



a =

b =

c =

d =

e =

f =

g =

Dear :

This letter responds to your March 2, 2016 request, submitted by your authorized representatives, for rulings on certain U.S. federal income tax consequences of a proposed transaction (the "Proposed Transaction," as described below). The material information submitted in that request and in subsequent correspondence is summarized below.

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

### **FACTS**

Parent Corporation (the "Parent") is a holding company that wholly owns LossCo, which is engaged in Business A. Parent and LossCo are members of an affiliated group of corporations (the "Group") that file a consolidated federal income tax return. Parent filed for title 11 bankruptcy on Date 1, and on Date 3, pursuant to the bankruptcy reorganization, Parent became the common parent of the Group. On Date 2, LossCo was placed under the Order of Liquidation by Court.

Fund, established under state law (by all states), provides the means for payment on Claims against insolvent entities engaged in certain specified businesses, including Business A. Since Date 2, pursuant to the laws of each state in which LossCo operates, the Funds have been paying certain LossCo claims. Under state law, the claimants receiving payments from the Funds are treated as assigning their claims

against LossCo to the paying Funds. In other words, the paying Funds become subrogated to the rights of such claimant.

Since filing for bankruptcy, Parent continued in existence pending resolution of certain matters that have now been resolved. Consequently, Parent plans to wind-down its operations and terminate its existence. However, LossCo still has significant ongoing activities in connection with its plan of liquidation. As of Date 4, LossCo has estimated assets of \$a, including estimated invested assets of \$b, and estimated liabilities of \$c; LossCo's liabilities exceeds the value of its assets.

### PROPOSED TRANSACTION

The taxpayer proposed the following transaction to allow Parent to terminate its existence while LossCo continues to wind down its business under its plan of liquidation.

- (i) LossCo will recapitalize to reduce the total number of LossCo shares to d, all of which will be common stock and will be held by Parent.
- (ii) LossCo will redeem all of its outstanding shares from Parent for \$e.
- (iii) LossCo will issue f new shares to each of the Participating Funds in cancellation of \$g of indebtedness held by each of the Participating Funds (collectively, the "Cancelled Debt"). LossCo will issue d new shares in total to the Participating Funds.

Steps (ii) and (iii) will occur on the same day.

### REPRESENTATIONS

- (a) LossCo will not make an election under § 382(l)(5)(G) to preclude the application of § 382(l)(5).
- (b) LossCo has no knowledge that Parent has undergone an ownership change under § 382 since the effective date of the bankruptcy restructuring on Date 3.
- (c) LossCo has no knowledge of any beneficial owner of LossCo 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 § 1.382-9(d)(4)).

- (d) LossCo will be under the jurisdiction of the Court immediately prior to the effective date of the Proposed Transaction and the Proposed Transaction will occur pursuant to an order of the Court approving the Proposed Transaction.
- (e) The Cancelled Debt is indebtedness which arose in the ordinary course of the trade or business of LossCo as described in § 382(l)(5)(E)(ii) and § 1.382-9(d)(2)(iv).
- (f) The Proposed Transaction will result in an ownership change as defined under § 382(g).
- (g) Upon completion of LossCo's plan of liquidation, LossCo will terminate its existence and no entity will succeed to any of LossCo's tax attributes.

### **RULINGS**

Based solely on the information submitted and the representations set forth above, and assuming the requirements of section 382(l)(5) is otherwise met, we rule as follows:

1. LossCo is under the jurisdiction of a court in a title 11 or similar case within the meaning of §§ 382(l)(5) and 368(a)(3)(A).
2. The transfer of the Cancelled Debt from the claimholders to the Participating Funds as a result of payments on such claims by the Participating Funds is a "qualified transfer" under § 1.382-9(d)(5)(ii)(G).
3. For purposes of § 382(l)(5)(A)(ii) and § 1.382-9(b)(2), the Participating Funds will be treated as receiving the new LossCo stock in their capacity as creditors of LossCo.
4. On the effective date of the Proposed Transaction, the Participating Funds will be treated as owning LossCo stock which meets the requirements of § 1504(a)(2), under § 382(l)(5)(A)(ii).

### **CAVEATS**

Except as expressly provided herein, no opinion is expressed or implied concerning the tax treatment of the proposed transaction under any provision of the Code and regulations or the tax treatment of any condition existing at the time of, or effects

resulting from the proposed transaction that is not specifically covered by the above rulings.

### PROCEDURAL STATEMENTS

This letter is directed only to the taxpayer who requested it. Section 6110(k)(3) of the Code provides that this letter 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 the letter ruling.

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

Sincerely,

*Mark S. Jennings*

Mark S. Jennings  
Senior Technician Reviewer, Branch 1  
(Corporate)

cc: