Internal Revenue Service

Number: **201341013**
Release Date: 10/11/2013

Index Number: 355.01-00, 368.04-00

Department of the Treasury
Washington, DC 20224

Third Party Communication: None
Date of Communication: Not Applicable

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Refer Reply To:
CC:CORP:B05
PLR-102454-13

Date:
July 15, 2013

TY

Legend

Parent =

Distributing =

Controlled =

Company =

Sub 1 =

Sub 2 =

Sub 3 =

Sub 4 =

Sub 5 =

Sub 6 =

Sub 7 =

Sub 8 =

Sub 9 =

Sub 10 =

Sub 11 =

Sub 12 =

Sub 13 =

Sub 14 =

Sub 15 =

Sub 16 =

Sub 17 =

Sub 18 =

Sub 19 =

Sub 20 =

Sub 21 =

Sub 22 =

Sub 23 =

ExchangeCo =

LLC 1 =

LLC 2 =

LLC 3 =

LLC 4 =

Business A =

Business B =

Business B1 =

State A =

State B =

State C =

State D =

Country A =

Country B =

Country C =

Country D =

Shareholder A =

Shareholder B =

Noteholders =

Date 1 =

Date 2 =

Date 3 =

Date 4 =

Date 5 =

Date 6 =

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Date 9 =

Date 10 =

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Dear :

This letter responds to your December 31, 2012 request for rulings on certain Federal income tax consequences of the series of proposed transactions described below (the "Proposed Transactions"). The information provided in that request and in later 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. This office has not verified any of the material 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. In particular, this office has not reviewed any information pertaining to, and has made no determination regarding, whether the Distribution described below: (i) satisfies the business purpose requirement of § 1.355-2(b) of the Income Tax Regulations, (ii) is used principally as a device for the distribution of the earnings and profits of a distributing corporation or a controlled corporation or both (*see* section 355(a)(1)(B) of the Internal Revenue Code, as amended (the "Code") 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 a distributing corporation or a controlled corporation (*see* section 355(e) and Treas. Reg. § 1.355-7).

Summary of Facts

Parent, a State A corporation, is the common parent of an affiliated group of domestic corporations that files a consolidated Federal income tax return (the "Parent Group"). Parent has outstanding a single class of common stock and a single class of preferred stock. The preferred stock is convertible into common stock, participates fully in ordinary and liquidating distributions paid with respect to common stock, and has voting rights equal to the number of whole shares of Parent common stock into which the preferred stock is convertible. Because of these similarities and multiple participation features, Parent treats the preferred stock as common stock for Federal income tax purposes.

Parent also has outstanding a single share of special voting preferred which does not participate in the economics of Parent, but which provides a mechanism for the voting rights for holders of "Exchangeable Shares" issued on Date 1 by ExchangeCo, a lower-tier subsidiary of Parent, as part of the taxable acquisition by ExchangeCo of the remaining stock of Company that the Parent Group did not already own. The Exchangeable Shares are exchangeable at any time for Parent preferred shares. Parent treats the Exchangeable Shares as the economic equivalent of Parent preferred stock for Federal income tax purposes.

Four shareholders (or shareholder groups) own the Parent common and preferred stock in the following proportions by value: (i) approximately a percent owned by various entities classified as partnerships for Federal income tax purposes, the general partnership interests of which are owned directly or indirectly by Shareholder A and the limited partnership interests of which are owned by unrelated members; (ii) approximately b percent owned by Shareholder B; (iii) approximately c percent owned by certain former shareholders of Company and its affiliates who hold the Exchangeable Shares; and (iv) approximately d percent owned by certain current and former members of Parent management (collectively, the "Parent Historical Shareholders").

Parent wholly owns Sub 1; Sub 1 wholly owns Sub 2; and Sub 2 wholly owns Sub 3. All are State A corporations.

Sub 3 wholly owns: Sub 4, a State B corporation; Sub 5, a State A corporation; Sub 6, a State A corporation; Sub 7, a dormant State C corporation; Sub 8, a State A corporation; Sub 9, a State A corporation; Sub 10, a State A corporation; Sub 11, a State A corporation; and Sub 12, a State A corporation. Sub 3 also wholly owns: Sub 13, a Country A corporation; Sub 14, a dormant Country B corporation; and Sub 15, a Country C corporation.

Sub 4 wholly owns: Sub 16, a Country D corporation; Sub 17, a State D corporation; Sub 18, a State A corporation; and Sub 19, a State A corporation

(collectively, the "Sub 4 Subgroup"). Sub 5 wholly owns, directly and indirectly, various international corporations (the "Sub 5 Subgroup").

Sub 6 wholly owns Sub 20, a Country D unlimited liability company disregarded as separate from its owner for Federal income tax purposes under Treas. Reg. § 301.7701-3 (each such entity, a "DRE"). Sub 20 wholly owns Sub 21, a Country D corporation; and Sub 21 owns all of the common shares of ExchangeCo, a Country D unlimited liability company treated as a DRE. ExchangeCo wholly owns Sub 22, a Country D corporation.

The Parent Group engages in Business A and Business B (including Business B1, an aspect of Business B) through Sub 3. Sub 3 conducts Business A directly (prior to Date 7) and through the following entities: Sub 6 and its subsidiaries; Sub 15 and its subsidiaries; Sub 12 and its subsidiaries; Sub 8; Sub 10; Sub 11; and Sub 13 (collectively, the "Business A Entities"). Sub 3 conducts Business B through the Sub 4 Subgroup and the Sub 5 Subgroup. The Sub 4 Subgroup conducts Business B1. The taxpayer has submitted financial information indicating that each of Business A and Business B1 has had gross receipts and operating expenses representing the active conduct of a trade or business for each of the past five years.

Prior to the Proposed Transactions described below, Sub 3 and its subsidiaries had or expect to have outstanding secured debt in the following amounts: (i) approximately f of g percent senior secured notes due Date 2 (the "Date 2 Notes"); (ii) a senior secured credit facility pursuant to a credit agreement dated as of Date 3 (as amended and restated as of Date 4, and further amended as of Date 5), which consists of: (a) approximately h of U.S. term loans (the "US Term Loans"), (b) approximately i of Country D term loans (the "Country D Term Loans" and together with the US Term Loans, the "Term Loans"), and (c) an aggregate j revolving credit facility consisting of U.S. revolving loans available to Sub 3 and multi-currency revolving loans available to Sub 3 and Sub 21 (collectively, the "Revolving Loans" and together with the Term Loans, the "Senior Secured Credit Facility"); and (iii) an accounts receivable facility that provides up to k in funding subject to certain limitations (collectively with the debt described in clauses (i) and (ii) above, the "Secured Debt"). In addition, prior to the Proposed Transactions Sub 3 had the following unsecured debt outstanding: l of m percent senior notes (the "Senior Notes"), and approximately n of o/p percent senior toggle notes (the "Senior Toggle Notes," and together with the Senior Notes, the "Date 6 Notes"). The Secured Debt, the Traveling Debt (defined below), and the Date 6 Notes together are collectively referred to as the "Third-Party Debt."

Effective Date 7, Sub 3 contributed all of the Business A assets that it held directly to Sub 12, subject to the assumption by Sub 12 of certain Sub 3 liabilities (the "Sub 12 Contribution"). Sub 3 decided to make the Sub 12 Contribution based on factors independent of the Proposed Transactions and the Sub 12 Contribution would have occurred regardless of the Proposed Transactions.

The Proposed Transactions will separate Business A from Business B (i) to enable each business to adopt the optimal capital structure for its needs and thus improve its ability to raise funds (including through stock issuances) needed to take advantage of significant growth opportunities; (ii) to enhance stock value and thus (a) improve the anticipated initial public offering of Distributing stock, (b) increase the future value of equity compensation to Distributing key employees, and (c) increase the value of the Distributing equity currency for mergers and acquisitions; (iii) to give each business its own management team and thus (a) allow each to pursue its own distinct opportunities and growth plans and (b) eliminate internal competition for capital and other managerial and operational conflicts; and (iv) to provide each business with a key employee compensation program that relates solely to the performance of the business for which the key employees are responsible (collectively, the "Corporate Business Purposes").

Proposed Transactions

To achieve the Corporate Business Purposes, Parent proposes the following series of transactions, the first of which has already been completed:

(i) On Date 8, Sub 3 issued a series of senior unsecured notes maturing in Date 9 in the aggregate principal amount of q in a Rule 144A offering (the "Traveling Debt"). The Traveling Debt has customary payment terms and pursuant to its terms is exchangeable, at the sole option of Sub 3 (or its successor), for debt of a subsidiary conducting Business A. Sub 3 used the net proceeds from the Traveling Debt offering to refinance part of the Date 6 Notes, with approximately r of the Senior Notes and approximately s of the Senior Toggle Notes being repaid.

(ii) By the way of mergers, the shareholders of Parent will contribute all of their Parent shares to a newly formed State A limited liability company ("LLC 1") in exchange for interests in LLC 1 (the "LLC 1 Contribution"). LLC 1 will be treated as a partnership for Federal income tax purposes effective on the date of its formation. The former shareholders of Parent will maintain the same proportionate interests in LLC 1 as they had in Parent.

The terms of the Exchangeable Shares will be modified to provide that such shares are exchangeable into interests in LLC 1 (the "LLC 1 Exchangeable Shares"). The terms of the modified Exchangeable Shares will reflect the economics, voting rights, and other benefits and burdens associated with ownership of the LLC 1 interests for which the LLC 1 Exchangeable Shares are exchangeable.

(iii) Sub 1 will merge into Sub 2, with Sub 2 surviving (the "Sub 1 Merger"), and Parent will merge into Sub 2 with Sub 2 surviving (the "Parent Merger") (together, the "Downstream Mergers").

(iv) Sub 2 will contribute its shares of Sub 3 stock to a newly formed State A corporation ("Sub 23" and the "Sub 23 Contribution"). Under Sub 2's pledge agreement, Sub 2 will pledge the Sub 23 stock on behalf of the credit group for the Senior Secured Credit Facility (the "Senior Secured Credit Group") until the merger of Sub 23 into Sub 3 in Step (vi).

(v) Sub 2 will convert to a State A limited liability company that is a DRE ("LLC 2") under the applicable conversion statute (the "Sub 2 Conversion," and together with the Sub 23 Contribution, the "Sub 2 Restructuring").

(vi) Sub 23 will merge into Sub 3, with Sub 3 surviving (the "Sub 23 Merger"). LLC 2 will pledge the Sub 3 stock on behalf of the Senior Secured Credit Group.

(vii) Sub 3 will (a) form a new State A limited liability company ("LLC 3") that will be a DRE and (b) cause each of Sub 4 and Sub 5 to merge into LLC 3, with LLC 3 surviving (the "Sub 4 Merger" and the "Sub 5 Merger," respectively). Sub 3 will also cause Sub 7 to merge into LLC 3, with LLC 3 surviving (the "Sub 7 Merger").

(viii) Sub 3 will transfer its interests in the Business A Entities, Sub 9, and Sub 14 to a newly formed State A corporation ("Distributing" and the "Distributing Contribution").

(ix) LLC 3 will merge into Distributing, with Distributing surviving (the "LLC 3 Merger").

(x) Sub 3 will convert to a State A limited liability company ("LLC 4") that is a DRE under the applicable conversion statute, and Distributing will agree to assume all of the Third-Party Debt pursuant to an intercompany assumption agreement (the "Distributing Assumption Agreement," the "Sub 3 Conversion," and together with the Distributing Contribution and the LLC 3 Merger, the "Sub 3 Restructuring").

The Distributing Assumption Agreement will state that Distributing agrees to pay, and is expected to satisfy, the Third-Party Debt. Although LLC 4 will remain a primary obligor of such debt, Distributing will be a primary obligor as a guarantor that is jointly and severally liable on the Third-Party Debt as a primary obligor and not merely as surety. Distributing will agree to make all payments on the Third-Party Debt directly to the creditors of the Third-Party Debt through a bank account created for that purpose and owned jointly with LLC 4. Based on all of the facts and circumstances, including Distributing's financial condition, Distributing will be expected to make all payments on the Third-Party Debt, except that assumed by Controlled in Step (xi) below.

(xi) Distributing will contribute its interests in the Business A Entities, Sub 9, and Sub 14 to a newly formed State A corporation ("Controlled") in exchange for (i) all of the Controlled stock; (ii) q of unsecured Controlled notes maturing in Date 9, bearing interest at t percent, and guaranteed by Distributing and LLC 4 (the "Controlled Securities"); and (iii) Controlled's assumption of an aggregate of l of Term Loans and Date 6 Notes pursuant to an intercompany assumption agreement (the "Controlled Assumption Agreement") (collectively, the "Controlled Contribution"). The Controlled Assumption Agreement will have terms similar to those in the Distributing Assumption Agreement. Distributing and LLC 4 will guarantee the Controlled Securities (the "Cross-Guarantees") until the initial public offering ("IPO") in Step (xiii), after which Distributing will not guarantee or provide credit support to Controlled, and LLC 4 and Controlled will not provide credit support to Distributing.

(xii) Distributing will (a) distribute all of the Controlled stock to LLC 4, and (b) exchange the Controlled Securities for the Traveling Debt (the "Securities Exchange," and (a) and (b) together, the "Distribution"). As a result, the Traveling Debt will be extinguished. Controlled and its subsidiaries are referred to as the "Controlled Group," and Distributing and its subsidiaries (other than the Controlled Group) are referred to as the "Distributing Group."

(xiii) Late in Date 10 or during Date 11, Distributing expects to complete an IPO of newly issued common shares and use the proceeds (the "IPO Proceeds") to refinance some or all of Distributing's then outstanding debt. The IPO will not exceed u percent of the Distributing stock outstanding following the IPO.

In connection with the Proposed Transactions, the Distributing Group and the Controlled Group will enter into a variety of agreements (collectively, the "Continuing Relationships"), including (i) a distribution agreement providing key terms for separating Business A from Business B, including that each Group will indemnify the other for certain pre-Distribution liabilities relating to the indemnifying Group's business (the "Distribution Agreement"); (ii) a tax matters agreement governing the rights, responsibilities, and obligations of the Distributing Group and the Controlled Group after the Distribution regarding tax liabilities, including indemnification for tax liabilities and benefits, tax attributes, and other matters involving income taxes and non-income taxes that arose before the Distribution (this indemnification provision together with that of the Distribution Agreement, the "Contingent Liability Arrangements"); and (iii) transitional agreements involving transitional and administrative support services that the Distributing Group will provide to the Controlled Group, or vice versa, at cost, for an initial interim period of v ("Initial Interim Period") while each group completes its own administrative support and corporate service arrangements (the "Transitional Agreements"). The Initial Interim Period will be automatically renewed for w periods (unless terminated upon advance written notice). The services provided under the

Transitional Agreements will be compensated on an arm's-length basis if the Initial Interim Period is extended.

Representations

Parent makes the following representations with respect to the Proposed Transactions:

(a) Other than the Controlled Securities to be held by Distributing before their transfer in the Securities Exchange, any indebtedness owed by Controlled (or any entity controlled directly or indirectly by Controlled) to Distributing (or any entity controlled directly or indirectly by Distributing) after the Distribution will not constitute stock or securities.

(b) No part of the consideration distributed by Distributing in the Distribution will be received by LLC 1 as a creditor, employee, or in any capacity other than that of a shareholder of Distributing.

(c) No part of the consideration to be distributed by Distributing will be received by a security holder as an employee or in any capacity other than that of a security holder of Distributing.

(d) In applying section 355(b)(2)(A) regarding the active conduct of a trade or business, Distributing and Controlled each will treat all members of its separate affiliated group, or "SAG" (as defined in section 355(b)(3)(B)), as one corporation.

(e) The five years of financial information submitted for Business B1 conducted by the Distributing SAG and for Business A to be conducted by the Controlled SAG following the Controlled Contribution is representative of the present operations of each business, and there have been no substantial operational changes in either business since the date of the last financial statements submitted.

(f) Neither Business B1 conducted by the Distributing SAG nor control of an entity conducting this business will have been acquired during the five-year period ending on the date of the Distribution in a transaction in which gain or loss was recognized (or treated as recognized) in whole or in part. Neither Business A to be conducted by the Controlled SAG following the Controlled Contribution nor control of an entity conducting this business will have been acquired during the five-year period ending on the date of the Distribution in a transaction in which gain or loss was recognized (or treated as recognized) in whole or in part.

(g) Apart from the Continuing Relationships, the Distributing SAG (through the Sub 4 Subgroup) will continue the active conduct of Business B1, independently and with its separate employees, following the Distribution.

(h) Apart from the Continuing Relationships, the Controlled SAG will continue the active conduct of Business A, independently and with its separate employees, following the Distribution.

(i) The Distribution is motivated in whole or substantial part by the Corporate Business Purposes.

(j) The Distribution will not be used principally as a device for the distribution of the earnings and profits of Distributing or Controlled or both.

(k) There is no plan or intention to liquidate any member of the Distributing SAG engaged in Business B1 or any member of the Controlled SAG engaged in Business A, to merge any member of either SAG with any other entity, or to sell or otherwise dispose of the assets of any member after the Distribution, except in the ordinary course of business or in the Proposed Transactions.

(l) The total adjusted bases and the fair market value of the assets transferred to Controlled in the Controlled Contribution each will equal or exceed the sum of (i) the total amount of any liabilities assumed (as determined under section 357(d)) by Controlled, and (ii) the total amount of any money and the fair market value of any other property (within the meaning of section 361(b)) received by Distributing and transferred to its creditors in connection with the reorganization.

(m) Any liabilities assumed (as determined under section 357(d)) by Controlled in the Controlled Contribution will have been incurred in the ordinary course of business and will be associated with the assets transferred.

(n) The total fair market value of the assets transferred to Controlled in the Controlled Contribution will exceed the sum of (i) the amount of any liabilities assumed (as determined under section 357(d)) by Controlled in connection with the Controlled Contribution, (ii) the amount of any liabilities owed to Controlled by Distributing that are discharged or extinguished in connection with the Controlled Contribution, and (iii) the amount of any cash and the fair market value of any other property (other than stock and securities permitted to be received under section 361(a) without the recognition of gain) received by Distributing in connection with the Controlled Contribution. The fair market value of the assets of Controlled will exceed the amount of its liabilities immediately after the Controlled Contribution.

(o) The aggregate fair market value of the assets transferred to Controlled in the Controlled Contribution will equal or exceed the aggregate adjusted basis of those assets.

(p) Apart from the settlement of intercompany balances, Distributing will neither accumulate its receivables nor make extraordinary payment of its payables in anticipation of the Controlled Contribution and Distribution.

(q) No investment tax credit determined under section 46 has been, or will be, claimed for any property that will be transferred by Distributing to Controlled in the Controlled Contribution.

(r) No two parties to the Controlled Contribution are investment companies as defined in section 368(a)(2)(F)(iii) and (iv).

(s) Immediately before the Distribution, items of income, gain, loss, deduction, and credit will be taken into account as required by the applicable intercompany transaction regulations (*see* Treas. Reg. §§ 1.1502-13 and -14 as in effect before the publication of T.D. 8597, 1995-2 C.B. 147, and as currently in effect, Treas. Reg. § 1.1502-13 as published in T.D. 8597). Further, any excess loss account that Distributing has in the Controlled stock or the stock of any direct or indirect subsidiary of Controlled will be included in income immediately before the Distribution to the extent required by regulations (*see* Treas. Reg. § 1.1502-19).

(t) Apart from (i) the Controlled Securities issued to Distributing in the Controlled Contribution (which will then be transferred to the Noteholders in the Securities Exchange) and (ii) intercompany loans or other obligations that have arisen, or will arise, between the parties in the ordinary course of business or as a result of the Continuing Relationships, no intercompany debt will exist between Controlled (or any entity controlled directly or indirectly by Controlled) and Distributing (or any entity controlled directly or indirectly by Distributing) at the time of, or after, the Distribution.

(u) Apart from payments for certain services that may be rendered at cost during the Initial Interim Period under the Transitional Agreements, payments made in connection with all continuing transactions (including the Continuing Relationships) between Controlled (or any entity controlled directly or indirectly by Controlled) and Distributing (or any entity controlled directly or indirectly by Distributing) will be for fair market value based on terms and conditions arrived at by the parties bargaining at arm’s length.

(v) For purposes of section 355(d), immediately after the Distribution, no person (determined after applying section 355(d)(7)) will hold stock possessing 50 percent or more of the total combined voting power of all classes of

Distributing stock entitled to vote, or 50 percent or more of the total value of shares of all classes of Distributing stock, that was acquired by purchase (as defined in section 355(d)(5) and (8)) during the five-year period (determined after applying section 355(d)(6)) ending on the date of the Distribution.

(w) For purposes of section 355(d), immediately after the Distribution, no person (determined after applying section 355(d)(7)) will hold stock possessing 50 percent or more of the total combined voting power of all classes of Controlled stock entitled to vote, or 50 percent or more of the total value of shares of all classes of Controlled stock, that was either (i) acquired by purchase (as defined in section 355(d)(5) and (8)) during the five-year period (determined after applying section 355(d)(6)) ending on the date of the Distribution or (ii) attributable to distributions on Distributing stock or securities that were acquired by purchase (as defined in section 355(d)(5) and (8)) during the five-year period (determined after applying section 355(d)(6)) ending on the date of the Distribution.

(x) The Distribution is not part of a plan or series of related transactions (within the meaning of Treas. Reg. § 1.355-7) pursuant to which one or more persons will acquire directly or indirectly stock representing a 50 percent or greater interest (within the meaning of section 355(d)(4)) in Distributing or Controlled (including any predecessor or successor of either corporation).

(y) Immediately after the transaction (as defined in section 355(g)(4)), (i) if any person holds a 50 percent or greater interest (within the meaning of section 355(g)(3)) in any disqualified investment corporation (within the meaning of section 355(g)(2)), such person will have held such interest in such corporation (either directly or through attribution) immediately before the Distribution; or (ii) neither Distributing nor Controlled will be a disqualified investment corporation (within the meaning of section 355(g)(2)).

(z) The amount of Traveling Debt exchanged for Controlled Securities in the Securities Exchange will not exceed the weighted quarterly average of the Third-Party Debt of Distributing (as successor to Sub 3) for the 12-month period ending on the close of business on or about Date 12, the same date on which the Parent Board of Directors initially discussed the potential separation of Business A from Business B.

(aa) The Traveling Debt is exchangeable into the Controlled Securities solely at the option of Distributing pursuant to the mandatory exchange feature of the Traveling Debt notes. There has not been and will not be any separate agreement governing the exchange rights of Distributing regarding the Traveling Debt.

(bb) Based upon the current and projected net debt level of Business A, existing financial projections, the expected IPO of Distributing and other financial indicators, it is expected that the Cross-Guarantees of the Controlled Securities will terminate within x after the Securities Exchange.

(cc) There is no regulatory, legal, contractual, or economic compulsion or requirement that any contribution by LLC 1 (through its disregarded entities, LLC 2 and LLC 4) to Distributing be made as a condition to the distribution of Controlled by Distributing.

(dd) Distributing, Controlled and the shareholders of Distributing will pay their respective expenses, if any, incurred in connection with the Controlled Contribution and the Distribution.

(ee) The Sub 12 Contribution qualified as an exchange under section 351.

(ff) The Exchangeable Shares are stock of Parent for Federal income tax purposes.

(gg) The LLC 1 Contribution will qualify as an exchange under section 721.

(hh) Following the LLC 1 Contribution, the LLC 1 Exchangeable Shares will be interests in LLC 1 for Federal income tax purposes.

(ii) The Sub 1 Merger will qualify as a reorganization under section 368(a).

(jj) The Parent Merger will qualify as a reorganization under section 368(a).

(kk) The Sub 2 Restructuring will qualify as a reorganization under section 368(a)(1)(F).

(ll) The Sub 23 Merger will qualify as a reorganization under section 368(a).

(mm) The Sub 4 Merger will qualify as a complete liquidation under section 332.

(nn) The Sub 5 Merger will qualify as a complete liquidation under section 332.

(oo) The Sub 3 Restructuring will qualify as a reorganization under section 368(a)(1)(F).

Rulings

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

(1) The Controlled Contribution, followed by the Distribution, will be a reorganization under section 368(a)(1)(D). Distributing and Controlled each will be "a party to a reorganization" within the meaning of section 368(b).

(2) Distributing will recognize no gain or loss on the Controlled Contribution (sections 361(a) and 357(a)).

(3) Controlled will recognize no gain or loss on the Controlled Contribution (section 1032(a)).

(4) The basis of each asset received by Controlled in the Controlled Contribution will equal the basis of that asset in the hands of Distributing immediately before the Controlled Contribution (section 362(b)).

(5) The holding period of each asset received by Controlled in the Controlled Contribution will include the period during which Sub 3 and its successor Distributing held that asset (section 1223(2)).

(6) Distributing will recognize no gain or loss on the distribution of Controlled stock and the exchange of Controlled Securities in the Distribution (section 361(c)).

(7) Distributing will recognize no income, gain, loss, or deduction with respect to the distribution of the Controlled Securities in the Distribution, other than any (i) amount of income, gain, loss, or deduction that offsets the Controlled corresponding amount of income, gain, loss, or deduction upon the deemed satisfaction of the Controlled Securities resulting from the intercompany transaction regulations, (ii) deductions attributable to the redemption of the Third-Party Debt at a premium, (iii) income attributable to the redemption of the Third-Party Debt at a discount, or (iv) interest expense accrued on the Third-Party Debt.

(8) LLC 1 will recognize no gain or loss (and no amount will be included in its income) on the Distribution (section 355(a)(1)).

(9) Immediately following the Distribution, the basis that LLC 1 had in a share of Distributing stock before the Distribution will be allocated between the share of Distributing stock with respect to which the Distribution is made and the share of Controlled stock received with respect to the share of Distributing

stock in proportion to the fair market value of each (section 358(b)(2) and (c); Treas. Reg. § 1.358-2(a)(2)).

(10) The holding period of the Controlled stock received by LLC 1 in the Distribution will include the holding period of the Distributing stock on which the Distribution is made, provided the Distributing stock is held by LLC 1 as a capital asset on the date of the Distribution (section 1223(1)).

(11) Earnings and profits, if any, will be allocated between Distributing and Controlled in accordance with section 312(h) and Treas. Reg. §§ 1.312-10(a) and 1.1502-33(e)(3).

(12) Any payments made by Distributing to Controlled or by Controlled to Distributing pursuant to the Contingent Liability Arrangements that (i) have arisen or will arise for a taxable period ending on or before the Distribution or for a taxable period beginning before and ending after the Distribution and (ii) will not become fixed and ascertainable until after the Distribution will be treated as adjustments to amounts contributed by Distributing to Controlled or distributed by Controlled to Distributing immediately before the Distribution (*Arrowsmith v. Commissioner*, 344 U.S. 6 (1952)).

(13) Following the Distribution, Controlled will not be a successor of Distributing for purposes of section 1504(a)(3). Therefore, Controlled and its direct and indirect subsidiaries that are “includible corporations” (under section 1504(b)) and satisfy the ownership requirements of section 1504(a)(2) will be members of an affiliated group of corporations entitled to file a consolidated Federal income tax return with Controlled as the common parent.

Caveats

No opinion is expressed about the Federal income tax treatment of the Proposed Transactions under other provisions of the Code or regulations or the Federal income tax treatment of any conditions existing at the time of, or effects resulting from, the Proposed Transactions that are not specifically covered by the above rulings. In particular, no opinion is expressed regarding:

(i) the Federal income tax consequences of Proposed Transactions (ii) through (x) and (xiii);

(ii) whether the Distribution satisfies the business purpose requirement of Treas. Reg. § 1.355-2(b);

(iii) whether the Distribution is used principally as a device for the distribution of the earnings and profits of Distributing or Controlled or both;

(iv) whether the Distribution and an acquisition or acquisitions are part of a plan (or series of related transactions) under section 355(e)(2)(A)(ii);

(v) whether the Exchangeable Shares should be treated as Parent preferred stock for Federal income tax purposes; and

(vi) whether, following the LLC 1 Contribution, the LLC 1 Exchangeable Shares should be treated as interests in LLC 1 for Federal income tax purposes.

Procedural Matters

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 the Federal income tax return of each party involved in the Proposed Transactions for the taxable year in which the Proposed Transactions are completed. 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 the 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,

Lisa A. Fuller

Lisa A. Fuller
Branch Chief, Branch 5
Office of Associate Chief Counsel (Corporate)