

Internal Revenue Service

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Legend

Oldco =

Newco =

Sub 1 =

LLC =

State A =

Historic
Liabilities =

Date 1 =

Date 2 =

Date 3 =

Date 4 =

Shareholder =
Rights

LLC =
Agreement

Support =
Agreement

Dear :

This letter responds to your authorized representatives' letter dated May 29, 2020, requesting rulings on certain federal income tax consequences of a series of completed transactions described below (the "Completed Transaction"). The material information provided in that request and in subsequent correspondence is summarized below.

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

This letter is issued pursuant to section 6.03 of Rev. Proc. 2020-1, 2020-1 I.R.B. 1, regarding rulings on one or more significant issues under sections 332, 351, 355, 368, or 1036 of the Internal Revenue Code (the "Code"). The rulings contained in this letter only address one or more discrete legal issues involved in the Completed Transaction. This Office expresses no opinion as to the overall tax consequences of the Completed Transaction or as to any issue not specifically addressed by the rulings below.

Summary of Facts

Oldco, prior to the Completed Transaction, was a publicly traded State A corporation and the common parent of an affiliated group of corporations that filed a consolidated federal income tax return (the "Oldco Group"). Oldco owned all the stock of Sub 1, which in turn held substantially all of the assets and operations of the Oldco Group.

Oldco formerly operated a business that generated Historic Liabilities. Prior to the Completed Transaction, the Historic Liabilities were obligations of Oldco for state law

purposes. Oldco undertook the Completed Transaction (described below) in order to separate its core business operations from the Historic Liabilities and to better manage the Historic Liabilities.

Completed Transaction

The Completed Transaction has been completed as of the date of this ruling, but either the tax return has not yet been filed for the year in which the transaction was completed or the tax return was filed for the year in which the transaction was completed, but this ruling request was filed prior to the filing of the tax return.

The steps of the Completed Transaction are set forth below:

- (i) On Date 1, Oldco formed Newco, a State A corporation.
- (ii) On Date 2, Newco formed LLC, a State A limited liability company that will be treated as a disregarded entity for federal income tax purposes.
- (iii) On Date 3, Oldco merged with and into LLC, with LLC as the surviving entity. In the merger, the Oldco shareholders exchanged their shares of Oldco stock for shares of Newco stock. Steps (i) through (iii), collectively, are referred to as the "Potential Reorganization."

Newco shareholders held no economic interest in LLC following the Potential Reorganization, except by reason of their ownership of Newco stock. At all times before and following the Potential Reorganization, Newco had the sole authority to appoint LLC's board of directors.

- (iv) On Date 4, Newco and LLC entered into the Support Agreement, whereby Newco agreed to contribute funds to LLC in order to ensure LLC's ongoing solvency.
- (v) On Date 4, LLC distributed the stock of Sub 1 to Newco.

Representations

The taxpayer makes the following representations with respect to the Completed Transaction:

- a) LLC is a domestic eligible entity under Treas. Reg. § 301.7701-3(a).
- b) For all tax, accounting, financial statement, books, records, and corporate purposes, Newco and LLC have reported and will consistently report and treat

Newco as the sole member and sole owner of LLC immediately before and immediately after the Potential Reorganization.

- c) Except for the issue of the Shareholder Rights included in the LLC Agreement, the Potential Reorganization will qualify as a reorganization under section 368(a)(1)(F).

Rulings

Based solely on the information provided and the representations set forth above, we rule as follows regarding the Completed Transaction:

- 1) At the time of and immediately after the Potential Reorganization, LLC was an entity disregarded as separate from Newco under Treas. Reg. § 301.7701-3(b)(1)(ii) for federal income tax purposes.
- 2) The Shareholder Rights included in the LLC Agreement will not preclude the Potential Reorganization from otherwise qualifying as a reorganization under section 368(a)(1)(F).

Caveats

Except as expressly provided herein, no opinion is expressed or implied concerning the tax consequences of any aspect of any transaction or item discussed or referenced in this letter.

Procedural Information

This ruling is directed only to the taxpayer requesting it. Section 6110(k)(3) provides that it may not be used or cited as precedent.

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

A copy of this letter should be attached to the federal income tax return of each taxpayer involved for the taxable year in which the transaction covered by this ruling letter is consummated. Alternatively, taxpayers filing their returns electronically may satisfy this requirement by attaching a statement to their returns that provides the date and control number of this letter ruling.

A copy of this letter must be attached to any income tax return to which it is relevant.

Sincerely,

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

cc: