

## Internal Revenue Service

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### Legend

Distributing =

Internal Distributing 1 =

Internal Distributing 2 =

Internal Distributing 3 =

Internal Distributing 4 =

Controlled =

Internal Controlled 1 =

Internal Controlled 2 =

State A =

State B =

Distributing Business =

Controlled Business =

Business A =

Business B =

Business C =

Business D =

Preparatory Internal  
Transactions =

Distributing Debt =

Long Term Debt =

Refinanced Debt =

Commercial Paper =

Ordinary Course Liabilities =

Internal Payables Balance =

External Obligations =

Obligation =

Continuing Arrangements =

Overlapping Directors =

a =

b =

c =

d =

e =

Dear :

This letter responds to your letter dated April 22, 2022, as supplemented on October 7, 2022 and October 21, 2022 on behalf of Distributing, its affiliates and its shareholders requesting rulings on certain federal income tax consequences of a series of transactions (the "Proposed Transaction"). The material information submitted in that 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" 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 request for rulings. 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 each of the distributions in the Proposed Transaction: (i) satisfies the business purpose requirement of Treas. Reg. § 1.355-2(b); (ii) is used principally as a device for the distribution of the earnings and profits of the distributing corporation or the controlled corporation or both (see section 355(a)(1)(B) and Treas. Reg. § 1.355-2(d)); or (iii) is 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 the distributing corporation or the controlled corporation, or any predecessor or successor of the distributing corporation or the 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**

Distributing is a publicly-traded State A corporation and is the parent of a worldwide group that includes both domestic and foreign entities. Distributing is also the common parent of an affiliated group of corporations electing to file a consolidated US federal income tax return. Distributing has a single class of voting common stock issued and outstanding. Distributing, through its direct and indirect subsidiaries, conducts the Distributing Business (which includes Business A, Business B and Business C) and the Controlled Business (which includes Business D).

Distributing wholly owns Internal Distributing 4.

Internal Distributing 4 wholly owns Internal Distributing 3.

Internal Distributing 3 wholly owns Internal Distributing 2.

Internal Distributing 2 wholly owns Internal Distributing 1.

For purposes of the active trade or business requirement of section 355(b), (i) with respect to the First Internal Separation (as defined below) Internal Distributing 1 will rely upon Business A and Business B and Internal Controlled 1 will rely upon Business D, as conducted directly and/or by members of their respective “separate affiliated group” as defined in section 355(b)(3)(B); (ii) with respect to the Second Internal Separation (as defined below), Internal Distributing 2 will rely upon Business A, Business B, and Business C and Internal Controlled 2 will rely upon Business D, as conducted directly and/or by members of their respective “separate affiliated group” as defined in section 355(b)(3)(B); (iii) with respect to the Third Internal Separation (as defined below), the Fourth Internal Separation (as defined below), and the External Separation (as defined below), each of Internal Distributing 3, Internal Distributing 4, and Distributing will rely upon Business A, Business B and Business C, as conducted directly and/or by members of their respective “separate affiliated group” as defined in section 355(b)(3)(B); and each of Internal Controlled 2 and Controlled will rely upon Business D conducted directly and/or by members of their respective “separate affiliated group” as defined in section 355(b)(3)(B). 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 Transaction**

In preparation for the Proposed Transaction, Distributing has undertaken the Preparatory Internal Transactions. For what are represented to be valid business reasons, Distributing proposes to engage in the following transactions, some of which have been completed (the “Proposed Transaction”), to separate the Controlled Business from the Distributing Business:

1. Internal Distributing 1 formed Internal Controlled 1, a new wholly owned corporation, which will convert to a State B corporation after this Step 1. Internal Distributing 1 will then contribute all of the Controlled Business entities and assets it holds, including Business D, to Internal Controlled 1 (the “First Internal Contribution”).
2. Internal Distributing 1 will distribute the stock of Internal Controlled 1 to Internal Distributing 2 (the “First Internal Distribution,” and together with the First Internal Contribution, the “First Internal Separation”).

3. Internal Distributing 2 formed Internal Controlled 2, a new wholly owned State B corporation. Internal Distributing 2 will contribute all of the Controlled Business entities and assets it holds, including the stock of Internal Controlled 1 to Internal Controlled 2 (the “Second Internal Contribution”).
4. Internal Distributing 2 will distribute the stock of Internal Controlled 2 to Internal Distributing 3 (the “Second Internal Distribution,” and together with the Second Internal Contribution, the “Second Internal Separation”).
5. Internal Distributing 3 will contribute all of the Controlled Business entities it holds to Internal Controlled 2 (the “Third Internal Contribution”).
6. Internal Distributing 3 will distribute the stock of Internal Controlled 2 to Internal Distributing 4 (the “Third Internal Distribution,” and together with the Third Internal Contribution, the “Third Internal Separation”).
7. Internal Distributing 4 will contribute all of the Controlled Business entities it holds to Internal Controlled 2 (the “Fourth Internal Contribution”).
8. Internal Distributing 4 will distribute the stock of Internal Controlled 2 to Distributing (the “Fourth Internal Distribution,” and together with the Fourth Internal Contribution, the “Fourth Internal Separation”).
9. Distributing formed Controlled and will contribute all of the Controlled Business entities and assets it holds (including Internal Controlled 2) to Controlled in exchange for Controlled stock and the Controlled Cash Distribution (as defined below) (the “External Contribution”).
10. Controlled anticipates borrowing from one or more unrelated third-party lenders (the “Controlled Borrowing”). The Controlled Borrowing may consist of a combination of term loans, bonds, commercial paper and potentially revolving credit agreements.
11. Controlled may engage in a primary initial public offering, pursuant to which Controlled would sell newly issued shares of its stock (which may involve a new class of stock) to the public (the “IPO,” and the date of the IPO, or if the IPO does not occur, the date of the External Separation (as defined below), the “Separation Date”). Depending on market conditions and other business considerations, the IPO may be effectuated in connection with the Initial Debt-for-Equity Exchange (defined below). The total amount of Controlled stock issued in the IPO and used in the Debt-for-Equity Exchanges (as defined below) will represent less than a percent of the total combined voting power of all Controlled stock.

12. Controlled will transfer some or all of the proceeds from the Controlled Borrowing and IPO, if any, (together the "Controlled Cash Distribution") to Distributing. The Controlled Cash Distribution will not be segregated in a separate bank account or otherwise.
13. Within b months following the Separation Date, Distributing will use an aggregate amount of cash equal to the Controlled Cash Distribution to: (a) satisfy Long Term Debt, Refinanced Debt, Commercial Paper, Ordinary Course Liabilities and the Obligation (such payments, "Debt Repayments"); and/or (b) make distributions to its shareholders (which distributions could include regular quarterly dividends); and/or (c) repurchase its outstanding common stock (which repurchases could be made pursuant to its existing employee stock repurchase authorization and/or any future authorizations) (such distributions and share repurchases, "Shareholder Distributions"). The Debt Repayments and Shareholder Distributions made pursuant to this Step 13 are referred to as the "Boot Purge."
14. If the IPO occurs, Distributing may transfer Controlled stock to one or more financial institutions or such institutions' affiliates (the "Banks") as part of a debt-for-equity exchange effected at the time of the IPO and prior to the External Distribution (the "Initial Debt-for-Equity Exchange"). The Banks will make one or more loans to Distributing (the "Initial New Debt") for cash (the "Initial Debt-for-Equity Proceeds") based upon the anticipated value of Controlled stock to be exchanged in the Initial Debt-for-Equity Exchange. The Initial Debt-for-Equity Proceeds will not be segregated in a separate bank account or otherwise. At least c days after issuance of the Initial New Debt, Distributing will enter into an exchange agreement with the Banks pursuant to which Distributing will agree to transfer Controlled stock to the Banks in exchange for (and in retirement of) some or all of the Initial New Debt (the "Initial Debt-for-Equity Exchange Agreement"). After Distributing and the Banks enter into the Initial Debt-for-Equity Exchange Agreement, Distributing will deliver Controlled stock to the Banks in satisfaction of the Initial New Debt.
15. Within b months following the IPO, Distributing will use an aggregate amount of cash equal to the Initial Debt-for-Equity Proceeds to make Debt Repayments and/or Shareholder Distributions (the "Initial Debt-for-Equity Payments").
16. After the expiration of the lock-up period associated with the IPO (to the extent applicable), Distributing will distribute at least d percent of the outstanding stock of Controlled to its shareholders (the "External Distribution," and together with the External Contribution, the "External Separation").
17. Depending upon market conditions, Distributing may retain Controlled stock after the External Distribution (the "Retained Shares"). Distributing may effect one or



more debt-for equity exchanges with the Banks for the Retained Shares within b months of the External Distribution (the "Delayed Debt-for-Equity Exchange," and together with the Initial Debt-for-Equity Exchange (to the extent applicable), the "Debt-for-Equity Exchanges"). The Banks will make one or more loans to Distributing (the "Delayed New Debt," and together with the Initial New Debt, the "New Debt") for cash (the "Delayed Debt-for-Equity Proceeds," and together with the Initial Debt-for-Equity Proceeds (to the extent applicable), the "Debt-for-Equity Proceeds") based upon the anticipated value of Controlled stock to be exchanged in the Delayed Debt-for-Equity Exchange. The Delayed Debt-for-Equity Proceeds will not be segregated in a separate bank account or otherwise. At least c days after issuance of any Delayed New Debt, Distributing will enter into an exchange agreement with the Banks pursuant to which Distributing will agree to transfer Controlled stock to the Banks in exchange for (and in retirement of) some or all of such Delayed New Debt (the "Delayed Debt-for-Equity Exchange Agreement"). After Distributing and the Banks enter into any Delayed Debt-for-Equity Exchange Agreement, Distributing will deliver the Controlled stock to the Banks in satisfaction of such Delayed New Debt.

18. If the Delayed Debt-for-Equity Exchange occurs, and within b months following the External Separation, Distributing will use an aggregate amount of cash equal to the Delayed Debt-for-Equity Proceeds to make Debt Repayments and/or Shareholder Distributions (the "Delayed Debt-for-Equity Payments," and together with the Initial Debt-for-Equity Payments (if applicable), the "Debt-for-Equity Payments").
19. Distributing may dispose of any Retained Shares not exchanged in a Delayed Debt-for-Equity Exchange via (a) a distribution to its public shareholders no later than b months after the External Distribution (a "Delayed Distribution") or (b) one or more public or private sales no later than e months after the External Separation.

In connection with the Proposed Transaction, Distributing and Controlled (or their respective affiliates, as applicable) will enter into Continuing Arrangements.

Following the External Separation certain individuals will serve as members or officers of the board of Distributing and Controlled (the "Overlapping Directors"). The Overlapping Directors will constitute a minority of Controlled's board of directors. Under Controlled's governing documents, the Overlapping Directors will be subject to re-election as directors of Controlled by Controlled's shareholders following the External Separation in a manner consistent with those of Controlled's other directors.

In addition, Distributing and Controlled may engage in share repurchases following the Proposed Transaction (the "Share Repurchases"). The Share Repurchases would be

effected in the form of open-market transactions or pursuant to an accelerated share repurchase program.

### **Representations**

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

#### *First Internal Separation*

Except as set forth below, Distributing has made all of the representations in section 3 of the Appendix to Rev. Proc. 2017-52 with respect to the First Internal Separation:

Distributing has made the following alternative representations: 3(a), 8(b), 11(a), 15(a), 22(b), 31(a), and 41(a).

Distributing has not made the following representations, which do not apply to the First Internal Separation: 7, 24, 25, 35, and 40.

Distributing has made the following modified representations:

1. Representation 23: Other than potentially as a result of a Continuing Arrangement, the First Internal Separation does not involve and will not result in a situation in which one party recognizes income but another party recognizes the deductions associated with such income or a situation in which one party owns Property but another party recognizes the income associated with such Property.
2. Representation 32: Except for debt potentially incurred under the Continuing Arrangements or ordinary course payables and receivables, no intercorporate debt will exist between Internal Distributing 1 and Internal Controlled 1 at the time of, or subsequent to, the First Internal Distribution of Internal Controlled 1 stock.
3. Representation 33: Except as contemplated by the Continuing Arrangements, payments made in connection with all continuing transactions, if any, between Internal Distributing 1 and Internal Controlled 1 after the First Internal Distribution will be for fair market value based on arm's-length terms.

#### *Second Internal Separation*

Except as set forth below, Distributing has made all of the representations in section 3 of the Appendix to Rev. Proc. 2017-52 with respect to the Second Internal Separation:

Distributing has made the following alternative representations: 3(a), 8(a), 11(a), 15(a), 22(a), 31(a), and 41(a).

Distributing has not made the following representations, which do not apply to the Second Internal Separation: 7, 24, 25, 35, and 40.

Distributing has made the following modified representations:

1. Representation 23: Other than potentially as a result of a Continuing Arrangement, the Second Internal Separation does not involve and will not result in a situation in which one party recognizes income but another party recognizes the deductions associated with such income or a situation in which one party owns Property but another party recognizes the income associated with such Property.
2. Representation 32: Except for debt potentially incurred under the Continuing Arrangements or ordinary course payables and receivables, no intercorporate debt will exist between Internal Distributing 2 and Internal Controlled 2 at the time of, or subsequent to, the Second Internal Distribution of Internal Controlled 2 stock.
3. Representation 33: Except as contemplated by the Continuing Arrangements, payments made in connection with all continuing transactions, if any, between Internal Distributing 2 and Internal Controlled 2 after the Second Internal Distribution will be for fair market value based on arm's-length terms.

### *Third Internal Separation*

Except as set forth below, Distributing has made all of the representations in section 3 of the Appendix to Rev. Proc. 2017-52 with respect to the Third Internal Separation:

Distributing has made the following alternative representations: 3(a), 8(a), 11(a), 15(a), 22(a), 31(a), and 41(a).

Distributing has not made the following representations, which do not apply to the Third Internal Separation: 7, 24, 25, 35, and 40.

Distributing has made the following modified representations:

1. Representation 23: Other than potentially as a result of a Continuing Arrangement, the Third Internal Separation does not involve and will not result in a situation in which one party recognizes income but another party recognizes the deductions associated with such income or a situation in which one party

owns Property but another party recognizes the income associated with such Property.

2. Representation 32: Except for debt potentially incurred under the Continuing Arrangements or ordinary course payables and receivables, no intercorporate debt will exist between Internal Distributing 3 and Internal Controlled 2 at the time of, or subsequent to, the Third Internal Distribution of Internal Controlled 2 stock.
3. Representation 33: Except as contemplated by the Continuing Arrangements, payments made in connection with all continuing transactions, if any, between Internal Distributing 3 and Internal Controlled 2 after the Third Internal Distribution will be for fair market value based on arm's-length terms.

#### *Fourth Internal Separation*

Except as set forth below, Distributing has made all of the representations in section 3 of the Appendix to Rev. Proc. 2017-52 with respect to the Fourth Internal Separation:

Distributing has made the following alternative representations: 3(a), 8(a), 11(a), 15(a), 22(a), 31(a), and 41(a).

Distributing has not made the following representations, which do not apply to the Fourth Internal Separation: 7, 24, 25, 35, and 40.

Distributing has made the following modified representations:

1. Representation 23: Other than potentially as a result of a Continuing Arrangement, the Fourth Internal Separation does not involve and will not result in a situation in which one party recognizes income but another party recognizes the deductions associated with such income or a situation in which one party owns Property but another party recognizes the income associated with such Property.
2. Representation 32: Except for debt potentially incurred under the Continuing Arrangements or ordinary course payables and receivables, no intercorporate debt will exist between Internal Distributing 4 and Internal Controlled 2 at the time of, or subsequent to, the Fourth Internal Distribution of Internal Controlled 2 stock.
3. Representation 33: Except as contemplated by the Continuing Arrangements, payments made in connection with all continuing transactions, if any, between Internal Distributing 4 and Internal Controlled 2 after the Fourth Internal Distribution will be for fair market value based on arm's-length terms.

*External Separation*

Except as set forth below, Distributing has made all of the representations in section 3 of the Appendix to Rev. Proc. 2017-52 with respect to the External Separation:

Distributing has made the following alternative representations: 3(a), 8(b), 11(a), 15(a), 22(a), 31(a), and 41(a).

Distributing has not made the following representations, which do not apply to the External Separation: 24, 25, and 40.

Distributing has made the following modified representations:

1. Representation 2: In the External Distribution, Distributing will distribute Control of Controlled; provided that, in the case that a split-off results in the exchange of stock constituting less than Control of Controlled, Distributing will effect a pro rata distribution of Controlled stock to ensure that Control is distributed as promptly as practical after such split-off, taking into account applicable stock exchange and clearing agency requirements.
2. Representation 5: To the extent the External Distribution is effected as a spin-off, none of the Controlled stock, Controlled securities or Other Property to be distributed in the External Distribution will be received in any capacity other than that of a shareholder of Distributing.
3. Representation 6: To the extent the External Distribution is effected as a spin-off, no shareholder of Distributing will surrender Distributing stock in the External Distribution.
4. Representation 7: To the extent the External Distribution is effected as a split-off, the fair market value of Controlled stock, Controlled securities or Other Property to be received by each shareholder of Distributing that surrenders Distributing stock will be approximately equal to the fair market value of Distributing stock surrendered by the shareholder in the transaction.
5. Representation 8(b): Distributing has securities outstanding, but it will not distribute Controlled stock, Controlled securities, or Other Property to any holder of such securities in the External Distribution, in satisfaction thereof, other than potentially pursuant to the Boot Purge and the Debt-for-Equity Exchanges.
6. Representation 23: Other than potentially as a result of a Continuing Arrangement, the External Separation does not involve and will not result in a

situation in which one party recognizes income but another party recognizes the deductions associated with such income or a situation in which one party owns Property but another party recognizes the income associated with such Property.

7. Representation 32: Except for debt potentially incurred under the Continuing Arrangements or ordinary course payables and receivables, no intercorporate debt will exist between Distributing and Controlled at the time of, or subsequent to, the External Distribution of Controlled stock.
8. Representation 33: Except as contemplated by the Continuing Arrangements, payments made in connection with all continuing transactions, if any, between Distributing and Controlled after the External Distribution will be for fair market value based on arm's-length terms.
9. Representation 45: Distributing will not dispose of any Controlled stock in anticipation of the External Distribution, other than pursuant to the Initial Debt-for-Equity Exchange.
10. Representation 46: Other than the IPO and potentially pursuant to the Controlled Borrowing, Controlled will not issue stock or securities to a person other than Distributing in anticipation of the External Distribution.

Except as set forth below, Distributing has made all of the representations in section 3.04 of Rev. Proc. 2018-53 with respect to the External Separation.

Distributing has made the following modified representations:

1. Representation 2: with respect to the Internal Payables Balances:

The holders of the Internal Payables Balances are Related Persons to Distributing within the meaning set forth in Rev. Proc. 2018-53. Each holder of an Internal Payables Balance will use an amount at least equal to the § 361 Consideration that such holder receives from Distributing to satisfy its External Obligations, which are not held by Related Persons to Distributing.

2. Representation 3: with respect to the New Debt:

The holder(s) of the New Debt that will be satisfied will not hold the New Debt for the benefit of Distributing, Controlled or any Related Person. None of Distributing, Controlled or any Related Person will participate in any profit gained by the Banks upon an exchange of § 361 Consideration; nor will any such profit be limited by agreement or other arrangement. The value of the § 361 Consideration received by the Banks in satisfaction of the New Debt will be determined pursuant to arm's-length negotiations.

With respect to the Internal Payables Balances:

The holders of the Internal Payables Balances are Related Persons to Distributing within the meaning set forth in Rev. Proc. 2018-53. Each holder of an Internal Payables Balance will use an amount at least equal to the § 361 Consideration that such holder receives from Distributing to satisfy its External Obligations. The holders of the External Obligations do not hold the debt for the benefit of Distributing, Controlled, or any Related Person.

3. Representation 4: Other than (w) the New Debt, (x) the Refinanced Debt, (y) the Commercial Paper and (z) the Ordinary Course Liabilities, Distributing incurred the Distributing Debt that will be satisfied (a) before the request for any relevant ruling is submitted and (b) no later than 60 days before the earliest of the following dates: (i) the date of the first public announcement (as defined in Treas. Reg. § 1.355-7(h)(10)) of the Divisive Reorganization or a similar transaction, (ii) the date of the entry by Distributing into a binding agreement to engage in the Divisive Reorganization or a similar transaction, and (iii) the date of approval of the Divisive Reorganization or a similar transaction by the board of directors of Distributing.
4. Representation 6: There are one or more substantial business reasons for any delay in satisfying Distributing Debt in connection with the Boot Purge and the Debt-for-Equity Payments beyond 30 days after the date of the first distribution of Controlled stock to Distributing's shareholders. In the case of an IPO, all the Distributing Debt that will be satisfied in the Boot Purge and the Initial Debt-for-Equity Payments will be satisfied no later than b months after the IPO, and all the Distributing Debt that will be satisfied with the Delayed-Debt-for-Equity Payments will be satisfied no later than b months after the External Distribution. If the IPO does not occur, all the Distributing Debt that will be satisfied in the Boot Purge and all the Distributing Debt that will be satisfied in the Delayed Debt-for-Equity Payments will be satisfied no later than b months after the External Distribution.
5. Representation 7: Distributing will not replace or cause to be replaced any Distributing Debt or External Obligations that will be assumed or satisfied with previously committed borrowing, other than borrowing in the ordinary course of business pursuant to a revolving credit agreement or similar arrangement.

Distributing has made the following additional representations:

6. Distributing's retention of any Retained Shares is for the business purpose of facilitating the Delayed Debt-for-Equity Exchange and establishing an effective and appropriate capital structure for both Distributing and Controlled.

7. Except for the Overlapping Directors, none of Distributing's directors or officers will serve as officers of Controlled as long as Distributing retains the Retained Shares.
8. Distributing will effect any Delayed Debt-for-Equity Exchanges no later than b months after the External Distribution. If Distributing retains the Retained Shares and does not use all of a portion of such Retained Shares in connection with a Delayed Debt-for-Equity Exchange, Distributing will: (i) no later than b months after the External Distribution, effect a Delayed Distribution; or (ii) sell the remaining Retained Shares in one or more public or private sales as soon as practicable, taking into account market and general economic conditions and sound business judgment, and in no event later than e months after the date of the External Distribution.
9. Distributing will vote, or cause to be voted, any Retained Shares in proportion to the votes cast by Controlled's other shareholders and Distributing may grant a proxy to Controlled to effect such proportionate voting.
10. With respect to the Refinanced Debt, the initial debt instruments that were refinanced were entered into (a) before the request for any relevant ruling is submitted and (b) no later than e days before the earliest of the following dates: (i) the date of the first public announcement (as defined in Treas. Reg. § 1.355-7(h)(10)) of the Divisive Reorganization or a similar transaction, (ii) the date of the entry by Distributing into a binding agreement to engage in the Divisive Reorganization or a similar transaction and (iii) the date of approval of the Divisive Reorganization or a similar transaction by the board of directors of Distributing.
11. The Share Repurchases will be motivated by a business purpose, and the stock that will be repurchased in the Share Repurchases will be widely held.
12. The Share Repurchases will not be motivated to any extent by a desire to increase or decrease the ownership percentage of any particular shareholder or group of shareholders.
13. Because the Share Repurchases will be made on the open market, the taxpayer does not know the identity of any shareholder from which the taxpayer's stock is purchased.

### **Rulings**

Based solely on the information and representations submitted, we rule as follows regarding the Proposed Transaction:



*First Internal Separation*

1. The First Internal Separation will be a “reorganization” under section 368(a)(1)(D) to which section 355 applies. Internal Distributing 1 and Internal Controlled 1 will each be “a party to a reorganization” within the meaning of section 368(b).
2. Internal Distributing 1 will recognize no gain or loss on the First Internal Contribution. Section 361(a); section 357(a).
3. Internal Controlled 1 will recognize no gain or loss on the First Internal Contribution. Section 1032(a).
4. Internal Controlled 1’s basis in each asset received from Internal Distributing 1 in the First Internal Contribution will equal the basis of such asset in the hands of Internal Distributing 1 immediately before the First Internal Contribution. Section 362(b).
5. Internal Controlled 1’s holding period in each asset received from Internal Distributing 1 in the First Internal Contribution will include the holding period of such asset held by Internal Distributing 1. Section 1223(2).
6. Internal Distributing 1 will recognize no gain or loss on the First Internal Distribution. Section 361(c).
7. Internal Distributing 2 will recognize no gain or loss (and no amount will be includible in its income) on the receipt of Internal Controlled 1 stock in the First Internal Distribution. Section 355(a)(1).
8. Internal Distributing 2’s holding period in the Internal Controlled 1 stock received in the First Internal Distribution will include the holding period of the Internal Distributing 1 stock held by Internal Distributing 2 with respect to which the First Internal Distribution is made, provided that such Internal Distributing 1 stock is held as a capital asset on the date of the First Internal Distribution. Section 1223(1).
9. Earnings and profits will be allocated between Internal Distributing 1 and Internal Controlled 1 in accordance with section 312(h) and Treas. Reg. §§ 1.312-10(a) and 1.1502-33.

*Second Internal Separation*

10. The Second Internal Separation will be a “reorganization” under section 368(a)(1)(D) to which section 355 applies. Internal Distributing 2 and Internal

Controlled 2 will each be “a party to a reorganization” within the meaning of section 368(b).

11. Internal Distributing 2 will recognize no gain or loss on the Second Internal Contribution. Section 361(a); section 357(a).
12. Internal Controlled 2 will recognize no gain or loss on the Second Internal Contribution. Section 1032(a).
13. Internal Controlled 2’s basis in each asset received from Internal Distributing 2 in the Second Internal Contribution will equal the basis of such asset in the hands of Internal Distributing 2 immediately before the Second Internal Contribution. Section 362(b).
14. Internal Controlled 2’s holding period in each asset received from Internal Distributing 2 in the Second Internal Contribution will include the holding period of such asset held by Internal Distributing 2. Section 1223(2).
15. Internal Distributing 2 will recognize no gain or loss on the Second Internal Distribution. Section 361(c).
16. Internal Distributing 3 will recognize no gain or loss (and no amount will be includible in its income) on the receipt of Internal Controlled 2 stock in the Second Internal Distribution. Section 355(a)(1).
17. Internal Distributing 3’s holding period in the Internal Controlled 2 stock received in the Second Internal Distribution will include the holding period of the Internal Distributing 2 stock held by Internal Distributing 3 with respect to which the Second Internal Distribution is made, provided that such Internal Distributing 2 stock is held as a capital asset on the date of the Second Internal Distribution. Section 1223(1).
18. Earnings and profits will be allocated between Internal Distributing 2 and Internal Controlled 2 in accordance with section 312(h) and Treas. Reg. §§ 1.312-10(a) and 1.1502-33.

*Third Internal Separation*

19. The Third Internal Separation will be a “reorganization” under section 368(a)(1)(D) to which section 355 applies. Internal Distributing 3 and Internal Controlled 2 will each be “a party to a reorganization” within the meaning of section 368(b).
20. Internal Distributing 3 will recognize no gain or loss on the Third Internal Contribution. Section 361(a); section 357(a).

21. Internal Controlled 2 will recognize no gain or loss on the Third Internal Contribution. Section 1032(a).
22. Internal Controlled 2's basis in each asset received from Internal Distributing 3 in the Third Internal Contribution will equal the basis of such asset in the hands of Internal Distributing 3 immediately before the Third Internal Contribution. Section 362(b).
23. Internal Controlled 2's holding period in each asset received from Internal Distributing 3 in the Third Internal Contribution will include the holding period of such asset held by Internal Distributing 3. Section 1223(2).
24. Internal Distributing 3 will recognize no gain or loss on the Third Internal Distribution. Section 361(c).
25. Internal Distributing 4 will recognize no gain or loss (and no amount will be includible in its income) on the receipt of Internal Controlled 2 stock in the Third Internal Distribution. Section 355(a)(1).
26. Internal Distributing 4's holding period in the Internal Controlled 2 stock received in the Third Internal Distribution will include the holding period of the Internal Distributing 3 stock held by Internal Distributing 4 with respect to which the Third Internal Distribution is made, provided that such Internal Distributing 3 stock is held as a capital asset on the date of the Third Internal Distribution. Section 1223(1).
27. Earnings and profits will be allocated between Internal Distributing 3 and Internal Controlled 2 in accordance with section 312(h) and Treas. Reg. §§ 1.312-10(a) and 1.1502-33.

#### *Fourth Internal Separation*

28. The Fourth Internal Separation will be a "reorganization" under section 368(a)(1)(D) to which section 355 applies. Internal Distributing 4 and Internal Controlled 2 will each be "a party to a reorganization" within the meaning of section 368(b).
29. Internal Distributing 4 will recognize no gain or loss on the Fourth Internal Contribution. Section 361(a); section 357(a).

30. Internal Controlled 2 will recognize no gain or loss on the Fourth Internal Contribution. Section 1032(a).
31. Internal Controlled 2's basis in each asset received from Internal Distributing 4 in the Fourth Internal Contribution will equal the basis of such asset in the hands of Internal Distributing 4 immediately before the Fourth Internal Contribution. Section 362(b).
32. Internal Controlled 2's holding period in each asset received from Internal Distributing 4 in the Fourth Internal Contribution will include the holding period of such asset held by Internal Distributing 4. Section 1223(2).
33. Internal Distributing 4 will recognize no gain or loss on the Fourth Internal Distribution. Section 361(c).
34. Distributing will recognize no gain or loss (and no amount will be includible in its income) on the receipt of Internal Controlled 2 stock in the Fourth Internal Distribution. Section 355(a)(1).
35. Distributing's holding period in the Internal Controlled 2 stock received in the Fourth Internal Distribution will include the holding period of the Internal Distributing 4 stock held by Distributing with respect to which the Fourth Internal Distribution is made, provided that such Internal Distributing 4 stock is held as a capital asset on the date of the Fourth Internal Distribution. Section 1223(1).
36. Earnings and profits will be allocated between Internal Distributing 4 and Internal Controlled 2 in accordance with Section 312(h) and Treas. Reg. §§ 1.312-10(a) and 1.1502-33.

#### *External Separation*

37. The External Contribution, together with the External Distribution (i.e., the External Separation), will be a "reorganization" under section 368(a)(1)(D) to which section 355 applies. Distributing and Controlled will each be "a party to a reorganization" within the meaning of section 368(b).
38. Distributing will recognize no gain or loss on the External Contribution. Section 361(a) and (b); section 357(a).
39. Amounts paid as part of the Boot Purge will be treated as distributed pursuant to the External Separation plan of reorganization. Section 361(b)(1) and (b)(3).
40. Distributing will recognize no gain or loss on the Debt-for-Equity Exchanges. Section 361(c).

41. Controlled will recognize no gain or loss on the External Contribution. Section 1032(a).
42. Controlled's basis in each asset received from Distributing in the External Contribution will equal the basis of such asset in the hands of Distributing immediately before the External Contribution. Section 362(b).
43. Controlled's holding period in each asset received from Distributing in the External Contribution will include the holding period of such asset held by Distributing. Section 1223(2).
44. Distributing will recognize no gain or loss on the External Distribution or any Delayed Distribution. Section 361(c).
45. Distributing's shareholders will recognize no gain or loss (and no amount will be includible in their income) on the receipt of Controlled stock in the External Distribution or any Delayed Distribution. Section 355(a)(1).
46. To the extent the External Distribution or any Delayed Distribution is effected as a split-off, immediately after such External Distribution or Delayed Distribution, the basis of the Controlled stock in the hands of a holder of Distributing stock who exchanges Distributing stock for Controlled stock immediately after the External Distribution or Delayed Distribution will be the same as the basis of the Distributing common stock exchanged therefor. Section 358(a).
47. To the extent the External Distribution or any Delayed Distribution is effected as a spin-off, the aggregate basis of the Controlled stock and the Distributing stock in the hands of each Distributing shareholder immediately after the External Distribution or any Delayed Distribution (including any fractional share interest in Controlled stock to which the shareholder may be entitled) will equal the aggregate basis of the Distributing stock held by such Distributing shareholder immediately before the External Distribution or any Delayed Distribution, allocated between the stock of Distributing and Controlled in proportion to the fair market value of each immediately following the External Distribution or any Delayed Distribution in accordance with Treas. Reg. § 1.358-2(a)(2)(iv). Section 358(b)(2) and (c).
48. If a holder of Distributing stock that purchased or acquired shares on different dates or at different prices is not able to identify which particular share of Controlled stock is received in exchange for, or as a distribution with respect to, a particular share of Distributing stock, the holder may designate which particular share of Controlled stock is received in exchange for, or as a distribution with respect to, a particular share of Distributing stock, provided the designation is

consistent with the terms of the External Distribution or any Delayed Distribution. Treas. Reg. § 1.358-2(a)(2)(vii).

49. Each Distributing shareholder's holding period in the Controlled stock received in the External Distribution or any Delayed Distribution will include the holding period of the Distributing stock held by each Distributing shareholder with respect to which the External Distribution or any Delayed Distribution is made, provided that such Distributing stock is held as a capital asset on the date of the External Distribution or Delayed Distribution. Section 1223(1).
50. The receipt by Distributing of cash in lieu of fractional shares of Controlled stock will be treated for federal income tax purposes as if the fractional shares had been distributed to Distributing shareholders as part of the External Distribution or any Delayed Distribution and then had been disposed of by such shareholders for the amount of such cash in a sale or exchange. The gain (or loss) recognized, if any (determined using the bases allocated to the fractional shares in ruling 46 or 47), will be treated as capital gain (or loss), provided the stock was held as a capital asset by the selling shareholder. Section 1001. Such gain (or loss) will be short-term or long-term capital gain (or loss), provided that such Distributing stock was held as a capital asset on the date of the External Distribution (determined using the holding period provided in ruling 49).
51. Earnings and profits will be allocated between Distributing and Controlled in accordance with section 312(h) and Treas. Reg. §§ 1.312-10(a) and 1.1502-33.
52. Any payments or transfers made between any of Distributing and Controlled and their respective affiliates under any of the Continuing Arrangements regarding liabilities, indemnities, or other obligations that (i) have arisen or will arise for a taxable period ending on or before the External Distribution or for taxable year beginning before and ending after the External Distribution and (ii) will not become fixed and ascertainable until after the External Distribution will be characterized in a manner consistent with the proper treatment if such payments or transfers had occurred immediately before the External Distribution pursuant to the External Separation. See *Arrowsmith v. Commissioner*, 344 U.S. 6 (1952) and Rev. Rul. 83-73, 1983-1 C.B. 84.
53. Distributing's continued ownership of any Retained Shares until its disposition, in no event later than 6 months after the Distribution, will not be in pursuance of a plan having as one of its principal purposes the avoidance of U.S. federal income tax for purposes of section 355(a)(1)(D)(ii).
54. Following the External Distribution, Controlled will not be a successor of Distributing for purposes of section 1504(a)(3). Therefore, Controlled and its direct and indirect subsidiaries that are "includible corporations" under section

1504(b) and satisfy the ownership requirements of section 1504(a)(2) will be members of an affiliated group of corporations entitled to file a consolidated federal income tax return with Controlled as the common parent.

55. To the extent the Share Repurchases are treated as part of a plan (or series of related transactions) with the External Separation (or any other step of the Proposed Transaction) for the purposes of section 355(e), such Share Repurchases will be treated as being made from all public shareholders (defined as a shareholder who is not a “controlling shareholder” or “ten-percent shareholder” within the meaning of Treas. Reg. §§ 1.355-7(h)(3) and (14)) of Distributing or Controlled, as applicable, on a pro rata basis for the purpose of testing the effect of the Share Repurchases on the Proposed Transaction under section 355(e) and Treas. Reg. § 1.355-7.

### **Caveats**

No opinion is expressed about the federal income tax treatment of the Proposed Transaction under other provisions of the Code or regulations or the federal income tax treatment of any conditions existing at the time of, or effects resulting from, the Proposed Transaction that are not specifically covered by the above rulings.

### **Procedural Matters**

This letter is director only to the taxpayer who requested it. Section 6110(k)(3) of the Code provides that this letter 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 this ruling letter.

Pursuant to the power of attorney on file in this matter, a copy of this letter is being sent to your authorized representatives.

Sincerely,

*Mark Weiss*

Mark Weiss  
Chief, Branch 2  
Office of the Associate Chief Counsel (Corporate)

cc: