Internal Revenue Service

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Person To Contact:
, ID No.

Telephone Number:

Refer Reply To:
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Date:
March 7, 2014

LEGEND

Parent =

Subsidiary =

Target =

Business A =

Business B =

Business C =

Business D =

Date 1 =

Date 2 =

Date 3 =

a =

Lease Arrangements =

Notes =

Notes Use =

State =

Aspect X =

Dear :

This letter responds to your August 23, 2013, letter requesting rulings on certain federal income tax consequences of a series of proposed transactions. The material information submitted in that request and in subsequent correspondence is summarized 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 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.

SUMMARY OF FACTS

Except where noted, all entities are domestic corporations. Parent is the parent of a worldwide group of entities, and the common parent of an affiliated group of corporations that files a consolidated federal income tax return with its eligible affiliates. The authorized and outstanding capital stock of Parent consists of one class of common stock and is publicly traded. Parent is directly engaged in Business A, Business B, Business C, and Business D.

Subsidiary is a wholly-owned subsidiary of Parent that was acquired by Parent in a taxable transaction on Date 1. Subsidiary is a holding company that owns all of the single class of stock of Target, a subsidiary that was engaged in Business A since its formation until entering into the Lease Arrangements. Target also holds (indirectly through entities disregarded as separate from its owner for U.S. federal income tax purposes) Notes, the income from which is being reported on the installment method of accounting under section 453, which it used to Notes Use.

Following the acquisition of Subsidiary on Date 1, Parent desired to integrate Target's Business A with Parent's Business A to achieve certain synergies expected from the combination. While Parent's management worked to determine the best structure for long-term permanent integration, on Date 2, Parent entered into the Lease Arrangements with Target to lease the assets associated with Target's Business A effective Date 3.

Within a months of their effective dates, the Lease Arrangements proved to be suboptimal and Parent considered the Proposed Transactions as a potential long-term solution to combine Target's Business A with Parent's Business A.

PROPOSED TRANSACTIONS

The following steps are proposed (collectively, the "Proposed Transactions"):

(1) Parent will form a new State limited liability company ("LLC") that will retain its default classification as an entity that is disregarded as separate from its owner for U.S. federal income tax purposes.

(2) Pursuant to State law, Target will merge with and into LLC, with LLC surviving and with LLC receiving all the assets and liabilities of Target (the "Merger"). The separate corporate existence of Target will cease. Subsidiary will receive solely Parent stock in exchange for its Target stock.

FUTURE TRANSACTION

Following the Proposed Transaction and for business reasons unrelated to the Merger, Target (via subsidiaries that are disregarded as entities separate from its owner) expects to transfer the Notes to a newly formed entity classified as a corporation

for U.S. federal income tax purposes in exchange for an equity interest (the "Future Transaction").

REPRESENTATIONS

The following representations are made with regard to the Proposed Transaction:

(a) Parent, LLC and Target will adopt a plan of merger and the Merger will occur on a single date pursuant to that plan.

(b) The Merger will be effected pursuant to the laws of State and will qualify as a statutory merger under State law. Pursuant to the plan of merger, and by operation of State law, the following will occur simultaneously at the effective time of the Merger: (i) all of the assets held by Target and all of its liabilities immediately before the Merger will become assets and liabilities of LLC, and (ii) Target will cease its separate legal existence for all purposes.

(c) The fair market value of the Parent stock received by Subsidiary in the Merger will be approximately equal to the fair market value of the Target stock surrendered in the exchange.

(d) Subsidiary will not receive any cash in lieu of receiving fractional shares of Parent as part of the Merger.

(e) All of the proprietary interests in Target will be preserved (within the meaning of Treas. Reg. §1.368-1(e)).

(f) Neither Parent, LLC, nor any person related (within the meaning of Treas. Reg. § 1.368-1(e)(4)) to LLC or to Parent has any plan or intention to redeem or otherwise acquire any shares of the Parent stock issued in the Merger, either directly or through any transaction, agreement or arrangement with any other person.

(g) Neither LLC nor Parent has any plan or intention to sell or otherwise dispose of any of the assets of Target acquired in the Merger, except for dispositions made in the ordinary course of business or transfers described in section 368(a)(2)(C) or Treas. Reg. § 1.368-2(k).

(h) The liabilities of Target assumed (as determined under section 357(d)) by Parent in the Merger and the liabilities to which the transferred assets of Target are subject were incurred by Target in the ordinary course of its business and are associated with the assets transferred.

(i) Following the Merger, Parent will continue the historic business of Target or use a significant portion of Target's historic business assets in a business (within the meaning of Treas. Reg. § 1.368-1(d)).

(j) Parent, Target and Subsidiary, will each pay its own expenses, if any, incurred in connection with the Merger.

(k) There is no intercorporate debt existing between Target and LLC or between Target and Parent that was issued, acquired, or will be settled at a discount.

(l) No intercorporate debt will exist between Target (or any entity controlled directly or indirectly by Target) and Parent (or any entity controlled directly or indirectly by Parent) at the time of the Merger that was entered into in connection with the Merger other than in the ordinary course of business. Additionally, at the time of the Merger, Target will not be indebted to Parent (including any entity that is disregarded as separate from Parent for U.S. federal income tax purposes).

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

(n) 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).

(o) At the time of the Merger, the fair market value of the assets transferred to LLC (Parent for U.S. federal income tax purposes) by Target will exceed the sum of (i) the amount of liabilities assumed (as determined under section 357(d)) by LLC (Parent for U.S. federal income tax purposes) in connection with the Merger, (ii) the amount of liabilities owed to Parent for U.S. federal income tax purposes by Target that are discharged or extinguished in connection with the Merger, and (iii) the amount of any money and the fair market value of any other property (other than stock permitted to be received under section 361(a) without the recognition of gain) received by Target in connection with the Merger.

(p) Immediately after the Merger, the fair market value of Parent's assets for U.S. federal income tax purposes will exceed the amount of its liabilities for U.S. federal income tax purposes immediately after the Merger.

(q) The Merger will be carried out for the corporate business purpose of integrating Target's Business A with Parent's Business A. The Merger is motivated in whole or substantial part by this corporate business purpose.

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

(s) Subsidiary's receipt of Parent stock in the Merger is with respect to Subsidiary's ownership of Target stock.

(t) Any money, property, or stock contributed by Parent (or any entity that is disregarded as separate from Parent for U.S. federal income tax purposes) to

Subsidiary or by Subsidiary to Target will be exchanged solely for stock or securities in Subsidiary or Target, respectively, or will be treated as a contribution to capital of Subsidiary or Target, respectively.

(u) The Lease Arrangements are characterized as leases for U.S. federal income tax purposes, with Parent being the lessee and Target the lessor.

(v) The Parent stock received by Subsidiary in the Merger will represent less than 50 percent of the total ownership interests (by vote and value) in Parent.

RULINGS

Based solely on the information and representations set forth above, and provided that (i) Subsidiary's receipt of Parent stock in the Merger is with respect to Subsidiary's ownership of Target stock, (ii) any money, property, or stock contributed by Parent to Subsidiary or by Subsidiary to Target will be exchanged solely for stock or securities in Subsidiary or Target, respectively, or will be treated as a contribution to capital of Subsidiary or Target, respectively, and (iii) any other transfer of stock, money, or property between Parent, Subsidiary, or Target and any person related to Parent, Subsidiary, or Target is respected as a separate transaction, we rule as follows:

(1) The Merger will qualify as a reorganization within the meaning of section 368(a)(1)(A) of the Internal Revenue Code (the "Code"). Target and Parent 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 on its transfer of its assets to Parent in exchange for Parent stock and Parent's assumption of Target's liabilities in the Merger. Sections 361(a) and 357(a).

(3) No gain or loss will be recognized by Target on the transfer of Parent stock to its shareholder, Subsidiary, in the Merger. Section 361(c)(1).

(4) The Merger will not constitute a taxable disposition of the Notes held by Target within the meaning of section 453B. Treas. Reg. § 1.453-9(c)(2). Taxpayer has not requested a ruling, and we do not express any opinion, concerning whether Taxpayer's use of the Notes to Notes Use resulted in an acceleration of the recognition of the gain on the Notes under sections 453, 453A, or 453B. This ruling assumes that such transaction did not result in a sale or exchange, or other disposition of, the Notes, but does not address that issue.

(5) No gain or loss will be recognized by Parent on the receipt of the Target assets in exchange for Parent common stock in the Merger. Section 1032(a).

(6) Parent's basis in each asset received from Target will equal the basis of that asset in the hands of Target immediately before the Merger. Section 362(b).

(7) Parent's holding period in each asset received from Target in the Merger will include the period during which Target held the asset. Section 1223(2).

(8) No gain or loss will be recognized by Subsidiary on the receipt of shares of Parent stock solely in exchange for Target stock in the Merger. Section 354.

(9) The basis of the Parent stock received by Subsidiary will be equal to the basis of the Target stock exchanged in the Merger. Section 358(a)(1) and Treas. Reg. § 1.358-2(a).

(10) The holding period of the Parent stock received by Subsidiary in the Merger will include the period during which the Target stock surrendered in exchange therefor was held, provided the Target shares were held as a capital asset on the date of the Merger. Section 1223(1).

(11) Parent will succeed to and take into account as of the close of the effective date of the Merger the items of Target described in section 381(c), subject to the conditions and limitations specified in sections 381, 382, 383, 384, and 1502, and the regulations thereunder. Section 381(a)(1) and Treas. Reg. § 1.381(a)-1.

(12) The Merger will result in Parent becoming a successor person to Target under Treas. Reg. § 1.1502-13(j)(2) and the Parent stock received in the Merger will be a successor asset to the Target stock exchanged in the Merger under Treas. Reg. § 1.1502-13(j)(1).

CAVEAT

Except as expressly provided herein, no opinion is expressed or implied concerning the tax treatment of any aspect of any transaction or item discussed or reference in this letter. We express no opinion about the tax treatment of the Proposed Transactions 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 Proposed Transactions that are not specifically covered by the above rulings. In particular, we express no opinion regarding:

(i) The federal tax classification under Treas. Reg. § 301.7701, et seq., of any of the entities involved in the Proposed Transactions, or the validity of any entity classification election made with respect to any of the entities;

(ii) The federal income tax treatment of the elimination of intercompany debts through repayment, distribution, assumption, or set-off, except as otherwise expressly provided;

(iii) Whether the use of the Notes to Notes Use resulted in an acceleration of the recognition of the gain on the Notes under sections 453, 453A, or 453B; and

(iv) Whether the Future Transaction (including Aspect X) will result in an acceleration of the recognition of the gain on the Notes under sections 453, 453A, or 453B.

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 this letter ruling.

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

Sincerely,

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Kevin M. Jacobs
Senior Technician Reviewer, Branch 1
Office of Associate Chief Counsel
(Corporate)

cc: