From:	Howard, James [jhoward@foley.com]
Sent:	11/20/2019 12:26:38 PM
To:	Mullooly, Tom [TMullooly@foley.com]
CC:	Spear, Tim [tspear@foley.com]; Hyde, Kevin E. [KHyde@foley.com]
Subject:	RE: JEA/Scampi -- Foley coop memo -- Tax Analysis

Tom

Thanks for forwarding that slide deck on JEA. Page 24 of the slide deck does about as good of a job of summarizing 501(c)(12) as I could.

To address your question in the below initial email on this thread, I would add that for most federal income tax purposes a cooperative is treated as a C corporation. Accordingly, upon the formation of a cooperative, if the members contributing capital control (80%) the cooperative immediately after its organization, the transfer of assets for capital is generally tax-deferred. The members take a carried over basis in their interests in the coop, and the coop similarly receives a carried over basis in the contributed assets. Accordingly, to address your second issue/question, that should not be a taxable event.

Of course, to make definitive statements on tax matters, we would need a lot more information, which I'm sure will be provided as our client continues to consider this alternative structure. I would also point out that, because coops are treated as C corporations, the federal income tax principles that apply to them are generally well-known by tax advisers (counsel and CPAs) and often not terribly complicated or tied up in complicated legal terms and concepts. Accordingly, the world of coops tends to be occupied more by CPAs and accountants than lawyers. Given our client's size and operations, I would expect that it already has an engagement with one of the Big 4 firms to advise it on tax and accounting matters. I would encourage our client to get their accounting firm involved as soon as possible, and we'd be happy to work with them, if our client decides this is the path forward.

I'm generally around this afternoon and happy to hop on the phone if you, our client, or others would like to visit.

Thanks and best regards
James

James Howard
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From: Mullooly, Tom <TMullooly@foley.com>
Sent: Monday, November 18, 2019 4:27 PM
To: Howard, James <jhoward@foley.com>
Cc: Spear, Tim <tspear@foley.com>; Hyde, Kevin E. <KHyde@foley.com>
Subject: FW: JEA/Scampi -- Foley coop memo -- Tax Analysis

James,

Thanks for being willing to work on this matter. Just left you a voice message. I copy Tim and Kevin who are both involved as well.

Background is that JEA is a municipal utility now and are considering their strategic options to transform. Foley has the legal lead an evaluating the option of becoming a Florida rural electric cooperative. That happens to involve a number of significant challenges. But JEA needs the key points of this option identified. The bottom of this email chain identifies the key tax questions. JPMorgan is doing a presentation to JEA board on Thursday and is hoping they can have something relevant to say about them. Let us know what you need.

Thanks again,

Tom Mullooly
Foley & Lardner LLP
414-297-5566

From: Weisblat, David B. <DWeisblat@foley.com>
Sent: Monday, November 18, 2019 4:08 PM
To: Mullooly, Tom <TMullooly@foley.com>
Cc: Weisblat, David B. <DWeisblat@foley.com>
Subject: FW: JEA/Scampi -- Foley coop memo -- Tax Analysis

Tom

Here's what I got back from James Howard, I think it's worth letting him run with it. He's ahead of me in that he's at least done some coop work

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From: Howard, James <jhoward@foley.com>
Sent: Monday, November 18, 2019 4:54 PM
To: Weisblat, David B. <DWeisblat@foley.com>
Subject: RE: JEA/Scampi -- Foley coop memo -- Tax Analysis

David

I'd be happy to help, but similarly, I'll be candid, I've only dealt with a few coops in my career. I've dealt with them. But they've been few and far between.

Hope all is well with you and yours,
James

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From: Weisblat, David B. <DWeisblat@foley.com>
Sent: Monday, November 18, 2019 12:20 PM

To: Howard, James <jhoward@foley.com>
Subject: FW: JEA/Scampi -- Foley coop memo -- Tax Analysis

James

Is this something you could help out on? I'd be completely out of my depth.

From: Mullooly, Tom
Sent: Thursday, November 14, 2019 10:25 AM
To: Weisblat, David B. <DWeisblat@foley.com>
Subject: FW: JEA/Scampi -- Foley coop memo -- Tax Analysis

David,
New matter for you. JEA is a municipal coop considering strategic changes. One option we are analyzing is for it to transition to cooperative status. See a little bit more below, and I will call you later to discuss. Thanks

Tom

From: Hyde, Kevin E. <KHyde@foley.com>
Sent: Thursday, November 14, 2019 7:26 AM
To: Mullooly, Tom <TMullooly@foley.com>
Subject: RE: JEA/Scampi -- Foley coop memo -- Tax Analysis

Of course. Thanks.

-Kevin E. Hyde

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From: Mullooly, Tom <TMullooly@foley.com>
Sent: Wednesday, November 13, 2019 5:14 PM
To: Hyde, Kevin E. <KHyde@foley.com>
Subject: RE: JEA/Scampi -- Foley coop memo -- Tax Analysis

Kevin,
Having heard nothing back on this, is it OK with you if I ask David Weisblat if he can take this on?

Tom

From: Mullooly, Tom
Sent: Wednesday, November 13, 2019 12:13 PM
To: Hyde, Kevin E. <KHyde@foley.com>; Hosay, Robert H. <RHosay@foley.com>; Grossman, Benjamin J.

<BJGrossman@foley.com>; Spear, Tim <tspear@foley.com>
Subject: JEA/Scampi -- Foley coop memo -- Tax Analysis

Greetings,
Following up with Pillsbury and JPM this morning, we have two tax issues we need to analyze. Any thoughts on where to go with this? I would typically start with John Eliason and David Weisblat in our DC office. The questions:

If JEA becomes a coop, its customer/members would arguably acquire the "equity" of the new entity, perhaps in the form of patronage capital accounts.

- Is this a taxable event for customer/members?

JEA/Jacksonville created the assets and value of the electric generation/distribution/transmission system on a tax exempt basis over the years.

- If that value is converted into the equity/patronage capital of a coop, is there a taxable event for Jacksonville?

Would appreciate thoughts and suggestions.

Thanks

Tom Mullooly
101-5566