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Person To Contact:
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CC:CORP:2
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Date:
October 25, 2012

Legend:

Parent =

Sub =

State A =

State B =

Business A =

Date 1 =

Date 2 =

Date 3 =

Date 4 =

Date 5 =

Date 6 =

x =

y =

a =

b =

q =

r =

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A =

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C =

D =

E =

F =

G =

Dear :

This letter responds to an April 24, 2012 letter requesting rulings on certain Federal income tax consequences of the proposed bankruptcy reorganization. The information provided in that letter and in later correspondence is summarized below.

Summary of Facts

Parent, a publicly-traded State A corporation, is a holding company and the common parent of an affiliated group of corporations that files a consolidated Federal income tax

return (“Parent Group”). Sub is a State B corporation, all of the common stock of which is directly owned by Parent and is Parent’s principal operating subsidiary. Sub is a member of the Parent Group. Sub is in a regulated industry and is regulated by State B. On Date 1, Parent filed for bankruptcy protection under Chapter 11 of the Bankruptcy Code. The subsidiaries of Parent, including Sub, did not file for bankruptcy protection. At all times since the bankruptcy filing, Parent has operated and continues to operate as a debtor-in-possession under the jurisdiction of the Bankruptcy Court. Parent and Sub allocate tax attributes based on a tax sharing agreement.

As part of bankruptcy protection, pending a formal plan of reorganization, Parent presented the Bankruptcy Court with its plan to preserve the net operating losses of the Parent Group, which the Bankruptcy Court approved via a court order on Date 2 and which the Bankruptcy Court approved in an amended version on Date 3 (the “NOL Plan”). The following are material features of the NOL Plan:

a. Any person or entity that beneficially owns more than or equal to x shares of Parent stock (“Substantial Equityholder”) must file notice with the Bankruptcy Court and inform Parent that it owns at least x shares of Parent stock (equivalent to roughly a percent of Parent’s outstanding stock) within the later of q business days from Date 1 or r business days from becoming a Substantial Equityholder.

b. A Substantial Equityholder (or any person or entity that would be considered a Substantial Equityholder after such transaction) that engages in any transaction that increases or decreases the amount of Parent stock that it beneficially owns must file written notice to the Bankruptcy Court and inform parent at least s business days in advance of the transaction. Parent may object to the transaction within t business days after receipt of such notice. If the Substantial Equityholder fails to provide such notice or if Parent objects and the Bankruptcy Court determines that the transaction may adversely affect the NOL Plan, the transaction will be considered null and void.

c. Parent may file a notice (“Reporting Notice”) with the Bankruptcy Court requiring any person or entity that owns an aggregate amount of claims (including Parent’s indebtedness) that equals or exceeds $y (“Substantial Claimholder”) to report its holdings to Parent (“Substantial Claimholder Notice”) within u business days of the filing of the Reporting Notice with the Bankruptcy Court.

d. Upon determining the existence of any Substantial Claimholder, Parent may file a motion with the Bankruptcy Court for the entry of an order (the “Sell Down Order”) that authorizes Parent to issue a sell down notice to each person or entity that has filed a Substantial Claimholder Notice or with respect to which Parent has determined, based on its actual knowledge, that such person or entity has beneficial ownership of claims entitling it to b percent or more of reorganized Parent’s stock following bankruptcy. The Sell Down Order would require the recipient to reduce its claims to no more than $y. Under the Sell Down Order,

> Parent could also require all other present or future claimholders to acquire no more than an amount of Parent's indebtedness or other claims that would entitle it to b percent of reorganized Parent's stock following bankruptcy.

The Bankruptcy Court confirmed the NOL Plan on Date 2 and the amended version of the NOL Plan on Date 3. On Date 4, Parent filed a motion in Bankruptcy Court indicating, at that time, that entry of the Sell Down Order was not required, provided the Bankruptcy Court enter the Claims Acquisition Notice Order (as defined below). Parent received only one Substantial Claimholder Notice informing Parent that the claimholder owned at least $y of Parent's indebtedness ("Nonqualified Creditor"). Parent determined that no Sell Down Order was required. On Date 5, the Bankruptcy Court issued an order (the "Claims Acquisition Notice Order") that required any person or entity 1) proposing to acquire beneficial ownership of claims entitling such person or entity to more of reorganized Parent's stock than it reported on its Substantial Claimholder Notice or 2) that would become entitled to own more than b percent of reorganized Parent's stock by virtue of the proposed acquisition of beneficial ownership of claims, to serve Parent with an overnight notice at least v business days prior to such a transaction ("Proposed Claims Acquisition Notice"). The Parent would then have w business days after the receipt of Proposed Claims Acquisition Notice to file an objection with the Bankruptcy Court. If the Parent did not file such objection within w business days, the acquisition described in the Proposes Claims Acquisition Notice could proceed as set forth in the notice. The Nonqualified Creditor subsequently notified Parent that it had sold its debt claims, and Parent did not receive notice that any subsequent holder of such claims is a Substantial Claimholder.

Under the Plan of Reorganization, proposed by Parent and confirmed by the Bankruptcy Court, 100 percent of old Parent stock would be cancelled, a large and diversified group of Parent's creditors would receive 100 percent of reorganized Parent stock, and in accordance with the priority and amount of their claims, certain creditors would receive warrants. All shareholders of old Parent stock prior to the reorganization will have their old Parent stock cancelled, and only certain creditors of Parent will receive reorganized Parent stock. Under the NOL Plan, no shareholder will be permitted to hold more than b percent of reorganized Parent stock immediately after the Bankruptcy reorganization except 1) in the event of Parent's decision not to object to an acquisition of claims described in a Proposed Claims Acquisition Notice (which has not been done to date), or 2) if permitted by the Bankruptcy Court. Any person or entity that failed to file the requisite notices or failed to make the required transfer of claims will not be entitled to acquire reorganized Parent stock ("Equity Forfeiture Provision") in excess of b percent in connection with the implementation of Parent's bankruptcy plan of reorganization. Based on the operation of the NOL Plan and the Equity Forfeiture Provision, upon emergence from bankruptcy, no shareholder will be entitled to own more than b percent of stock in reorganized Parent (unless Parent decides not to object to an acquisition of claims described in a Proposed Claims Acquisition Notice, or if permitted by the Bankruptcy Court). Parent currently does not expect any shareholder to own more than b percent of stock in reorganized Parent upon emergence from bankruptcy.

After the Bankruptcy reorganization, Sub will continue its operations in Business A. Based on projections provided to the Bankruptcy Court as part of Parent's valuation analysis included in its Disclosure Statement, which was approved by the Bankruptcy Court as of Date 6, Sub and its subsidiaries had approximately $A in commercial contracts outstanding, employed B employees, and had approximately $C in commercial assets under management. Such valuation analysis indicated the value of Parent (based on its holdings in Sub) to be between $D and $E. Based on projections included in such valuation analysis, Sub was projected to have approximately $F in net income in the current tax year and $G in net income from 2012 through 2021.

Representations

(a) Parent will not elect under Section 382(l)(5)(H) not to have the provisions of Section 382(l)(5) apply.

(b) It has not become evident to Parent that any person that participated in Parent's Plan of Reorganization has held debt issued by Parent for less than 18 months prior to Date 1.

(c) Parent has no actual knowledge of a coordinated acquisition of its indebtedness by a group of persons, through a formal or informal understanding among themselves, for a principal purpose of exchanging the indebtedness for stock of reorganized Parent. Furthermore, Parent is not aware of any acquisition of its debt by a group member that based its investment decision on investment decision of one or more other members of the group.

(d) Parent has no actual knowledge of stock ownership by an individual who would be a five-percent shareholder but for the application of Treas. Reg. Section 1.382-2T(h)(2)(iii), (h)(6)(iii), or (g)(2) or a five-percent shareholder that would be taken into account, but for Treas. Reg. Section 1.382-2T(h)(2)(iii), (h)(6)(iii), or (g)(3).

(e) Parent has no actual knowledge that the exercise of an option to acquire or dispose of stock of Parent immediately after the ownership change could cause a beneficial owner of indebtedness immediately before the ownership to be, after the ownership change, either a five-percent shareholder or a five-percent entity.

(f) Parent has no actual knowledge of any beneficial owner of Parent's indebtedness that is a corporation or other entity that had an ownership change on any day during the applicable period where the indebtedness represents more than 25 percent of the fair market value of the total gross assets (excluding cash or cash equivalents) of such beneficial owner on its change date and the beneficial owner is a five-percent entity immediately after the ownership change

of the loss corporation (determined by applying the rules of Treas. Reg. Section 1.382-9(d)(4)).

(g) Parent has no actual knowledge of any transactions that are expected to violate the Equity Forfeiture Provision.

(h) Parent has no actual knowledge regarding stock ownership described in Treas. Reg. Section 1.382-2T(k)(2).

(i) Parent has no actual knowledge of ownership interest described in Treas. Reg. Section 1.382-2T(k)(4) (relating to interests structured to avoid the annual Section 382 limitations).

(j) Parent has no actual knowledge of any of its creditors that owns Parent stock or has owned any Parent stock in the past three years.

(k) Parent has no actual knowledge of any creditor that is not a qualified creditor for the purposes of Treas. Reg. Section 1.382-9.

(l) The final NOL Plan (based on the Final Preservation Order entered by the Bankruptcy Court on Date 2) will remain in effect until the date that Parent emerges from Bankruptcy protection. The Confirmation Order (entered by the Bankruptcy Court on Date 6) also grants the Bankruptcy Court continuous oversight of the final NOL Plan, including the Equity Forfeiture Provision.

(m) Parent has not received any notifications in response to the Claims Acquisition Notice Order demonstrating that any holder is a Substantial Claimholder.

(n) Every claimholder that receives warrants pursuant to the Plan of Reorganization will be a qualified creditor for purposes of Treas. Reg. Section 1.382-9.

(o) Parent has no actual knowledge of any entity immediately after the Proposed Bankruptcy Restructuring that will own five percent or more of Reorganized Parent common stock as a result of exercising the warrants.

(p) Parent will be under the jurisdiction of the Bankruptcy Court immediately prior to the Proposed Bankruptcy Restructuring, and the Proposed Bankruptcy Restructuring will occur pursuant to the Confirmation Order.

Rulings

1) The ownership change under the Plan of Reorganization is an ownership change described in Section 382(l)(5)(A) and Treas. Reg. Section 1.382-9(b) with respect to which the limitation of Section 382(a) does not apply to the Parent Group. The

tax attributes of the Parent Group will be computed in accordance with Sections 382(l)(5)(B) and (C).

2) Provided that Sub remains a member of Parent Group and continues its activities in Business A, Sub's operations in Business A constitute a significant active trade or business of the Parent Group for the purposes of Treas. Reg. Section 1.269-3(d).

Caveats

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

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.

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,

Douglas C. Bates
Senior Technician Reviewer, Branch 6
Office of Associate Chief Counsel
(Corporate)

cc: