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Person To Contact:
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CC:CORP:BO4
PLR-129446-16

Date:
May 22, 2017

Legend:

Distributing =

SpinCo =

HoldCo =

Sub 1 =

Sub 2 =

Sub 3 =

Sub 4 =

Sub 5 =

Sub 6 =

Sub 7 =

Sub 8 =

Sub 9 =

LLC 1 =

LLC 2 =

LLC 3 =

LLC 4 =

LLC 5 =

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3

New Sub 7 =
Preferred Buyer

Unit A1 =

Unit A2 =

Unit B2 =

Unit B3 =

FSub 1 =

FSub 2 =

New Sub 7 =

Pension Plan
Amount =

SpinCo
Business =

Disposed
Segment =

Disposition
Transaction =

Amount 1 =

Amount 2 =

Amount 3 =

Internal Separation
Transactions =

Item =

State A Corporation =

Type A =

Type B Documents =

Type C =

Type C Personnel =
Composition

Type C =
Evolution

Type D =

Type E =

Type F =

Type G =

Type H Employees =

Agreement 1 =

Agreement 2 =

Agreement 2 =
Payments

Agreement 3 =

Agreement 3
Payments =

Agreement 4 =

Agreement 4
Payments =

Individual A =

Event 1 =

Event 2 =

Manner 1 =

Manner 2 =

Date A =

Date B =

Date C =

Date D =

Date E =

Date F =

Date G =

Date H =

Date I =

Date J =

Date K =

Date L =

Year =

a =

b =

c =

d =

e =

f =

g =

h =

i =

i =

k =

l =

m =

This letter responds to your letter dated September 20, 2016, requesting rulings on certain federal income tax consequences of a series of transactions (the “Proposed Transaction”). The information provided in that letter and in later correspondence is summarized below.

The rulings contained in this letter are based on facts and representations submitted by the taxpayer and accompanied by a penalty 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 letter is issued pursuant to § 6.03 of Rev. Proc. 2017-1, 2017-1 I.R.B. 1, regarding one or more significant issues under §§ 332, 351, 355 or 368. The rulings contained in this letter only address one or more discrete legal issues involved in the transaction. This office expresses no opinion as to the overall tax consequences of the transactions described in this letter or as to any issue not specifically addressed by the rulings below.

Summary of Facts

Except as otherwise provided below, the Summary of Facts reflects the facts immediately before the first step of the Proposed Transaction. Distributing is a widely held, publicly traded corporation that is the common parent of (i) a worldwide group of corporations (the “Distributing Group”) and (ii) a group of affiliated corporations that join in the filing of a consolidated Federal income tax return (the “Distributing Consolidated Group”). Each of Sub 1, Sub 2, Sub 3, Sub 4, Sub 5, Sub 6, Sub 7, and Sub 8 is a member of the Distributing Consolidated Group. Unless otherwise stated, each entity described below is a corporation for Federal income tax purposes.

Distributing owns all of the issued and outstanding stock, respectively the sole class of stock, of each of Sub 1, Sub 2, Sub 3, Sub 4, Sub 5, Sub 6, and Sub 7. Prior to the Proposed Transaction, Sub 2 owned all of the issued and outstanding Sub 8 common stock, which has no other class of stock outstanding. Prior to the FSub 1 Transfer (defined below), Sub 1 and Sub 2 respectively owned a percent and b percent of FSub 1. Following the FSub 1 Transfer, Sub 1 owned no interest in FSub 1 and Sub 2 owned c percent of FSub 1. Unrelated third parties, prior to and following the FSub 1 Transfer, have continued to own the remaining d percent of FSub 1.

For Federal income tax purposes, (i) Sub 6, including its Unit A1 and Unit A2, is treated as a single entity taxable as a corporation, and (ii) Sub 7, including its Unit B2 and Unit B3, is treated as a single entity taxable as a corporation.

LLC 1, a limited liability company that is treated as a disregarded entity for Federal income tax purposes (a “DRE”) of Distributing, owns all of the issued and outstanding Type F interests in LLC 2, a limited liability company that Distributing has treated as a partnership for Federal income tax purposes. Certain Distributing affiliates possess Type G interests in LLC 2.

New Sub 7 Preferred Buyer is treated as a DRE of FSub 2, an indirect wholly owned foreign subsidiary of Distributing.

During the five-year period ending on the date of the Initial External Distribution (defined below, and such period, the “Five-Year Period”), Distributing will have carried out with and through members of its separate affiliated group within the meaning of § 355(b)(3)(B) (“SAG”) the SpinCo Business, which will be relied upon by SpinCo for purposes of the active trade or business requirement of § 355(b) (the “ATB Requirement”). During the Five-Year Period, (i) the Type C activities of the SpinCo Business will have been conducted at various times and levels by the Type C Personnel Composition, (ii) the SpinCo Business will have utilized no fewer than e Type H Employees of the Distributing SAG, (iii) the Distributing’s SAG’s Type H Employees will have carried out, on a daily basis, significant operational and managerial activities with respect to the SpinCo Business, and (iv) the SpinCo business underwent the Type C Evolution.

Proposed Transaction

Distributing has undertaken or proposes to undertake the following steps (each a “Step” and, collectively, the Proposed Transaction).

- (1) At various times, Sub 1 sold real estate and interests in partnerships owning real estate to Sub 2, other Distributing affiliates that will remain in the Distributing Group, or unrelated third parties for cash.
- (2)(a) Distributing (i) formed LLC 4 on Date A that elected to be treated as a corporation for Federal income tax purposes to serve as a Type D company, and (ii) purchased on Date B from a Sub 2 DRE, LLC 5, an inactive limited liability company that is treated as a DRE to serve as a Type E company.
 - (b) Sub 3 has and will continue to assign employees to LLC 4. LLC 4 will acquire other assets for use by the employees from various Distributing entities.
- (3) On Date C, Distributing formed SpinCo.

(4) On Date D, LLC 1 distributed all of its interests in LLC 2 to Distributing.

(5)(a) On Date E, Sub 1 transferred Sub 1's interest in FSub 1 to Sub 2 in a taxable transaction (the "FSub 1 Transfer").

(b) On Date F, Sub 1 distributed to Distributing all of its membership interests of LLC 3, a DRE of Sub 1, whose only asset was less than \$f of cash.

(6)(a) On Date G, Sub 2 distributed to Distributing all of the Sub 8 stock.

(b) Thereafter, Sub 8 distributed to Distributing a dividend in an amount of cash in excess of the needs of Sub 8's businesses.

(7) Sub 4 has entered into Agreement 1 with Unit B3 effective on Date H. The payments in connection with Agreement 1 are intended to be for fair market value.

(8)(a) On Date I, Sub 7 formed New Sub 7, a State A Corporation, with minimum capital necessary for its organization, which conducted no activities prior to the New Sub 7 Transactions (defined below).

(b) Distributing adopted resolutions approving the transactions described in Step 8(b) through Step 8(g) (the "New Sub 7 Transactions"), which were completed in Manner 1, and the relevant parties to each New Sub 7 Transaction executed binding agreements to implement each such transaction. The existing financing arrangements of Unit B2, Unit A1, and Unit A2, and Sub 5 were canceled. In connection with this Step 8(b), assets were transferred from Sub 5 to Distributing, which will treat such transfer as a dividend for Federal income tax purposes.

(c) Pursuant to Event 1, New Sub 7 obtained its Item. Sub 7 entered into a binding commitment to sell the non-voting preferred stock of New Sub 7 (the "New Sub 7 Preferred Stock") to New Sub 7 Preferred Buyer authorized by the resolutions adopted in Step(8)(b).

(d) Sub 7 transferred Unit B2 to New Sub 7 in exchange for the voting common stock of New Sub 7 (the "New Sub 7 Common Stock") and New Sub 7 Preferred Stock. Pursuant to Event 2, New Sub 7 converted Unit B2 into a stand-alone Type A company ("Converted Unit B2"), which was a wholly owned subsidiary of New Sub 7. Immediately thereafter, Converted Unit B2 merged with and into New Sub 7.

(e) Sub 7 sold all of the New Sub 7 Preferred Stock to the New Sub 7 Preferred Buyer in exchange for cash or other property (e.g., third-party securities, such as Treasury bonds)(the “New Sub 7 Preferred Stock Transfer”). Sub 7 then distributed the New Sub 7 Common Stock to Distributing.

(f) Distributing contributed to Sub 1 all of the New Sub 7 Common Stock and all of the stock of Sub 5 and Sub 6 (the “First Sub 1 Contribution”). The contributions to Sub 1 of the Sub 5 and Sub 6 stock are respectively referred to as the “Sub 5 Contribution” and the “Sub 6 Contribution”.

(g) Each of Sub 5, New Sub 7, and Sub 6 successively merged with and into Sub 9, which was formed in connection with the Proposed Transaction (collectively, the “Mergers”), with Sub 1 receiving additional Sub 9 common stock (“Sub 9 Common Stock”) and New Sub 7 Preferred Buyer receiving Sub 9 non-voting preferred stock (“Sub 9 Preferred Stock”). Each of Event 1, Event 2, and the merger of New Sub 7 with and into Sub 9 occurred in Manner 2 pursuant to Type B Documents. The mergers of Sub 5 and Sub 6 with and into Sub 9 are respectively referred to as the “Sub 5 Merger” and the “Sub 6 Merger”.

(h) In order to minimize the continuing relationships between (i) the Distributing Group and (ii) SpinCo and its direct and indirect subsidiaries at the time of the Initial External Distribution (the “SpinCo Group”) following the Proposed Transaction, Distributing has executed and will continue to execute the Internal Separation Transactions.

(i) Not later than g months following the date of the Initial External Distribution, New Sub 7 Preferred Buyer will sell the Sub 9 Preferred Stock that New Sub 7 Preferred Buyer will receive in Step (8)(g) to one or more unrelated third parties in exchange for cash or other property (e.g., third party securities, such as Treasury bonds).

(9) On Date L, Distributing contributed all of the Sub 4 stock to Sub 1 (the “Second Sub 1 Contribution”).

(10)(a) On Date K, Distributing formed HoldCo, a limited liability company, with two authorized classes of membership interests, voting common interests (the “HoldCo Common Stock”) and non-voting preferred interests (the “HoldCo Preferred Stock”), that will elect to be treated as a corporation for Federal income tax purposes (the “HoldCo CTB Election”) as described below.

(b) On Date L, prior to the effective date of the HoldCo CTB Election. Distributing (i) contributed to HoldCo (w) all of its Sub 1 and Sub 8 stock, (x) all of the membership interests in LLC 4 and LLC 5, (y) all of its LLC 2 interests, and potentially (z) other assets. Additionally, prior to the effective date of the HoldCo CTB Election, HoldCo will have issued the HoldCo Common Stock and the HoldCo Preferred Stock to Distributing, and (ii) entered into a binding commitment to sell the HoldCo Preferred Stock to one or more unrelated third parties (the purchaser(s) of such stock, the “HoldCo Preferred Buyer(s),” and the Federal income tax consequences associated with the HoldCo CTB Election, the “HoldCo Contribution”).

(c) Distributing will sell all of the HoldCo Preferred Stock to the HoldCo Preferred Buyer(s) in exchange for cash or other property (e.g., third-party securities such as Treasury bonds) (such transaction, the “HoldCo Preferred Stock Transfer”). Distributing expects to recognize a significant loss with respect to the Sub 1 stock (the “Sub 1 Loss”) on the HoldCo Contribution.

11(a) Distributing will contribute to SpinCo all of the HoldCo Common Stock, and potentially other assets, in exchange for (i) the assumption by SpinCo of certain disclosed Distributing liabilities, (ii) cash, which will include proceeds from the SpinCo Borrowing (defined below), and (iii) SpinCo stock (the “SpinCo Contribution”). Distributing will not set aside, trace or otherwise segregate the actual cash consideration received from SpinCo.

(b) In connection with the SpinCo Contribution, SpinCo will borrow from unrelated third-party lenders (the “SpinCo Borrowing”).

(c) Banks or other parties unrelated to Distributing (the “Exchanging Institutions”) may purchase Distributing indebtedness (such acquisition, the “Third-Party Tender”, and such debt, the “Third-Party Tender Debt”).

(12) Distributing will distribute at least h percent of the SpinCo stock pro rata to Distributing shareholders that are not subsidiaries of Distributing (such distribution, the “Initial External Distribution”, Distributing subsidiaries that receive SpinCo stock in connection with the Initial External Distribution, the “Recipient Subsidiaries”, and the SpinCo stock received by the Recipient Subsidiaries, the “Subsidiary Retained Stock”). Distributing will directly retain some amount of the SpinCo stock following the Initial External Distribution (the “Distributing Retained Stock” and together with the Subsidiary Retained Stock, the “Retained Stock”).

13(a) Following the SpinCo Contribution, and no later than *j* months following the Initial External Distribution (the “Permitted Period”), Distributing intends to transfer an amount of cash equal to the cash distributed by SpinCo to Distributing pursuant to Step 11(a) (such amount, the “Cash Amount”) in one or more, or all, of the following transfers to: (i) shareholders; (ii) creditors, including to creditors in respect of any liabilities incurred in the ordinary course of business; or (iii) Distributing’s qualified defined benefit plan for which Distributing is the sponsor (the “Pension Plan”). The amount to be transferred to the Pension Plan will not exceed the Pension Plan Amount. The transfer of the Cash Amount to shareholders may include the payment of (i) dividends, including regular quarterly dividends, and/or (ii) redemptions, including pursuant to existing, amended, or future stock repurchase programs, open market stock repurchases, accelerated share repurchases, or block purchases. The transfer of the Cash Amount to creditors may include the payment of interest and associated fees, such as consent fees and premium in excess of the face amount of an instrument, as well as principal and trade payables that have or will have arisen in the ordinary course of business, including potentially debt incurred in the ordinary course following the Initial External Distribution. The transfers of the Cash Amount described in this Step 13(a) are referred to herein collectively as the “Cash Amount Purge”.

(b) Distributing may transfer the Distributing Retained Stock within the Permitted Period to some combination of Distributing creditors in satisfaction of Distributing debt, including Third-Party Tender Debt (the Stock-For-Debt Exchanges”), and/or Distributing shareholders (i) as dividends, including regular quarterly dividends, and/or (ii) in redemption of outstanding Distributing common stock. The subsequent transfers of the Distributing Retained Stock described in the preceding sentence are referred to collectively as the “Subsequent Distributions”. Alternatively, or in addition, Distributing may dispose of any Distributing Retained Stock, including through taxable sales, at any time but no later than five years following the Initial External Distribution, including the portion of such period constituting the Permitted Period. The Recipient Subsidiaries will dispose of the Subsidiary Retained Stock no later than five years following the Initial External Distribution.

14(a) Distributing expects to enter into certain agreements in connection with the Proposed Transaction which could include, among others, Agreement 2, Agreement 3, and Agreement 4. To the extent required pursuant to Agreements 2, 3, and 4, respectively, Agreement 2 Payments, Agreement 3 Payments, and Agreement 4 Payments, respectively, may

be made between SpinCo and Distributing (any such payment, an “Agreement Payment” and collectively, the “Agreement Payments”).

(b) Distributing plans to transfer to its shareholders and/or creditors an amount equal to any Agreement Payment it receives in a manner consistent with the Cash Amount Purge, except that in all events any such transfer will occur within g months of receipt by Distributing of any Agreement Payment. The SpinCo Contribution, the Cash Amount Purge, the Initial External Distribution, and any Subsequent Distributions are referred to collectively as the “External Spin-Off”.

Stock-For-Debt Exchanges

With respect to any Stock-For-Debt Exchanges, the Exchanging Institutions will purchase any Third-Party Tender Debt at least j days before such debt may be tendered as part of such an exchange. In the event Distributing directly tenders for Distributing debt during the same period as the Third-Party Tender, Distributing and the Exchanging Institutions each expect to provide information to the other regarding the amount of such purchases throughout and until the consummation of such tender offers. No sooner than k days after each such debt purchase, Distributing and the Exchanging Institutions expect to enter into agreements pursuant to which the parties will exchange an amount of the Third-Party Tender Debt for all or a portion of the Distributing Retained Stock as part of the Stock-For-Debt Exchanges (any such agreement, an “Exchange Agreement”). Distributing anticipates that the Exchanging Institutions will sell any Distributing Retained Stock received in the Stock-For-Debt Exchanges shortly after receipt to third parties or to underwriters (each, an “Underwriter” and collectively, “Underwriters”).

It is expected that the Exchanging Institutions (including their affiliates) and/or Underwriters will solicit non-binding offers from third parties for the purchase of the Distributing Retained Stock during (and perhaps before) the period the Exchanging Institutions acquire the Third-Party Tender Debt. Any such solicitations will not be binding prior to communication by the Exchanging Institution or Underwriter confirming the terms of purchase and sale to such third parties (each, a “Confirmation”, and collectively, “Confirmations”). No Underwriting Agreement will be executed and no Confirmations will be issued prior to the execution of the applicable Exchange Agreement.

Representations

- (a) Immediately before Step 8(f), all of the stock of Sub 5, Sub 6, and New Sub 7 could have been sold to an unrelated third party for more than \$l.
- (b) Immediately after Step 8(f), all of the stock of Sub 9 could have been sold to an unrelated third party for more than \$m.
- (c) Other than Individual A, no person who is a director or officer of Distributing will serve as an officer or director of SpinCo. Individual A is expected to serve as a non-officer director of SpinCo for a transitional period following the Initial External Distribution and will resign from the SpinCo board at the end of Year.
- (d) Distributing will vote, or cause to be voted, the Retained Stock in proportion to the votes cast by SpinCo's other shareholders, and Distributing may grant a proxy to SpinCo to effectuate such voting.
- (e) The Sub 9 Preferred Stock constitutes equity in Sub 9 for Federal income tax purposes.
- (f) The separation of the SpinCo Business would be pursued by Distributing regardless of whether the Sub 1 Loss would be recognized by virtue of the Proposed Transaction.
- (g) Subject to any limitations in Treas. Reg. §1.1502-36, Distributing would be entitled to recognize the Sub 1 Loss upon a taxable sale of the Sub 1 stock to an unrelated third party.
- (h) Distributing and HoldCo will cease to be members of the same controlled group (as defined in §267(f)(1)) upon the consummation of the Initial External Distribution.
- (i) The HoldCo Preferred Stock will constitute equity in HoldCo for Federal income tax purposes.
- (j) Distributing will sell the HoldCo Preferred Stock to the HoldCo Preferred Buyer(s) for an amount intended to equal the fair market value of such stock.
- (k) Distributing would contribute all of the Sub 1 stock to a holding company which itself would be contributed to SpinCo without regard to the recognition of the Sub 1 Loss or the achievement of any other Federal income tax benefit.

(l) Distributing has not identified any non-cash assets that will be contributed to the SpinCo Group that will not be owned by HoldCo. To the extent any such assets are identified, Distributing expects such assets will have a de minimis value.

Rulings

Based solely on the information submitted and the representations set forth above, and provided that the SpinCo Contribution and the Initial External Distribution otherwise qualify under §§368(a)(1)(D) and 355, we rule as follows:

- (1) Distributing's direct and indirect continuing ownership of any Retained Stock until its disposition within five years of the Initial External Distribution will not be in pursuance of a plan having as one of its principal purposes the avoidance of Federal income tax for purposes of §355(a)(1)(D)(ii).
- (2) The Subsequent Distributions and Cash Amount Purge will be treated as being distributed pursuant to the plan of reorganization that includes the SpinCo Contribution and the Initial External Distribution for purposes of §361(b) and (c).
- (3) For purposes of qualifying the Cash Amount Purge for nonrecognition treatment under §361(b), (i) Distributing will not be required to segregate or otherwise trace the cash received from SpinCo as part of the SpinCo Contribution and, as such, may use cash from any source, and (ii) transfers of the Cash Amount to the Pension Plan, if any, will be treated as transfers to a creditor of Distributing to the extent of the Pension Plan Amount.
- (4) The involvement of the Exchanging Institutions in the Third-Party Tender and the Stock-For-Debt Exchanges will not preclude the application of §361(c)(3) to the Stock-For-Debt Exchanges.
- (5) None of the Type C Personnel Composition, the Type C Evolution, or the disposition of the Disposed Segment will preclude satisfaction of the ATB Requirement.
- (6) For purposes of satisfying the ATB Requirement with respect to the SpinCo Business, SpinCo may take into account all operational and managerial activities throughout the Five-Year Period performed by

employees employed by any member of the Distributing SAG during such period.

(7) The HoldCo Preferred Stock Transfer will preclude the satisfaction of the §351 control requirement with respect to the HoldCo Contribution. Rev. Rul. 70-522, 1970-2 C.B. 81; Rev. Rul. 79-70, 1979-1 C.B. 144.

(8) The sale by Sub 7 of the preferred stock received as partial consideration for Sub 7's transfer of Unit B2 will preclude the satisfaction of the §351 control requirement with respect to such transfer of Unit B2. Rev. Rul. 70-522, 1970-2 C.B. 81; Rev. Rul. 79-70, 1970-1 C.B. 144.

(9) The Sub 1 Loss will be taken into account immediately before the Initial External Distribution, and will not be (i) redetermined to be nondeductible or noncapital or (ii) otherwise disallowed or deferred under §267(f) or Treas. Reg. §1.1502-13.

(10) Neither SpinCo nor any of its affiliates will be treated as a "successor" to Distributing or any of its affiliates for purposes of §1504(a)(3).

(11) The New Sub 7 Preferred Buyer's ownership of the Sub 9 Preferred Stock will not preclude the satisfaction of §355(a)(1)(D).

(12) Each of the Sub 5 Merger and the Sub 6 Merger will not be disqualified as a § 368 reorganization by virtue of the existence of the respective Amount 3 of Sub 5, Unit B2, and Sub 6, as applicable.

(13) None of the subsequent Steps of the Proposed Transaction will preclude the Sub 5 Contribution or the Sub 6 Contribution from qualifying under §351.

(14) None of the Agreement 2, Agreement 3, and Agreement 4 will preclude the External Spin-Off from satisfying §355(a)(1)(D).

Caveats

No opinion is expressed or implied concerning the tax consequences of any other aspect of any transaction or item discussed or referenced in this letter. In particular, no opinion is given regarding any other issues related to the Proposed Transaction, or the tax consequences or characterization of the Proposed Transaction, including, except as otherwise provided

herein, (i) the treatment of Agreement 2, Agreement 3, and Agreement 4 and (ii) the treatment of any Agreement Payments.

Procedural Statements

This ruling is directed only to the taxpayers who requested it. Section 6110(k)(3) 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, a taxpayer filing its return electronically may satisfy this requirement by attaching a statement to its Federal income tax return that sets forth the date and control number of this ruling letter.

In accordance with a power of attorney on file in this office, a copy of this letter is being sent to your authorized representative.

Sincerely,

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