Internal Revenue Service

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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:
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Date:
February 26, 2013

Legend

Taxpayer =

Product =

Item =

Customers =

Trust Agreement =

State =

Shareholders =

Trust =

Effective Date =

Date 1 =

Date 2 =

Date 3 =

a =

b =

Dear :

This letter responds to your October 16, 2012, request for rulings on certain federal income tax consequences of the Proposed Transaction (described below). The information provided in that request and in later correspondence is summarized below.

The rulings contained in this letter are based upon facts and representations submitted by Taxpayer and accompanied by a penalties of perjury statement executed by an appropriate party. This office has not verified any of the material 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.

Summary of Facts

Taxpayer is a State corporation that files a federal income tax return on a calendar year basis. Taxpayer produces and sells Product to Customers that serve end users or that purchase Product at wholesale for resale. As of the date of the Proposed Transaction (described below), Taxpayer will have a net operating loss carryover (the "Pre-Change Losses").

As of Date 2, Taxpayer's capital stock consisted of a outstanding shares of a single class of common stock. All of Taxpayer's common stock is owned by the Shareholders, each of which owns b%.

As of Date 1, Taxpayer had been named as a defendant in numerous lawsuits claiming damages for personal physical injury, physical sickness, or death from exposure to Item that was included in Product. On Date 1, Taxpayer filed a voluntary petition for relief under Chapter 11 of the Bankruptcy Code in order to obtain the court-supervised reorganization process and the provisions of section 524(g) of the Bankruptcy Code to resolve the liability for the Item-related personal injury claims. Currently, Taxpayer is operating its business and managing its properties as a debtor in possession subject to the provisions of the Bankruptcy Code.

On Date 3, Taxpayer filed a plan of reorganization (the "Plan") with the Bankruptcy Court. Under the Plan, the existing capital stock of Taxpayer, which is held by the Shareholders, will be cancelled and all of the newly issued common stock of reorganized Taxpayer will be transferred to Trust. Pursuant to the Plan, Trust will be created to resolve all present and future Item-related personal injury claims against Taxpayer, as well as certain present and future Item-related personal injury claims against the Shareholders that relate to Taxpayer's manufacture, sale, or distribution of Item. An Item-related personal injury claim includes, in general, any claim against Taxpayer existing now or arising in the future for, among other things, death, bodily injury, sickness, disease, medical monitoring, or other personal injuries (whether physical, emotional, or otherwise) to the extent caused by or allegedly caused, directly or indirectly, by the presence of or exposure to Item or Item-containing products. The Item-related personal injury claims do not include Item-related property damage claims.

The Item-related personal injury claims will be addressed through the funding of Trust, which will receive on the Effective Date, in complete settlement and satisfaction of the Item-related personal injury claims, the following assets: (i) insurance proceeds previously received by Taxpayer; (ii) Taxpayer's right to future payments from certain insurance policy settlements; (iii) percent of the newly issued reorganized Taxpayer common stock, representing all of the outstanding stock of reorganized Taxpayer; (iv) dividend payments to be made by reorganized Taxpayer in the future; and (v) contributions from the Shareholders (collectively, the "Trust Assets"). The value of the Trust Assets expected to be contributed to Trust is estimated to be less than the value of the Item-related personal injury claims that are expected to be filed with Trust during the life of the trust.

Under the Plan, Trust will assume all liability and responsibility for all of the allowed personal injury claims and will be the sole recourse of the holder of an Item-related personal injury claim. Also, Trust will indemnify Taxpayer, reorganized Taxpayer, the Shareholders, and certain insurance companies so that they will have no further financial or other responsibility for such claims. In the event that any cash or Trust Assets remain in Trust after all of the Item-related personal injury claims have been satisfied, the trustees of Trust will transfer such remaining assets to an unrelated charitable organization exempt from federal income tax under section 501(c)(3). However, Taxpayer does not anticipate that any assets will remain in Trust after satisfaction of all allowed Item-related personal injury claims.

Under the Plan, the Bankruptcy Court will retain exclusive jurisdiction over any matter arising in or relating to the Chapter 11 case or the Plan. This includes matters relating to interpreting, enforcing and administering the terms of the Trust Agreement.

The Proposed Transaction

In the "Proposed Transaction," pursuant to the Plan, percent of the reorganized Taxpayer common stock, representing all of the outstanding stock of reorganized Taxpayer, will be issued to Trust (the "Ownership Change").

Representations

The following representations have been made in connection with the Proposed Transaction:

(a) Trust will be a qualified settlement fund as defined in Treas. Reg. § 1.468B-1(c).

(b) Taxpayer will be a loss corporation as defined in section 382(k)(1) at the time of the Ownership Change.

(c) Immediately before the Ownership Change occurs, Taxpayer will be under the jurisdiction of the Bankruptcy Court in a Title 11 or similar case, within the meaning of sections 382(l)(5)(G) and 368(a)(3)(A).

(d) The Proposed Transaction will be pursuant to a bankruptcy plan approved by the Bankruptcy Court.

(e) Immediately after the Proposed Transaction, at least 50 percent of the value and voting power of the stock of Taxpayer will be held by Trust.

(f) Pursuant to section 382(l)(5)(B), the amount of Pre-Change Losses available for use by Taxpayer will be computed as if no deduction were allowable for interest paid or accrued by Taxpayer during (i) any taxable year ending during the three-year period preceding the taxable year in which the Ownership Change occurs, and (ii) the period of the taxable year in which the Ownership Change occurs on or before the change date, with respect to indebtedness which was converted into Taxpayer common stock pursuant to the Proposed Transaction.

(g) Taxpayer will not have made an election under section 382(l)(5)(H) to forgo the application of section 382(l)(5) to the Ownership Change.

(h) Immediately after the bankruptcy proceeding, there will be no outstanding options, including interests that are treated as an option under section 1.382-9(e)(1), that, if exercised or converted, would affect the ownership of a controlling interest by Trust.

(i) None of the holders of claims against Taxpayer that are qualified creditors are described in section 1.382-9(d)(4)(i).

Rulings

Based solely on the information submitted and the representations set forth above, we rule as follows:

1. The Proposed Transaction will result in an ownership change of Taxpayer within the meaning of section 382(g).

2. Solely for purposes of section 382(l)(5)(A), the qualified creditors of Taxpayer, within the meaning of section 1.382-9(d), will be treated as owning at least 50 percent of the stock of Taxpayer on the date of the Proposed Transaction; therefore, the Ownership Change of Taxpayer will be an ownership change described in section 382(l)(5)(A) (regardless of whether or not all the persons who are beneficiaries of Trust have been identified or are identifiable at the time of the Proposed Transaction). Accordingly, the general rule stated in section 382(a) will not apply by reason of the Ownership Change to limit the amount of post-change year taxable income of Taxpayer that may be offset by Pre-Change Losses of Taxpayer.

Caveats

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. In particular, we express no opinion regarding whether, if another ownership change occurs within the two years immediately following the Ownership Change described above, section 382(l)(5)(D) will cause the section 382 limitation with respect to the second ownership change to be zero.

Procedural Matters

This ruling letter is directed only to the taxpayer 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, 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 ruling letter.

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

Sincerely,

Douglas C. Bates

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

cc: