Internal Revenue Service

Number: **201326006**
Release Date: 6/28/2013

Index Numbers: 368.01-00, 368.06-00, 1502.75-11

Department of the Treasury
Washington, DC 20224

Third Party Communication: None
Date of Communication: Not Applicable
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, ID No.
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Refer Reply To:
CC:ITA:B01
PLR-143052-12
Date:
April 01, 2013

Legend

Parent =

Partnership =

Sub 1 =

DE =

Sub 2 =

NewCo =

Date 1 =

Date 2 =

Year 1 =

a =

b =

c =

d =

State A =

State B =

Dear :

This letter responds to your September 24, 2012, request for rulings on certain federal income tax consequences of a series of proposed transactions (the "Proposed Transaction"). The information submitted in that request 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.

SUMMARY OF FACTS

Parent is the common parent of an affiliated group of corporations that file a consolidated federal income tax return (the "Parent Consolidated Group"). Partnership, a limited partnership treated as a partnership for federal income tax purposes, owns a% of Parent, and certain employees of Parent own the remaining b% (collectively, the "Parent Shareholders").

Parent owns all of the outstanding stock of Sub 1, a member of the Parent Consolidated Group. Sub 1 owns all of the outstanding membership interests of DE, a limited liability company that is an entity treated as disregarded from its owner for federal income tax purposes. In addition to Sub 1, Parent owns multiple directly and indirectly owned subsidiaries.

Prior to Date 1, Parent owned all of the stock of Sub 2 and Sub 2 owned all of the stock of Sub 1. On Date 1, Sub 2 distributed the stock of Sub 1 to Parent as a dividend distribution taxable under section 301 of the Internal Revenue Code. Accordingly, Parent excluded the amount of the distribution from its gross income under § 1.1502-13(f)(2)(ii) of the Income Tax Regulations. The section 311(b) gain recognized by Sub 2 was deferred under § 1.1502-13(f)(2)(iii), thereby creating a deferred intercompany gain ("DIG") in the amount of $c (after taking into account the consummation of certain subsequent intercompany transactions). On Date 2, Sub 2 merged upstream into

Parent in a transaction intended to qualify as a tax-free liquidation under section 332. Pursuant to § 1.1502-13(j)(2), Parent became the successor to Sub 2 and succeeded to its DIG.

In Year 1, DE incurred debt guaranteed by Sub 1 in the amount of $d in connection with the purchase of the Parent Consolidated Group by Partnership ("DE Debt"). In addition, other members of the Parent Consolidated Group also incurred debt for such purpose (collectively, the "Parent Consolidated Group Debt"). Shortly thereafter, DE distributed the proceeds of the DE Debt to Sub 1. Sub 1, in turn, distributed the proceeds to Parent, creating an excess loss account ("ELA") in the stock of Sub 1 (within the meaning of § 1.1502-19(a)(2)). Presently, the DE Debt guaranteed by Sub 1 exceeds the fair market value of the DE membership interests owned by Sub 1.

For what are represented by the Parent Consolidated Group to be valid business reasons, Parent desires to undertake the Proposed Transaction.

PROPOSED TRANSACTION

(i) Parent will incorporate NewCo under the laws of State A and contribute all of the stock of Sub 1 to NewCo.

(ii) Sub 1 will convert to a limited liability company under the laws of State B (the "Conversion"). Immediately thereafter, Sub 1 will be treated as an entity that is disregarded as separate from NewCo for federal income tax purposes under § 301.7701-2(a). In addition, as a result of the Conversion, the DE Debt becomes non-recourse to NewCo under applicable state law.

The transactions described in steps (i) and (ii) above are referred to herein as the "Reorganization."

(iii) Parent will merge with and into NewCo in a transaction qualifying as a statutory merger under applicable state law, with NewCo surviving the statutory merger (the "Merger").

Given the current financial situation of the Parent Consolidated Group, it may be necessary for Parent (before the consummation of the Proposed Transaction) or NewCo (after the consummation of the Proposed Transaction) to restructure the Parent Consolidated Group Debt, including the DE Debt. As part of the restructuring, Parent or NewCo may issue additional shares of its stock (or NewCo may cancel some or all of its stock).

REPRESENTATIONS

The Reorganization

The following representations are made with respect to the Reorganization:

(a) Immediately prior to the Reorganization, NewCo will be engaged in no business activity, have no tax attributes (including those specified in section 381(c)), and hold no assets (except for nominal assets necessary to pay incidental expenses or maintain NewCo's status as a corporation).

(b) Parent will receive solely NewCo stock in the Reorganization.

(c) The fair market value of the NewCo stock to be received by Parent will be approximately equal to the fair market value of the Sub 1 stock surrendered in the exchange.

(d) Immediately following the Reorganization, Parent will own all outstanding shares of NewCo stock and will own such stock solely by reason of its ownership of Sub 1 immediately prior to the Reorganization.

(e) NewCo has no plan or intention to issue additional shares of its stock following the Reorganization, except in connection with the Merger (although additional shares of NewCo stock may be issued pursuant to a subsequent debt restructuring).

(f) Immediately after the Reorganization, NewCo will hold (directly and through Sub 1) all the assets held by Sub 1 immediately prior to the Reorganization, except for assets used to pay expenses in connection with the Reorganization. These assets used to pay expenses will be less than one percent of the fair market value of the net assets of Sub 1 immediately prior to the Reorganization.

(g) At the time of the Reorganization, Sub 1 will not have outstanding any warrants, options, convertible securities, or any other type of right pursuant to which any person could acquire stock in Sub 1.

(h) The liabilities of Sub 1 to be assumed by NewCo or to which the assets of Sub 1 are subject (within the meaning of section 357(d)) were incurred by Sub 1 in the ordinary course of its business and were associated with the assets transferred.

(i) Parent, Sub 1, and NewCo will pay their respective expenses incurred in connection with the Reorganization.

(j) Sub 1 is not under the jurisdiction of a court in a Title 11 or similar case within the meaning of section 368(a)(3)(A).

The Merger

The following representations are made with respect to the Merger:

(k) The fair market value of the NewCo stock to be received by the Parent Shareholders will be approximately equal to the fair market value of the Parent stock to be surrendered in the Merger.

(l) NewCo (or any related person, as defined in § 1.368-1(e)(4)) has no plan or intention to reacquire (or acquire) any of its stock deemed issued in the Merger (although the stock of NewCo may be cancelled pursuant to a subsequent debt restructuring).

(m) NewCo has no plan or intention to sell or otherwise dispose of any of the assets of Parent acquired in the Merger, except for dispositions made in the ordinary course of business or transfers described in section 368(a)(2)(C) or § 1.368-2(k).

(n) The liabilities of Parent to be assumed (within the meaning of section 357(d)) by NewCo were incurred by Parent in the ordinary course of business, and are associated with the assets transferred.

(o) The fair market value of the assets of Parent to be transferred to NewCo will equal or exceed the sum of the liabilities assumed (within the meaning of section 357(d)) by NewCo, plus the amount of liabilities, if any, to which the transferred assets are subject.

(p) Immediately after the Merger will be effective, the fair market value of the assets of NewCo will exceed the amount of its liabilities.

(q) At the time the Merger will be effective, the aggregate fair market value of the assets to be transferred by Parent to NewCo will equal or exceed the aggregate adjusted basis of such assets.

(r) The Merger will be undertaken pursuant to a plan of reorganization.

(s) Following the Merger, NewCo either directly or through one or more members of NewCo's qualified group (within the meaning of § 1.368-1(d)(4)(ii)) will continue the historic business of Parent or use a significant portion of Parent's historic business assets in a business.

(t) The Parent Shareholders, Parent and NewCo will pay their respective expenses, if any, incurred in connection with the Merger.

(u) There will be no intercorporate indebtedness existing between Parent and NewCo that will be issued, acquired, or settled at a discount.

(v) No two parties to the Merger will be investment companies within the meaning of section 368(a)(2)(F)(iii) and (iv).

(w) At least % of the proprietary interest in Parent will be exchanged for NewCo shares and will be preserved within the meaning of § 1.368-1(e).

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

RULINGS

Based solely on the information and representations submitted, we rule as follows with respect to the Proposed Transaction:

The Reorganization

(1) The Reorganization will qualify as a reorganization within the meaning of section 368(a)(1)(F). Rev. Rul. 67-274, 1967-2 C.B. 141.

(2) The Merger will not preclude the Reorganization from qualifying as a reorganization within the meaning of section 368(a)(1)(F). Rev. Rul. 96-29, 1996-1 C.B. 50.

(3) Sub 1 and NewCo will each be a “party to the reorganization” under section 368(b).

(4) Sub 1 will recognize no gain or loss upon the deemed transfer of its assets to NewCo and the deemed assumption by NewCo of the liabilities of Sub 1 in the Reorganization. Sections 361(a) and 357(a).

(5) NewCo will recognize no gain or loss upon the deemed receipt of Sub 1’s assets and the deemed assumption of Sub 1’s liabilities in the Reorganization. Section 1032(a).

(6) Sub 1 will recognize no gain or loss on the distribution of the NewCo stock to Parent. Section 361(c).

(7) Parent will recognize no gain or loss upon its deemed exchange of shares of Sub 1 stock for NewCo stock. Section 354(a).

(8) The basis of the Sub 1 assets held by NewCo will be the same as the basis of such assets in the hands of Sub 1 immediately prior to the Reorganization. Section 362(b).

(9) The basis of the NewCo stock deemed received by Parent will be the same as the basis of the Sub 1 stock for which they will be deemed exchanged. Section 358(a).

(10) NewCo's holding period for the assets acquired from Sub 1 will include the period during which such assets were held by Sub 1. Section 1223(2).

(11) Provided the Sub 1 stock is held as a capital asset at the time of the Reorganization, the holding period of the NewCo stock deemed received in exchange therefore will include the holding period of the Sub 1 stock. Section 1223(1).

(12) NewCo will succeed to and take into account the items of Sub 1 described in section 381(c), subject to the conditions and limitations specified in sections 381, 382, 383, and 384 and the regulations thereunder. Section 381(a)(1).

The Merger

(13) Provided that the Merger qualifies as a statutory merger under applicable state law, the Merger will qualify as a reorganization under section 368(a)(1)(A).

(14) Parent and NewCo will each be a "party to a reorganization" within the meaning of section 368(b).

(15) Parent will recognize no gain or loss on the deemed transfer of its assets to NewCo and the assumption by NewCo of the liabilities of Parent. Sections 361(a) and 357(a).

(16) NewCo will recognize no gain or loss on the receipt of assets of Parent solely in exchange for stock of NewCo. Section 1032(a).

(17) Parent will recognize no gain or loss on the deemed distribution of NewCo stock to the Parent Shareholders. Section 361(c).

(18) The ELA in the stock of NewCo held by Parent will be eliminated without the recognition of gain as a result of the Merger. Treas. Reg. § 1.1502-19(b)(2).

(19) The Parent Shareholders will recognize no gain or loss on their exchange of Parent stock for NewCo stock. Section 354(a)(1).

(20) The basis of each asset of Parent in the hands of NewCo will be the same as the basis of such asset in the hands of Parent immediately prior to the Merger. Section 362(b).

(21) The Parent Shareholders' basis in the NewCo stock received in the Merger will equal their basis in the Parent stock exchanged therefore. Section 358(a)(1).

(22) NewCo's holding period for the assets acquired from Parent will include the period during which such assets were held by Parent. Section 1223(2).

(23) Provided the Parent stock is held as a capital asset at the time of the Merger, the Parent Shareholders' holding period for the NewCo stock will include the holding period of the Parent stock exchanged therefore. Section 1223(1).

(24) NewCo will succeed to and take into account the items of Parent described in section 381(c), subject to the conditions and limitations specified in sections 381, 382, 383, and 384 and the regulations thereunder. Section 381(a)(1).

(25) The Merger will cause the DIG to be redetermined to be excluded from Parent's gross income under Treas. Reg. § 1.1502-13(c)(6)(ii)(C).

(26) The Parent Consolidated Group does not terminate, the taxable year of the Parent Consolidated Group does not terminate, and the Parent Consolidated Group and such taxable year will continue with NewCo, the successor to Parent, as the common parent of the Parent Consolidated Group. Treas. Reg. § 1.1502-75(d)(2)(ii) and (iii).

CAVEATS

Except as expressly provided herein, no opinion is expressed about the tax treatment of the Proposed Transaction or any other transaction or item mentioned in this letter under other provisions of the Code or Regulations, or about the tax treatment of any conditions existing at the time of, or effects resulting from, the foregoing that are not specifically covered by the above rulings. In particular, no opinion is expressed regarding whether the steps in connection with the Proposed Transaction would result in a significant modification of the DE Debt within the meaning of section 1001 and § 1.1001-3(e).

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, 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.

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

Sincerely,

Grid R. Glyer

Grid R. Glyer
Assistant to the Branch Chief, Branch 4
Office of Associate Chief Counsel
(Corporate)