Announcement Date Distributing Debt (the “Boot Purge”). The Boot Purge will be completed within h months of the Distribution. Distributing will distribute at least i% of the Controlled Cash within j days of the Distribution to creditors in satisfaction of its debt under Revolving Credit Facility 1 and Revolving Credit Facility 2.

Representations

The following representations are made with respect to the Proposed Transaction:

- (a) Together with the Distribution, the Contribution will qualify as a reorganization under § 368(a)(1)(D).
- (b) The Distribution will qualify under § 355.
- (c) All of the Distributing Debt was issued in the ordinary course of business, including for purposes of refinancing existing debt, and to finance acquisitions, regular quarterly dividends to its public shareholders, share repurchases under existing plans, and operating expenses.
- (d) The total adjusted bases and the fair market value of the assets transferred to Controlled each equals or exceeds the sum of (i) the liabilities assumed (within the meaning of § 357(d)) by Controlled plus any liabilities to which the transferred assets are subject (excluding liabilities to which § 357(c)(3) applies) and (ii) the total amount of cash and the fair market value of other property (within the meaning of § 361(b)) received by Distributing in the Contribution.
- (e) The sum of Distributing Debt to be paid with Controlled Cash will not exceed the weighted quarterly average of the Distributing Debt for the 24-month-period ending on 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.

Rulings

Based solely on the information submitted and the representations made, we rule as follows:

- (1) The Controlled Securities will constitute “securities” for purposes of § 361(a).
- (2) No gain or loss will be recognized by Distributing in the Securities-for-Debt Exchange pursuant to § 361(c)(3) other than any (i) deductions attributable to the fact that the Distributing Exchange Debt may be redeemed at a premium, (ii) income attributable to the fact that the Distributing Exchange Debt may be redeemed at a discount, and (iii) interest expense accrued with respect to the Distributing Exchange Debt.
- (3) The Controlled Cash will be treated as being distributed by Distributing pursuant to a plan of reorganization for purposes of § 361(b) and 361(c).

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.

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

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.

Sincerely,

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

cc: