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Department of the Treasury

Washington, DC 20224

Third Party Communication: None

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Person To Contact:

, ID No.

Telephone Number:

Refer Reply To:

CC:CORP:B05

PLR-111541-14

Date:

September 09, 2014

Legend

Distributing 2 =

Distributing 1 =

Controlled =

Sub 1 =

Sub 2 =

Sub 3 =

Sub 4 =

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2

Sub 5 =

Sub 6 =

Sub 7 =

Sub 8 =

Sub 9 =

Sub 10 =

Sub 11 =

Sub 12 =

Sub 13 =

Sub 14 =

Sub 15 =

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3

Sub 16 =

Sub 17 =

LLC 1 =

LLC 2 =

LLC 3 =

LLC 4 =

LLC 5 =

LLC 6 =

LLC 7 =

LLC 8 =

LLC 9 =

PLR-111541-14

4

LLC 10 =

GP =

Business A =

Business B =

State A =

Loan =

Separation and
Distribution
Agreements =

Date 1 =

Date 2 =

a =

b =

c =

d =

e =

Dear :

This letter responds to your authorized representatives' letter dated March 14, 2014, requesting rulings on certain federal income tax consequences of a proposed transaction (the "Proposed Transaction"). The information provided 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. 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.

This Office expresses no opinion as to the overall tax consequences of the Proposed Transaction, including qualification under sections 332, 351, 355, or 368, or as to any issue or step not specifically addressed by this letter. Rather, the rulings contained in this letter only address one or more discrete legal issues involved in the transaction. Further, 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.

SUMMARY OF FACTS

Distributing 2, a State A corporation, is a widely-held public company that is the common parent of an affiliated group that files a consolidated federal income tax return (the "Distributing 2 Group"). Distributing 2 owns all of the stock of Distributing 1. Distributing 1 owns all of the stock of Sub 1 and Sub 2.

Sub 1 owns all of the stock of Sub 3, Sub 4, and Sub 5. Sub 3 owns all of the stock of Sub 6 and Sub 7. Sub 6 owns all of the membership interests of LLC 1, a limited liability company treated as a disregarded entity for federal income tax purposes (a "DRE"), and a% of the partnership interests of GP, a general partnership treated as a DRE. LLC 1 owns the remaining b% of the partnership interests of GP. GP owns all of the stock of Sub 8.

Sub 5 owns all of the stock of Sub 9 and all of the membership interests of LLC 2, LLC 3, LLC 4, and LLC 5. LLC 3 owns all of the stock of Sub 10 and Sub 11.

Sub 2 owns all of the stock of Sub 12. Sub 12 owns all of the stock of Sub 13 and Sub 13 owns all of the membership interests of LLC 6, a limited liability company treated as a DRE.

The Distributing 2 Group is engaged through its direct and indirect subsidiaries in Business A and Business B. Sub 3, Sub 4, Sub 6, Sub 7, Sub 8, Sub 9, Sub 10, Sub 11, and Sub 13 as well as LLC 1, LLC 2, LLC 3, LLC 4, LLC 5, and LLC 6 are all involved in Business B (collectively the "Business B Entities").

PROPOSED TRANSACTION

Distributing 2 is entering the Proposed Transaction to spin off Business B to its public shareholders. The relevant steps of the Proposed Transaction are set forth below:

- (i) On Date 1, Distributing 1 formed Controlled.
- (ii) On Date 2, Distributing 1 formed Sub 14, and LLC 7, a DRE.
- (iii) LLC 3 and/or LLC 4 will transfer their non-Business B assets to Sub 5.
- (iv) LLC 2, LLC 3, and LLC 4 will convert under state law to corporations (becoming Sub 15, Sub 16, and Sub 17, respectively) in transactions intended to qualify as transfers subject to section 351(a).
- (v) Sub 5 will transfer its directly-held Business B assets to some combination of Sub 9, Sub 15, Sub 16, Sub 17, and LLC 5, in actual or constructive exchange for each such corporation's or limited liability company's common stock or membership interests in transactions that are intended to qualify as transfers subject to section 351(a) or to be disregarded for federal income tax purposes, as appropriate.
- (vi) Sub 1 will merge with and into Distributing 1 in a transaction intended to qualify as a reorganization under section 368(a)(1)(A) (the "Sub 1 Merger"). Prior to the Sub 1 Merger, all or a portion of Sub 1's intercompany payables will be eliminated either through repayment or cancellation. The Sub 1 Merger may occur earlier in the sequence of steps comprising the Proposed Transaction.
- (vii) Sub 5 will merge with and into Distributing 1 in a transaction intended to qualify as a reorganization under section 368(a)(1)(A) (the "Sub 5 Merger"). Prior to the Sub 5 Merger, certain Sub 5 intercompany payables will be eliminated, either through repayment, cancellation, or distribution of the receivables by their holders to Distributing 1.

(viii) Distributing 1 will form LLC 8, a limited liability company classified as a DRE, and Sub 2 will merge with and into LLC 8 in a transaction intended to qualify as a reorganization under section 368(a)(1)(A) (the “Sub 2 Merger”). Prior to the Sub 2 Merger, Sub 2’s intercompany payables will be eliminated, either through repayment or cancellation.

(ix) LLC 8 will form LLC 9, a limited liability company classified as a DRE and Sub 12 will merge with and into LLC 9 in a transaction intended to qualify as a complete liquidation under section 332 (the “Sub 12 Liquidation”). Prior to the Sub 12 Liquidation, Sub 12 will eliminate certain intercompany payables either through repayment or cancellation. Following the Sub 12 Liquidation, LLC 9 will distribute the stock of Sub 13 to LLC 8, which, in turn, will distribute the stock of Sub 13 to Distributing 1.

(x) Sub 4 will convert under state law to a limited liability company (“LLC 10”) that will be classified as a DRE in a transaction intended to qualify as a complete liquidation under section 332 (the “Sub 4 Liquidation”). Prior to the Sub 4 Liquidation, Sub 4’s intercompany payables to Business B Entities and its intercompany payables to non-Business B Entities, other than to Distributing 1 and DREs of Distributing 1, will be eliminated, either through repayment or cancellation. After the Sub 4 Liquidation, Sub 4’s intercompany payables to Distributing 1 will be canceled.

(xi) Sub 13 will merge with and into LLC 10 in a transaction intended to qualify as a complete liquidation under section 332 (the “Sub 13 Liquidation” and together with the Sub 4 Liquidation and the Sub 12 Liquidation, the “Liquidations”). Prior to the Sub 13 Liquidation, Sub 13’s intercompany payables, other than those held by Distributing 1 and DREs of Distributing 1, will be eliminated, either through repayment or cancellation. After the Sub 13 Liquidation, Sub 13’s intercompany payables to Distributing 1 will be canceled.

(xii) All remaining intercompany obligations between Business B Entities and non-Business B Entities will be eliminated, either through repayment, distribution, or cancellation. A portion of the elimination of such intercompany obligations may occur earlier in the sequence of steps comprising the Proposed Transaction.

(xiii) Controlled will raise cash (the “Loan 1 Proceeds”) through one or more of: (i) the issuance of private or publicly-traded Controlled bonds, (ii) a term loan from a syndicate of lenders, and (iii) a credit facility that may be comprised of the same syndicate of lenders. Distributing 1 will contribute to Controlled all of its Business B assets and its stock and interests in the Business B Entities (including any other Business B Entity created by Distributing 1 in connection with the Proposed Transaction) in exchange for: actual or deemed Controlled stock and the Loan 1 Proceeds (the “First Contribution”).

(xiv) Distributing 1 will distribute all of the Controlled stock and Loan 1 Proceeds to Distributing 2 (the “First Distribution” and together with the First Contribution, the “Internal Spin-Off”).

(xv) Distributing 2 will distribute the Loan 1 Proceeds (i) to its shareholders (whether through quarterly dividends, redemptions pursuant to existing or future repurchase programs, or otherwise), (ii) transfer the Loan 1 Proceeds to creditors, or (iii) engage in a combination of (i) and (ii) within c months of the First Distribution.

(xvi) After the Internal Spin-Off, Controlled will: (i) raise cash (the “Loan 2 Proceeds”) through one or more of: (A) the issuance of private or publicly-traded Controlled bonds, (B) a term loan from a syndicate of lenders, and (C) a credit facility that may be comprised of the same syndicate of lenders; and (ii) declare a dividend of the Loan 2 Proceeds to owners of record as of a date after the Internal Spin-Off and before the date of the Initial Second Distribution (defined below) that will be paid on a date prior to the Initial Second Distribution.

(xvii) Distributing 2 will contribute all of its Business B assets and any intercompany receivables owed to Distributing 2 from any of the Business B Entities to Controlled (the “Second Contribution”).

(xviii) Distributing 2 will distribute d% of the Controlled stock pro rata to its shareholders (the “Initial Second Distribution”). In no event later than c months after the Initial Second Distribution, Distributing 2 will transfer the remaining Controlled stock to its shareholders (i) in exchange for Distributing 2 stock pursuant to one or more exchange offers (the “Share Repurchase”) and (ii) to the extent that less than all of such remaining shares are distributed pursuant to the Share Repurchase, Distributing 2 will distribute all of its remaining Controlled stock pro rata to its shareholders no later than the date that is c months after the Initial Second Distribution (the “Deferred Second Distribution” and together with the Second Contribution, the Initial Second Distribution, and the Share Repurchase, the “External Spin-Off”).

After the External Spin-Off, it is possible that Distributing 1 and/or Controlled may transfer certain assets received in the Liquidations to one or more entities classified as corporations for U.S. federal tax purposes (the “Recipient Corporations”, and any assets so contributed together with the assets contributed by Distributing 1 to Controlled in the First Contribution, the “Reincorporated Assets”).

Legal or contractual impediments may prevent the transfers of certain assets or asset classes (the “Delayed Assets”) to Controlled at the time of the First Contribution or the Second Contribution. Under the Separation and Distribution Agreements, Distributing 1, Distributing 2, or their affiliates will transfer any such Delayed Assets to Controlled as soon as practical after the approvals and consents necessary to remove such impediments are obtained.

REPRESENTATIONS

- (a) There is no plan or intention to transfer, in the aggregate, more than e% of the fair market value of the respective assets of each of Sub 4, Sub 12, and Sub 13 to the Recipient Corporations.
- (b) Except as otherwise described above, and transfers in the ordinary course of business, the Liquidations will not be preceded by or followed by the reincorporation in, or transfer or sale to, any of the Recipient Corporations of any of the businesses or assets of Sub 4, Sub 12, or Sub 13, respectively, if persons holding, directly or indirectly, more than 20% in value of the stock of Sub 4, Sub 12, or Sub 13, respectively, also hold, directly or indirectly, more than 20% in value of the stock in the recipient corporation. For purposes of this representation, ownership will be determined by application of the constructive ownership rules of section 318(a) as modified by section 304(c)(3).
- (c) Within c months following the First Distribution, Distributing 2 will use the Loan 1 Proceeds to: (i) make quarterly dividend distributions, (ii) repurchase shares of its stock, or (iii) repay Distributing 2 indebtedness.
- (d) Within c months following the Initial Second Distribution, Distributing 2 will use any Controlled stock not previously distributed to repurchase shares of its stock in the Share Repurchase or otherwise will distribute all of its remaining Controlled stock in the Deferred Second Distribution.

RULINGS

Based solely on the information submitted and the representations set forth above, we rule as follows:

- (1) The transfers of the Reincorporated Assets to Controlled and/or the Recipient Corporations will not preclude the Liquidations from otherwise qualifying as “complete liquidations” within the meaning of section 332.
- (2) The Loan 1 Proceeds will be respected as distributed by Controlled prior to the First Distribution, and the Loan 2 Proceeds will be respected as distributed by Controlled subsequent to the First Distribution and prior to the Initial Second Distribution.
- (3) Provided that the First Contribution and First Distribution meet the requirements of sections 368(a)(1)(D) and 355, the use of the Loan 1 Proceeds in the manner described in Step (xv) above within c months of the date of the First Distribution will be treated as a distribution in pursuance of the Internal Spin-Off plan of reorganization within the meaning of section 361(b).

(4) Provided that (i) the External Spin-Off would otherwise satisfy the requirements of section 355 if all of the Controlled stock were to be distributed pursuant to one distribution, and (ii) the Share Repurchase and/or Deferred Second Distribution will be completed within c months of the Initial Second Distribution, the External Spin-Off will be treated as a single distribution for purposes of sections 355 and 361.

(5) Any payments from Distributing 2 to Controlled, or vice versa (“Distributing 2/Controlled Payments”), or Distributing 1 (or any of its affiliates other than Distributing 2) to Controlled (or any of its affiliates) or vice versa (“Distributing 1/Controlled Payments”), that are made following the Initial Second Distribution pursuant to the Separation and Distribution Agreements regarding liabilities, indemnities, or other obligations that (i) have arisen or will arise for a taxable period ending on or before the date of the Initial Second Distribution or for a taxable period beginning before but ending after the date of the Initial Second Distribution, and (ii) will not have become fixed and ascertainable until after the Initial Second Distribution, will be treated as respectively occurring immediately before the date of the Initial Second Distribution (in the case of Distributing 2/Controlled Payments) and the date of the First Distribution (in the case of Distributing 1/Controlled Payments). See Arrowsmith v. Commissioner, 344 U.S. 6 (1952); Rev. Rul. 83-73, 1983-1 C.B. 84.

(6) The Delayed Assets transfers will occur pursuant to the plan of reorganization that includes the Internal Spin-Off or the External Spin-Off. Section 1.368-2(g).

(7) Controlled will not be a successor to Distributing 2 for purposes of section 1504(a)(3).

CAVEATS

No opinion is expressed or implied about the federal income tax consequences of any other aspect of any transaction or item discussed or referenced in this letter, or the federal income tax treatment of any conditions existing at the time of, or effects resulting from, the Proposed Transaction that are not specifically covered by the above rulings.

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.

In accordance with the Power of Attorney on file with this office, a copy of this letter is being sent to 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,

Mark J. Weiss
Branch Chief, Branch 2
Office of Associate Chief Counsel
(Corporate)