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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.
Telephone Number:

Refer Reply To:
CC:CORP:2
PLR-119947-14

Date:
October 10, 2014

Legend

Distributing =

Controlled =

State A =

State B =

Director =

a =

b =

c =

d =

e =

f =

g =

h =

i =

j	=	
k	=	
l	=	
m	=	
n	=	
o	=	
p	=	
q	=	
r	=	
s	=	
t	=	
u	=	
v	=	
w	=	
x	=	
y	=	
z	=	
aa	=	
Activity	=	
Agency	=	
Position 1	=	
Position 2	=	

Date 1 =

Dear :

This letter responds to your May 13, 2014 letter requesting a ruling on certain federal income tax consequences of a series of transactions (the "Proposed Transaction", as defined herein). The material information provided in that letter and in subsequent correspondence is summarized below.

The ruling contained in this letter is based upon the 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 materials submitted in support of the request for rulings, it is subject to verification on examination.

This office has not reviewed any information pertaining to and expresses no opinion as to the overall tax consequences of the Proposed Transaction (as defined herein), including qualification under section 355 of the Internal Revenue Code (the "Code"), or as to any issue or step not specifically addressed by this letter. Rather, the ruling contained in this letter only addresses one discrete legal issue 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, a State A corporation, is the common parent of an affiliated group of corporations that join in the filing of a consolidated tax return for U.S. federal income tax purposes that has a calendar year-end. Controlled, a State B corporation, is a wholly owned subsidiary of Distributing. At all relevant times prior to and up to the time of the Distribution (defined below), each of Distributing and Controlled has and will have a single class of stock issued and outstanding. Distributing holds a shares of Controlled common stock (all of the issued and outstanding Controlled stock) and will continue to hold this amount of Controlled common stock until immediately prior to the Distribution. As of Date 1, Controlled and its subsidiaries had approximately $b of intercompany debt owed to Distributing and its subsidiaries.

Distributing has two non-cash compensation plans, which are payable in shares of Distributing stock. First, Distributing permits its non-management members of its board of directors to annually elect to defer receipt of a portion of their fees earned for board service, with such deferred fees payable in shares of Distributing stock ("Deferred Director Shares" as governed by the "Directors' Deferred Fee Arrangement"). Upon making such an election, fully vested shares of Distributing stock are transferred to a rabbi trust (the "Deferred Director Trust"). If Distributing declares a cash dividend while the Deferred Director Trust holds Distributing stock, the Deferred Director Trust reinvests the dividends into additional shares of Distributing stock. Distributing is the owner of the Deferred Director Shares for federal income tax purposes. The Deferred Director Trust holds approximately c shares of Distributing stock.

Second, Distributing grants incentive awards (the "Incentive Awards" as distributed in accordance with the "Incentive Award Plan") that are payable in the form of restricted stock units ("RSUs") to certain employees, officers, and members of its board of directors ("directors"). Each RSU entitles its holder to one share of Distributing, and the RSU holders receive the stock either upon the vesting of the RSU or, in certain circumstances, upon a specified date after vesting. However, directors and certain officers may elect to defer (or in certain circumstances, are required to defer) their receipt of Distributing stock for a period of time of up to d years from the date they separate from employment of Distributing. If Distributing declares a cash dividend prior to an RSU holder receiving the underlying Distributing stock, the amount of stock the RSU holder receives is not adjusted to reflect the dividend, and the RSU holder does not receive any additional consideration due to the dividend, even if the RSU is vested (but deferred) at the time of the dividend. If an RSU holder separates from employment prior to the RSU vesting, he or she forfeits the RSU (and the underlying stock). At the time of the Distribution, Distributing will have four categories of RSUs outstanding under the Incentive Award Plan:

(1) RSUs that are currently vested, but are deferred for a period of no more than e years from the date of the Distribution. There are f of these RSUs.

(2) RSUs that are currently vested, but may be deferred for a period of more than e years from the date of the Distribution. There are g of these RSUs.

(3) RSUs that are not currently vested but will be forfeited or vest and be payable within e years of the Distribution. There are h of these RSUs.

(4) RSUs that are not currently vested and will be forfeited or vest within e years of the Distribution, but will not be payable (if vested) within e years of the Distribution. There are i of these RSUs.

Categories (2) and (4), together, constitute the "Deferred Incentive Awards".

The Proposed Transaction

Distributing is entering the Proposed Transaction to spin off Controlled to its public shareholders (the "Public Shareholders"). The relevant steps of the Proposed Transaction are set forth below (the "Proposed Transaction"):

1. All intercompany obligations between Controlled and its subsidiaries and Distributing and its subsidiaries will be eliminated through repayment, distribution, or cancellation.

2. Distributing will distribute j shares of the issued and outstanding Controlled common stock (k%), which constitutes section 368(c) control of Controlled, pro rata to its Public Shareholders (such distribution constituting the "Distribution"). Based on the current number of Distributing shares outstanding, it is estimated that each holder of Distributing stock will receive approximately l shares of Controlled stock with respect to each Distributing share held immediately prior to the Distribution (the actual ratio to be determined as of the date of the Distribution, the "Distribution Ratio"). After the Distribution, Distributing will continue to hold (or be deemed to hold through various rabbi trusts) m shares of the issued and outstanding Controlled common stock (n%) (the "Retention" of the "Retained Controlled Stock").

3. Distributing will dispose of the Retained Controlled Stock through the following contemplated dispositions ("Dispositions"): (1) Transfer of Controlled Stock to the Deferred Director Trust at the time of the Distribution followed by a subsequent distribution by the Deferred Director Trust to the Directors in accordance with the Directors' Deferred Fee Arrangement, (2) Stock Award Dispositions (as defined below), and (3) taxable transactions on the open market ("Open Market Dispositions").

As more fully discussed below, the business purposes for the Retention are to reflect the diminution of value of the shares of Distributing stock held by the Deferred Director Trust, to support Distributing's existing Incentive Awards, to facilitate the reduction of debt, to enhance Distributing's liquidity, and to maintain Distributing's current credit rating through the Dispositions of the Retained Controlled Stock.

Following the Distribution, Controlled will be a publicly traded corporation and the common parent of an affiliated group of corporations that will join in the filing of a consolidated tax return for U.S. federal tax purposes. Distributing and Controlled will operate as independent companies having separate boards of directors, and to the extent they interact with each other (e.g., Activity), they do so under commercially reasonable terms similar to those that would be agreed to by third parties negotiating at arms-length. The separate boards of directors will have no overlapping membership with the exception of Director, who will serve as a director of both corporations for an initial period not to exceed o years from the date of the Distribution. Controlled's board of directors will consist of p members immediately after the Distribution, with each member having equal rights as a member of the board of directors. Director will continue to serve as a board member of both Distributing and Controlled for this initial period to accommodate each company's need for his unique industry experience, to leverage his well-developed relationships with Agency, and to provide a sense of business continuity. Director is currently Position 1, and there are no limitations on Director's ability to be re-elected to Distributing's board. However, Director is only eligible to be re-elected to Controlled's board after this initial o-year period if he is no longer serving as Position 2.

Dissemination of Retained Controlled Stock

The Deferred Director Trust

When the Distribution occurs, approximately q shares of the Retained Controlled Stock will be deposited into the Deferred Director Trust to reflect the shares of the Distributing stock that the Deferred Director Trust holds at the time of the Distribution. The exact amount of Retained Controlled Stock will be determined by multiplying the Distribution Ratio by the number of shares of Distributing stock the Deferred Director Trust holds at the time of the Distribution.

The Deferred Director Trust will not reinvest any dividends it receives into additional shares of Controlled stock and has no plan or intention to acquire any additional shares of Controlled stock following the Distribution. Rather, any dividends received by the Deferred Director Trust with respect to the shares of Controlled stock will be remitted to the holder of the Deferred Director Shares at the time the corresponding Deferred Director Shares and associated shares of Controlled stock are delivered to the applicable director.

Incentive Awards

To prevent a dilution in the value of the Distributing stock represented by the RSUs issued under the Incentive Award Plan as a result of the Distribution, Distributing will provide for delivery of shares of Controlled stock, in addition to shares of Distributing stock, based on the Distribution Ratio, upon settlement of each RSU. Accordingly, Distributing will retain approximately r shares of Controlled stock to distribute to Incentive Award recipients as their RSUs become payable (the "Reserved Controlled Shares") (determined by applying the Distribution Ratio to the RSUs outstanding at the time of the Distribution) for future settlement of outstanding Incentive Awards.

For RSUs that are payable upon vesting, Distributing will disburse the appropriate amount of Reserved Controlled Shares directly to the applicable Incentive Award holders upon vesting (a "Stock Award Disposition"). For RSUs that are not payable upon vesting (including those that are vested at the time of the Distribution), Distributing will deposit an appropriate amount of Reserved Controlled Shares into a rabbi trust (the "Deferred Incentive Trust") subject to substantially similar terms as the Deferred Director Trust with respect to the shares of Controlled stock it holds upon the Incentive Award vesting (determined by applying the Distribution Ratio to the underlying Distributing stock represented by the vested RSU). The Deferred Incentive Trust will distribute Reserved Controlled Shares to the relevant Incentive Award recipients as their RSUs become payable.

The Deferred Incentive Trust will not reinvest any dividends it receives into additional shares of Controlled stock. Rather, consistent with the terms of the Incentive Award Plan governing the RSUs, any dividends received by the Deferred Incentive Trust with respect to the Reserved Controlled Shares it holds will revert to Distributing to be used in the same manner as the net proceeds from the Open Market Dispositions (as described below). The Deferred Incentive Trust will only hold shares of Controlled stock.

Incentive Award holders that receive Reserved Controlled shares as payment of their Incentive Awards will be subject to withholding of federal, state, and local employment taxes ("Employment Taxes") on the delivery of the Reserved Controlled Shares. Consistent with the terms of the Incentive Award Plan, an Incentive Award holder may elect, prior to delivery of Reserved Controlled Shares, to have the required Employment Taxes be withheld in the form of a portion of such Reserved Controlled Shares. Pursuant to such an election, Distributing will immediately sell such portion of the Reserved Controlled Shares in an Open Market Disposition and use the proceeds received to pay the withheld Employment Taxes to the appropriate taxing authorities.

Open Market Dispositions to Reduce Debt, Enhance Liquidity, and Maintain Credit Rating

Distributing will dispose of the amount of Retained Controlled Stock that was neither transferred to the Deferred Director Trust upon Distribution nor retained as Reserved Controlled Shares (the "Non-Reserved Controlled Shares") (approximately s shares of Retained Controlled Stock, or approximately t% of the issued and outstanding Controlled stock) in Open Market Dispositions as soon as reasonably possible and in no event later than u years following the date of the Distribution. Distributing will utilize the net proceeds from the Open Market Dispositions to reduce Distributing's outstanding debt obligations while maintaining its credit rating and liquidity within the u-year period following the Distribution.

Similarly, if the amount of Reserved Controlled Shares exceeds the amount of Controlled Stock needed to support Distributing's existing Incentive Award obligations under the Incentive Award Plan for any reason, including if Incentive Awards are forfeited, the related amount of Reserved Controlled Shares will be disposed of by Distributing in Open Market Dispositions, and the net proceeds from the Open Market Dispositions of such Reserved Controlled Shares will be entirely utilized to reduce Distributing's outstanding debt obligations in the same manner as with respect to the Non-Reserved Controlled Shares. To the extent that Distributing determines that it reserved an amount of Controlled Stock in excess of its obligations pursuant to the Incentive Award Plan or an Incentive Award holder forfeits its rights, Distributing will sell the corresponding shares and utilize the corresponding proceeds within the later of v years of the Distribution or w days of the forfeiture, provided that the sale is not in conflict with securities laws or similar regulatory or legal requirements. In the event such a conflict exists, the Reserved Controlled Shares will be disposed of within the later of x years following the Distribution or within y days of the date first permitted by the legal or regulatory restriction.

As of Date 1, Distributing had approximately $z in debt outstanding excluding obligations solely related to Controlled and anticipates having approximately this amount of debt outstanding immediately following the Distribution. Distributing anticipates that the value of the Retained Controlled Stock will be less than the amount of Distributing's outstanding debt obligations at the time of the Distribution and utilizing the proceeds to pay down a portion of its outstanding debt obligations will help maintain its current credit rating. To the extent the value of the net proceeds received from Open Market Dispositions of shares of Controlled stock exceeds Distributing's outstanding debt obligations at the time of the Open Market Disposition, Distributing will use the excess value to fund future acquisitions and for liquidity purposes. Any future acquisitions using the aforementioned funds will be within the same period in which Distributing planned to pay down its outstanding debt.

Representations

Distributing makes the following representations with respect to the Proposed Transaction:

1. The business purposes for the Retention are to reflect the diminution of value of the shares of Distributing stock held by the Deferred Director Trust, to support Distributing's existing Incentive Award obligations under the Incentive Award Plan, to facilitate the reduction of debt, to enhance Distributing's liquidity, and to maintain Distributing's current credit rating through the Dispositions of the Retained Controlled Stock.

2. With one exception, none of Distributing's directors or officers will serve as a director or officer of Controlled as long as Distributing retains the Controlled Retained Stock. Director will serve as a director of both Distributing and Controlled solely to accommodate Controlled's business need for a director with Director's unique expertise, to leverage his well-developed relationships with Agency, and to provide a sense of business continuity.

3. The Retained Controlled Stock will be disposed of only through the Dispositions described in the Proposed Transaction, as soon as a Disposition is warranted, consistent with the business purposes of the Retention. With the potential exception of Stock Award Dispositions in settlement of Deferred Incentive Awards, all Dispositions of the Retained Controlled Stock will be made not later than aa years after the Distribution. The Retained Controlled Stock payable with respect to Deferred Incentive Awards, which include the Deferred Director Shares, will be disposed of in a Stock Award Disposition immediately upon termination of the deferral period of the respective Deferred Incentive Awards.

4. Distributing, the Deferred Director Trust, and the Deferred Incentive Trust will vote the Retained Controlled Stock in proportion to the votes cast by Controlled's other

stockholders and will grant Controlled a proxy with respect to the Retained Controlled Stock requiring such manner of voting.

5. The Deferred Director Trust has qualified and the Deferred Inventive Trust will qualify as a grantor trust under section 671 at all times since its formation.

6. In no event with the Retention prevent Distributing from distributing stock of Controlled that represents control under section 368(c).

Ruling

Based solely upon the information submitted and the representations made, we rule as follows on the Proposed Transaction:

The Retention of the Retained Controlled Stock will not be in pursuance of a plan having as one of its principal purposes the avoidance of U.S. federal income tax within the meaning of section 355(a)(1)(D)(ii).

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 ruling.

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.

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 letter ruling.

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

Sincerely,

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Kevin M. Jacobs
Senior Technician Reviewer, Branch 4
Office of Associate Chief Counsel (Corporate)