Internal Revenue Service

Department of the Treasury
Washington, DC 20224

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Person To Contact:
, ID No.
Telephone Number:

Refer Reply To:
CC:CORP:B01
PLR-152509-06

In Re:

Date:
May 02, 2007

LEGEND:

Parent =

S1 =

Date 1 =

Date 2 =

Date 3 =

Date 4 =

Year 1 =

P =

Q =

R =

S =

T =

U =

V =

W =

X =

Y =

Z =

Dear :

We respond to your letter dated November 7, 2006, and subsequent correspondence, in which you requested rulings as to certain federal income tax consequences of the transactions discussed below.

The rulings contained in this letter are based on facts submitted by the taxpayer and accompanied by a penalty of perjury statement executed by an appropriate party. This office has not verified any of the materials submitted in the support of the request for rulings. Verification of the information and other data may be required as part of the audit process.

Parent is a holding company that files a consolidated federal income tax return for itself and several subsidiaries. On Date 1, Parent, its chief operating subsidiary, S1, and certain other subsidiaries (collectively, the "Debtors") filed petitions for reorganization under Chapter 11 of the Bankruptcy Code. Certain of the Debtors emerged from bankruptcy on Date 4 (the "Effective Date"). At the end of Year 1, the Taxpayer had net operating loss carryforwards ("NOLs") in the aggregate amount of approximately $P.

Before filing under Chapter 11, S1 maintained retiree medical plans covering, among others, two groups of its retirees, the "Salaried Retirees" and certain "Hourly Retirees". Pursuant to the retiree medical plans (and, in the case of employees and retirees from bargaining units represented by unions, pursuant to collective bargaining agreements), S1 was contractually obligated to provide comprehensive medical care benefits to the Salaried and Hourly Retirees. Because of the high costs of the medical benefits, which were continuing to dramatically increase, and the Debtors' other significant liabilities, the Debtors had determined that a substantial modification of their obligations to provide medical benefits was necessary before the Debtors could successfully restructure and emerge from Chapter 11 as a viable enterprise.

S1 reached negotiated agreements with the unions and with representatives of the salaried employees and ultimately received bankruptcy court approval of such agreements and certain subsequent amendments to those agreements (the

"Agreements"). Pursuant to the Agreements, medical benefits were terminated for Salaried and Hourly Retirees and the retirees generally became eligible to receive benefits as provided by two voluntary employees' beneficiary associations established pursuant to section 501(c)(9) of the Code, one for Hourly Retirees (the "Hourly VEBA Trust") and one for Salaried Retirees (the "Salaried VEBA Trust") (collectively, "VEBA Trusts"). The benefits provided by the VEBA Trusts have been and will continue to be substantially less than those provided under old medical plans.

In accordance with the Agreements, the plan of reorganization ("POR") provided that upon Taxpayer's emergence from bankruptcy, Parent would issue Q shares ("Shares") of new common stock ("Stock") exclusively to holders of claims and interests under the POR, of which R of those Shares would be contributed to the VEBA Trusts collectively. Under the POR, the Hourly VEBA Trust was entitled to receive S Shares (approximately T percent of all outstanding Stock), and the Salaried VEBA Trust was entitled to receive U shares (approximately V percent of all outstanding Stock). The interest of the Hourly VEBA Trust in its contractual entitlement to receive Shares on the Effective Date is referred to herein as its "Pre-Effective Date Interest."

As a consequence of orders of the Bankruptcy Court dated Date 2 and Date 3 (the "Orders") to restrict transfers that would risk the application of section 382 to the Parent's NOLs, the Hourly VEBA Trust could not sell any part of its Pre-Effective Date Interest before the Effective Date (a "Pre-Effective Date Sale") unless it complied with certain conditions. The portion of the Hourly VEBA Trust's Pre-Effective Date Interest that could have been sold under the Orders was limited to approximately W percent of its Pre-Effective Date Interest.

Consistent with the Order, the Hourly VEBA Trust made X Pre-Effective Date Sales prior to the Effective Date, equal to Y Shares in the aggregate. Upon a Pre-Effective Date Sale by the Hourly VEBA Trust, the VEBA transferee assumed the benefits and risks of ownership of the transferred interest. Thus, in the event that the Debtors did not consummate the POR, but instead liquidated its assets, the Hourly VEBA Trust would have had no obligation to the VEBA transferees under the sale documents between those parties.

On the Effective Date, Parent issued to the Hourly VEBA Trust Z Shares attributable to Pre-Effective Date Interests not transferred and, as directed by the Hourly VEBA Trust, issued directly to the respective VEBA transferees collectively Y Shares attributable to transferred interests. Parent also issued Shares to other "qualified creditors" (as defined for purposes of section 382(l)(5) and the regulations thereunder) as well. Immediately after the ownership change on the Effective Date, qualified creditors of Parent owned Shares representing more than 50 percent of the outstanding Stock of Parent.

Based on the information submitted by the taxpayer set forth above, we rule as follows:

The Pre-Effective Date Sales by the Hourly VEBA Trust of portions of its Pre-Effective Date Interest, and the resulting issuance of Parent stock to VEBA transferees on the Effective Date, will not constitute a sale of Shares following the Effective Date for purposes of determining whether there has been an ownership change under section 382 after the Effective Date.

CAVEAT

We express no opinion about the tax treatment of the proposed transactions under other provisions of the Code and regulations or the tax treatment of any conditions existing at the time of, or effects resulting from, the proposed transactions that are not specifically covered by the above rulings.

PROCEDURAL STATEMENTS

This ruling letter is directed only to the taxpayers who requested it. Section 6110(k)(3) 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, any taxpayer filing its return electronically may satisfy this requirement by attaching a statement to the return that provides the date and control number of this letter ruling.

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

Sincerely,

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Mark S. Jennings
Branch Chief, Branch 1
Office of Associate Chief Counsel (Corporate)