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Department of the Treasury

Washington, DC 20224

Third Party Communication: None

Date of Communication: Not Applicable

Person To Contact:

, ID No.

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Refer Reply To:

CC:CORP:2

PLR-103866-18

Date:

July 02, 2018

Legend

Distributing =

Controlled =

Foreign Parent =

FSub 1 =

Sub 1 =

Sub 2 =

DE 1 =

PLR-103866-18

2

DE 2 =

DE 3 =

DE 4 =

DE 5 =

DE 6 =

DE 7 =

DE 8 =

DE 9 =

DE 10 =

DE 11 =

DE 12 =

Business A =

Business B =

Asset 1 =

Asset 2 =

Country A =

Country B =

Country C =

a =

b =

c =

Dear :

This letter responds to your letter dated January 19, 2018, requesting rulings on certain federal income tax consequences of a series of transactions (the “Proposed Transaction,” as defined below). The material information submitted in that request and subsequent correspondence is summarized below.

The rulings contained in this letter are based upon facts and representations submitted by the taxpayer and accompanied by a penalties of perjury statement executed by an appropriate party. The 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 Rev. Proc. 2017-52, 2017-41 I.R.B. 283, regarding a Transactional Ruling for a Covered Transaction.

This office has made no determination regarding whether the Distribution (as defined below): (i) satisfies the business purpose requirement of Treas. Reg. § 1.355-2(b); (ii) is used principally as a device for the distribution of the earnings and profits of the distributing corporation or the controlled corporation or both (see § 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. § 1.355-8T (see § 355(e)(2)(A)(ii) and Treas. Reg. § 1.355-7).

Summary of Facts

Distributing is a domestic corporation and the common parent of an affiliated group of corporations filing a consolidated federal income tax return. Distributing wholly owns DE 1, which wholly owns DE 2, which wholly owns DE 3 and DE 4, which wholly owns DE

5. DE 1, DE 2, DE 4, and DE 5 are limited liability companies treated as disregarded entities for federal tax purposes. DE 3 is a Country A company treated as a disregarded entity for federal tax purposes. DE 2 actively conducts the majority of Business A and Business B. Consequently, Distributing is viewed for federal tax purposes as directly conducting Business A and Business B.

Foreign Parent is a Country B company that is engaged in Business A and Business B through direct and indirect domestic and foreign subsidiaries (the “Foreign Parent Group”). Foreign Parent owns all of the outstanding stock of FSub 1, a Country B company, and all of the interests in DE 6, DE 7, and DE 8, each a Country B company treated as a disregarded entity for federal tax purposes.

DE 6 wholly owns Distributing and DE 9, a Country B company treated as a disregarded entity for federal tax purposes. DE 6 and DE 9 own a% and b%, respectively, of the equity interests in DE 10, a Country C company treated as a disregarded entity for federal tax purposes. Distributing is indebted to DE 10 (the “DE 10 Debt”).

FSub 1 wholly owns Sub 1, a limited liability company treated as an association taxable as a corporation for federal tax purposes and the common parent of an affiliated group of corporations filing a consolidated federal income tax return (the “Sub 1 Group”). Sub 1 wholly owns Sub 2, a domestic corporation, and Sub 2 wholly owns DE 11, a limited liability company treated as a disregarded entity for federal tax purposes.

Controlled, a limited liability company currently treated as a disregarded entity for federal tax purposes, is wholly owned by DE 2. As part of the Proposed Transaction, Distributing will contribute Business B to Controlled.

For purposes of satisfying the active trade or business requirements of § 355(b), Distributing will rely on Business A and Controlled will rely on Business B. Financial data for Business A and Business B show each has had gross receipts and operating expenses representing the active conduct of a trade or business for each of the past five years.

The Distribution is motivated, in whole or substantial part, by the following corporate business purposes: (i) to improve management fit and focus by reorganizing the Foreign Parent Group along business lines, rather than geographic lines; (ii) to continue the growth of Business B and capture synergies with the Sub 1 Group; (iii) to create new growth platforms for Business A; (iv) to increase transparency and accountability; (v) to facilitate and increase options for transactions with third parties; and (vi) to facilitate a potential initial public offering of less than 20 percent of the stock of DE 7 and DE 8.

Proposed Transaction

For what are represented to be valid business purposes, Distributing proposes to engage in the following transactions (each a “Step” in the “Proposed Transaction”):

- (i) DE 4 will contribute Asset 1 to DE 5.
- (ii) DE 4 will distribute the DE 5 membership interests to DE 2.
- (iii) Controlled will file an entity classification election to be treated as an association taxable as a corporation for federal tax purposes.
- (iv) DE 2 will contribute Asset 2, the DE 5 membership interests, and the equity interests in DE 3 to Controlled in exchange for Controlled membership interests (the “Controlled Stock”) and newly created long-term debt of Controlled (the “Controlled Securities”) (together, the “Contribution”).
- (v) DE 2 will distribute the Controlled Stock and Controlled Securities to DE 1.
- (vi) DE 1 will distribute the Controlled Stock and Controlled Securities to Distributing.
- (vii) Distributing will form DE 12, a foreign company that will file an initial entity classification election to be treated as a disregarded entity for federal tax purposes.
- (viii) Distributing will contribute the Controlled Securities to DE 12.
- (ix) Distributing will distribute its Controlled Stock to DE 6 (the “Distribution”) and transfer the shares of DE 12 to DE 10 in partial repayment of the DE 10 Debt (the “Controlled Securities Exchange”).
- (x) DE 6 will distribute the Controlled Stock to Foreign Parent.
- (xi) Foreign Parent will contribute the equity interests in FSub 1 and the Controlled Stock to DE 7.
- (xii) Within approximately 12 months following the Distribution, DE 7 will contribute the Controlled Stock to FSub 1
- (xiii) Immediately after Step (xii), FSub 1 will contribute the Controlled Stock to Sub 1.
- (xiv) Immediately after Step (xiii), Sub 1 will contribute the Controlled Stock to Sub 2.

The Contemplated Merger

In addition, Distributing represents that it may engage in the following Step within c years after the Distribution:

- (i) Controlled will merge into DE 11, with DE 11 surviving the merger (the “Contemplated Merger”). This Step is intended to qualify as a reorganization under § 368(a)(1).

Representations

With respect to the Distribution, except as set forth below, Distributing has made all of the representations in § 3 of the Appendix to Rev. Proc. 2017-52, 2017-41 I.R.B. 283.

Distributing has made the following alternative representations set forth in § 3 of the Appendix to Rev. Proc. 2017-52:

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

Distributing has not made the following representations, which do not apply to the Proposed Transaction:

Representations 7, 24, 25, 35, and 38.

Distributing has not made the following representation:

Representation 40.

Distributing has modified the following representation:

Representation 8(b): Distributing has debt outstanding and it intends to transfer the Controlled securities in partial satisfaction of Distributing's outstanding debt. The sum of the amount of Distributing debt that is assumed under § 357 and the amount of Distributing debt satisfied under § 361 does not exceed the historic average of the total amount of debt owed by Distributing and other members of Distributing's separate affiliated group (as defined in § 355(b)(3)(B)). The historic average will be computed as of the close of the eight fiscal quarters immediately before the date that is at least 60 days before the Proposed Transaction or a similar transaction is disclosed or announced to the public or approved by Distributing's board of directors (whichever is earlier).

Rulings

Based solely on the information submitted and representations made, we rule as follows:

- (1) The Contribution, together with the Distribution, will be a "reorganization" within the meaning of § 368(a)(1)(D). Distributing and Controlled will each be "a party to a reorganization" within the meaning of § 368(b).
- (2) Distributing will recognize no gain or loss on the Contribution. § 361(a) and § 357(a).
- (3) Controlled will recognize no gain or loss on the Contribution. § 1032(a).
- (4) Controlled's basis in each asset received in the Contribution will be the same as the basis of that asset in the hands of Distributing immediately before the Contribution. § 362(b).

- (5) Controlled's holding period in each asset received from Distributing in the Contribution will include the period during which Distributing held that asset. § 1223(2).
- (6) Distributing will recognize no gain or loss on the Distribution. § 361(c)(1).
- (7) Distributing will recognize no gain or loss on the Controlled Securities Exchange. § 361(c)(3). However, to the extent permitted or required under general tax principles, Distributing will recognize any (i) deductions attributable to the fact that the DE 10 Debt may be redeemed at a premium, (ii) income attributable to the fact that the DE 10 Debt may be redeemed at a discount, and (iii) interest expense accrued with respect to the DE 10 Debt.
- (8) No gain or loss will be recognized by (and no amount will be included in the income of) Foreign Parent upon receipt of the Controlled Stock in the Distribution. § 355(a).
- (9) The holding period of the Controlled Stock received by Foreign Parent will include the holding period of the Distributing stock with respect to which the Distribution is made, provided that the Distributing stock is held as a capital asset on the date of the Distribution. § 1223(1).
- (10) Earnings and profits will be allocated between Distributing and Controlled in accordance with § 312(b) and Treas. Reg. §§ 1.312-10(a) and 1.1502-33(e).
- (11) The qualification of the Contribution, together with the Distribution, as a "reorganization" within the meaning of § 368(a)(1)(D) will not be affected by the Contemplated Merger.

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 condition existing at the time of, or effects resulting from the Proposed Transaction that is not specifically covered by the above rulings.

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.

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

A copy of this letter must be attached to any income tax return to which it is relevant. Alternatively, taxpayers filing their returns electronically may satisfy this requirement by attaching a statement to their return that provides the date and control number of the letter ruling.

Sincerely,

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

cc: