Internal Revenue Service

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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.

Telephone Number:

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Date:
April 07, 2009

Legend:

Parent =

Target =

Disregarded Entity =

Subsidiary =

Acquiring =

Excluded Items =

Merger Statutes =

Dear :

This letter responds to your January 16, 2009, letter requesting rulings on certain federal income tax consequences of a series of proposed transactions. The information submitted in that letter and in later correspondence is summarized below.

The rulings contained in this letter are based on facts and representations submitted by the taxpayer and accompanied by a penalty of perjury statement executed by an appropriate party. This 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.

FACTS

Parent is a publicly traded corporation and is the common parent of an affiliated group of corporations that join in filing a consolidated Federal income tax return ("Parent Affiliated Group").

Target is a member of the Parent Affiliated Group. The capital stock of Target consists of a single class of common stock, all of which is owned directly by Parent. Target owns three entities that are treated as disregarded entities for U.S. Federal income tax purposes and two subsidiaries that are controlled foreign corporations.

Disregarded Entity is a disregarded entity wholly-owned by Parent for U.S. Federal income tax purposes. Disregarded Entity directly owns all of the outstanding stock of Subsidiary as well as of other companies. Subsidiary is a member of the Parent Affiliated Group. Subsidiary directly owns all of the outstanding stock of Acquiring.

Acquiring is a member of the Parent Affiliated Group. The capital stock of Acquiring consists of a single class of common stock, all of which is directly owned by Subsidiary. Currently, Acquiring engages in several lines of business.

The Parent Affiliated Group is undertaking a business restructuring that will allow members of Parent Affiliated Group to gain access to additional funding sources. As part of the restructuring, Target and Acquiring will enter into a merger agreement

("Merger Agreement") providing for the merger of Target into Acquiring, with Acquiring as the surviving corporation ("Merger"). The Merger will be effected under the Merger Statutes. In the Merger, Parent will receive, in exchange for the Target stock held by Parent, a fixed number of shares of Acquiring common stock specified in the Merger Agreement.

Following the Merger, Parent will transfer all of the Acquiring stock received in the Merger to Disregarded Entity, either as a capital contribution or in exchange for Disregarded Entity equity. Disregarded Entity in turn will transfer such Acquiring stock to Subsidiary, either as a capital contribution or in exchange for Subsidiary stock. The transfers described in this paragraph will be referred to as the "Drop-Down".

The purpose of the Merger is to transfer the business of Target to Acquiring in order to gain the advantages of conducting that business through Acquiring. However, certain Excluded Items may be removed from Target prior to or following the Merger. Additionally, it is expected that the two controlled foreign corporations owned by Target will be liquidated or otherwise removed from Target prior to the Merger. It is possible that if these dispositions were considered part of a plan that includes the Merger, less than substantially all of the properties of Target would be considered transferred to Acquiring within the meaning of section 368(a)(1)(D) if it were otherwise applicable.

REPRESENTATIONS

The taxpayer makes the following representations regarding the transactions described above:

(a) Pursuant to the Merger, by operation of law under the Merger Statutes, the following will occur simultaneously at the effective time of the transaction: (i) all of the assets held by Target immediately before the Merger (other than those distributed in the transaction) and all of the liabilities of Target immediately before the Merger (except to the extent such liabilities are satisfied or discharged in the transaction or are nonrecourse liabilities to which assets distributed in the transaction are subject) will become the assets and liabilities of Acquiring and (ii) Target will cease its separate legal existence for all purposes.

(b) The fair market value of the Acquiring stock received by Parent, the sole Target shareholder exchanging stock in the Merger, will be approximately equal to the fair market value of the Target stock surrendered in the exchange.

(c) Parent has no plan or intention to dispose of the stock in Acquiring received in the Merger except through the Drop-Down.

(d) Acquiring has no plan or intention to reacquire any of its stock issued in the transaction.

(e) Acquiring has no plan or intention to sell or otherwise dispose of any of the assets of Target acquired in the transaction, except for certain dispositions made in the ordinary course of business or as required for regulatory purposes or transfers described in section 368(a)(2)(C) or Treasury Regulation § 1.368-2(k).

(f) The liabilities of Target assumed by Acquiring and the liabilities to which the transferred assets of Target are subject were incurred by Target in the ordinary course of its business.

(g) Following the transaction, Acquiring will continue the historic business of Target or use a significant portion of Target's historic business assets in a business.

(h) Acquiring, Target and Parent (as the exchanging shareholder of Target) will pay their respective expenses, if any, incurred in connection with the transaction.

(i) At the time of the Merger, there will be no intercorporate debt existing between Target and Acquiring other than intercorporate accounts arising in the normal course of business, and no such intercorporate debt will have been issued, acquired or settled at a discount.

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

(k) Target is not under the jurisdiction of a court in a Title 11, or similar, case within the meaning of section 368(a)(3)(A).

(l) The fair market value of the assets of Target transferred to Acquiring will equal or exceed the sum of the liabilities assumed by Acquiring, within the meaning of section 357(d).

(m) Target and Acquiring will adopt a plan of merger (by entering into the Merger Agreement), and the Merger will occur pursuant to such plan.

RULINGS

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

(1) The Merger of Acquiring and Target, as described above, will qualify as a reorganization within the meaning of section 368(a)(1)(A). Acquiring and Target will each be "a party to a reorganization" within the meaning of section 368(b).

(2) No gain or loss will be recognized by Target upon the transfer of Target's assets to Acquiring in exchange solely for stock in Acquiring and the assumption of Target's liabilities by Acquiring (sections 361(a) and 357(a)).

(3) No gain or loss will be recognized by Target upon the transfer of stock in Acquiring to Parent (section 361(c)).

(4) No gain or loss will be recognized by Acquiring on the acquisition of Target's assets in exchange for the issuance of stock in Acquiring (section 1032(a)).

(5) The basis that Acquiring has in each asset received from Target will be the same as the basis of such asset in the hands of Target immediately before the Merger (section 362(b)).

(6) No gain or loss will be recognized by Parent on the exchange of its Target stock for Acquiring stock (section 354(a)).

(7) The basis of Acquiring stock received by Parent in the Merger will be the same as the basis of the Target stock exchanged therefore immediately prior to the exchange (section 358(a)).

(8) The holding period of Acquiring stock received by Parent in the Merger will include the period during which the Target stock exchanged therefore was held, provided the stock was held as a capital asset on the date of the Merger (section 1223(1)).

(9) Acquiring will succeed to and take into account the items of Target described in section 381(c), subject to the provisions and limitations specified in sections 381, 382, 383, and 384 and regulations thereunder (section 381(a)).

CAVEATS

No opinion is expressed about the tax treatment of the Merger under other provisions of the Code and regulations or the tax treatment of any conditions existing at the time of, or effects resulting from, the Merger that are not covered by the above rulings. Specifically, no opinion is expressed nor was any opinion requested, regarding the U.S. Federal income tax consequences under § 301 and § 1502 relating to the distribution, if any, by Target to Parent of any of the Excluded Items.

PROCEDURAL STATEMENTS

This ruling is directed only to the taxpayer who requested it. Section 6110(k)(3) 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, 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.

Pursuant to a power of attorney on file with this office, a copy of this letter will be sent to your authorized representative.

Sincerely,

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Lewis K Brickates
Branch Chief, Branch 4
Associate Chief Counsel (Corporate)