

Distributing 6 =

Distributing 7 =

Distributing 8 =

Controlled =

Controlled 1 =

Controlled 2 =

Controlled 3 =

Controlled 4 =

Controlled 5 =

Controlled 6 =

Partnership =

FSub 1 =

FSub 2 =

FSub 3 =

FSub 4 =

FSub 5 =

Sub 6 =

FSub 7 =

Sub 8 =

Sub 9 =

Sub 10 =

FSub 11 =

DRE 1 =

DRE 2 =

DRE 3 =

DRE 4 =

DRE 5 =

DRE 6 =

DRE 7 =

DRE 8 =

DRE 9 =

DRE 10 =

DRE 11 =

DRE 12 =

DRE 13 =

DRE 14 =

DRE 15 =

DRE 16 =

DRE 17 =

DRE 18 =

DRE 19 =

DRE 20 =

Branch =

Business A =

Business B =

Business C =

Business D =

Segment A =

Segment B =

Country A =

Country B =

Country C =

Country D =

a =

b =

c =

d =

e =

f =

g =

h =

i =

j =

k =

l =

m =

Date 1 =

Date 2 =

Date 3 =

Date 4 =

Date 5 =

Date 6 =

Date 7 =

Entity Type A =

Entity Type B =

Service Provider =

Foreign Tax =

Notes =

Foreign Court =

Preparatory Transactions =

Dear :

This letter responds to your request, dated October 23, 2017, submitted by your authorized representatives on behalf of Distributing, for rulings on certain federal income tax consequences of a series of transactions (the “Proposed Transaction”). The material information provided in that request and in later 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 materials submitted in support of the request for rulings, it is subject to verification on examination.

This letter is issued pursuant to section 6.03 of Rev. Proc. 2017-1, 2017-1 I.R.B. 1, regarding one or more significant issues under sections 332 and 355 of the Internal Revenue Code (the “Code”). The rulings contained in this letter only address one or more discrete legal issues involved in the transactions described herein. This office expresses no opinion as to the overall tax consequences of these transactions described in this letter or as to any issue not specifically addressed by the rulings below.

Summary of Facts

Distributing, a publicly-traded Country A company, is the ultimate parent of a worldwide group that includes corporations, entities disregarded for federal income tax purposes from their sole regarded owner under Treas. Reg. § 301.7701-3 (each, a “DRE”), and partnerships for federal income tax purposes (the “Distributing Group”). The Distributing Group conducts Business A and Business B. Business B consists of two legacy business lines, Segment A and Segment B.

Distributing owns all of the stock of DRE 1.

DRE 1 owns all of the stock of FSub 1 and FSub 2.

FSub 1 owns all of the stock of FSub 3.

FSub 3 owns all of the stock or interests in FSub 4 and the Branch.

FSub 4 owns all of the stock of Distributing 8.

Distributing 8 owns all of the stock of FSub 5 and Distributing 7. Distributing 7 is the common parent of an affiliated group of corporations that file a consolidated federal income tax return.

FSub 5 owns all of the stock of Sub 6. Sub 6 is the common parent of an affiliated group of corporations that file a consolidated federal income tax return.

Distributing 7 owns all of the stock of Distributing 6.

Distributing 6 owns all of the stock of or interests in Controlled 4, FSub 7, Sub 8, Distributing 5, and DRE 2.

Controlled 4 owns all of the stock of Sub 9.

Distributing 5 owns all of the stock of Distributing 4.

Distributing 4 owns all of the stock of Distributing 3.

Distributing 3 owns all of the stock of Distributing 2 and Sub 10.

Distributing 2 owns all of the interests in DRE 3 and a percent of the interests in Distributing 1. DRE 3 owns the remaining b percent interest in Distributing 1.

Distributing 1 owns all of the interests in DRE 4, c percent of the interests in FSub 11, and d percent of the interests in Partnership (a "significant interest" within the meaning of Rev. Rul. 2007-42, 2007-2 C.B. 44). DRE 4 owns the remaining e percent interest in FSub 11 and FSub 11 owns the remaining f percent interest in Partnership. Prior to Date 1, an unrelated third party owned g percent of the interests in Partnership. Distributing 1, through a DRE, purchased this g percent interest in Partnership and as a result Distributing 1 and FSub 11 owned all of the outstanding interests in Partnership, which remained classified as a partnership for federal income tax purposes.

Partnership owns all of the interests in DRE 5.

DRE 5 owns all of the interests in DRE 6.

DRE 6 owns all of the interests in DRE 7 and DRE 8.

DRE 7 owns all of the interests in DRE 9 and DRE 10.

DRE 8 owns all of the interests in DRE 11, DRE 12, and h percent of the interests in DRE 13. DRE 6 owns the remaining i percent of the interests in DRE 13.

DRE 11 owns all of the interests in DRE 14.

DRE 14 owns all of the interests in DRE 15 and DRE 16. FSub 2 owns a general partnership interest in DRE 16 with no equity value.

DRE 15 and DRE 16 collectively own all of the interests in DRE 17.

DRE 10, DRE 12, and DRE 13 are primarily engaged in Business C (a part of Business B). DRE 9 is primarily engaged in Business D (a part of Business A).

Proposed Transaction

For what are represented to be valid corporate business purposes, Distributing proposes to separate Business A and Business B in the following steps, some of which have already occurred:

1. On Date 2, Controlled was formed with nominal shares issued to Service Provider.
2. On Date 3, an election pursuant to Treas. Reg. § 301.7701 (an “Election”) was made for FSub 4 to be treated as a DRE (“Liquidation 1”).
3. On Date 4, an Election was made for FSub 3 to be treated as a DRE (“Liquidation 2”).
4. On Date 5, an Election was made for FSub 1 to be treated as a DRE (“Liquidation 3”) and FSub 1 converted from an Entity Type A to an Entity Type B.
5. On Date 6, DRE 5 formed Controlled 1 and on Date 7, DRE 5 formed Controlled 2, each a Country B entity with an initial Election to be classified as a DRE.
6. FSub 11 will make an Election to be treated as a DRE (“Liquidation 4”). Subsequently, Partnership and FSub 11 will be formally liquidated under Country C law, and DRE 4 will be formally liquidated under state law. As a result of Liquidation 4, Distributing 1 will be treated for federal income tax purposes as owning all of the outstanding interests in Partnership. As a result, Partnership will be deemed to terminate as a partnership for federal income tax purposes (the “Partnership Termination”).
7. For Foreign Tax purposes, DRE 1 will make a contribution of cash to DRE 17 in exchange for a j percent preferred ownership interest in DRE 17.

8. Distributing 1 will engage in Preparatory Transactions which will result in its Business A assets and liabilities (including Business D) being transferred to Controlled 1. Controlled 1 will be treated as a DRE at the time of the transfers. Accordingly, these transactions will not be regarded for federal income tax purposes (“disregarded transactions”). Certain assets related to Business A held by corporate subsidiaries of Distributing 1 will be sold to entities held by Distributing that will be contributed to Controlled as part of Step 36.
9. DRE 5 will contribute all of the interests in Controlled 1 to Controlled 2, and will distribute all of the interests in Controlled 2 to Distributing 1 in disregarded transactions.
10. Controlled 1 will make an Election to be classified as a corporation for federal income tax purposes (the “Internal Contribution 1”).
11. Distributing 1 will distribute all of the interests of Controlled 2 to Distributing 2, a percent of Controlled 2 will be distributed directly to Distributing 2 and the remaining b percent of Controlled 2 will be distributed to DRE 3 which will then be distributed to Distributing 2, in a disregarded distribution.
12. Controlled 2 will make an Election to be treated as a corporation for federal income tax purposes.
13. Distributing 2 will distribute all of the stock of Controlled 2 to Distributing 3.
14. Distributing 3 will contribute all of the stock of Controlled 2 to Controlled 3, a newly formed corporation.
15. Distributing 3 will distribute all of the stock of Controlled 3 to Distributing 4.
16. Distributing 4 will distribute all of the stock of Controlled 3 to Distributing 5.
17. Distributing 5 will distribute all of the stock of Controlled 3 to Distributing 6.
18. Distributing 6 will contribute its stock of Controlled 3, and its interests in FSub 7 and DRE 2 to Controlled 4.
19. Distributing 6 will distribute all of the stock of Controlled 4 to Distributing 7.
20. Distributing 7 will contribute all of the stock of Controlled 4 to a newly formed corporation, Controlled 5, in exchange for Controlled 5 stock and the assumption of approximately k of Distributing 7 debt owed to Distributing 8.
21. Distributing 7 will distribute all of the stock of Controlled 5 to Distributing 8.

22. Distributing 8 will form Controlled 6 and contribute all of the interests in FSub 5. An Election will be made for FSub 5 to be treated as a DRE of Controlled 6.
23. Distributing 8 will contribute all of the stock of Controlled 5 and certain Notes to Controlled 6. Controlled 5 will be further contributed to FSub 5 in a disregarded transaction.
24. Distributing 8 will distribute all of the stock of Controlled 6 to FSub 4, a DRE of Distributing.
25. FSub4 will form DRE 18 and contribute all of the interests in Controlled 6 to it in a disregarded transaction.
26. FSub 4 will distribute all of the interests of DRE 18 to FSub 3 in a disregarded transaction.
27. FSub3 will form DRE 19 and contribute its Business A assets, including all of the interests in DRE 18, to it in a disregarded transaction.
28. FSub 3 will distribute all of the interests in DRE 19 to FSub 1 in a disregarded transaction.
29. FSub1 will form DRE 20 and contribute its Business A assets to it in a disregarded transaction.
30. DRE 20 will borrow $\text{\$}$ from third-party lenders.
31. FSub 1 will contribute all of the interests in DRE 19 to DRE 20 in exchange for interests in DRE 20 and $\text{\$}$ (including the amount borrowed in Step 30) in a disregarded transaction. FSub 1 will use the cash received to repay a portion of its third-party debt.
32. FSub 1 will distribute all of the interests in DRE 20 to DRE 1 in a disregarded transaction.
33. DRE 1 will distribute all of its interests in DRE 20 to Distributing in a disregarded transaction.
34. Prior to step 35, Controlled will establish its tax residency in Country D.
35. Controlled will issue one preferred share (the "First Preferred Share") with nominal value to Service Provider. The First Preferred Share will be held by the Service Provider prior to the completion of Step 36. Subsequent to the issuance of the First Preferred Share and pursuant to Country A corporate law, Distributing will transfer all of the interests in DRE 20 to Controlled and Controlled will simultaneously issue its

common stock pro rata to the shareholders of Distributing. No earlier than one day after the issuance of the Controlled common stock to Distributing common shareholders, Controlled will issue a second preferred share (the "Second Preferred Share") to the holder of the First Preferred Share, which will create a "share premium" for Country A corporate law purposes. Immediately after the issuance of the Second Preferred Share, the First Preferred Share and Second Preferred Share will be cancelled for no consideration, collectively the "Demerger."

36. DRE 17 will redeem the j percent preferred interest issued to DRE 1 in Step 7 for cash in an amount equal to the purchase price of such interest in Step 7.

Rulings

Based solely on the information submitted and the representations made, we rule as follow on the Proposed Transaction:

1. The acquisition by Distributing 1 of Business C and Business D in the Partnership Termination will not preclude either business from qualifying as an active trade or business within the meaning of section 355(b)(2)(C).
2. The contribution of FSub 4's Business A assets to Controlled will not preclude Liquidation 1 from qualifying as a complete liquidation within the meaning of section 332.
3. The contribution of FSub 3's Business A assets to Controlled will not preclude Liquidation 2 from qualifying as a complete liquidation within the meaning of section 332.
4. The contribution of FSub 1's Business A assets to Controlled will not preclude Liquidation 3 from qualifying as a complete liquidation within the meaning of section 332.
5. The contribution of FSub 11's Business A assets to Controlled 1 in Internal Contribution 1 will not preclude Liquidation 4 from qualifying as a complete liquidation within the meaning of section 332.
6. For federal income tax purposes, the Demerger will be treated as if Distributing contributed the interests of DRE 20 to Controlled and then distributed all of the Controlled stock to its shareholders. See Rev. Ru. 77-191, 1971-1 C.B. 94, Rev. Rul. 57-311, 1957-2 C.B. 243.

Caveats

Except as expressly provided herein, no opinion is expressed or implied concerning the tax treatment of the Proposed Transaction under any provision of the

Code and regulations or the 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 Statements

This letter ruling is directed only to the taxpayers who requested 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 income tax return to which it is relevant. Alternatively, taxpayers filing their returns electronically may satisfy this requirement by attaching a statement to their return that provides the date and control number of the letter ruling [PLR-132408-17].

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

Sincerely,

Mark J. Weiss

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

cc: