

Internal Revenue Service

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Date:
March 06, 2023

LEGEND

External Distributing =

Predecessor =

Internal Distributing 1 =

Internal Distributing 2 =

External Controlled =

Internal Controlled =

DRE 1 =

DRE 2 =

DRE 3 =

DRE 4 =

DRE 5 =

DRE 6 =

DRE 7 =

DRE 8 =

DRE 9 =

DRE10 =

DRE 11 =

DRE 12 =

DRE 13 =

DRE 14 =

DRE 15 =

DRE 16 =

DRE 17 =

Sub 1 =

Sub 2 =

Sub 3 =

Sub 4 =

Sub 5 =

Sub 6 =

Sub 7 =

Sub 8 =

Sub 9 =

Sub 10 =

Sub 11 =

FSub 1 =

FSub 2 =

FSub 3 =

FSub 4 =

FSub 5 =

FSub 6 =

FSub 7 =

FSub 8 =

FSub 9 =

FSub 10 =

External
Distributing Debt =

Date 1 =

Date 2 =

External
Controlled
Business =

Non-External
Controlled
Business =

Business A =

Business B =

Business C =

Business D =

a =

b =

c =

d =

e =

f =

g =

h =

i =

i =

k =

l =

m =

n =

o =

p =

q =

Dear :

This letter responds to your authorized representatives' letter dated August 31, 2022, as supplemented by subsequent letters and documentation (the "Ruling Request"), requesting rulings on certain federal income tax consequences of the Proposed

Transactions (as defined below). The material information submitted in the Ruling Request and subsequent correspondence is summarized below.

This letter is issued pursuant to Rev. Proc. 2017-52, 2017-41 I.R.B. 283, as amplified and modified by Rev. Proc. 2018-53, 2018-43 I.R.B. 667, regarding one or more “Covered Transactions” and one or more significant issues under section 355 and 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 upon 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 Ruling Request. Verification of the information, representations, and other data may be required as part of the audit process.

This office has made no determination regarding whether the Distributions (as defined below): (i) satisfy the business purpose requirement of Treas. Reg. § 1.355-2(b); (ii) are used principally as a device for the distribution of the earnings and profits of any distributing corporation or controlled corporation or both (see section 355(a)(1)(B) and Treas. Reg. § 1.355-2(d)); or (iii) are part of a plan (or series of related transactions) pursuant to which one or more persons will acquire directly or indirectly stock representing a 50-percent or greater interest in any distributing corporation or any controlled corporation, or any predecessor of a distributing corporation or a controlled corporation, within the meaning of Treas. Reg. § 1.355-8 (see section 355(e)(2)(A)(ii) and Treas. Reg. § 1.355-7).

SUMMARY OF FACTS

External Distributing, a publicly traded corporation, is the parent of a worldwide group of domestic and foreign affiliates (the “External Distributing Group”). External Distributing and its domestic affiliates join in filing a consolidated U.S. federal income tax return. External Distributing has a single class of voting common stock outstanding (the “External Distributing Common Stock”).

External Distributing is the successor to Predecessor, all the assets and liabilities of which External Distributing obtained on Date 2 in a transaction which you have represented qualified as a reorganization within the meaning of section 368(a)(1)(F). References to External Distributing include Predecessor prior to that reorganization.

Prior to the Proposed Transactions, External Distributing and its subsidiaries will be engaged in the External Controlled Business (including Business B and Business C) and the Non-External Controlled Business (including Business A and Business D). The relevant ownership structure of the External Distributing Group immediately prior to the Proposed Transactions is described below.

External Distributing directly owns all the outstanding stock of Internal Distributing 2, Sub 1, Sub 2, Sub 3, Sub 4, and Sub 5, as well as a% of the outstanding equity of Internal Distributing 1, which is classified as a corporation for federal tax purposes. Sub 1 directly owns b% of the outstanding equity of Internal Distributing 1. Sub 2 directly owns all the outstanding stock of Sub 6. Sub 6 directly owns all the outstanding stock of Sub 7 and FSub 1, which is classified as a corporation for federal tax purposes, as well as all the outstanding equity of DRE 1, DRE 2, and c% of the outstanding shares in DRE 3, each of which is classified as an entity disregarded as separate from its owner for federal tax purposes. DRE 2 directly owns the remaining d% of the outstanding shares in DRE 3. DRE 1 directly owns all the outstanding shares of FSub 2, which is classified as a corporation for federal tax purposes. Entities including Sub 2, Sub 6, Sub 7, FSub 1, and the Business D Entities (as defined below) are each engaged in Business A.

Internal Distributing 2 directly owns all the outstanding stock of Sub 8 and Sub 9, as well as the remaining e% of the outstanding equity of Internal Distributing 1. Sub 8 directly owns all the outstanding stock of Sub 10 and Sub 11. Sub 10, in turn, directly owns all the outstanding stock of FSub 3, which is classified as a corporation for federal tax purposes. Sub 9 directly owns all the outstanding equity of FSub 4, which is classified as a corporation for federal tax purposes. FSub 4 directly owns f% of the outstanding shares in DRE 10. Sub 10, Sub 11, and FSub 3 are each engaged in Business B.

Internal Distributing 1 directly owns all the outstanding shares of DRE 4, g% of the outstanding shares of DRE 5, h% of the outstanding equity of DRE 6, each of which is classified as an entity disregarded as separate from its owner for federal tax purposes, and i% of the outstanding equity of DRE 7, which is classified as either an entity disregarded as separate from its owner or a partnership for federal tax purposes. DRE 4 directly owns all the outstanding shares of DRE 8, which is classified as an entity disregarded as separate from its owner for federal tax purposes. DRE 8 directly owns all the outstanding equity in Internal Controlled and DRE 9, each of which is currently classified as an entity disregarded as separate from its owner for federal tax purposes, as well as the remaining j% of the outstanding shares of DRE 5. DRE 5 directly owns the remaining k% of the outstanding equity in DRE 6, as well as the remaining l% of the outstanding shares in DRE 10, which is classified as either an entity disregarded as separate from its owner or a partnership for federal tax purposes. DRE 10 directly owns all the outstanding shares in DRE 11, which is classified as an entity disregarded as separate from its owner for federal tax purposes. DRE 11 directly owns all the outstanding equity in FSub 5, which is classified as a corporation for federal tax purposes, as well as all the outstanding equity in DRE 12, which is classified as an entity disregarded as separate from its owner for federal tax purposes, and the remaining m% of DRE 7. DRE 6, DRE 7, FSub 5, DRE 10, and DRE 12, as well as branches of DRE 9 and DRE 10, are each engaged in Business C.

Internal Controlled directly owns all the outstanding equity of FSub 6, which is classified as a corporation for federal tax purposes, as well as DRE 13, which is classified as an

entity disregarded as separate from its owner for federal tax purposes. FSub 6 directly owns all the outstanding equity of DRE 14, which is classified as an entity disregarded as separate from its owner for federal tax purposes. DRE 14, in turn, owns all the outstanding equity of DRE 15, which is classified as an entity disregarded as separate from its owner for federal tax purposes. DRE 15 owns all the outstanding equity of DRE 16, which is classified as an entity disregarded as separate from its owner for federal tax purposes, as well as n% of the outstanding equity of FSub 7, which is classified as a corporation for federal tax purposes. DRE 16 owns all the outstanding equity of FSub 8, which is classified as a corporation for federal tax purposes, and the remaining o% of the outstanding equity of FSub 7, as well as all the outstanding equity in DRE 17, which is classified as an entity disregarded as separate from its owner for federal tax purposes. DRE 13 owns all the outstanding equity of FSub 9, which is classified as a corporation for federal tax purposes. FSub 9 owns all the outstanding equity of FSub 10, which is classified as a corporation for federal tax purposes. DRE 15, DRE 16, DRE 17, FSub 7, and FSub 8 are each engaged in Business D (the “Business D Entities”).

As of Date 1, which was 60 days prior to the first public announcement of the Separation (as defined below), External Distributing had amounts outstanding under the External Distributing Debt, which was not issued in anticipation of the Proposed Transactions.

For purposes of satisfying the active trade or business requirements of section 355(b) with respect to each of the Distributions, financial information has been submitted in accordance with Rev. Proc. 2017-52 indicating that each of Business A, Business B, Business C, and Business D has had gross receipts and operating expenses representing the active conduct of a trade or business for each of the past five years.

PROPOSED TRANSACTIONS

For what are represented to be valid corporate business purposes, the External Distributing Group proposes to engage in the following transactions (the “Proposed Transactions”), some of which have already been consummated, to separate Business A and Business D from Business B and Business C (the “Separation”).

Step 1: External Distributing formed External Controlled as a wholly owned subsidiary.

Step 2: External Distributing contributed its a% equity interest in Internal Distributing 1 to Internal Distributing 2 (the “Internal Distributing Contribution”).

Step 3: External Distributing contributed Sub 1 to Internal Distributing 2 (the “Sub 1 Contribution”). Sub 1 subsequently made an election to be classified as a disregarded entity for federal income tax purposes (the “Sub 1 Election”). The Sub 1 Election, together with the Sub 1 Contribution is intended to qualify as an acquisition by

Internal Distributing 2 of the assets of Sub 1, in exchange for the deemed issuance of stock of Sub 1 (such contribution and election, the “Sub 1 Reorganization”).

Step 4: Sub 1 transferred p% of its equity interest in Internal Distributing 1 to Internal Distributing 2.

Step 5: Internal Distributing 1 sold certain intellectual property rights from disregarded entities owned directly or indirectly by Internal Distributing 1 to Sub 6.

Step 6: Internal Controlled will elect to be classified as a corporation for federal tax purposes. For federal income tax purposes, Internal Distributing 1 will be deemed to contribute to Internal Controlled all the assets held directly and indirectly by Internal Controlled in exchange for (i) all the stock of Internal Controlled (the “Internal Controlled Stock”), and (ii) the assumption of liabilities related to the transferred assets (the “First Internal Controlled Contribution”).

Step 7: Internal Distributing 1 will distribute approximately c% of the Internal Controlled Stock to Internal Distributing 2 and the remaining approximately d% of the Internal Controlled Stock to Sub 1 (the “First Internal Controlled Distribution”).

Step 8: Sub 1 will distribute to Internal Distributing 2 all the Internal Controlled Stock that it receives from Internal Distributing 1 in the First Internal Controlled Distribution.

Step 9: Internal Distributing 2 will distribute the Internal Controlled Stock that it receives from Internal Distributing 1 and Sub 1 to External Distributing (the “Second Internal Controlled Distribution”).

Step 10: Certain intercompany payables and receivables existing between External Distributing (and/or one or more of its direct or indirect subsidiaries after the External Distribution (as defined below)) and External Controlled (and/or one or more of its direct or indirect subsidiaries after the External Distribution) will be eliminated through transactions including distributions, cancellations, extinguishments, and/or repayments. Following such distributions, cancellations, extinguishments, and/or repayments, it is anticipated that a significant amount of intercompany payables owed by External Distributing to one or more of direct or indirect subsidiaries of External Controlled will remain outstanding (the “Outstanding Intercompany Payables”).

Step 11: External Distributing will contribute to External Controlled (i) all the stock of Internal Distributing 2 and other directly held entities engaged in the External Controlled Business, and (ii) certain other assets related to the External Controlled Business in exchange for (i) the issuance of shares of External Controlled (the “External Controlled Stock”), (ii) the assumption of the Outstanding Intercompany Payables, and (iii) either (A) debt instruments of External Controlled that qualify as securities within the meaning of section 361(a) (such securities, “External Controlled Securities”) or (B) the

External Controlled Proceeds (as defined below) in cash, which will not be kept in a segregated or otherwise separate account (such contribution, the “External Controlled Contribution”).

Step 12: External Controlled may borrow cash pursuant to (i) issuances of debt instruments to third-party investors in the capital markets, and/or (ii) borrowings under new credit facilities entered into with one or more third-party financial institutions (the “Debt Issuances”).

Step 13: In a pro rata distribution, External Distributing will distribute all the External Controlled Stock to holders of External Distributing Common Stock (the “External Distribution,” and together with the First Internal Controlled Distribution and the Second Internal Controlled Distribution, the “Distributions”).

Step 14: To the extent External Controlled distributes to External Distributing some or all the net proceeds from the Debt Issuances (the amount so distributed, the “External Controlled Proceeds”), External Distributing will use an amount of cash (which may come from its general accounts) equal to or greater than the amount of the External Controlled Proceeds to repay the outstanding External Distributing Debt (such repayment, the “External Controlled Proceeds Purge”). The External Controlled Proceeds Purge will be completed as expeditiously as is commercially reasonable and in any event within g months after the External Distribution.

Step 15: To the extent External Controlled issues External Controlled Securities in the External Controlled Contribution, External Distributing may exchange all the External Controlled Securities for certain External Distributing Debt (the exchanged External Distributing Debt, the “External Distributing Exchange Debt,” and such exchanges, the “Debt-for-Debt Exchanges”), such that External Distributing will no longer hold any External Controlled Securities following the completion of such exchanges. The Debt-for-Debt Exchanges, if any, will be completed as expeditiously as is commercially reasonable and in any event within g months after the External Distribution.

If External Distributing disposes of any External Controlled Securities in the Debt-for-Debt Exchanges, External Distributing may either (i) enter into such exchange directly with one or more existing holders of the External Distributing Exchange Debt (a “Direct Debt-for-Debt Exchange”), or (ii) enter into such exchange with various investment banks (the “Exchange Banks”) that will purchase the External Distributing Exchange Debt on the open market at least one day before the date of the of the Debt-for-Debt Exchanges (an “Intermediated Debt-for-Debt Exchange”). Alternatively, External Distributing may enter into one or more short-term refinancing arrangements, where External Distributing will (i) borrow cash on a short-term basis (the “Bridge Financing”) from an investment bank (the “Financing Bank”) and (ii) use the proceeds of the Bridge Financing to repay the External Distributing Exchange Debt. At least one day after entering into the Bridge Financing and either before or after the repayment of the

External Distributing Exchange Debt, External Distributing will enter into an agreement to exchange any External Controlled Securities with the Financing Bank in repayment of the Bridge Financing (a “Bridge Financed Debt-for-Debt Exchange”).

In connection with the Proposed Transactions, External Distributing (and/or one or more of its direct or indirect subsidiaries) and External Controlled (and/or one or more of its direct or indirect subsidiaries) will enter into agreements (the “Post-Separation Agreements”) intended to govern certain of their relationships (and those of their respective subsidiaries) following the consummation of the Proposed Transactions, and to manage an orderly transition in the operation of the External Controlled Business.

The Post-Separation Agreements will include provisions governing the allocation of various items, including liabilities resulting from the operations of External Distributing’s and External Controlled’s respective businesses, as well as certain customary agreements with External Controlled regarding tax and employee matters. The Post-Separation Agreements will also include (i) intellectual property cross-license agreements; (ii) transition and logistical services agreements, providing for the provision by External Distributing and External Controlled to each other of certain customary, limited transition services, consistent with commonly shared services, including but not limited to those related to information technology, procurement, customer service, quality and regulatory affairs, accounting, human resources, and distribution and logistics; and (iii) certain material continuing, planned, or intended transactions between External Distributing (and/or one or more of its direct or indirect subsidiaries) and External Controlled (and/or one or more of its direct or indirect subsidiaries) following the External Distribution.

The terms of such Post-Separation Agreements will provide for a specified period of time depending on the type and scope of services to be provided (which may be extended in certain circumstances). In the case of Post-Separation Agreements providing for transition services, such services will generally be intended to last no longer than is necessary to achieve a successful separation of the External Controlled Business, and any associated charges for such services will generally be intended to allow the service provider to recover only direct and indirect costs. The Post-Separation Agreements will further provide that the costs associated with a limited number of real property leases held by External Distributing after the External Distribution may be on-charged to External Controlled without profit to External Distributing.

Following the External Distribution, members of the Distributing board of directors will in no case constitute a majority of the board of directors of External Controlled.

REPRESENTATIONS

The following representations have been made with respect to the Proposed Transactions:

1. Except as otherwise provided below, External Distributing has made each of the representations provided in Section 3 of the Appendix to Rev. Proc. 2017-52 with respect to the First Internal Controlled Distribution, the Second Internal Controlled Distribution, and the External Distribution. For purposes of the representations below, terms used but not otherwise defined herein have the meanings set forth in Rev. Proc. 2017-52.
 - (a) With respect to the First Internal Controlled Distribution:
 - (i) External Distributing has made the following alternative representations: Representations 3(a), 8(a), 11(a), 15(a), 22(a), 31(a), and 41(a).
 - (ii) External Distributing has not made the following representations: Representations 7, 19, 20, 24, 25, 36, 37, 38, 39, 40, and 43 (but provided the required explanations).
 - (iii) External Distributing has made the following modified representations:
 - (1) Representation 32: No intercorporate debt will exist between Internal Distributing 1 and Internal Controlled at the time of, or subsequent to, the First Internal Controlled Distribution, except for (i) short-term accounts payable and accounts receivable arising subsequent to the First Internal Controlled Distribution under the Post-Separation Agreements; (ii) certain intercompany payables and receivables, which will be subsequently eliminated through transactions including distributions, cancellations, extinguishments, and/or repayments.
 - (2) Representation 33: Payments made in connection with all continuing transactions (other than payments for certain services to be provided on a temporary basis following the First Internal Controlled Distribution) between Internal Distributing 1 and Internal Controlled, if any, after the First Internal Controlled Distribution will be for fair market value based on arm's-length terms.
 - (b) With respect to the Second Internal Controlled Distribution:
 - (i) External Distributing has made the following alternative representations: Representations 8(a), 11(a), 15(a), 22(a), 31(a), and 41(a).

- (ii) External Distributing has not made the following representations: Representations 3, 7, 18, 19, 20, 24, 25, 36, 38, 39, 40, and 43 (but provided the required explanations).
- (iii) External Distributing has made the following modified representations:
 - (1) Representation 32: No intercorporate debt will exist between Internal Distributing 2 and Internal Controlled at the time of, or subsequent to, the Second Internal Controlled Distribution, except for (i) short-term accounts payable and accounts receivable arising subsequent to the Second Internal Controlled Distribution under the Post-Separation Agreements; (ii) certain intercompany payables and receivables, which will be subsequently eliminated through transactions including distributions, cancellations, extinguishments, and/or repayments.
 - (2) Representation 33: Payments made in connection with all continuing transactions (other than payments for certain services to be provided on a temporary basis following the Second Internal Controlled Distribution) between Internal Distributing 2 and Internal Controlled, if any, after the Second Internal Controlled Distribution will be for fair market value based on arm's-length terms.
- (c) With respect to the External Distribution:
 - (i) External Distributing will make the following alternative representations: Representations 3(a), 11(a), 15(a), 22(a), 31(a), 41(a).
 - (ii) External Distributing has not made the following representations: Representations 4, 7, 24, 25, and 40 (but provided the required explanations).
 - (iii) External Distributing has made the following modified representations:
 - (1) Representation 2: External Distributing will (i) distribute to its stockholders, on the same day, External Controlled Stock representing 100 percent of (A) the total voting power of all classes of External Controlled Stock entitled to vote, (B) the total number

of shares of each other (i.e., nonvoting) class of External Controlled Stock, if any, and (ii) transfer to External Distributing's creditors, pursuant to the same plan, (A) the External Controlled Proceeds, if any, and (B) all of the External Controlled Securities, if any, that it holds immediately before the External Distribution.

- (2) Representation 8: External Distributing has securities outstanding, and it may distribute the External Controlled Proceeds and the External Controlled Securities to one or more holders of such securities, in connection with the External Distribution, in satisfaction thereof.
- (3) Representation 18: The fair market value of the assets transferred by External Distributing to External Controlled will exceed the sum of (i) the total amount of any liabilities of External Distributing actually or deemed assumed (within the meaning of section 357(d)) by External Controlled (the "External Debt Assumption"), and (ii) the total amount of any money and the fair market value of other property, if any, received by External Distributing from External Controlled and transferred to External Distributing's shareholders and creditors.
- (4) Representation 32: No intercorporate debt will exist between External Distributing and External Controlled at the time of, or subsequent to, the External Distribution, except for (i) External Controlled Securities, if any, that will be transferred to creditors in Debt-for-Debt Exchanges and (ii) short-term accounts payable and accounts receivable arising subsequent to the External Distribution under the Post-Separation Agreements.
- (5) Representation 33: Payments made in connection with all continuing transactions (other than payments for certain services to be provided on a temporary basis following the External Distribution and payments in connection with certain real property leases) between External Distributing and External Controlled, if any, after the External Distribution will be for fair market value based on arm's-length terms.

- (6) Representation 46: External Controlled will not issue stock or securities to a person other than External Distributing in anticipation of the External Distribution, with the possible exception of the issuances of debt instruments by External Controlled to third-party investors in the capital markets pursuant to the Debt Issuances, which instruments may constitute External Controlled Securities.
2. External Distributing has made each of the following representations provided in section 3.04 of Rev. Proc. 2018-53. For purposes of the representations below, terms used but not otherwise defined herein have the meanings set forth in Rev. Proc. 2018-53.
- (a) With respect to the First Internal Controlled Contribution and the First Internal Controlled Distribution:
- (i) External Distributing has not made Representation 6 (but provided the required explanations).
 - (ii) External Distributing has not made Representations 2, 3, and 4 with respect to the deemed assumption of the Internal Distributing 1 liabilities by Internal Controlled (but provided the required explanations).
- (b) With respect to the External Controlled Contribution and the External Distribution:
- (i) External Distributing has not made Representations 6 (but provided the required explanations).
 - (ii) External Distributing has made Representation 2 with respect to the External Distributing Debt. External Distributing has not made Representation 2 with respect to the External Debt Assumption (but provided the required explanations).
 - (iii) External Distributing has made Representation 3 with respect to the External Distributing Debt to the extent repaid in an External Controlled Proceeds Purge. External Distributing has not made Representation 3 with respect to the External Debt Assumption (but provided the required explanations). With respect to External Distributing Debt that may be satisfied in the External Controlled Proceeds Purge or the Debt-for-Debt Exchanges, External Distributing has made the following additional representation: The holder of

the External Distributing Debt that will be assumed or satisfied will not hold the debt for the benefit of External Distributing, External Controlled, or any Related Person. With respect to any Intermediated Debt-for-Debt Exchanges, the Exchange Banks will not acquire External Distributing Exchange Debt from External Distributing, External Controlled, or any Related Person. Neither External Distributing, nor External Controlled, nor any Related Person will participate in any profit gained by the Exchange Banks upon an exchange of Section 361 Consideration; nor will any such profit be limited by agreement or other arrangement. The value of the Section 361 Consideration received by the Exchange Banks in satisfaction of the External Distributing Exchange Debt will be determined pursuant to arm's length negotiations.

- (iv) External Distributing has made Representation 4 with respect to the External Distributing Debt. External Distributing has not made Representation 4 with respect to External Debt Assumption (but provided the required explanations). External Distributing has further made the following representation: The proceeds of the Bridge Financing, if any, will be used to repay the External Distributing Debt.
- (c) External Distributing has not made any Representations provided in Section 3.04 of Rev. Proc. 2018-53 with respect to the Second Internal Controlled Distribution.
- (d) External Distributing has made the following additional representations:
 - (i) The External Controlled Securities, if any, are "securities" within the meaning of section 361(a).
 - (ii) Consistent with the rulings below, the Internal Distributing Contribution qualifies as either a transfer described in section 351 or a reorganization described in section 368(a)(1)(B) and the Sub 1 Reorganization qualifies as a reorganization described in section 368(a)(1)(D).

RULINGS

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

The First Internal Controlled Contribution and the First Internal Controlled Distribution

1. The First Internal Controlled Contribution, together with the First Internal Controlled Distribution, will be a reorganization within the meaning of section 368(a)(1)(D). Internal Distributing 1 and Internal Controlled will each be “a party to a reorganization” under section 368(b).
2. No gain or loss will be recognized by Internal Distributing 1 on the First Internal Controlled Contribution. Section 361(a).
3. No gain or loss will be recognized by Internal Controlled on the First Internal Controlled Contribution. Section 1032(a).
4. The basis in each asset received by Internal Controlled in the First Internal Controlled Contribution will equal the basis of that asset in the hands of Internal Distributing 1 immediately before the transfer. Section 362(b).
5. The holding period in each asset received by Internal Controlled in the First Internal Controlled Contribution will include the period during which that asset was held by Internal Distributing 1. Section 1223(2).
6. No gain or loss will be recognized by Internal Distributing 1 upon the distribution of the Internal Controlled Stock in the First Internal Controlled Distribution. Section 361(c).
7. No gain or loss will be recognized by (and no amount will be included in the income of) Internal Distributing 2 upon the receipt of Internal Controlled Stock in the First Internal Controlled Distribution. Section 355(a).
8. The holding period of Internal Distributing 2 in the Internal Controlled Stock received in the First Internal Controlled Distribution will include the holding period of the Internal Distributing 1 stock held by Internal Distributing 2 with respect to which the distribution of the Internal Controlled Stock is made, provided that such Internal Distributing 1 stock is held as a capital asset on the date of the First Internal Controlled Distribution. Section 1223(1).
9. Earnings and profits of Internal Distributing 1, if any, will be allocated between Internal Distributing 1 and Internal Controlled in accordance with section 312(h) and Treas. Reg. § 1.312-10(a).

The Second Internal Controlled Distribution

10. No gain or loss will be recognized by (and no amount will be included in the income of) Internal Distributing 2 upon the distribution of Internal Controlled Stock in the Second Internal Controlled Distribution, except to the extent provided for pursuant to section 1248(f). Section 355(c); Section 1248(f).
11. No gain or loss will be recognized by (and no amount will be included in the income of) External Distributing upon the receipt of Internal Controlled Stock in the Second Internal Controlled Distribution. Section 355(a).
12. The holding period of External Distributing in the Internal Controlled Stock received in the Second Internal Controlled Distribution will include the holding period of the Internal Distributing 2 stock held by External Distributing with respect to which the distribution of the Internal Controlled Stock is made, provided that such Internal Distributing 2 stock is held as a capital asset on the date of the Second Internal Controlled Distribution and except to the extent provided for pursuant to section 1248(f). Section 1223(1); Section 1248(f); Treas. Reg. § 1.1248(f)-2.
13. Earnings and profits of Internal Distributing 2, if any, will be allocated between Internal Distributing 2 and Internal Controlled in accordance with section 312(h) and Treas. Reg. § 1.312-10(a).

The External Controlled Contribution and the External Distribution

14. The External Controlled Contribution, together with the External Distribution, will be a reorganization within the meaning of Section 368(a)(1)(D). External Distributing and External Controlled will each be “a party to a reorganization” under section 368(b).
15. No gain or loss will be recognized by External Distributing on the External Controlled Contribution (including with respect to the receipt of the External Controlled Proceeds) or the External Debt Assumption, except to the extent that the sum of (i) the total amount of the External Debt Assumption, and (ii) the total amount of any money and the fair market value of other property, if any, transferred to External Distributing by External Controlled exceeds External Distributing’s adjusted basis in the assets transferred by External Distributing to External Controlled in the External Controlled Contribution. Section 361(a) and (b); section 357(a).
16. No gain or loss will be recognized by External Controlled on the External Controlled Contribution. Section 1032(a).

17. The basis in each asset received by External Controlled in the External Controlled Contribution will equal the basis of that asset in the hands of External Distributing immediately before the transfer. Section 362(b).
18. The holding period in each asset received by External Controlled in the External Controlled Contribution will include the period during which that asset was held by External Distributing. Section 1223(2).
19. No gain or loss will be recognized by External Distributing upon the distribution of the External Controlled Stock in the External Distribution. Section 361(c).
20. No gain or loss will be recognized by (and no amount will be included in the income of) holders of External Distributing Common Stock upon the receipt of External Controlled Stock in the External Distribution. Section 355(a).
21. The aggregate basis of the External Distributing Common Stock and External Controlled Stock in the hands of a holder of External Distributing Common Stock immediately after the External Distribution will be the same as the basis of the External Distributing Common Stock immediately before the External Distribution on which such distribution was made, allocated in proportion to the fair market values of the External Distributing Common Stock and the External Controlled Stock. Section 358(b) and (c); Treas. Reg. § 1.358-1(a).
22. If a holder of External Distributing Common Stock that purchased or acquired shares on different dates or at different prices is not able to identify which particular share of External Controlled Stock is received as a distribution with respect to a particular share of External Distributing Common Stock, the holder may designate which particular share of External Controlled Stock is received as a distribution with respect to a particular share of External Distributing Common Stock, provided the designation is consistent with the terms of the External Distribution. Treas. Reg. § 1.358-2(a)(2).
23. The holding period of each holder of External Distributing Common Stock in the External Controlled Stock received in the External Distribution will include the holding period of the External Distributing Common Stock with respect to which the distribution of the External Controlled Stock is made, provided that such External Distributing Common Stock is held as a capital asset on the date of such External Distribution. Section 1223(1).
24. Earnings and profits of External Distributing, if any, will be allocated between External Distributing and External Controlled in accordance with

section 312(h), Treas. Reg. § 1.312-10(a), and Treas. Reg. § 1.1502-33(e)(3).

Debt Exchanges

25. No gain or loss will be recognized by External Distributing in any Direct Debt-for-Debt Exchange, any Intermediated Debt-for-Debt Exchange, or any Bridge Financed Debt-for-Debt Exchange, other than any (i) deductions attributable to the fact that the External Distributing Exchange Debt may be redeemed at a premium, (ii) income attributable to the fact that the External Distributing Exchange Debt may be redeemed at a discount, and (iii) interest expense accrued with respect to the External Distributing Exchange Debt. Section 361(c).

Post-Separation Agreements

26. Payments from External Distributing, or any of its affiliates, to External Controlled, or any of its affiliates, or vice versa, under any continuing relationships regarding liabilities, indemnities, or other obligations that (i) have arisen or will arise for a taxable period ending on or before the External Distribution, and (ii) will not become fixed and ascertainable until after the External Distribution, will be treated as occurring immediately before the External Distribution, except for purposes of section 355(g).

CAVEATS

Except as expressly provided herein, no opinion is expressed or implied concerning the tax treatment of the Proposed Transactions under any other provisions of the Code or regulations or the tax treatment of any conditions existing at the time of, or effects resulting from, the Proposed Transactions that are not specifically addressed by this letter.

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 ruling letter must be attached to any federal 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 (PLR-116841-22) of this ruling letter.

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,

Jonathan R. Neuville
Senior Technician Reviewer, Branch 1
Office of Associate Chief Counsel (Corporate)

cc: