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.
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Refer Reply To:
CC:CORP:B02
PLR-125508-15

Date:
December 21, 2015

Parent =

Distributing =

Subsidiary =

Controlled =

LLC 1 =

LLC 2 =

Intermediate LLC =

Bank =

Exchange	=	
Business A	=	
Business B	=	
Business C	=	
Year 1	=	
Date 2	=	
State A	=	
Distributing Debt	=	
$a	=	
$b	=	
$c	=	

Dear :

We respond to a letter dated July 28, 2015, submitted by your authorized representatives, requesting a ruling on certain federal income tax consequences of a proposed transaction, as defined below (the Proposed Transactions). The information submitted in that letter is summarized below.

This letter is issued pursuant to section 6.03 of Rev. Proc. 2015-1, 2015-1 I.R.B. 1, regarding one or more significant issues under sections 355, 361, and 368. The ruling contained in this letter only addresses one discrete significant legal issue involved in the Proposed Transactions. This Office expresses no opinion as to the overall tax consequences of the Proposed Transactions or as to any issue not specifically addressed by the ruling set forth below.

The ruling contained in this letter is based on the 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 materials submitted in support of the request for a ruling. Verification of the information, representations, and other data may be required as part of the audit process.

Summary of Facts

Parent is a publicly traded State A corporation and the common parent of an affiliated group of domestic corporations that join in filing a consolidated U.S. federal income tax return (the Distributing Group). The Distributing Group maintains its books on a calendar year basis, and its members use the accrual method of accounting. Parent's stock trades on the Exchange.

Distributing is a wholly owned subsidiary of Parent and is the issuer of all of the external debt of the Distributing Group. As of Date 2, Distributing had outstanding long term debt of $c (the Distributing Debt).

The Distributing Group operates three distinct business units: (i) Business A, (ii) Business B, and (iii) Business C. The three business units operate through numerous subsidiaries, joint ventures, and entities disregarded as separate from their owners. Each business unit has its own executive management team that reports to the senior management of Parent.

Distributing operates Business A through direct and indirect wholly owned subsidiaries and through joint ventures with unaffiliated management companies. Business A provides a broad range of services to the communities in which it is located.

Business A began operation in Year 1 and has developed over the years through acquisitions. As a result of this growth, Business A now has two strategically separate groupings: those that are compatible with the Business A group (the Retained Business A) and those that are not compatible (the Distributed Business A).

Distributing operates Business B through LLC 1, a direct subsidiary of Distributing, and various other entities. LLC 1 is treated as a disregarded entity.

Distributing operates Business C through LLC 2, a disregarded entity owned by Subsidiary, an indirect wholly owned subsidiary of Distributing.

The Proposed Transactions

Distributing represents that it has made the strategic decision to separate, through a series of internal reorganizing transactions (the Internal Restructuring), the assets used in the Distributed Business A and in Business C (the Distributed Assets) from the assets used in Retained Business A and Business B (the Retained Assets).

1. The Internal Restructuring

Through the Internal Restructuring, the Distributed Assets will be transferred between and among the Distributing Group entities in a manner that places the Distributed Assets in or directly beneath Distributing. These transfers will take the form of taxable and tax-free distributions and acquisitions of stock and assets and distributions of stock and assets that are disregarded for federal income tax purposes.

2. The Intermediate Distribution (Following the Internal Restructuring)

Step 1: At least 14 days before the External Distribution, as defined below, Bank will acquire for its own account $b of the existing Distributing indebtedness (the Existing Notes) from existing Distributing debt holders in exchange for approximately $b in cash (the Distributing Debt Purchase).

Step 2: At least five days after the Distributing Debt Purchase, Bank will enter into an agreement with Distributing to exchange the Existing Notes (with a value of approximately $b) for approximately $b of Controlled debt securities (the Controlled Securities) pursuant to the Controlled Securities Exchange Agreement.

Step 3: Controlled, a newly formed State A corporation wholly owned by Distributing (through Intermediate LLC, a limited liability company treated as a disregarded entity of Distributing), will borrow approximately $a, under commercially standard terms, from a third-party lender (the Cash Proceeds). The closing of the borrowing will occur immediately before and on the same date as the Intermediate Contribution (see step 4 below), the Intermediate Distribution (see step 5 below), and the External Distribution (see below).

Step 4: At least nine days after entering into the Controlled Securities Exchange Agreement (and at least 14 days after the Distributing Debt Purchase), (i) Distributing will contribute the Distributed Assets to Intermediate LLC and Intermediate LLC will assume the related liabilities, (ii) Intermediate LLC will contribute the Distributed Assets to Controlled and Controlled will assume the related liabilities, and (iii) Controlled will distribute the Cash Proceeds and the Controlled Securities to Intermediate LLC (steps (i) through (iii) together referred to as the Intermediate Contribution). Following the Intermediate Contribution, (iv) Intermediate LLC will distribute all of the Controlled stock to Distributing and (v) Intermediate LLC will merge with and into Distributing, with Distributing surviving (the Merger).

Step 5: Immediately after the Intermediate Contribution and on the same date, Distributing will distribute the Controlled stock to Parent (the Intermediate Distribution).

Step 6: Simultaneously with the Intermediate Distribution, Distributing will use the Cash Proceeds to repay Distributing Debt other than the Existing Notes (the Cash Payment).

Step 7: Pursuant to the Controlled Securities Exchange Agreement, Distributing will transfer the Controlled Securities (with a value of $b) to Bank in exchange for the Existing Notes (with a value of $b) (the Securities Exchange). The Securities Exchange is expected to occur simultaneously with the Intermediate Distribution and the Cash Payment and on the same day as the External Distribution.

The External Distribution

Following the Intermediate Distribution, Parent will distribute the stock of Controlled pro rata to its shareholders (the External Distribution).

Representations

Parent makes the following representations:

(a) Together with the Intermediate Distribution, the Intermediate Contribution will qualify as a reorganization under section 368(a)(1)(D).

(b) The Intermediate Distribution will qualify under section 355.

(c) The Controlled Securities will constitute securities for purposes of the application of section 361(a).

(d) The debt represented by the Existing Notes to be exchanged for Controlled Securities in the Securities Exchange was not incurred in anticipation of the Proposed Transactions.

(e) The Cash Proceeds will not exceed Distributing's aggregate tax basis in the assets transferred to Controlled in the Intermediate Contribution, reduced by the amount of any liabilities assumed by Controlled (within the meaning of section 357(d)).

Ruling

Based solely on the information submitted and the representations set forth above, we rule that the Distributing Debt Purchase will not prevent the Securities Exchange from qualifying under section 361(c)(3).

Caveats

We express no opinion about the federal income tax consequences 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 ruling.

Procedural Matters

This ruling letter 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 ruling 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 ruling letter.

Under a power of attorney on file in this Office, we are sending a copy of this ruling letter to your authorized representatives.

Sincerely,

Filiz A. Serbes
Chief, Branch 3
Office of Associate Chief Counsel (Corporate)