

Internal Revenue Service

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Date:

June 02, 2015

Legend

P =

Holdings =

S =

B1 =

B2 =

B3 =

Date 1 =

Year 1 =

\$A =

x =

y =

Dear :

This letter responds to your May 15, 2015 request for a ruling under section 355 of the Internal Revenue Code (the "Code"). The information provided in that request is summarized below.

The rulings contained in this letter are based upon 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 rulings, it is subject to verification on examination.

SUMMARY OF FACTS

P is a publicly-held corporation that is the common parent of an affiliated group of corporations filing a consolidated Federal income tax return (the "P Group"). P owns all of the stock of a newly-formed subsidiary, Holdings. P will own all of the common and all of the Series B nonvoting preferred stock of S, a corporation soon to be formed. An unrelated corporation will own all of the Series A nonvoting preferred stock of S. The Series A preferred stock will rank senior to the Series B preferred stock with respect to liquidation preference and receipt of dividends. Holdings is a member of the P Group. When formed, S will also be a member of the P Group.

The P Group conducts three businesses, B1, B2 and B3. S (through a wholly-owned limited liability company that is treated as a disregarded entity for Federal income tax purposes) owns all of the assets related to the B1 business. P directly and through other wholly-owned subsidiaries owns all of the assets related to the B2 and B3 businesses. The B1 business has the potential for sustained and significant growth, while the B2 and B3 businesses only have the potential for no or slow growth. Accordingly, P proposes to separate the B1 business from both the B2 and B3 businesses. Specifically: (1) P will contribute all of its S stock (common plus Series B preferred) plus cash (in an amount sufficient to meet the capital needs of the B1 business) to Holdings, and (2) P will distribute 80.1% of the Holdings stock proportionately to its shareholders (step (1) and step (2) will be collectively referred to as the "Transaction").

On Date 1, P issued debentures in the amount of \$A. For valid business reasons: (1) P will not be able to cause Holdings to assume any portion of this debt (i.e., the portion of the debentures attributable to the B1 business), and (2) P expects a material percentage of debenture holders to require P to redeem their portion of the debentures in Year 1. Accordingly, to raise the capital necessary to achieve these two objectives, P will retain 19.9% of the Holding stock (the "Retained Shares"). However, P expects to

dispose of the Retained Shares within x months, but in no event later than y months, following the Transaction.

REPRESENTATIONS

1. The business purpose for the retention of the Retained Shares is to allow P to satisfy the capital needs of establishing Holdings as a separate public company while maintaining the financial viability of the businesses retained by P.
2. P and Holdings will operate as independent companies having separate boards of directors. The separate boards of directors will have no overlapping membership.
3. P will attempt to dispose of the Retained Stock through a sale of such stock in the open market within the x month period following the Distribution, but in no event will the disposition occur later than y months following the Distribution.
4. P will vote the Retained Stock in proportion to the votes cast by the other stockholders of Holdings and will grant Holdings a proxy with respect to the Retained Stock requiring such manner of voting.

RULING

The retention by P of the Retained Shares will not be in pursuance of a plan having as one of its principal purposes the avoidance of Federal income tax within the meaning of section 355(a)(1)(D)(ii).

CAVEAT

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.

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.

Temporary or final regulations pertaining to one or more of the issues addressed in this ruling have not yet been adopted. Therefore, this ruling will be modified or revoked by the adoption of temporary or final regulations, to the extent the regulations are inconsistent with any conclusion in the letter ruling. See section 11.04 of Rev. Proc. 2015-1, 2015-1 I.R.B. 1, 59. However, when the criteria in section 11.06 of Rev. Proc. 2015-1, 2015-1 I.R.B. 1, 60 are satisfied, a ruling is not revoked or modified retroactively except in rare or unusual circumstances.

PROCEDURAL INFORMATION

In accordance with the Power of Attorney on file with this office, a copy of this letter is being sent to two of your authorized representatives.

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.

Sincerely,

Isaac W. Zimbalist
Senior Technical Reviewer
(Corporate)