

**Internal Revenue Service**

Number: **202530004**

Release Date: 7/25/2025

Index Number: 355.00-00, 368.04-00

Department of the Treasury

Washington, DC 20224

Third Party Communication: None

Date of Communication: Not Applicable

Person To Contact:

, ID No.

Telephone Number:

Refer Reply To:

CC:CORP:5

PLR-113889-24

Date:

February 03, 2025

LEGEND

Distributing =

Distributing 1 =

Controlled 1 =

External Controlled 1 =

External Controlled 2 =

External Controlled 3 =

Sub 1 =

FSub 1 =

FSub 2 =

FSub 3 =

FSub 4 =

FSub 5 =

FSub 6 =

FSub 7 =

FSub 8 =

FSub 9 =

US DRE 1 =

FDRE 1 =

Distributing Shareholders =

Founder =

Shareholder 1 =

Foreign Investor =

Trust 1 =

Trust 2 =

Trust 3 =

Trust 4 =

State A =

Country A =

Country B =

Country C =

Country D =

Country E	=
Country F	=
Country G	=
Country H	=
Country I	=
Country J	=
Business A	=
Business B	=
Business C	=
Business D	=
<u>a</u> %	=
<u>b</u> %	=
<u>c</u> %	=
<u>d</u> %	=
<u>e</u> %	=
<u>f</u> %	=
<u>g</u> %	=
<u>h</u> %	=
<u>i</u> %	=
<u>j</u> %	=
<u>k</u> %	=
<u>l</u> %	=

PLR-113889-24 4

Year 1 =

Year 2 =

Year 3 =

Continuing Arrangements 1 =

Continuing Arrangements 2 =

Overlapping Directors =

Dear :

This letter responds to a letter from your authorized representatives dated August 1, 2024, submitted on behalf of Distributing requesting rulings under sections 355 and 368(a)(1)(D), and related provisions of the Internal Revenue Code of 1986, as amended (the "Code"), and related regulations with respect to a series of proposed transactions (collectively, the "Proposed Transaction," as described below). The material information submitted in that request is summarized below.

This letter is issued pursuant to Rev. Proc. 2024-1, 2024-1 I.R.B. 1, Rev. Proc. 2017-52, 2017-41 I.R.B. 283, as amplified and modified by Rev. Proc. 2024-24, 2024-21 I.R.B. 1214, regarding a Transactional Ruling for one or more Covered Transactions under section 355 and section 368 of 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 the 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.

This office has made no determination regarding whether the Proposed Transaction satisfied the business purpose requirement of Treas. Reg. § 1.355-2(b).

### Summary of Facts

Distributing, a privately held, State A corporation, is the parent of a worldwide group that includes both domestic and foreign entities (the “Distributing Worldwide Group”). Distributing and its domestic affiliates join in the filing of a consolidated US federal income tax return. At the time of the Proposed Transaction, Distributing will have a single class of voting common stock issued and outstanding. Founder owns a% of the outstanding stock of Distributing. Shareholder 1 owns b% of the outstanding stock of Distributing. Trust 1 owns c% of the outstanding stock of Distributing. Trust 2 owns d% of the outstanding stock of Distributing. Trust 3 owns e% of the outstanding stock of Distributing. Shareholder 1 is a member of Founder’s family, and each of Trusts 1 through 3 were created by Founder for the benefit of Founder’s family members. The remaining f% of the outstanding stock of Distributing is owned by Foreign Investor, a Country A company classified as a corporation for US federal income tax purposes. Founder, Shareholder 1, Trust 1, Trust 2, Trust 3, and Foreign Investor are collectively referred to as the “Distributing Shareholders.”

The Distributing Worldwide Group is engaged in the conduct of Business A, Business B, Business C, and Business D. The operations of each of Business A, Business B, Business C, and Business D are conducted in various countries. Distributing directly conducts Business A in Country E.

Members of the Distributing Worldwide Group undertook a series of preparatory internal transactions in preparation for the Proposed Transaction. Immediately following such preparatory internal transactions, Distributing owns (i) all of the outstanding stock of Sub 1, a State A corporation, (ii) all of the outstanding stock of Distributing 1, a Country B limited company classified as a corporation for US federal income tax purposes, and (iii) all of the outstanding equity interests in US DRE1, a State A LLC classified as an entity disregarded as separate from Distributing for US federal income tax purposes under Treas. Reg. § 301.7701-3 (a “DRE”). Distributing also owns g% of the outstanding stock of FSub 1, a Country C company classified as a corporation for US federal income tax purposes. The remaining h% of the outstanding stock of FSub 1 is owned by an unrelated party.

Sub 1 owns all of the outstanding stock of FSub 2, a Country B company classified as a corporation for US federal income tax purposes. FSub 2 owns all of the outstanding stock of FSub 3, a Country D company classified as a corporation for US federal income tax purposes.

Distributing 1 owns all of the outstanding stock of Controlled 1, a Country B company classified as a corporation for US federal income tax purposes. Distributing 1 directly conducts Business C and Business D.

Distributing and US DRE 1 own  $i\%$  and  $j\%$  of the outstanding stock of FSub 4, a Country F company classified as a corporation for US federal income tax purposes.

FSub 4 owns (i) all of the outstanding stock of FSub 5, a Country G company classified as a corporation for US federal income tax purposes, (ii) all of the outstanding equity interests in FDRE 1, a Country H company classified as a DRE for US federal income tax purposes, and (iii) all of the outstanding stock of FSub 6, a Country I company classified as a corporation for US federal income tax purposes. FSub 4 also owns  $k\%$  of the outstanding stock of FSub 7, a Country J company classified as a corporation for US federal income tax purposes. The remaining  $l\%$  of the outstanding stock of FSub 7 is owned directly by Founder. FSub 4 also owns  $g\%$  of FSub 9, a Country C company classified as a corporation for US federal income tax purposes. The remaining  $h\%$  of FSub 9 is owned by an unrelated party.

FSub 7 owns all of the outstanding stock of FSub 8, a Country J company classified as a corporation for US federal income tax purposes. US DRE 1, FSub 4, FSub 5, FDRE 1, FSub 6, FSub 7, and FSub 9 are all engaged in Business B.

For purposes of the active trade or business requirement of section 355(b): (i) with respect to the Internal Spin (as defined below), Distributing 1 will rely on Business C and Controlled 1 will rely on Business D; (ii) with respect to External Spin 1 (as defined below), Distributing will rely on the Business A operations in Country E and External Controlled 1 (as defined below) will rely on Business D as conducted by members of External Controlled 1's "separate affiliated group" as defined in section 355(b)(3)(B); (iii) with respect to External Spin 2 (as defined below), Distributing will rely on the Business A operations in Country E and External Controlled 2 (as defined below) will rely on Business C as conducted by members of External Controlled 2's "separate affiliated group" as defined in section 355(b)(3)(B); (iv) with respect to External Spin 3 (as defined below), Distributing will rely on the Business A operations in Country E and External Controlled 3 (as defined below) will rely on the Business B operations in Country H conducted by members of External Controlled 3's "separate affiliated group" as defined in section 355(b)(3)(B).

Financial information has been submitted in accordance with Rev. Proc. 2017-52 indicating that each of (i) the Business A operations in Country E conducted by Distributing, (ii) the Business B operations in Country H conducted by FDRE 1, and (iii) Business C conducted by Distributing 1, has had gross receipts and operating expenses representing the active conduct of a trade or business for each of the past five years.

Business D was created in Year 1 by Distributing 1, as part of a strategy to expand the services of Business C. Distributing 1 sold the first Business C services that included elements of Business D in Year 2. After the success of Distributing 1's sale of Business C services that included elements of Business D, Distributing employed its experience in Business C to further develop Business D's capabilities and functions. In

Year 3, Distributing 1 began to market and sell Business D as a separate service offering from Business C.

### **The Proposed Transaction**

For what are represented to be valid business reasons, Distributing proposes to engage in the following transactions (the “Proposed Transaction”) to separate each of Business A, Business B, Business C, and Business D into separately operated companies owned by the Distributing Shareholders. The relevant steps of the Proposed Transaction are set forth below.

#### ***Internal Spin***

1. Distributing will form External Controlled 1, a Country E corporation.
2. Distributing 1 will contribute all of its Business D assets, including employees engaging in Business D, to Controlled 1 in exchange for stock of Controlled 1 (the “Internal Contribution”). Deductible liabilities related to certain employee benefits may be associated with the Business D employees transferred, and at the time of the Internal Contribution, such liabilities will not yet have given rise to a deduction (the “Business D Deductible Liabilities”). The Business D Deductible Liabilities will become deductible by Controlled 1 if and when they satisfy the timing and certainty requirements for a deduction under Controlled 1’s method of tax accounting.
3. Distributing 1 will distribute all of the shares of Controlled 1 to Distributing (the “Internal Distribution” and, together with the Internal Contribution, the “Internal Spin”).

#### ***External Spin 1***

4. Distributing will contribute all of the shares of Controlled 1 and additional Business D assets, including employees engaged in Business D, to External Controlled 1 in exchange for stock of External Controlled 1 (the “External 1 Contribution”). Deductible liabilities related to certain employee benefits may be associated with the Business D employees transferred, and at the time of the External 1 Contribution, such liabilities will not yet have given rise to a deduction (the “Business D Deductible Liabilities”). The Business D Deductible Liabilities will become deductible by External Controlled 1 if and when they satisfy the timing and certainty requirements for a deduction under External Controlled 1’s method of tax accounting.
5. Distributing will distribute all of the shares of External Controlled 1 to the Distributing Shareholders in a pro rata distribution (the “External 1 Distribution” and, together with the External 1 Contribution, “External Spin 1”).

6. Following External Spin 1, Founder will transfer some shares of External Controlled 1 to Trust 4 for the benefit of Founder's children (the "Trust 4 Transfer"). It is not anticipated that the value of the stock transferred to Trust 4 will exceed 50% of either vote or value of External Controlled 1 in the five-year period following External Spin 1.

### ***External Spin 2***

7. Distributing will form External Controlled 2, a Country E corporation.
8. Distributing will contribute all of the shares of Distributing 1 and additional Business C assets, including employees engaged in Business C, to External Controlled 2 in exchange for stock of External Controlled 2 (the "External 2 Contribution"). Deductible liabilities related to certain employee benefits may be associated with the Business C employees transferred, and at the time of the External 2 Contribution, such liabilities will not yet have given rise to a deduction (the "Business C Deductible Liabilities"). The Business C Deductible Liabilities will become deductible by External Controlled 2 if and when they satisfy the timing and certainty requirements for a deduction under External Controlled 2's method of tax accounting.
9. Distributing will distribute all of the shares of External Controlled 2 to the Distributing Shareholders in a pro rata distribution (the "External 2 Distribution" and, together with the External 2 Contribution, "External Spin 2").

### ***External Spin 3***

10. Distributing will form External Controlled 3, a Country E corporation.
11. Distributing will contribute (i) all of the equity interests in US DRE1, (ii) its  $j\%$  of the outstanding stock of FSub 4, and (iii) additional Business B assets, including employees engaged in Business B, to External Controlled 3 in exchange for stock of External Controlled 3 (the "External 3 Contribution"). Deductible liabilities related to certain employee benefits may be associated with the Business 3 employees transferred, and at the time of the External 3 Contribution, such liabilities will not yet have given rise to a deduction (the "Business B Deductible Liabilities"). The Business B Deductible Liabilities will become deductible by External Controlled 3 if and when they satisfy the timing and certainty requirements for a deduction under External Controlled 3's method of tax accounting.
12. Distributing will distribute all of the shares of External Controlled 3 to the Distributing Shareholders in a pro rata distribution (the "External 3 Distribution" and, together with the External 3 Contribution, "External Spin 3").



In connection with the Proposed Transaction, it is anticipated that External Controlled 1 and External Controlled 2 (or their respective affiliates, as applicable) will enter into certain agreements that will address continuing arrangements between External Controlled 1 and External Controlled 2 following the Proposed Transaction (collectively, the “Continuing Arrangements 1”). All of the Continuing Arrangements 1 will be based on arm’s-length terms and conditions, including arm’s-length pricing. The Continuing Arrangements 1 are not expected to last longer than two years.

Additionally, in connection with the Proposed Transaction, it is anticipated that External Controlled 3 (or its affiliate, as applicable) will enter into certain agreements that will address continuing arrangements between External Controlled 3 and each of Distributing, External Controlled 1, and External Controlled 2 (or their respective affiliates, as applicable) (collectively, the “Continuing Arrangements 2”). All of the Continuing Arrangements 2 will be based on arm’s-length terms and conditions, including arm’s-length pricing. The Continuing Arrangements 2 are not expected to last longer than two years.

Lastly, following the Proposed Transaction, certain individuals may serve as a member of the board of each of Distributing, External Controlled 2, External Controlled 2, and External Controlled 3 (i.e., the Overlapping Directors). The Overlapping Directors will not have any special voting rights as directors at either Distributing, External Controlled 1, External Controlled 2, or External Controlled 3.

## **Representations**

### ***Internal Spin***

Except as set forth below, Distributing 1 has made all of the representations set forth in section 3 of the Appendix to Rev. Proc. 2017-52 with respect to the Internal Spin.

Distributing 1 has made the following alternative representations: Representations 3(a), 8(a), 11(a), 15(a), 22(a), 31(a), and 41(a).

Distributing 1 has not made the following representations, which do not apply to the Internal Spin: Representations 7, 24, 25, 35–39.

Distributing 1 cannot make the following representation: Representation 40.

Distributing 1 has made the following modified representation:

1. Modified Representation 43: For Purposes of Reg. § 1.367(b)-5(c), Distributing’s pre-distribution amount with respect to Distributing 1 and Controlled 1 will not exceed Distributing’s post-distribution amount with respect to Distributing 1 and Controlled 1, or, if the pre-distribution amount

does exceed the post-distribution amount, Distributing will reduce its basis, or include an amount in income as a deemed dividend, to the extent provided in Reg. § 1.367(b)-5(c)(2).

Except as otherwise set forth below, Distributing 1 has made all of the representations set forth in section 3.03 of Rev. Proc. 2024-24 with respect to the Internal Spin.

Distributing 1 has made the following alternative representations: Representation 1(a).

Distributing 1 has not made the following representations, which do not apply to the Internal Spin: Representations 2–7.

Distributing 1 has submitted analysis and information in accordance with section 3.04 of Rev. Proc. 2024-24 with respect to the Business D Deductible Liabilities.

Distributing 1 has made the following representations with respect to the Business D Deductible Liabilities:

1. The incurrence of the Business D Deductible Liabilities did not result in the creation of, or increase in, basis of any property.
2. The Business D Deductible Liabilities may be accrued by Distributing 1 for financial accounting purposes, but will not meet the timing or certainty requirements to be deducted under Distributing 1's method of accounting. The Business D Deductible Liabilities will become deductible by Controlled 1 if, as, and when they satisfy the timing and certainty requirements for a deduction under Controlled 1's method of accounting after the Controlled 1 Contribution.

Except as otherwise set forth below, Distributing 1 has made all of the representations as set forth in section 3.05 of Rev. Proc. 2024-24.

Distributing 1 cannot make Representation 14 precisely as requested. An explanation regarding why it is not possible to provide representation 14 in the language requested has been provided. Distributing 1 has made the following modified representation:

1. Modified Representation 14: The total adjusted basis of the assets transferred by Distributing 1 to Controlled 1 will equal or exceed the sum of (i) the total liabilities assumed by Controlled 1 (within the meaning of section 357(d), but excluding any liabilities to which section 357(c)(3) applies), and (ii) the total amount of any money and the fair market value of any other property

(regardless of whether the money or other property is distributed to Distributing 1's shareholders or transferred to Distributing 1's creditors).

Distributing 1 has not made the following representations, which do not apply to the Internal Spin: Representations 13, 15–23, 25–36.

### ***External Spin 1***

Except as set forth below, Distributing has made all of the representations set forth in section 3 of the Appendix to Rev. Proc. 2017-52 with respect to External Spin 1.

Distributing has made the following alternative representations: Representations 3(a), 8(a), 11(a), 15(a), 22(a), 31(a), and 41(a).

Distributing has not made the following representations, which do not apply to External Spin 1: Representations 7, 24, 25, 35, 39, 40.

Distributing has made the following additional representations with respect to the Trust 4 Transfer:

1. At the time of the Trust 4 Transfer, Trust 4 will be properly treated as a grantor trust for US federal income tax purposes within the meaning of section 671 through section 677, and the regulations thereunder.
2. The Trust 4 Transfer will be treated as a transaction disregarded for US federal income tax purposes.

Except as otherwise set forth below, Distributing has made all of the representations set forth in section 3.03 of Rev. Proc. 2024-24 with respect to External Spin 1.

Distributing has made the following alternative representations: Representation 1(a).

Distributing has not made the following representations, which do not apply to External Spin 1: Representations 2–7.

Distributing has submitted analysis and information in accordance with section 3.04 of Rev. Proc. 2024-24 with respect to the Business D Deductible Liabilities.

Distributing has made the following representations with respect to the Business D Deductible Liabilities:

1. The incurrence of the Business D Deductible Liabilities did not result in the creation of, or increase in, basis in any property.

2. The Business D Deductible Liabilities may be accrued by Distributing for financial accounting purposes, but will not meet the timing or certainty requirements to be deducted under Distributing's method of accounting. The Business D Deductible Liabilities will become deductible by External Controlled 1 if, as, and when they satisfy the timing and certainty requirements for a deduction under External Controlled 1's method of tax accounting after the External 1 Contribution.

Except as otherwise set forth below, Distributing has made all of the representations as set forth in section 3.05 of Rev. Proc. 2024-24.

Distributing cannot make Representation 14 precisely as requested. An explanation regarding why it is not possible to provide representation 14 in the language requested has been provided. Distributing has made the following modified representation:

1. Modified Representation 14: The total adjusted basis of the assets transferred by Distributing to External Controlled 1 will equal or exceed the sum of (i) the total liabilities assumed by External Controlled 1 (within the meaning of section 357(d), but excluding any liabilities to which section 357(c)(3) applies), and (ii) the total amount of any money and the fair market value of any other property (regardless of whether the money or other property is distributed to Distributing's shareholders or transferred to Distributing's creditors).

Distributing has not made the following representations, which do not apply to External Spin 1: Representations 13, 15–23, 25–36.

### ***External Spin 2***

Except as set forth below, Distributing has made all of the representations set forth in section 3 of the Appendix to Rev. Proc. 2017-52 with respect to External Spin 2.

Distributing has made the following alternative representations: Representations 3(a), 8(a), 11(a), 15(a), 22(a), 31(a), and 41(a).

Distributing has not made the following representations, which do not apply to External Spin 2: Representations 7, 24, 25, 35, 39, 40.

Except as otherwise set forth below, Distributing has made all of the representations set forth in section 3.03 of Rev. Proc. 2024-24 with respect to External Spin 2.

Distributing has made the following alternative representations: Representation 1(a).

Distributing has not made the following representations, which do not apply to External Spin 2: Representations 2–7.

Distributing has submitted analysis and information in accordance with section 3.04 of Rev. Proc. 2024-24 with respect to the Business C Deductible Liabilities.

Distributing has made the following representations with respect to the Business C Deductible Liabilities:

1. The incurrence of the Business C Deductible Liabilities did not result in the creation of, or increase in, basis in any property.
2. The Business C Deductible Liabilities may be accrued by Distributing for financial accounting purposes, but will not meet the timing or certainty requirements to be deducted under Distributing's method of accounting. The Business C Deductible Liabilities will become deductible by External Controlled 2 if, as, and when they satisfy the timing and certainty requirements for a deduction under External Controlled 2's method of tax accounting after the External 2 Contribution.

Except as otherwise set forth below, Distributing has made all of the representations as set forth in section 3.05 of Rev. Proc. 2024-24.

Distributing cannot make Representation 14 precisely as requested. An explanation regarding why it is not possible to provide representation 14 in the language requested has been provided. Distributing has made the following modified representation:

1. Modified Representation 14: The total adjusted basis of the assets transferred by Distributing to External Controlled 2 will equal or exceed the sum of (i) the total liabilities assumed by External Controlled 2 (within the meaning of section 357(d), but excluding any liabilities to which section 357(c)(3) applies), and (ii) the total amount of any money and the fair market value of any other property (regardless of whether the money or other property is distributed to Distributing's shareholders or transferred to Distributing's creditors).

Distributing has not made the following representations, which do not apply to External Spin 2: Representations 13, 15–23, 25–36.

### ***External Spin 3***

Except as set forth below, Distributing has made all of the representations set forth in section 3 of the Appendix to Rev. Proc. 2017-52 with respect to External Spin 3.

Distributing has made the following alternative representations: Representations 3(a), 8(a), 11(a), 15(a), 22(a), 31(a), and 41(a).

Distributing has not made the following representations, which do not apply to External Spin 3: Representations 7, 24, 25, 35, 39, 40.

Except as otherwise set forth below, Distributing has made all of the representations set forth in section 3.03 of Rev. Proc. 2024-24 with respect to External Spin 3.

Distributing has made the following alternative representations: Representation 1(a).

Distributing has not made the following representations, which do not apply to External Spin 3: Representations 2–7.

Distributing has submitted analysis and information in accordance with section 3.04 of Rev. Proc. 2024-24 with respect to the Business B Deductible Liabilities.

Distributing has made the following representations with respect to the Business B Deductible Liabilities:

1. The incurrence of the Business B Deductible Liabilities did not result in the creation of, or increase in, basis in any property.
2. The Business B Deductible Liabilities may be accrued by Distributing for financial accounting purposes, but will not meet the timing or certainty requirements to be deducted under Distributing's method of accounting. The Business B Deductible Liabilities will become deductible by External Controlled 3 if, as, and when they satisfy the timing and certainty requirements for a deduction under External Controlled 3's method of tax accounting after the External 3 Contribution.

Except as otherwise set forth below, Distributing has made all of the representations as set forth in section 3.05 of Rev. Proc. 2024-24.

Distributing cannot make Representation 14 precisely as requested. An explanation regarding why it is not possible to provide representation 14 in the language requested has been provided. Distributing has made the following modified representation:

1. Modified Representation 14: The total adjusted basis of the assets transferred by Distributing to External Controlled 3 will equal or exceed the sum of (i) the total liabilities assumed by External Controlled 3 (within the meaning of section 357(d), but excluding any liabilities to which section 357(c)(3)

applies), and (ii) the total amount of any money and the fair market value of any other property (regardless of whether the money or other property is distributed to Distributing's shareholders or transferred to Distributing's creditors).

Distributing has not made the following representations, which do not apply to External Spin 3: Representations 13, 15–23, 25–36.

### **Rulings**

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

#### ***Internal Spin***

1. The Internal Contribution together with the Internal Distribution will be a "reorganization" within the meaning of sections 368(a)(1)(D) and 355. Distributing 1 and Controlled 1 will each be a "party to a reorganization" within the meaning of section 368(b).
2. No gain or loss will be recognized by Distributing 1 on the Internal Contribution. Sections 361(a) and 357(a).
3. No gain or loss will be recognized by Controlled 1 on the Internal Contribution. Section 1032(a).
4. The basis in each asset received by Controlled 1 in the Internal Contribution will equal the basis of the asset in the hands of Distributing 1 immediately before the Internal Contribution. Section 362(b).
5. The holding period in each asset received by Controlled 1 in the Internal Contribution will include the period during which such asset was held by Distributing 1. Section 1223(2).
6. No gain or loss will be recognized by Distributing 1 upon the distribution of the Controlled 1 stock in the Internal Distribution. Section 361(c).
7. No gain or loss will be recognized by (and no amount otherwise will be includible in income of) Distributing upon the receipt of the Controlled 1 stock in the Internal Distribution. Section 355(a).
8. The aggregate basis of the Controlled 1 stock and the Distributing 1 stock in the hands of Distributing immediately after the Internal Distribution will equal the aggregate basis of the Distributing 1 stock held by Distributing immediately before the Internal Distribution, allocated between the stock of Controlled 1 and

Distributing 1 in proportion to the fair market value of each immediately following the Internal Distribution in accordance with Reg. § 1.358-2(a). Sections 358(b)(2) and (c).

9. The holding period of the Controlled 1 stock received by Distributing in the Internal Distribution will include the holding period of the Distributing 1 stock held by Distributing, provided that such Distributing 1 stock was held as a capital asset on the date of the Internal Distribution. Section 1223(1).
10. Earnings and profits will be allocated between Controlled 1 and Distributing 1 in accordance with section 312(h) and Reg. § 1.312-10(a).
11. The Business D Deductible Liabilities will be excluded under section 357(c)(3) in determining the amount of liabilities of Distributing 1 assumed by Controlled 1 for purposes of Sections 357(c), 358(d), and 361(b)(3).

### ***External Spin 1***

12. The External 1 Contribution together with the External 1 Distribution will be a “reorganization” within the meaning of sections 368(a)(1)(D) and 355. Distributing and External Controlled 1 will each be a “party to a reorganization” within the meaning of section 368(b).
13. No gain or loss will be recognized by Distributing on the External 1 Contribution. Sections 361(a) and 357(a).
14. No gain or loss will be recognized by External Controlled 1 on the External 1 Contribution. Section 1032(a).
15. The basis in each asset received by External Controlled 1 in the External 1 Contribution will equal the basis of the asset in the hands of Distributing immediately before the External 1 Contribution. Section 362(b).
16. The holding period in each asset received by External Controlled 1 in the External 1 Contribution will include the period during which such asset was held by Distributing. Section 1223(2).
17. No gain or loss will be recognized by Distributing upon the distribution of the External Controlled 1 stock in the External 1 Distribution. Section 361(c).
18. No gain or loss will be recognized by (and no amount otherwise will be includible in income of) the Distributing Shareholders upon the receipt of the External Controlled 1 stock in the External 1 Distribution. Section 355(a).



19. The aggregate basis of the Distributing stock and the External Controlled 1 stock in the hands of each Distributing Shareholder immediately after the External 1 Distribution will equal the aggregate basis of the Distributing stock held by such Distributing Shareholder immediately before the External 1 Distribution, allocated between the stock of External Controlled 1 and Distributing in proportion to the fair market value of each immediately following the External 1 Distribution in accordance with Reg. § 1.358-2(a). Sections 358(b)(2) and (c).
20. The holding period of the External Controlled 1 stock received by each Distributing Shareholder in the External 1 Distribution will include the holding period of the Distributing stock held by such Distributing Shareholder, provided that such Distributing stock was held as a capital asset on the date of the External 1 Distribution. Section 1223(1).
21. Earnings and profits will be allocated between External Controlled 1 and Distributing in accordance with section 312(h) and Reg. § 1.312-10(a).
22. The Business D Deductible Liabilities will be excluded under section 357(c)(3) in determining the amount of liabilities of Distributing assumed by External Controlled 1 for purposes of Sections 357(c), 358(d), and 361(b)(3).

### ***External Spin 2***

23. The External 2 Contribution together with the External 2 Distribution will be a “reorganization” within the meaning of sections 368(a)(1)(D) and 355. Distributing and External Controlled 2 will each be a “party to a reorganization” within the meaning of section 368(b).
24. No gain or loss will be recognized by Distributing on the External 2 Contribution. Sections 361(a) and 357(a).
25. No gain or loss will be recognized by External Controlled 2 on the External 2 Contribution. Section 1032(a).
26. The basis in each asset received by External Controlled 2 in the External 2 Contribution will equal the basis of the asset in the hands of Distributing immediately before the External 2 Contribution. Section 362(b).
27. The holding period in each asset received by External Controlled 2 in the External 2 Contribution will include the period during which such asset was held by Distributing. Section 1223(2).
28. No gain or loss will be recognized by Distributing upon the distribution of the External Controlled 2 stock in the External 2 Distribution. Section 361(c).

29. No gain or loss will be recognized by (and no amount otherwise will be includible in income of) the Distributing Shareholders upon the receipt of the External Controlled 2 stock in the External 2 Distribution. Section 355(a).
30. The aggregate basis of the Distributing stock and the External Controlled 2 stock in the hands of each Distributing Shareholder immediately after the External 2 Distribution will equal the aggregate basis of the Distributing stock held by such Distributing Shareholder immediately before the External 2 Distribution, allocated between the stock of External Controlled 2 and Distributing in proportion to the fair market value of each immediately following the External 2 Distribution in accordance with Reg. § 1.358-2(a). Sections 358(b)(2) and (c).
31. The holding period of the External Controlled 2 stock received by each Distributing Shareholder in the External 2 Distribution will include the holding period of the Distributing stock held by such Distributing Shareholder, provided that such Distributing stock was held as a capital asset on the date of the External 2 Distribution. Section 1223(1).
32. Earnings and profits will be allocated between External Controlled 2 and Distributing in accordance with section 312(h) and Reg. § 1.312-10(a).
33. The Business C Deductible Liabilities will be excluded under section 357(c)(3) in determining the amount of liabilities of Distributing assumed by External Controlled 2 for purposes of Sections 357(c), 358(d), and 361(b)(3).

### ***External Spin 3***

34. The External 3 Contribution together with the External 3 Distribution will be a “reorganization” within the meaning of sections 368(a)(1)(D) and 355. Distributing and External Controlled 3 will each be a “party to a reorganization” within the meaning of section 368(b).
35. No gain or loss will be recognized by Distributing on the External 3 Contribution. Sections 361(a) and 357(a).
36. No gain or loss will be recognized by External Controlled 3 on the External 3 Contribution. Section 1032(a).
37. The basis in each asset received by External Controlled 3 in the External 3 Contribution will equal the basis of the asset in the hands of Distributing immediately before the External 3 Contribution. Section 362(b).
38. The holding period in each asset received by External Controlled 3 in the External 3 Contribution will include the period during which such asset was held by Distributing. Section 1223(2).

39. No gain or loss will be recognized by Distributing upon the distribution of the External Controlled 3 stock in the External 3 Distribution. Section 361(c).
40. No gain or loss will be recognized by (and no amount otherwise will be includible in income of) the Distributing Shareholders upon the receipt of the External Controlled 3 stock in the External 3 Distribution. Section 355(a).
41. The aggregate basis of the Distributing stock and the External Controlled 3 stock in the hands of each Distributing Shareholder immediately after the External 3 Distribution will equal the aggregate basis of the Distributing stock held by such Distributing Shareholder immediately before the External 3 Distribution, allocated between the stock of External Controlled 3 and Distributing in proportion to the fair market value of each immediately following the External 3 Distribution in accordance with Reg. § 1.358-2(a). Sections 358(b)(2) and (c).
42. The holding period of the External Controlled 3 stock received by each Distributing Shareholder in the External 3 Distribution will include the holding period of the Distributing stock held by such Distributing Shareholder, provided that such Distributing stock was held as a capital asset on the date of the External 3 Distribution. Section 1223(1).
43. Earnings and profits will be allocated between External Controlled 3 and Distributing in accordance with section 312(h) and Reg. § 1.312-10(a).
44. The Business B Deductible Liabilities will be excluded under section 357(c)(3) in determining the amount of liabilities of Distributing assumed by External Controlled 3 for purposes of Sections 357(c), 358(d), and 361(b)(3).

### **Caveats**

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

### **Procedural 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 income tax return to which it is relevant. Alternatively, a taxpayer filing its return electronically may satisfy this requirement by attaching a statement to its return that provides the date and control number of the letter ruling.

In accordance with the power of attorney on file with this office, copies of this letter are being sent to the authorized representatives.

Sincerely,

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

cc: