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PLR-110954-21

Date:

December 17, 2021

## LEGEND

Distributing =

Controlled 1 =

Controlled 2 =

Controlled 3 =

Controlled 4 =

Sub 1 =

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2

Sub 2 =

Sub 3 =

Sub 4 =

Sub 5 =

Sub 6 =

Sub 7 =

Sub 8 =

Sub 9 =

FSub 1 =

FSub 2 =

FSub 3 =

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 =

Rabbi Trusts =

A Notes =

B Notes =

C Notes =

D Notes =

E Notes =

F Notes =

G Notes =

H Notes =

I Notes =

J Notes =

K Notes =

L Notes =

M Notes =

N Notes =

O Notes =

Date 1 =

Date 2 =

Jurisdiction A =

Jurisdiction B =

Controlled  
Business =

Non-Controlled =

Business

Business A =

Business B =

Business C =

Business D =

Business E =

Business F =

Business G =

a =

b =

c =

d =

e =

f =

g =

h =

i =

i =

k =

l =

m =

n =

o =

p =

Facility A and  
Facility B  
Agreements =

Facility C  
Agreement =

Facility D  
Agreement =

Facility E, Facility  
F, and Facility G  
Agreements =

Component A  
Supply  
Agreement =





Component B        =  
Supply  
Agreement

Product A Supply    =  
Agreement

Product B Supply    =  
Agreement

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11

Brand Licensing  
Agreement =

IP Agreements =

Dear \_\_\_\_\_ :

This letter responds to a letter dated May 14, 2021, submitted on behalf of Distributing, its affiliates, and its shareholders, requesting rulings (the "Ruling Request") on certain federal income tax consequences of a series of proposed transactions (the "Proposed Transactions," as defined below). The material information submitted in the Ruling Request and in 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/or 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 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 office has made no determination regarding whether each of the distributions in the Proposed Transactions (defined below): (i) satisfies the business purpose requirement of Treas. Reg. § 1.355-2(b); (ii) is used primarily 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, a publicly traded domestic corporation, is the parent company of a worldwide group of domestic and foreign affiliates (the “Distributing Group”). Distributing is the common parent of an affiliated group of corporations that join in the filing of a consolidated federal income tax return (the “Distributing Consolidated Group”). Distributing has a single class of common stock issued and outstanding (the “Distributing Common Stock”), approximately a% of which is held by DRE 4, an indirect, wholly owned subsidiary of Distributing that is classified as an entity disregarded as separate from its owner for federal tax purposes (the “Hook Stock”). Approximately b% of the outstanding Distributing Common Stock is held in the Rabbi Trusts, which provide deferred compensation for employees and directors. As grantor of the Rabbi Trusts, Distributing is treated as the owner for federal income tax purposes of the Distributing Common Stock held by the Rabbi Trusts. Accordingly, Distributing treats the Distributing Common Stock held by the Rabbi Trusts as disregarded for federal income tax purposes.

Distributing also has issued and outstanding publicly listed depository shares, each of which represents a c% interest in a share of mandatory convertible preferred stock of Distributing (the “Distributing Preferred Stock”). Pursuant to the terms of the Distributing Preferred Stock, each share of Distributing Preferred Stock that has not been converted into Distributing Common Stock on Date 1 will automatically convert into a number of shares of Distributing Common Stock at a ratio determined under the terms of the Distributing Preferred Stock.

Prior to the Proposed Transactions (defined below), Distributing and its subsidiaries will be engaged in the Controlled Business (including Business A and Business B) and the

Non-Controlled Business (including Business C, Business D, Business E, Business F, and Business G).

Distributing directly owns all the outstanding stock of Sub 1, Sub 2, and Sub 3. Sub 1 directly owns all the outstanding stock of Sub 4. Sub 3 directly owns all the outstanding stock of Sub 5, which directly owns all the outstanding stock of Sub 6 and Sub 7. Sub 2, Sub 3, and Sub 6 directly own approximately d%, e%, and f%, respectively, of the outstanding common stock of Sub 8. Sub 2 and Sub 4 directly own approximately g% and h%, respectively, of the outstanding voting preferred stock of Sub 8. The Sub 8 stock held by Sub 2 and Sub 4 currently represents approximately i% of the total combined voting power (and approximately j% of the total value) of all Sub 8 stock. Sub 8 directly owns all the outstanding stock of Sub 9. Each of Sub 1, Sub 2, Sub 3, Sub 4, Sub 5, Sub 6, Sub 7, Sub 8, and Sub 9 is a member of the Distributing Consolidated Group.

Sub 6 directly owns all the outstanding equity interests in DRE 1 and DRE 2, each of which is classified as an entity disregarded as separate from its owner for federal tax purposes. DRE 1 owns all the outstanding equity interests in DRE 3, which is classified as an entity disregarded as separate from its owner for federal tax purposes.

Sub 9 directly owns all the outstanding stock of FSub 1 and FSub 2, each of which is classified as a corporation for federal tax purposes. FSub 1 owns all the outstanding equity interests in DRE 4, which is classified as an entity disregarded as separate from its owner for federal tax purposes. FSub 2 directly owns all the outstanding equity interests in DRE 5, which is classified as an entity disregarded as separate from its owner for federal tax purposes, and k% of the outstanding stock of FSub 3, which is classified as a corporation for federal tax purposes. DRE 5 directly owns the remaining l% of the outstanding stock of FSub 3.

FSub 3 directly owns all the outstanding equity interests in DRE 6, which is classified as an entity disregarded as separate from its owner for federal tax purposes, and indirectly (through other disregarded entities) owns all the outstanding equity interests in DRE 7, which is classified as an entity disregarded as separate from its owner for federal tax purposes. DRE 7 has a branch in Jurisdiction A. DRE 6 directly owns all the outstanding equity interests in 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 interests in DRE 9 and DRE 10, both of which are classified as an entity disregarded as separate from its owner for federal tax purposes.

DRE 9 directly owns all the outstanding equity interests 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 interests in DRE 12, which is classified as an entity disregarded as separate from its owner for federal tax purposes. DRE 12 has a branch in Jurisdiction B.

DRE 10 directly owns all the outstanding equity interests in DRE 13, which is classified as an entity disregarded as separate from its owner for federal tax purposes. DRE 13 directly owns all the outstanding equity interests in DRE 14 and DRE 15, both of which are classified as an entity disregarded as separate from its owner for federal tax purposes, and indirectly (through another disregarded entity) owns all the outstanding equity interests in DRE 16, which is classified as an entity disregarded as separate from its owner for federal tax purposes.

As of Date 2, which was 60 days prior to the first public announcement of the Separation (defined below), Distributing had amounts outstanding under the A Notes, B Notes, C Notes, D Notes, E Notes, F Notes, G Notes, H Notes, I Notes, J Notes, K Notes, L Notes, M Notes, N Notes, and O Notes (together, the “Distributing Debt”). None of the Distributing Debt was issued in anticipation of the Proposed Transactions (defined below).

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

The Jurisdiction B branch of DRE 12 is engaged in Business A. Sub 2 is engaged in Business B. Sub 5, Sub 7, DRE 1, and DRE 2 are engaged in Business C. Sub 6, DRE 1, DRE 2, and DRE 3 are engaged in Business D. Sub 2 is engaged in Business E. The Jurisdiction A branch of DRE 7 is engaged in Business F. DRE 13, DRE 14, DRE 15, and DRE 16 are engaged in Business G.

## **PROPOSED TRANSACTIONS**

The following transactions (the “Proposed Transactions”) have occurred or will occur to separate the Controlled Business from the Distributing Group (the “Separation”):

Step 1: Distributing formed a new, wholly owned, domestic corporation, Controlled 1.

Step 2: Controlled 1 formed a new, wholly owned, domestic entity, Controlled 3, which is initially treated as a disregarded entity.

Step 3: Controlled 1 formed a new, wholly owned, domestic entity, Controlled 4, which is initially treated as a disregarded entity.

Step 4: Distributing formed a new, wholly owned, domestic entity, DRE 17, which is treated as a disregarded entity. DRE 17 will form a new, wholly owned, foreign entity, Controlled 2, which will make an initial entity classification election to be classified as a disregarded entity, effective as of the date of its formation. DRE 17

will transfer all the equity interests in Controlled 2, while Controlled 2 holds de minimis assets and liabilities, to FSub 3 for de minimis consideration.

Step 5: Certain Controlled Business assets and liabilities, including the equity interests in DRE 12, will be transferred from disregarded entities owned directly or indirectly by FSub 3 to various newly formed foreign disregarded entities that will be formed by or transferred to Controlled 2.

Step 6: Controlled 2 will elect to be classified as a corporation for federal tax purposes. Consequently, for federal income tax purposes, FSub 3 will be deemed to contribute to Controlled 2 all the assets held directly and indirectly by Controlled 2 in exchange for (i) all the stock of Controlled 2 (the “Controlled 2 Stock”) and (ii) the assumption by Controlled 2 of liabilities related to the transferred assets (the “First Controlled 2 Contribution”).

Step 7: FSub 3 will distribute approximately  $k\%$  of the Controlled 2 Stock to FSub 2 and the remaining approximately  $l\%$  of the Controlled 2 Stock to DRE 5 (the “First Controlled 2 Distribution”).

Step 8: DRE 5 will distribute to FSub 2 all the Controlled 2 Stock that it receives from FSub 3 in the First Controlled 2 Distribution.

Step 9: FSub 2 will contribute to Controlled 2 (i) the equity interests in certain newly formed foreign disregarded entities holding Controlled Business assets and liabilities and (ii) the stock of certain newly formed foreign corporations holding Controlled Business assets and liabilities in exchange for (x) the actual or constructive issuance of Controlled 2 Stock and (y) the deemed assumption of liabilities related to the transferred assets (the “Second Controlled 2 Contribution”).

Step 10: FSub 2 will distribute all the Controlled 2 Stock to Sub 9 (the “Second Controlled 2 Distribution”).

Step 11: DRE 17 will form a new, wholly owned, foreign entity, DRE 18, which will make an initial entity classification election to be classified as a disregarded entity, effective as of the date of its formation. DRE 17 will transfer all the equity interests in DRE 18, while DRE 18 holds de minimis assets and liabilities (including the equity interests in other newly formed, foreign disregarded entities that also will hold only de minimis assets and liabilities), to FSub 1 for de minimis consideration. FSub 1 (or other Distributing Group members) will transfer, directly or indirectly, certain assets and liabilities principally related to the distribution of Controlled Business products in non-U.S. markets to DRE 18 (or newly formed, foreign disregarded entities owned by DRE 18) (the “DRE 18 Asset Transfers”). Subsequently, the equity interests in DRE 18 will be transferred, directly or indirectly, to Distributing in exchange for cash (the “DRE 18 Transfer”). FSub 1 may also transfer equity interests in other disregarded entities owning assets related to the Controlled Business, to Distributing



in exchange for cash (together with the DRE 18 Transfer, the “FSub 1 Transfer”). Any such assets and liabilities deemed transferred pursuant to the FSub 1 Transfer are ancillary to, and of de minimis value in relation to, the Controlled Business. Any such equity interests in disregarded entities will be contributed by Distributing to Controlled 1 in Step 20.

Step 12: Controlled 1 will transfer all the equity interests in Controlled 3, while Controlled 3 is a disregarded entity that holds de minimis assets and liabilities, to Sub 9 for de minimis consideration. Thereafter, Controlled 3 will elect to be classified as a corporation for federal tax purposes. Sub 9 will contribute all the Controlled 2 stock to Controlled 3 in exchange for the actual or constructive issuance of stock of Controlled 3 (such stock, the “Controlled 3 Stock,” and the contribution, the “Controlled 3 Contribution”).

Step 13: Sub 9 will distribute all the Controlled 3 Stock to Sub 8 (the “First Controlled 3 Distribution”).

Step 14: Sub 8 will distribute all the Controlled 3 Stock to Sub 3 in partial redemption of the stock of Sub 8 held by Sub 3 (the “Second Controlled 3 Distribution”).

Step 15: Sub 3 will distribute all the Controlled 3 Stock to Distributing (the “Third Controlled 3 Distribution”).

Step 16: Controlled 1 will transfer all the equity interests in Controlled 4, while Controlled 4 is a disregarded entity that holds de minimis assets and liabilities, to Sub 2 for de minimis consideration. Sub 2 will contribute to Controlled 4 certain assets and liabilities related to the Controlled Business, including all the assets related to Business B.

Step 17: Controlled 4 will elect to be classified as a corporation for federal tax purposes. Consequently, for federal income tax purposes, Sub 2 will be deemed to contribute to Controlled 4 all the assets held by Controlled 4 in exchange for (i) all the stock of Controlled 4 (the “Controlled 4 Stock”) and (ii) the assumption by Controlled 4 of liabilities related to the transferred assets (the “Controlled 4 Contribution”).

Step 18: Sub 2 will distribute all the Controlled 4 Stock to Distributing (the “Controlled 4 Distribution”).

Step 19: Distributing will contribute certain assets and liabilities related to the Controlled Business to DRE 19, a newly formed, domestic disregarded entity that is owned by Distributing. Distributing will contribute certain other assets and liabilities related to the Controlled Business to Controlled 4 in exchange for the actual or constructive issuance of Controlled 4 Stock.

Step 20: Distributing will contribute all the Controlled 3 Stock, all the Controlled 4 Stock, all the equity interests in DRE 19, all the equity interests in DRE 18, and any interests in other disregarded entities owned by Distributing that own Controlled Business assets to Controlled 1 in exchange for (i) the actual or constructive issuance of shares of Controlled 1 stock (the “Controlled 1 Stock”), (ii) the deemed assumption of liabilities of DRE 18, which were incurred in the ordinary course of business and are associated with the Controlled Business assets held by DRE 18 or one or more other disregarded entities directly or indirectly owned by DRE 18 (the “DRE 18 Liabilities”), (iii) the deemed assumption of liabilities of DRE 19, which were incurred in the ordinary course of business and are associated with the Controlled Business assets held by DRE 19 or one or more other disregarded entities directly or indirectly owned by DRE 19 (the “DRE 19 Liabilities”), (iii) the distribution of cash described in Step 22, and potentially (iv) the debt instruments of Controlled 1 that qualify as securities within the meaning of section 361(a) (such securities, the “Controlled 1 Securities,” and the contribution, the “Controlled 1 Contribution”). DRE 18 will elect to be classified as a corporation for federal tax purposes, effective after the Controlled 1 Contribution.

Step 21: Controlled 1 will 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 22: Controlled 1 will distribute to Distributing some or all of the net proceeds from the Debt Issuances (the amount so distributed, the “Controlled 1 Proceeds”).

Step 23: In a pro rata distribution, Distributing will distribute shares of Controlled 1 Stock (representing 80% or more of the total combined voting power of all Controlled 1 Stock (determined without taking into consideration any Controlled 1 Stock that, in form, may be distributed to DRE 4)) to holders of Distributing Common Stock (the “External Distribution”).

Prior to and in connection with the External Distribution, DRE 4 will either (i) surrender the Hook Stock shares and receive shares of a newly issued class of Distributing stock that will not participate in the External Distribution and will contain anti-dilution provisions such that, upon the External Distribution, the newly issued shares will represent a greater proportional ownership interest in Distributing, or (ii) retain the Hook Stock but enter into a binding agreement with Distributing providing that DRE 4 will immediately upon receipt of Controlled 1 Stock transfer all such Controlled 1 Stock back to Distributing in exchange for cash approximately equal to the fair market value of such Controlled 1 Stock. In the latter case, Distributing will, under a pre-existing binding agreement, transfer such Controlled 1 Stock to Controlled 1 for no consideration (such transactions described in (i) and (ii), the “Hook Stock Transactions”).

The Rabbi Trusts will not hold Distributing Common Stock at the time of the External Distribution. Prior to and in connection with the External Distribution, Distributing will exchange the Distributing Common Stock held by the Rabbi Trusts for shares of a newly issued class of Distributing stock that will not participate in the External Distribution (the "Recapitalization"). After the External Distribution, these newly issued shares may be converted back into Distributing Common Stock at a ratio determined pursuant to an anti-dilution formula.

Step 24: As expeditiously as is commercially reasonable, and in any event within m months after the External Distribution, Distributing will use an amount of cash (which may come from its general accounts) equal to or greater than the amount of the Controlled 1 Proceeds to repay outstanding Distributing Debt, make distributions to Distributing shareholders other than DRE 4, and/or repurchase shares of Distributing Common Stock other than those held by DRE 4 (the "Controlled 1 Proceeds Purge").

Step 25: To the extent Controlled 1 issues Controlled 1 Securities in the Controlled 1 Contribution and to the extent Distributing holds any Controlled 1 Stock following the External Distribution (such Controlled 1 Stock, the "Controlled 1 Exchange Stock"), Distributing will exchange all the Controlled 1 Securities and all the Controlled 1 Exchange Stock for certain Distributing Debt (the exchanged Distributing Debt, the "Distributing Exchange Debt," and such exchanges, the "Debt Exchanges"), such that Distributing will no longer hold any Controlled 1 Securities or Controlled 1 Stock following the completion of such exchanges. The Debt Exchanges will be completed as expeditiously as is commercially reasonable, and in any event within m months after the External Distribution. If Distributing disposes of any Controlled 1 Securities or Controlled 1 Exchange Stock in the Debt Exchanges, the Distributing Exchange Debt that is exchanged for the Controlled 1 Securities or Controlled 1 Stock will have been purchased on the open market by various investment banks (the "Exchange Banks") at least one day before the date of the Debt Exchanges.

In connection with the Proposed Transactions, Distributing (and/or one or more of its direct or indirect subsidiaries) and Controlled 1 (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 that of their respective subsidiaries) following consummation of the Proposed Transactions and to manage an orderly transition in the operation of the Controlled Business. The Post-Separation Agreements will include an agreement that will govern the allocation of various items including liabilities resulting from the operations of Distributing's and Controlled 1's respective businesses, as well as certain customary agreements with Controlled 1 regarding tax and employee matters. The Post-Separation Agreements will also include (i) agreements related to assets, liabilities, and regulatory authorizations that cannot be transferred prior to the Proposed Transactions; (ii) transition and logistical services agreements, providing for the provision by Distributing and Controlled 1 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 manufacturing, supply, services, lease, intellectual property and other related agreements intended to achieve a successful separation of the Controlled Business, including (a) the Facility A and Facility B Agreements, (b) the Facility C Agreement, (c) the Facility D Agreement, (d) the Facility E, Facility F, and Facility G Agreements, (e) the Component A Supply Agreement, (f) the Component B Supply Agreement, (g) the Product A Supply Agreement, (h) the Product B Supply Agreement, (i) the Brand Licensing Agreement, and (j) the IP Agreements.

In general, with the exception of the Facility A and Facility B Agreements, the Facility C Agreement, the Facility D Agreement, certain of the Facility E, Facility F, and Facility G Agreements, the Component A Supply Agreement, the Component B Supply Agreement, the Product A Supply Agreement, the Product B Supply Agreement, the Brand Licensing Agreement, and the IP Agreements, the terms of such Post-Separation Agreements are not expected to exceed n years following the date of the External Distribution but, in some instances, may be shorter or longer. In the case of Post-Separation Agreements providing for transition services, they are generally intended to last no longer than is necessary to achieve a successful separation of the Controlled Business.

Following the External Distribution, officers of Distributing and members of the Distributing board of directors will in no case constitute a majority of the board of directors of Controlled 1.

## **REPRESENTATIONS**

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

1. Except as otherwise provided below, Distributing has made each of the representations provided in section 3 of the Appendix to Rev. Proc. 2017-52 with respect to the First Controlled 2 Distribution, the Second Controlled 2 Distribution, the First Controlled 3 Distribution, the Second Controlled 3 Distribution, the Third Controlled 3 Distribution, the Controlled 4 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 Controlled 2 Distribution:

- (i) Distributing has made the following alternative representations:

Representations 3(a), 8(b), 11(a), 15(b), 22(a), 31(a), and 41(a).

- (ii) Distributing has not made the following representations:

Representations 7, 24, 25, 35, 36, 37, 38, 39, 40, and 43 (but provided the required explanations).

- (iii) Distributing has made the following modified representations:

(1) Representation 32: No intercorporate debt will exist between FSub 3 and Controlled 2 at the time of, or subsequent to, the First Controlled 2 Distribution, except for short-term accounts payable and accounts receivable arising subsequent to the First Controlled 2 Distribution under the Post-Separation Agreements.

(2) Representation 33: Any payments made in connection with all continuing transactions, if any, between FSub 3 and Controlled 2 after the First Controlled 2 Distribution will be for fair market value based on arm's-length terms or a mutually agreed upon cost-plus pricing arrangement that is commercially reasonable with respect to certain Post-Separation Agreements.

- (b) With respect to the Second Controlled 2 Distribution:

- (i) Distributing has made the following alternative representations:

Representations 3(a), 8(b), 11(a), 15(b), 22(a), 31(a), and 41(a).

- (ii) Distributing has not made the following representations:

Representations 7, 24, 25, 35, 36, 37, 38, 39, 40, and 43 (but provided the required explanations).

- (iii) Distributing has made the following modified representations:

(1) Representation 32: No intercorporate debt will exist between FSub 2 and Controlled 2 at the time of, or subsequent to, the Second Controlled 2 Distribution, except for short-term accounts payable and accounts receivable arising subsequent to the Second Controlled 2 Distribution under the Post-Separation Agreements.

(2) Representation 33: Any payments made in connection with all continuing transactions, if any, between FSub 2 and Controlled 2 after the Second Controlled 2 Distribution will

be for fair market value based on arm's-length terms or a mutually agreed upon cost-plus pricing arrangement that is commercially reasonable with respect to certain Post-Separation Agreements.

(c) With respect to the First Controlled 3 Distribution:

(i) Distributing has made the following alternative representations:

Representations 3(a), 8(a), 11(a), 15(b), 22(a), 31(a), and 41(a).

(ii) Distributing has not made the following representations:

Representations 7, 24, 25, 35, and 40 (but provided the required explanations).

(iii) Distributing has made the following modified representations:

(1) Representation 32: No intercorporate debt will exist between Sub 9 and Controlled 3 at the time of, or subsequent to, the First Controlled 3 Distribution, except for short-term accounts payable and accounts receivable arising subsequent to the First Controlled 3 Distribution under the Post-Separation Agreements.

(2) Representation 33: Any payments made in connection with all continuing transactions, if any, between Sub 9 and Controlled 3 after the First Controlled 3 Distribution will be for fair market value based on arm's-length terms or a mutually agreed upon cost-plus pricing arrangement that is commercially reasonable with respect to certain Post-Separation Agreements.

(d) With respect to the Second Controlled 3 Distribution:

(i) Distributing has made the following alternative representations:

Representations 3(a), 8(a), 11(a), 15(b), 22(a), 31(a), and 41(a).

(ii) Distributing has not made the following representations:

Representations 6, 19, 20, 24, 25, 26, 35, and 40 (but provided the required explanations).

(iii) Distributing has made the following modified representations:

- (1) Representation 32: No intercorporate debt will exist between Sub 8 and Controlled 3 at the time of, or subsequent to, the Second Controlled 3 Distribution, except for short-term accounts payable and accounts receivable arising subsequent to the Second Controlled 3 Distribution under the Post-Separation Agreements.
- (2) Representation 33: Any payments made in connection with all continuing transactions, if any, between Sub 8 and Controlled 3 after the Second Controlled 3 Distribution will be for fair market value based on arm's-length terms or a mutually agreed upon cost-plus pricing arrangement that is commercially reasonable with respect to certain Post-Separation Agreements.

(e) With respect to the Third Controlled 3 Distribution:

(i) Distributing has made the following alternative representations:

Representations 3(a), 8(a), 11(a), 15(b), 22(a), 31(a), and 41(a).

(ii) Distributing has not made the following representations:

Representations 7, 19, 20, 24, 25, 26, 35, and 40 (but provided the required explanations).

(iii) Distributing has made the following modified representations:

- (1) Representation 32: No intercorporate debt will exist between Sub 3 and Controlled 3 at the time of, or subsequent to, the Third Controlled 3 Distribution, except for short-term accounts payable and accounts receivable arising subsequent to the Third Controlled 3 Distribution under the Post-Separation Agreements.
- (2) Representation 33: Any payments made in connection with all continuing transactions, if any, between Sub 3 and Controlled 3 after the Third Controlled 3 Distribution will be for fair market value based on arm's-length terms or a mutually agreed upon cost-plus pricing arrangement that is commercially reasonable with respect to certain Post-Separation Agreements.

(f) With respect to the Controlled 4 Distribution:

(i) Distributing has made the following alternative representations:

Representations 3(a), 8(b), 11(a), 15(b), 22(b), 31(a), and 41(a).

(ii) Distributing has not made the following representations:

Representations 7, 24, 25, 35, and 40 (but provided the required explanations).

(iii) Distributing has made the following modified representations:

(1) Representation 32: No intercorporate debt will exist between Sub 2 and Controlled 4 at the time of, or subsequent to, the Controlled 4 Distribution, except for short-term accounts payable and accounts receivable arising subsequent to the Controlled 4 Distribution under the Post-Separation Agreements.

(2) Representation 33: Any payments made in connection with all continuing transactions, if any, between Sub 2 and Controlled 4 after the Controlled 4 Distribution will be for fair market value based on arm's-length terms or a mutually agreed upon cost-plus pricing arrangement that is commercially reasonable with respect to certain Post-Separation Agreements.

(g) With respect to the External Distribution:

(i) Distributing has made the following alternative representations:

Representations 3(a), 11(a), 15(b), 22(b), 31(a), and 41(a).

(ii) Distributing has not made the following representations:

Representations 7, 24, 25, and 40 (but provided the required explanations).

(iii) Distributing has made the following modified representations:

(1) Representation 2: Distributing will (i) distribute to its shareholders, on the same day, at least 80% of the issued and outstanding Controlled 1 Stock that it holds immediately before the External Distribution, and (ii) transfer to its



creditors, pursuant to the same plan, the Controlled 1 Exchange Stock and all the Controlled 1 Securities that it holds immediately before the External Distribution.

- (2) Representation 4: Distributing will transfer to its creditors, pursuant to the plan of reorganization, the Controlled 1 Securities that it holds immediately before the External Distribution.
- (3) Representation 5: None of the Controlled 1 Stock, Controlled 1 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, except for the Controlled 1 Proceeds, which may be transferred to Distributing's creditors pursuant to the Controlled 1 Proceeds Purge, and the Controlled 1 Exchange Stock and Controlled 1 Securities, which will be transferred to Distributing's creditors pursuant to the Debt Exchanges.
- (4) Representation 8: Distributing has securities outstanding, and it may distribute Controlled 1 Exchange Stock, Controlled 1 Securities, and Controlled 1 Proceeds to one or more holders of such securities, in connection with the External Distribution, in satisfaction thereof.
- (5) Representation 32: No intercorporate debt will exist between Distributing and Controlled 1 at the time of, or subsequent to, the External Distribution, except for short-term accounts payable and accounts receivable arising subsequent to the External Distribution under the Post-Separation Agreements.
- (6) Representation 33: Any payments made in connection with all continuing transactions, if any, between Distributing and Controlled 1 after the External Distribution will be for fair market value based on arm's-length terms or a mutually agreed upon cost-plus pricing arrangement that is commercially reasonable with respect to certain Post-Separation Agreements.
- (7) Representation 35: The payment of cash in lieu of fractional shares of Controlled 1 Stock is solely for the purpose of avoiding the expense and inconvenience of issuing fractional shares and does not represent separately bargained-for consideration. The fractional share interests of each Distributing shareholder will be aggregated and no

Distributing shareholder of record will receive cash in an amount equal to or greater than the value of one full share of Controlled 1 Stock (with the possible exception of shareholders who hold Distributing stock in multiple accounts or with multiple brokers).

(8) Representation 46: Controlled 1 will not issue stock or securities to a person other than Distributing in anticipation of the External Distribution, with the possible exception of the issuances of debt instruments by Controlled 1 to third-party investors in the capital markets pursuant to the Debt Issuances, which instruments may constitute Controlled 1 Securities.

2. 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 Controlled 2 Contribution and the First Controlled 2 Distribution:

- (i) Distributing has made Representations 1, 3, 5, and 7 with respect to any liabilities of FSub 3 deemed assumed for federal income tax purposes by Controlled 2 in the First Controlled 2 Contribution (the “FSub 3 Liabilities”).
- (ii) Distributing has not made Representation 2 with respect to the deemed assumption of the FSub 3 Liabilities by Controlled 2 because a portion of the FSub 3 Liabilities may be liabilities incurred in the ordinary course of business that relate to intercompany financing or trading transactions that may be held by a Related Person.
- (iii) Distributing has not made Representation 4 with respect to the deemed assumption of the FSub 3 Liabilities by Controlled 2 because a portion of the FSub 3 Liabilities will be incurred through the date of the First Controlled 2 Distribution, but such liabilities will be incurred in the ordinary course of business and will be associated with any assets transferred.
- (iv) Distributing has not made Representation 6 with respect to the deemed assumption of the FSub 3 Liabilities because FSub 3 will not receive (or be deemed to receive) any consideration from Controlled 2 in the First Controlled 2 Contribution other than

Controlled 2 Stock and the deemed assumption of the FSub 3 Liabilities.

(b) With respect to the Second Controlled 2 Contribution and the Second Controlled 2 Distribution:

- (i) Distributing has made Representations 1, 3, 5, and 7 with respect to any liabilities of FSub 2 assumed or deemed assumed for federal income tax purposes by Controlled 2 in the Second Controlled 2 Contribution (the “FSub 2 Liabilities”).
- (ii) Distributing has not made Representation 2 with respect to the assumption or deemed assumption of the FSub 2 Liabilities by Controlled 2 because a portion of the FSub 2 Liabilities may be liabilities incurred in the ordinary course of business that relate to intercompany financing or trading transactions that may be held by a Related Person.
- (iii) Distributing has not made Representation 4 with respect to the assumption or deemed assumption of the FSub 2 Liabilities by Controlled 2 because a portion of the FSub 2 Liabilities will be incurred through the date of the Second Controlled 2 Distribution, but such liabilities will be incurred in the ordinary course of business and will be associated with any assets transferred.
- (iv) Distributing has not made Representation 6 with respect to the assumption or deemed assumption of the FSub 2 Liabilities because FSub 2 will not receive (or be deemed to receive) any consideration from Controlled 2 in the Second Controlled 2 Contribution other than Controlled 2 Stock and the assumption or deemed assumption of the FSub 2 Liabilities.

(c) With respect to the Controlled 4 Contribution and the Controlled 4 Distribution:

- (i) Distributing has made Representations 1, 3, 5, and 7 with respect to any liabilities of Sub 2 deemed assumed for federal income tax purposes by Controlled 4 in the Controlled 4 Contribution (the “Sub 2 Liabilities”).
- (ii) Distributing has not made Representation 2 with respect to the deemed assumption of the Sub 2 Liabilities by Controlled 4 because a portion of the Sub 2 Liabilities may be liabilities incurred in the ordinary course of business that relate to intercompany financing or trading transactions that may be held by a Related

Person.

- (iii) Distributing has not made Representation 4 with respect to the deemed assumption of the Sub 2 Liabilities by Controlled 4 because a portion of the Sub 2 Liabilities will be incurred through the date of the Controlled 4 Distribution, but such liabilities will be incurred in the ordinary course of business and will be associated with any assets transferred.
  - (iv) Distributing has not made Representation 6 with respect to the deemed assumption of the Sub 2 Liabilities because Sub 2 will not receive (or be deemed to receive) any consideration from Controlled 4 in the Controlled 4 Contribution other than Controlled 4 Stock and the deemed assumption of the Sub 2 Liabilities.
- (d) With respect to the Controlled 1 Contribution and the External Distribution:
- (i) Distributing has made Representations 1, 5, and 7.
  - (ii) Distributing has made Representation 2 with respect to holders of Distributing Debt that will be assumed or satisfied in the Controlled 1 Proceeds Purge or the Debt Exchanges. Distributing has not made Representation 2 with respect to the deemed assumption of the DRE 18 Liabilities or the DRE 19 Liabilities by Controlled 1 because a portion of the DRE 18 Liabilities and the DRE 19 Liabilities may be liabilities incurred in the ordinary course of business that relate to intercompany financing or trading transactions and, therefore, may be held by a Related Person.
  - (iii) Distributing has made Representation 3 with respect to the DRE 18 Liabilities and the DRE 19 Liabilities. With respect to Distributing Debt that will be assumed or satisfied in the Controlled 1 Proceeds Purge or the Debt Exchanges, Distributing has made the following modified representation: The holder of Distributing Debt that will be assumed or satisfied will not hold the debt for the benefit of Distributing, Controlled 1, or any Related Person. With respect to the Debt Exchanges, the Exchange Banks will not acquire Distributing Exchange Debt from Distributing, Controlled 1, or any Related Person. Neither Distributing, Controlled 1, 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 Distributing Exchange Debt will be determined

pursuant to arm's-length negotiations.

- (iv) Distributing has made Representation 4 with respect to the Distributing Debt. Distributing has not made Representation 4 with respect to the deemed assumption of the DRE 18 Liabilities or the DRE 19 Liabilities by Controlled 1 because a portion of the DRE 18 Liabilities and the DRE 19 Liabilities will be incurred through the date of the External Distribution, but such liabilities will be incurred in the ordinary course of business and will be associated with any assets transferred.
  - (v) Distributing has not made Representation 6 with respect to the Controlled 1 Proceeds Purge or the Debt Exchanges because there are one or more substantial business reasons for any delay in satisfying Distributing Debt with Section 361 Consideration. Distributing will complete each of the Controlled 1 Proceeds Purge and the Debt Exchanges in connection with, and no later than m months after, the External Distribution.
- (e) Distributing has not made any representations provided in section 3.04 of Rev. Proc. 2018-53 with respect to the First Controlled 3 Distribution, the Second Controlled 3 Distribution, or the Third Controlled 3 Distribution.

3. Distributing makes the following additional representations:

- (a) Distributing expects that FSub 1 and each other Distributing Group member that transfers Controlled Business assets and liabilities to DRE 18 (or disregarded entities owned by DRE 18) in the DRE 18 Asset Transfers will each recognize net gain (and no loss) as a result of the DRE 18 Asset Transfers or FSub 1 Transfer. In the aggregate, the total amount of net gain recognized as a result of the DRE 18 Asset Transfers and the FSub 1 Transfer is expected to be approximately \$0.
- (b) Distributing does not expect any gain recognized in the DRE 18 Asset Transfers and the FSub 1 Transfer to cause the adjusted tax basis in the stock of any Distributing Group member to exceed the fair market value of such stock.
- (c) Distributing expects that, at the time of the External Distribution, the gross and net assets transferred to DRE 18 (and disregarded entities owned by DRE 18) in the DRE 18 Asset Transfers will represent less than p% of the aggregate fair market value of the Controlled 1 separate affiliated group's gross and net assets, respectively.

- (d) The assets and liabilities transferred in the DRE 18 Asset Transfers and FSub 1 Transfer will be principally composed of assets and liabilities related to the distribution of Controlled Business products in non-U.S. markets.
- (e) Distributing has no plan or intention to dispose of the stock of FSub 1 or any other member of the Distributing Group that will transfer (or be treated as transferring through a disregarded entity) assets and liabilities in the DRE 18 Asset Transfers, other than a transfer of such stock to a member of the Distributing Group in which any additional basis in such stock resulting from the DRE 18 Asset Transfers, the FSub 1 Transfer, or the Hook Stock Transactions would not be utilized to reduce the amount of income or gain (or increase the amount of loss) recognized by the transferor.

### **RULINGS**

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

#### **The First Controlled 2 Contribution and the First Controlled 2 Distribution**

1. The First Controlled 2 Contribution, together with the First Controlled 2 Distribution, will be a reorganization within the meaning of section 368(a)(1)(D). FSub 3 and Controlled 2 will each be “a party to a reorganization” under section 368(b).
2. No gain or loss will be recognized by FSub 3 on the First Controlled 2 Contribution. Section 361(a).
3. No gain or loss will be recognized by Controlled 2 on the First Controlled 2 Contribution. Section 1032(a).
4. The basis in each asset received by Controlled 2 in the First Controlled 2 Contribution will equal the basis of that asset in the hands of FSub 3 immediately before the transfer. Section 362(b).
5. The holding period in each asset received by Controlled 2 in the First Controlled 2 Contribution will include the period during which that asset was held by FSub 3. Section 1223(2).
6. No gain or loss will be recognized by FSub 3 upon the distribution of the Controlled 2 Stock in the First Controlled 2 Distribution. Section 361(c).

7. No gain or loss will be recognized by (and no amount will be included in the income of) FSub 2 upon the receipt of Controlled 2 Stock in the First Controlled 2 Distribution. Section 355(a).
8. The holding period of FSub 2 in the Controlled 2 Stock received in the First Controlled 2 Distribution will include the holding period of the FSub 3 stock held by FSub 2 with respect to which the distribution of the Controlled 2 Stock is made, provided that such FSub 3 stock is held as a capital asset on the date of the First Controlled 2 Distribution. Section 1223(1).
9. Earnings and profits of FSub 3, if any, will be allocated between FSub 3 and Controlled 2 in accordance with section 312(h) and Treas. Reg. § 1.312-10(a).

#### The Second Controlled 2 Contribution and the Second Controlled 2 Distribution

10. The Second Controlled 2 Contribution, together with the Second Controlled 2 Distribution, will be a reorganization within the meaning of section 368(a)(1)(D). FSub 2 and Controlled 2 will each be “a party to a reorganization” under section 368(b).
11. No gain or loss will be recognized by FSub 2 on the Second Controlled 2 Contribution. Sections 357(a), 361(a).
12. No gain or loss will be recognized by Controlled 2 on the Second Controlled 2 Contribution. Section 1032(a).
13. The basis in each asset received by Controlled 2 in the Second Controlled 2 Contribution will equal the basis of that asset in the hands of FSub 2 immediately before the transfer. Section 362(b).
14. The holding period in each asset received by Controlled 2 in the Second Controlled 2 Contribution will include the period during which that asset was held by FSub 2. Section 1223(2).
15. No gain or loss will be recognized by FSub 2 upon the distribution of the Controlled 2 Stock in the Second Controlled 2 Distribution. Section 361(c).
16. No gain or loss will be recognized by (and no amount will be included in the income of) Sub 9 upon the receipt of Controlled 2 Stock in the Second Controlled 2 Distribution. Section 355(a).
17. The holding period of Sub 9 in the Controlled 2 Stock received in the Second Controlled 2 Distribution will include the holding period of the FSub 2 stock held by Sub 9 with respect to which the distribution of the Controlled 2 Stock is made, provided that such FSub 2 stock is held as a capital asset on the date of the

Second Controlled 2 Distribution. Section 1223(1).

18. Earnings and profits of FSub 2, if any, will be allocated between FSub 2 and Controlled 2 in accordance with section 312(h) and Treas. Reg. § 1.312-10(a).

The Controlled 3 Contribution and the First Controlled 3 Distribution

19. The Controlled 3 Contribution, together with the First Controlled 3 Distribution, will be a reorganization within the meaning of section 368(a)(1)(D). Sub 9 and Controlled 3 will each be “a party to a reorganization” under section 368(b).
20. No gain or loss will be recognized by Sub 9 on the Controlled 3 Contribution. Sections 357(a), 361(a).
21. No gain or loss will be recognized by Controlled 3 on the Controlled 3 Contribution. Section 1032(a).
22. The basis in each asset received by Controlled 3 in the Controlled 3 Contribution will equal the basis of that asset in the hands of Sub 9 immediately before the transfer. Section 362(b).
23. The holding period in each asset received by Controlled 3 in the Controlled 3 Contribution will include the period during which that asset was held by Sub 9. Section 1223(2).
24. No gain or loss will be recognized by Sub 9 upon the distribution of the Controlled 3 Stock in the First Controlled 3 Distribution. Section 361(c).
25. No gain or loss will be recognized by (and no amount will be included in the income of) Sub 8 upon the receipt of Controlled 3 Stock in the First Controlled 3 Distribution. Section 355(a).
26. The holding period of Sub 8 in the Controlled 3 Stock received in the First Controlled 3 Distribution will include the holding period of the Sub 9 stock held by Sub 8 with respect to which the distribution of the Controlled 3 Stock is made, provided that such Sub 9 stock is held as a capital asset on the date of the First Controlled 3 Distribution. Section 1223(1).
27. Earnings and profits of Sub 9, if any, will be allocated between Sub 9 and Controlled 3 in accordance with section 312(h) and Treas. Reg. § 1.312-10(a).

The Second Controlled 3 Distribution



- 28. No gain or loss will be recognized by Sub 8 upon the distribution of the Controlled 3 Stock in the Second Controlled 3 Distribution. Section 355(c).
- 29. No gain or loss will be recognized by (and no amount will be included in the income of) Sub 3 upon the receipt of Controlled 3 Stock in the Second Controlled 3 Distribution. Section 355(a).
- 30. The holding period of Sub 3 in the Controlled 3 Stock received in the Second Controlled 3 Distribution will include the holding period of the Sub 8 stock exchanged therefor, provided that such Sub 8 stock is held as a capital asset on the date of the Second Controlled 3 Distribution. Section 1223(1).
- 31. Earnings and profits of Sub 8, if any, will be allocated between Sub 8 and Controlled 3 in accordance with section 312(h) and Treas. Reg. § 1.312-10(b).

#### The Third Controlled 3 Distribution

- 32. No gain or loss will be recognized by Sub 3 upon the distribution of the Controlled 3 Stock in the Third Controlled 3 Distribution. Section 355(c).
- 33. No gain or loss will be recognized by (and no amount will be included in the income of) Distributing upon the receipt of Controlled 3 Stock in the Third Controlled 3 Distribution. Section 355(a).
- 34. The holding period of Distributing in the Controlled 3 Stock received in the Third Controlled 3 Distribution will include the holding period of the Sub 3 stock held by Distributing with respect to which the distribution of the Controlled 3 Stock is made, provided that such Sub 3 stock is held as a capital asset on the date of the Third Controlled 3 Distribution. Section 1223(1).
- 35. Earnings and profits of Sub 3, if any, will be allocated between Sub 3 and Controlled 3 in accordance with section 312(h) and Treas. Reg. § 1.312-10(b).

#### The Controlled 4 Contribution and the Controlled 4 Distribution

- 36. The Controlled 4 Contribution, together with the Controlled 4 Distribution, will be a reorganization within the meaning of section 368(a)(1)(D). Sub 2 and Controlled 4 will each be “a party to a reorganization” under section 368(b).
- 37. No gain or loss will be recognized by Sub 2 on the Controlled 4 Contribution. Sections 357(a), 361(a).
- 38. No gain or loss will be recognized by Controlled 4 on the Controlled 4 Contribution. Section 1032(a).

39. The basis in each asset received by Controlled 4 in the Controlled 4 Contribution will equal the basis of that asset in the hands of Sub 2 immediately before the transfer. Section 362(b).
40. The holding period in each asset received by Controlled 4 in the Controlled 4 Contribution will include the period during which that asset was held by Sub 2. Section 1223(2).
41. No gain or loss will be recognized by Sub 2 upon the distribution of the Controlled 4 Stock in the Controlled 4 Distribution. Section 361(c).
42. No gain or loss will be recognized by (and no amount will be included in the income of) Distributing upon the receipt of Controlled 4 Stock in the Controlled 4 Distribution. Section 355(a).
43. The holding period of Distributing in the Controlled 4 Stock received in the Controlled 4 Distribution will include the holding period of the Sub 2 stock held by Distributing with respect to which the distribution of the Controlled 4 Stock is made, provided that such Sub 2 stock is held as a capital asset on the date of the Controlled 4 Distribution. Section 1223(1).
44. Earnings and profits of Sub 2, if any, will be allocated between Sub 2 and Controlled 4 in accordance with section 312(h) and Treas. Reg. § 1.312-10(a).

#### The Controlled 1 Contribution and the External Distribution

45. The Controlled 1 Contribution, together with the External Distribution, will be a reorganization within the meaning of section 368(a)(1)(D). Distributing and Controlled 1 will each be “a party to a reorganization” under section 368(b).
46. No gain or loss will be recognized by Distributing on the Controlled 1 Contribution. Sections 357(a), 361(a) and (b).
47. No gain or loss will be recognized by Controlled 1 on the Controlled 1 Contribution. Section 1032(a).
48. The basis in each asset received by Controlled 1 in the Controlled 1 Contribution will equal the basis of that asset in the hands of Distributing immediately before the transfer. Section 362(b).
49. The holding period in each asset received by Controlled 1 in the Controlled 1 Contribution will include the period during which that asset was held by Distributing. Section 1223(2).

50. No gain or loss will be recognized by Distributing upon the distribution of the Controlled 1 Stock in the External Distribution. Section 361(c).
51. No gain or loss will be recognized by (and no amount will be included in the income of) holders of Distributing Common Stock upon the receipt of Controlled 1 Stock in the External Distribution. Section 355(a).
52. The aggregate basis of the Distributing Common Stock and the Controlled 1 Stock in the hands of a holder of Distributing Common Stock immediately after the External Distribution will be the same as the basis of the Distributing Common Stock immediately before the External Distribution on which such distribution was made, allocated in proportion to the fair market values of the Distributing Common Stock and the Controlled 1 Stock. Section 358(b) and (c); Treas. Reg. § 1.358-1(a).
53. If a holder of Distributing Common Stock that purchased or acquired shares on different dates or at different prices is not able to identify which particular share of Controlled 1 Stock is received as a distribution with respect to a particular share of Distributing Common Stock, the holder may designate which particular share of Controlled 1 Stock is received as a distribution with respect to a particular share of Distributing Common Stock, provided the designation is consistent with the terms of the External Distribution. Treas. Reg. § 1.358-2(a)(2).
54. The holding period of each holder of Distributing Common Stock in the Controlled 1 Stock received in the External Distribution will include the holding period of the Distributing Common Stock with respect to which the distribution of the Controlled 1 Stock is made, provided that such Distributing Common Stock is held as a capital asset on the date of the External Distribution. Section 1223(1).
55. Earnings and profits of Distributing, if any, will be allocated between Distributing and Controlled 1 in accordance with section 312(h), Treas. Reg. § 1.312-10(a), and Treas. Reg. § 1.1502-33(e)(3).

#### Debt Exchanges

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

#### **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. In particular, no opinion is expressed as to the tax treatment of the Hook Stock Transactions, the Recapitalization, the DRE 18 Asset Transfers, or the FSub 1 Transfer.

### **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 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-110954-21) of this letter ruling.

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,

*Richard M. Heinecke*

Richard M. Heinecke  
Branch Chief, Branch 5  
Office of Associate Chief Counsel (Corporate)

cc: