Internal Revenue Service

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Date:
September 24, 2018

Legend

Parent =

Distributing 1 =

Controlled =

LLC 1 =

LLC 2 =

LLC 3 =

LLC 4 =

LLC 5 =

LLC 6 =

LLC 7 =

LLC 8 =

LLC 9 =

LLC 10 =

LLC 11 =

LLC 12 =

LLC 13 =

LLC 14 =

LLC 15 =

LLC 16 =

LLC 17 =

Pship 1 =

Pship 2 =

Pship 3 =

Pship 4 =

Pship 5 =

Pship 6 =

LP 1 =

LP 2 =

Corp 1 =

Corp 2 =

Corp 3 =

Corp 4	=
Corp 5	=
Business A	=
Business B	=
Separation and Distribution Agreement	=
Employee Matters Agreement	=
Tax Matters Agreement	=
Transition Services Agreement	=

Shared Use Agreement =

Commercial Agreements =

State A =

Date 1 =

Date 2 =

Date 3 =

Date 4 =

Date 5 =

a =

b =

c =

d =

e =

f =

g =

h =

i =

j =

k =

l =

m =

n =

o =

p =

q =

r =

Dear :

This letter responds to your letter dated March 30, 2018, as supplemented by subsequent submissions, requesting rulings on certain federal income tax consequences of the Proposed Transaction (defined below). The information provided in that letter and in subsequent correspondence is summarized below.

This letter is issued pursuant to Rev. Proc. 2017-52, 2017-41 I.R.B. 283 regarding one or more "Covered Transactions" under §§ 355 and 368 of the Internal Revenue Code (the "Code"). This office expresses no opinion as to the overall tax consequences as to any issue not specifically addressed by the rulings below.

The rulings contained in this letter are based on 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 rulings. Verification of the information, representations, and other data may be required as part of the audit process.

This office has made no determination regarding whether either the Internal Distribution or the External Distribution (each as defined below): (i) satisfies the business purpose requirement of Treas. Reg. § 1.355-2(b); (ii) is used principally as a device for the distribution of the earnings and profits of either the distributing corporation or the controlled corporation or both (see § 355(a)(1)(B) and Treas. Reg. § 1.355-2(d)); or (iii) is part of a plan (or series of related transactions) pursuant to which one or more persons will acquire directly or indirectly stock representing a 50-percent or greater interest in either the distributing corporation or the controlled corporation, or any predecessor or successor of the distributing corporation or the controlled corporation, within the meaning of Treas. Reg. § 1.355-8T (see § 355(e)(2)(A)(ii) and Treas. Reg. § 1.355-7).

Summary of Facts

Parent, a State A corporation, is the common parent of an affiliated group whose includible corporations join in filing a consolidated federal income tax return (Parent, together with its corporate and non-corporate subsidiaries, is referred to herein as the "Parent Combined Group"). Parent has one class of common stock outstanding ("Parent Stock"), which is publicly traded and widely held.

The following summary describes the ownership structure of the Parent Combined Group immediately prior to the Proposed Transaction, some steps of which have been consummated.

Parent directly owns all the outstanding equity interests in LLC 1, a disregarded entity for federal income tax purposes (a "disregarded entity"), and indirectly owns LP 2, a domestic limited partnership treated as a partnership for federal income tax purposes. LLC 1 wholly owns Distributing 1. A subsidiary of Parent previously owned non-voting

preferred stock of Distributing 1, which Distributing 1 redeemed on Date 1 (a date within the past five years). By virtue of this redemption, Parent acquired "control" (within the meaning of § 368(c)) of Distributing 1.

Distributing 1 wholly owns LLC 2 and LLC 3, each a disregarded entity.

LLC 2 wholly owns (i) LLC 4, LLC 5, LLC 6, and LLC 7, each a disregarded entity engaged in Business A (together, the "Business A LLCs"); (ii) LLC 8, a disregarded entity; (iii) Corp 2; and (iv) a b percent limited partnership interest in Pship 1, a domestic limited partnership treated as a partnership for federal income tax purposes.

Corp 2 owns an l percent limited partnership interest in Pship 1. The limited partnership interests in Pship 1 not owned by LLC 2 or Corp 2 are publicly traded and widely held. LLC 8 owns the noneconomic general partnership interest in Pship 1.

Pship 1 owns (i) LLC 9, a disregarded entity and (ii) a c percent limited partnership interest and all of the incentive distribution rights in Pship 2, a domestic limited partnership treated as a partnership for federal income tax purposes. The remaining limited partnership interests in Pship 2 are publicly traded and widely held. LLC 9 owns a d percent general partnership interest in Pship 2.

Pship 2, directly and indirectly through wholly owned subsidiaries (including LP 1, a domestic limited partnership treated as a disregarded entity) holds the assets and conducts the activities of Business B.

Pship 2 owns all the outstanding Class B Units of LLC 10, a disregarded entity. The Class B Units are treated as debt for federal income tax purposes. LP 2 owns 100% of the Class A Units in LLC 10.

LLC 3 was formed in connection with Parent's acquisition of Corp 1, which prior to such acquisition was publicly-traded and engaged in Business A and Business B. LLC 3 wholly owns (i) LLC 11, a disregarded entity engaged in Business A; (ii) an m percent limited partnership interest in Pship 3, a domestic limited liability company treated as a partnership for federal income tax purposes; and (iii) all the stock in Corp 3. Corp 3 owns the remaining l percent limited partnership interest in Pship 3.

Pship 3 owns (i) an n percent limited partnership interest in Pship 4, a domestic limited liability company treated as a partnership for federal income tax purposes, and (ii) all the stock of Corp 4. Corp 4 owns the remaining o percent limited partnership interest in Pship 4.

Pship 4 owns (i) all the outstanding equity interests in LLC 12, LLC 13, and LLC 14, each a disregarded entity engaged in Business B (together, the "Business B LLCs"); (ii) all the outstanding equity interests in LLC 15 and LLC 16, each a disregarded entity; (iii) an m percent limited partnership interest in Pship 5, a domestic limited partnership

treated as a partnership for federal income tax purposes; and (iv) all of the stock of Corp 5. Corp 5 owns the remaining l percent limited partnership interest in Pship 5. LLC 15 owns the noneconomic general partnership interest in Pship 5.

Pship 5 owns an f percent limited partnership interest and all of the incentive distribution rights in Pship 6, a domestic limited partnership treated as a partnership for federal income tax purposes. The remaining p percent limited partnership interests in Pship 6 are publicly traded and widely held. LLC 16 owns the noneconomic general partnership interest in Pship 6.

The Parent Combined Group conducts Business A and Business B. Financial information has been submitted indicating that each of Business A and Business B has had gross receipts and operating expenses representing the active conduct of a trade or business for each of the past five years.

For each of the past five years, Parent and Distributing 1 indirectly owned (on a proportionate basis through Pship 1) at least an e percent interest in the profit/loss and capital of Pship 2, and members of Parent's "separate affiliated group" (as defined in § 355(b)(3)) provided management functions and general and administrative services and seconded employees to Pship 2, which does not have its own employees. Pship 1, Pship 2, and LP 1 are all, directly or indirectly, engaged in Business B.

In connection with the Proposed Transaction, Parent and its affiliates and Controlled and its affiliates will enter into certain agreements and arrangements, including (i) a Separation and Distribution Agreement, (ii) an Employee Matters Agreement, (iii) a Tax Matters Agreement (the Separation and Distribution Agreement, Employee Matters Agreement and Tax Matters Agreement collectively, the "Spin-Off Agreements"), (iv) a Transition Services Agreement and (v) a Shared Use Agreement. In addition, Parent and Controlled expect to maintain certain existing commercial agreements that reflect arm's-length terms, including with respect to pricing (the "Commercial Agreements"). These agreements and arrangements are collectively referred to herein as the "Continuing Arrangements." The Spin-Off Agreements may give rise to payments between Distributing 1 or Parent (and their respective affiliates), on the one hand, and Controlled (and its affiliates), on the other hand, in respect of liabilities, indemnities or other obligations that (i) have arisen or will arise for a taxable period ending on or before the Internal Distribution or the External Distribution (as applicable) and (ii) will not become fixed and ascertainable until after the Internal Distribution or the External Distribution (as applicable) (payments described in the foregoing clauses (i) and (ii), the "Post-Distribution Payments"). Distributing 1 or Parent, as applicable, may use cash received (or deemed received) pursuant to a Post-Distribution Payment from Controlled (i) to satisfy a third-party liability, indemnity or other obligation underlying or giving rise to the Post-Distribution Payment, or, (ii) in the case of such cash received by Distributing 1, to distribute such cash to Parent (followed by Parent's distribution of such cash to its shareholders or external creditors of Parent and its subsidiaries) or, in the case of such cash received by Parent, to distribute such cash to its shareholders or

external creditors of Parent and its subsidiaries (any use of cash described in the foregoing clauses (i) and (ii), a “Purging Distribution”).

The Proposed Transaction

The following transactions, some of which have been consummated, constitute the Proposed Transaction:

(1) On Date 2, LLC 3 formed LLC 17, a disregarded entity.

(2) On Date 3, Distributing 1 formed Controlled as a direct, wholly owned subsidiary.

(3) On Date 4, Pship 4 contributed its interests in the Business B LLCs to Pship 2 in exchange for cash and common units of Pship 2.

(4) On Date 4, Pship 1 acquired the incentive distribution rights in Pship 6 from Pship 5 in exchange for common units of Pship 1.

(5) Pship 2 formed Acquiring Sub, a disregarded entity, and on Date 5, Acquiring Sub merged with and into Pship 6. Pship 2 exchanged its limited partnership units for Pship 6 units held by the public and Pship 5. Pship 6 survived the merger as a disregarded entity of Pship 2.

(6) LLC 2 will distribute its interests in the Business A LLCs to Distributing 1.

(7) Corp 3 will merge with and into LLC 3 and Pship 3 will merge with and into LLC 3. Corp 4 will merge with and into LLC 3 and Pship 4 will merge with and into LLC 3. Corp 5 will merge with and into LLC 3 resulting in Pship 5 becoming a disregarded entity. Pship 5 will merge with and into LLC 17. In addition, LLC 3 will contribute the common units of Pship 2 received by Pship 4 in Step (3) to LLC 17. As a result of these transactions, LLC 17 will hold a q percent limited partnership interest in Pship 1 and an r percent limited partnership interest in Pship 2.

(8) LLC 3 will distribute its interest in LLC 17 to Distributing 1.

(9) Distributing 1 will contribute its interest in LLC 2 to Controlled (the “First Contribution”).

(10) Distributing 1 will distribute all of the outstanding common stock of Controlled (the “Controlled Stock”) to LLC 1 (the “Internal Distribution”).

(11) Distributing 1 will distribute all of its interest in LLC 17 to LLC 1 (the “LLC 17 Distribution”).

(12) LLC 1 will contribute all of its interest in LLC 17 to Controlled (the "Second Contribution").

(13) LLC 1 will distribute all of the Controlled Stock to Parent.

(14) Parent will distribute at least a percent of the Controlled Stock *pro rata* to holders of Parent Stock (the "External Distribution"). The shares of Controlled Stock not distributed are referred to herein as the "Retained Stock".

(15) Parent may exchange some or all of the Retained Stock for existing debt instruments of Parent (the "Exchange Debt") with holders of Exchange Debt either directly or through a financial intermediary (the "Debt-for-Equity Exchange"). In the event Parent uses a financial intermediary to effect the Debt-for-Equity Exchange, one or more investment banks (the "Investment Banks"), acting as principals for their own account, will acquire Exchange Debt in a tender offer to existing holders of Exchange Debt (the "Debt Tender"). The Debt-for-Equity Exchange will occur by the Deadline (as defined below).

Immediately following each of the Internal Distribution and External Distribution, Controlled will indirectly own (on a proportionate basis through Pship 1) at least an e percent interest in the profit/loss and capital of Pship 2, and members of Controlled's "separate affiliated group" (as defined in § 355(b)(3)) will provide management functions and general and administrative services and will second employees to Pship 2.

Following the External Distribution, Controlled will be a publicly traded corporation and the common parent of an affiliated group whose includible corporations will join in filing a consolidated federal income tax return.

The Debt-for Equity Exchange

For purposes of Step (15), the term "Deadline" means the date that is g days after the due date for the Form 10-K or 10-Q (as applicable) for the Applicable Quarter (as defined below). If the Deadline pursuant to the foregoing sentence would fall on a date that is not a business day, then the Deadline shall be the next business day.

The term "Applicable Quarter" means the first full financial accounting quarter beginning after the date of the External Distribution; provided that, if such full financial accounting quarter is the quarter ended December 31, the "Applicable Quarter" means the year ended December 31.

In the event that Parent engages a financial intermediary, no sooner than h days following the acquisition of the Exchange Debt by the Investment Banks, Parent and the Investment Banks will enter into an exchange agreement (neither being legally obligated

to do so) pursuant to which Parent will exchange some or all of the Retained Stock with the Investment Banks for the Exchange Debt held by the Investment Banks (the "Exchange Agreement"). The Debt-for-Equity Exchange will occur at least i days after the closing of the Debt Tender.

The exchange ratio in the Debt-for-Equity Exchange (which will not be determined earlier than h days following the closing of the Debt Tender) will be at fair market value based on arm's-length negotiations between Parent and the Investment Banks. Based on market practice, the fair market value of the Exchange Debt likely will be determined taking into account relevant factors that are intended to reflect the costs to the Investment Banks of acquiring the Exchange Debt (including, for example, the cash purchase price paid by the Investment Banks in the Debt Tender, accrued but unpaid interest in respect of the Exchange Debt, and the transaction fees paid by the Investment Banks in connection with the Debt Tender).

The Investment Banks may finance the Debt Tender in a manner customary for financing dealer inventory, which may include pledging the Exchange Debt as collateral, executing repurchase contracts with respect to the Exchange Debt (which may permit the Investment Banks to re-hypothecate the Exchange Debt), entering into total return swaps over the Exchange Debt, and engaging in similar financing transactions. The Investment Banks may hedge all or a portion of their interest and/or credit exposure to the Exchange Debt in one or more transactions with third parties (other than Parent, Controlled or any member of their respective affiliated groups) prior to entering into the Exchange Agreement and engaging in the Debt-for-Equity Exchange. The Investment Banks are not expected to make representations as to the U.S. federal income tax treatment or status of their customary inventory financing activities. If the Exchange Agreement is entered into, it is also expected that an underwriting agreement with the Investment Banks will be entered into at the same time, pursuant to which there will be an offering of the Retained Stock to be exchanged in the Debt-for-Equity Exchange to investors.

Share Repurchases

Parent has a share repurchase authorization pursuant to which Parent has repurchased and may continue (prior to and following the External Distribution) to repurchase shares in order to achieve an appropriate capital structure and deliver attractive cash returns to shareholders. It is anticipated that the board of directors of Controlled will authorize share repurchases. Any share repurchases by Parent or Controlled are referred to as the "Share Repurchases." Share Repurchases will be made through open market repurchases, one or more accelerated share repurchase ("ASR") programs, one or more tender offers open to all holders of Parent or Controlled stock, or a combination thereof. It is expected that, under an ASR program, a financial institution will (a) borrow shares of common stock in the public stock loan market; (b) sell such shares to the issuer in a single transaction (the "Stock Sale") at an initial price based on the closing stock price at the time of execution (the "Initial Price"); (c) during a certain number of

weeks or months (the "True-Up Period") following the Stock Sale, purchase shares of issuer stock in the open market to settle the borrowings described in (a); and (d) following the expiration of the True-Up Period, pay to or receive from the issuer a true-up amount (which may include a "collar" establishing a minimum and maximum price) to account for the difference between the Initial Price and the average price the financial institution paid for the shares used to settle its borrowings.

Sale of Fractional Shares

Parent's shareholders that otherwise would be entitled to receive fractional shares of Controlled in the External Distribution will receive cash in lieu thereof. A distribution agent will aggregate fractional shares into whole shares, sell the whole shares in the open market at prevailing market prices and distribute the proceeds to the Parent's shareholders otherwise entitled to such interests (the "Sale of Fractional Shares").

Representations

Parent and Distributing 1 have made all the representations set forth in § 3 of the Appendix to Rev. Proc. 2017-52, 2017-41 I.R.B. 283 with respect to both the Internal Distribution and the External Distribution, except as set forth below.

Internal Distribution

1. Distributing 1 has made the following alternative representations:

   Representations 3(a); 8(a); 15(b); 22(b); 31(a); 41(a)

2. Distributing 1 has not made the following representations, which do not apply to the Proposed Transaction:

   Representations 7; 20; 24; 25; 35

3. Distributing 1 has not made the following representations:

   Representations 40; 42 (but provided the required explanation for each).

4. Distributing 1 has made the following modified representations:

   a) Representation 10: With respect to the business relied on by each of Distributing 1 or its DSAG and Controlled or its CSAG to meet the active trade or business requirement of § 355(b), there have been no substantial operational changes since the end of the taxpayer's most recent taxable year (other than in connection with the transactions described in Steps (3) and (5) of the Proposed Transaction).

b) Representation 11(a): Following the Internal Distribution, Distributing 1 or its DSAG and Controlled or its CSAG (taking into account the assets and activities of Pship 2) each will continue, independently and with its separate employees, the active conduct of the business on which it relies to meet the active trade or business requirement of § 355(b).

c) Representation 13: Distributing 1 will not have acquired any Controlled Stock in a transaction that will cause such stock to be treated as "other property" in the Internal Distribution.

d) Representation 18: The total fair market value of assets transferred by Distributing 1 to Controlled will each equal or exceed the sum of: (i) the total amount of the liabilities assumed (within the meaning of § 357(d)) by Controlled, and (ii) the total amount of any money and the fair market value of other property, if any, received by Distributing 1 and transferred to its shareholders and its creditors.

e) Representation 29: Except for acquisitions of stock pursuant to the Debt-for-Equity Exchange, Share Repurchases, and the Sale of Fractional Shares, stock representing a 50-percent or greater interest (within the meaning of § 355(d)(4)) in Distributing 1 or Controlled (including a predecessor or successor within the meaning of § 1.355-8T (or successor regulations)) will not be acquired by any person or persons in a plan or series of related transactions (within the meaning of § 1.355-7) that includes the Internal Distribution.

f) Representation 32: No intercorporate debt will exist between Distributing 1 and Controlled (or their respective affiliates) at the time of, or subsequent to, the Internal Distribution, other than accounts payable and receivable and other obligations between Distributing 1 and Controlled (or their respective affiliates) pursuant to (i) preexisting intercompany arrangements that, if not settled or cancelled before the Internal Distribution, will be settled promptly thereafter, (ii) the Continuing Arrangements, and (iii) the Class B Units of LLC 10 held by Pship 2.

g) Representation 33: Payments made in connection with all continuing transactions between Distributing 1 and Controlled after the Internal Distribution will be for fair market value based on arm's-length terms, except in the case of certain transitional services of limited duration which will be charged at cost or cost-plus.

External Distribution

1. Parent has made the following alternative representations:

   Representations 3(a); 15(b); 22(a); 31(a); 41(a).

2. Parent has not made the following representations, which do not apply to the Proposed Transaction:

   Representations 7; 20; 24; 25.

3. Parent has not made the following representation:

   Representation 42 (but provided the required explanation).

4. Parent has made the following modified representations:

   a) Representation 2: Parent will distribute at least a percent of the Controlled Stock to Parent shareholders in the External Distribution.

   b) Representation 5: None of the Controlled Stock, Controlled securities, or Other Property (i) to be distributed in the External Distribution will be received in any capacity other than that of a shareholder of Parent and (ii) to be exchanged in the Debt-for-Equity Exchange will be received in any capacity other than that of a holder of Exchange Debt.

   c) Representation 8: Pursuant to the same overall plan that includes the External Distribution, Parent may exchange all or a portion of the Retained Stock for Exchange Debt in the Debt-for-Equity Exchange.

   d) Representation 10: With respect to the business relied on by each of Parent or its DSAG and Controlled or its CSAG to meet the active trade or business requirement of § 355(b), there have been no substantial operational changes since the end of the taxpayer's most recent taxable year (other than in connection with the transactions described in Steps (3) and (5) of the Proposed Transaction).

   e) Representation 11(a): Following the Internal Distribution, Parent or its DSAG and Controlled or its CSAG (taking into account the assets and activities of Pship 2) each will continue, independently and with its separate employees, the active conduct of the business on which it relies to meet the active trade or business requirement of § 355(b).

f) Representation 29: Except for acquisitions of stock pursuant to the Debt-for-Equity Exchange, Share Repurchases, and the Sale of Fractional Shares, stock representing a 50-percent or greater interest (within the meaning of § 355(d)(4)) in Parent or Controlled (including a predecessor or successor within the meaning of § 1.355-8T (or successor regulations)) will not be acquired by any person or persons in a plan or series of related transactions (within the meaning of § 1.355-7) that includes the External Distribution.

g) Representation 32: No intercorporate debt will exist between Parent or Controlled (or their respective affiliates) at the time of, or subsequent to, the External Distribution, other than accounts payable and receivable and other obligations between Parent and Controlled (or their respective affiliates) pursuant to (i) preexisting intercompany arrangements that, if not settled or cancelled before the External Distribution, will be settled promptly thereafter, (ii) the Continuing Arrangements, and (iii) the Class B Units of LLC 10 held by Pship 2.

h) Representation 33: Payments made in connection with all continuing transactions between Parent and Controlled after the External Distribution will be for fair market value based on arm's-length terms, except in the case of certain transitional services of limited duration which will be charged at cost or cost-plus.

i) Representation 35: The payment of cash in lieu of fractional shares of Controlled is solely for the purpose of avoiding the expense and inconvenience of issuing fractional shares and does not represent separately bargained-for consideration. The fractional share interests of each Parent shareholder will be aggregated and no Parent shareholder of record will receive cash in an amount equal to or greater than the value of one full share of Controlled (with the possible exception of shareholders who hold Parent Stock in multiple accounts or with multiple brokers).

5. Parent has made the following additional representations related to the Retained Stock (the "Retention"):

a) The business purpose for the Retention is to facilitate the implementation of appropriate capital structures at both Parent and Controlled, while preserving each of Parent's and Controlled's financial strength and flexibility and maintaining liquidity and resources available for each to fund the payment of debt and other obligations.

b) Following the External Distribution, no person will serve as director or officer of both Parent and Controlled.

c) In the event of any Controlled shareholder vote occurring after the External Distribution, but prior to the disposition of all of the Retained Stock, Parent will vote the Retained Stock in proportion to the votes cast by Controlled's other shareholders.

d) The Retained Stock will be disposed of as soon as a disposition is warranted consistent with the business purpose for the Retention, but in any event, not later than h years after the distribution.

6. Parent has made the following additional representations related to the Debt-for-Equity Exchange:

a) Any Investment Bank acquiring Exchange Debt in connection with the Debt-for-Equity Exchange will hold the Exchange Debt for at least h days prior to entering into an agreement to exchange it for all or a portion of the Retained Stock, and will not consummate the Debt-for-Equity Exchange until at least i days after such Investment Bank acquires the Exchange Debt.

b) The sum of the amount of Parent debt that is assumed by Controlled under § 357 and the amount of Parent debt satisfied under § 361 does not exceed the historic average of the total amount of debt owed to unrelated persons by Parent and other members of Parent's "separate affiliated group" (as defined in § 355(b)(3)(B)). The historic average will be computed as of the close of the j fiscal quarters immediately before the date that is at least k days before the External Distribution or a similar transaction is disclosed or announced to the public or approved by Parent's board of directors (whichever is earlier).

7. Parent has made the following additional representations related to the Share Repurchases:

a) The Share Repurchases will be motivated by a business purpose, and the stock to be repurchased in the Share Repurchases will be widely held.

b) The Share Repurchases are not motivated to any extent by a desire to increase or decrease the ownership percentage of any particular shareholder or group of shareholders.

c) To the extent that the Share Repurchases are made on the open market through a broker, Parent will not know the identity of any shareholder from which Parent Stock is repurchased. To the extent that the Share Repurchases are made through an ASR program, Parent will not know with certainty the identity of any shareholder from which Parent Stock is borrowed or purchased by each bank that participates in such ASR Program.

d) No public shareholder of either Parent or Controlled is expected to be a controlling shareholder or 10-percent shareholder (within the meaning of Treas. Reg. § 1.355-7(h)(3) and (14), respectively).

Rulings

First Contribution and Internal Distribution

1. The First Contribution, together with the Internal Distribution, will be a "reorganization" within the meaning of § 368(a)(1)(D). Distributing 1 and Controlled will each be "a party to a reorganization" within the meaning of § 368(b).

2. Except to the extent the liabilities of Pship 1 assumed or deemed assumed by Controlled exceed Distributing 1's basis in the assets it transfers to Controlled, Distributing 1 will recognize no gain or loss on the First Contribution. §§ 357(a), (c) and 361(a).

3. Controlled will recognize no gain or loss on the First Contribution. § 1032(a).

4. Controlled's basis in each asset received from Distributing 1 in the First Contribution will be the same as the basis of that asset in the hands of Distributing 1 immediately before the First Contribution, increased by any gain recognized by Distributing 1. § 362(b).

5. Controlled's holding period in each asset received from Distributing 1 in the First Contribution will include the period during which Distributing 1 held such asset. § 1223(2).

6. Except to the extent a Purging Distribution is not made in respect of a Post-Distribution Payment by Controlled to Distributing 1, Distributing 1 will recognize no gain or loss on the Internal Distribution. § 361(c).

7. Parent will recognize no gain or loss (and no amount will be includible in its income) on the receipt of Controlled Stock in the Internal Distribution. § 355(a)(1).

8. Parent's holding period in the Controlled Stock received in the Internal Distribution will include the holding period of the Distributing 1 stock on which the Internal Distribution is made, provided that Parent holds such Distributing 1 stock as a capital asset on the date of the Internal Distribution. § 1223(1).

9. Earnings and profits will be allocated between Distributing 1 and Controlled in accordance with § 312(h) and Treas. Reg. §§ 1.312-10(a) and 1.1502-33(f)(2).

Second Contribution and External Distribution

10. The Second Contribution, together with the External Distribution, will be a "reorganization" within the meaning of § 368(a)(1)(D). Parent and Controlled will each be "a party to a reorganization" within the meaning of § 368(b).

11. Parent will recognize no gain or loss (and no amount will be includible in its income) on the Second Contribution. § 357(a) and 361(a).

12. Controlled will recognize no gain or loss on the Second Contribution. § 1032(a).

13. Controlled's basis in each asset received from Parent in the Second Contribution will be the same as the basis of that asset in the hands of Parent immediately before the Second Contribution. § 362(b).

14. Controlled's holding period in each asset received from Parent in the Second Contribution will include the period during which Parent held such asset. § 1223(2).

15. Except to the extent a Purging Distribution is not made in respect of a Post-Distribution Payment by Controlled to Parent, Parent will recognize no gain or loss on the External Distribution other than, in the case of any Retained Stock exchanged for Exchange Debt pursuant to the Debt-for-Equity Exchange, any (i) deductions attributable to the fact that the Exchange Debt may be redeemed at a premium, (ii) income attributable to the fact that the Exchange Debt may be redeemed at a discount, and (iii) interest expense accrued with respect to the Exchange Debt. § 361(c).

16. Parent's shareholders will recognize no gain or loss (and no amount will be includible in their income) on the receipt of Controlled Stock in the External Distribution. § 355(a)(1).

17. The aggregate basis of the Parent Stock and the Controlled Stock in the hands of each Parent shareholder immediately after the External Distribution (including any fractional share interest in Controlled Stock to which the shareholder may be entitled) will be the same as the aggregate basis of the Parent Stock held by such Parent shareholder immediately before the External Distribution, allocated

between the Parent Stock and Controlled Stock in proportion to the fair market value of each immediately following the External Distribution in accordance with Treas. Reg. § 1.358-2(a), § 358(a), (b) and (c).

18. The holding period of the Controlled Stock received by each Parent shareholder in the External Distribution (including any fractional share interest in Controlled Stock to which the shareholder may be entitled) will include the holding period of the Parent Stock held by such shareholder, provided the Parent Stock was held as a capital asset on the date of the External Distribution. § 1223(1).

19. Earnings and profits will be allocated between Parent and Controlled in accordance with § 312(h), and Treas. Reg. §§ 1.312-10(a) and 1.1502-33(e)(3).

Additional Rulings

20. The receipt by Parent shareholders of cash in lieu of fractional shares of Controlled Stock will be treated for federal income tax purposes as if the fractional shares had been distributed to the Parent shareholders as part of the External Distribution and then had been disposed of by such shareholders for the amount of such cash in a sale or exchange. The gain (or loss) recognized (determined using the bases allocated to the fractional shares in ruling 17), if any, will be treated as capital gain (or loss), provided the stock was held as a capital asset by the selling shareholder. § 1001. Such gain (or loss) will be short-term or long-term capital gain (or loss) (determined using the holding period provided in ruling 18).

21. Following the External Distribution, Controlled will not be a successor of Parent for purposes of § 1504(a)(3). Therefore, Controlled and its direct and indirect subsidiaries that are "includible corporations" under § 1504(b) and satisfy the ownership requirements of § 1504(a)(4) will be members of an affiliated group of corporations entitled to file a consolidated U.S. federal income tax return with Controlled as the common parent.

22. Except for purposes of § 355(g), Post-Distribution Payments will be treated as occurring immediately before the Internal Distribution or the External Distribution (as applicable). See *Arrowsmith v. Commissioner*, 344 U.S. 6 (1952); Rev. Rul. 83-73, 1983-1 C.B. 84.

23. In any direct or indirect acquisition of stock of Distributing 1, Parent or Controlled (or any predecessor or successor within the meaning of Treas. Reg. § 1.355-8T) that is treated as part of a plan (or series of related transactions) with the Internal Distribution or the External Distribution under § 355(e)(2)(A)(ii) (a "Relevant Acquisition"), the increase in the ownership percentage of either voting power or value of the stock of Distributing 1, Parent, or Controlled (or any predecessor or successor) acquired, directly or indirectly, by any person, will be

treated as an acquisition that is taken into account for purposes of § 355(e) only after reducing such increase by any direct or indirect decrease in such ownership percentage of such person resulting from such Relevant Acquisition, determined, in the case of any shareholder that is a widely held investment vehicle with public investors (such as a mutual fund or an exchange-traded fund) without regard to changes in ownership of such investment vehicles by their public investors.

24. For purposes of § 355(e), in calculating the offset, by reason of being a shareholder of Distributing 1, Parent, or Controlled (including a predecessor or successor within the meaning of Treas. Reg. § 1.355-8T) immediately prior to any Relevant Acquisition, of any increase of a shareholder's ownership percentage pursuant to § 355(e)(3)(a)(iv), Distributing 1, Parent and Controlled, absent actual knowledge to the contrary, may rely upon publicly available information reporting ownership as of the closest point in time preceding the Relevant Acquisition that discloses the relevant shareholder's ownership stake of equity in the relevant counterparty. For purposes of this ruling, "actual knowledge" means the actual knowledge of the Chief Investor Relations Officer or the General Counsel of Parent or a person with a functionally similar position at Controlled.

25. For purposes of § 355(e), the sales (or deemed sales) of any fractional shares of Controlled Stock in the market in connection with the External Distribution will not be treated as acquisitions that are a part of a plan (or series of related transactions) that includes the External Distribution.

26. To the extent any Share Repurchases are treated as part of a plan (or series of related transactions) with the Internal Distribution or the External Distribution for purposes of § 355(e), the Share Repurchases will be treated as being made from all public shareholders (defined as shareholders who are not a "controlling shareholder" or a "ten-percent shareholder" within the meaning of Treas. Reg. §§ 1.355-7(h)(3) and (14)) of Parent Stock or Controlled Stock on a *pro rata* basis for purposes of testing the effect of Share Repurchases under § 355(e).

    For purposes of this ruling, each holder of Parent Stock or Controlled Stock will be treated as a public shareholder until five business days after either (1) the Chief Investor Relations Officer or the General Counsel of Parent, or a person with a functionally similar position at Controlled, obtains actual knowledge or (2) a Schedule 13D, Schedule 13G, Form 3, or Form 4, is filed indicating that such shareholder holds enough shares to be considered a five-percent shareholder within the meaning of Treas. Reg. § 1.355-7(h)(8) (and it actively participates in the management or operation of Parent or Controlled, as applicable, as described in Treas. Reg. § 1.355-7(h)(3)) or a ten-percent shareholder within the meaning of Treas. Reg. § 1.355-7(h)(14). For purposes of determining whether a

five-percent shareholder or a ten-percent shareholder exists, Parent may disregard a Schedule 13G unless Item 6 reports such a shareholder or is left blank, or the filer discloses its status as a five-percent shareholder or a ten-percent shareholder on Form 3 or Form 4.

27. Any Retained Stock acquired in the Debt-for-Equity Exchange by any Investment Bank for Exchange Debt that constitutes "securities" ("Parent Securities") will not be taken into account in applying § 355(e)(2)(A)(ii). § 355(e)(3)(A)(ii).

28. None of the Retained Stock (if any) acquired by a holder of Parent Securities in exchange for such holder's Parent Securities pursuant to the Debt-for-Equity Exchange, nor any portion of such Retained Stock, will be treated as having been acquired in an acquisition that is taken into account for purposes of Section 355(e) by reason of any direct or indirect acquisition of the stock of Parent or Distributing 1 that occurred prior to the Internal Distribution.

29. The LLC 17 Distribution will be treated as a distribution by Distributing 1 of the LLC 17 assets to Parent pursuant to which gain or loss is recognized. § 311(b) and Treas. Reg. § 1.1502-13.

Caveats

Except as expressly provided herein, no opinion is expressed or implied concerning the tax treatment of the Proposed Transaction under any provision of the Code and regulations or the tax treatment of any condition existing at the time of, or effects resulting from, the Proposed Transaction that is not specifically addressed by this letter. Specifically, no opinion is expressed regarding the federal tax consequences of (i) the contribution described in step (3); (ii) the exchange described in step (4); and (iii) the merger described in step (5) under Subchapter K of the Code.

Procedural Statements

This ruling is directed only to the taxpayer requesting it. § 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, copies of this letter are 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
Chief, Branch 2
Office of Associate Chief Counsel (Corporate)

cc: