

Internal Revenue Service

Department of the Treasury
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Person To Contact:
, ID No.

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Refer Reply To:

CC:CORP:2

PLR-113527-12

Date:

September 25, 2012

Legend

US Parent =

Sub 1 =

Sub 2 =

Sub 3 =

FSub =

DRE 1 =

DRE 2 =

State A =

State B =

Country A =

a =

b =

c =

NOLs =

Dear :

This letter responds to a March 28, 2012 letter requesting rulings on certain Federal income tax consequences of the Proposed Transactions (defined below). The information provided in that letter and in later correspondence is summarized below.

Summary of Facts

US Parent, a privately held State A corporation, is the common parent of an affiliated group of corporations that files a consolidated Federal income tax return ("US Parent Group"). US Parent wholly owns DRE 1, a State B limited liability company disregarded as separate from its owner for Federal income tax purposes under Treas. Reg. section 301.7701-3. DRE 1 wholly owns Sub 2, a State B corporation, which in turn, wholly owns DRE 2, a State B limited liability company disregarded as separate from its owner for Federal income tax purposes under Treas. Reg. section 301.7701-3. DRE 2 owns a percent of the only class of outstanding stock of Sub 3, a State B corporation. The remaining stock of Sub 3 is owned by unrelated persons. US Parent also wholly owns Sub 1, a State A corporation, which in turn, wholly owns FSub, a Country A entity classified as a corporation for U.S. Federal income tax purposes under Treas. Reg. section 301.7701-3. US Parent, Sub 1, Sub 2, and Sub 3 are all members of the US

Parent Group. However, Sub 3 has incurred certain NOLs that arose in separate return years of Sub 3.

Proposed Transactions

The taxpayer has proposed the following transactions ("Proposed Transactions"):

- (i) US Parent will transfer a note to DRE 2 in exchange for b percent of the outstanding stock of Sub 3 in an arm's length transaction intended to be treated as a taxable transaction for Federal income tax purposes ("Stock Purchase").
- (ii) US Parent will transfer the stock of Sub 3 received in the Stock Purchase to Sub 1, which will, in turn, transfer such stock to FSub, in transactions that are each intended to qualify under section 351.

Subsequent to the Proposed Transactions, the US Parent Group will own c percent of the outstanding stock of Sub 3, and Sub 3 will file a separate return for Federal income tax purposes.

Rulings

1. After the Proposed Transactions, Sub 3 will not be a member of the US Parent Group.
2. In taxable years after the Proposed Transactions, Sub 3 will not be subject to the limitations of Treas. Reg. section 1.1502-21(c) unless it becomes a subsidiary of a consolidated group.

Caveats

The ruling contained in this letter is based on information and representations submitted by the taxpayer and accompanied by a penalty of perjury statement executed by an appropriate party. While this office has not verified any of the material submitted in support of the request for a ruling, it is subject to verification on examination.

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 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 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.

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

Sincerely,

Gerald B. Fleming
Senior Technician Reviewer, Branch 2
Office of Associate Chief Counsel
(Corporate)