

The information submitted states that Parent is a wholly-owned subsidiary of Corp. and is a disregarded entity for federal income tax purposes. On Date 1, Parent and x of its wholly-owned, direct and indirect domestic subsidiaries (the “Debtors”) filed voluntary petitions under Chapter 11 of the Bankruptcy Code in the United States Bankruptcy Court. On Date 2, the Debtors submitted their Plan of Reorganization (the “Plan”) to the Bankruptcy Court. The Plan will become effective on the date it is approved by the Bankruptcy Court (the “Effective Date”). On Date 3, Trust was established as a common law State trust. On or before the Effective Date, and pursuant to the confirmed Plan, Trust will be converted to a State statutory trust. On the Effective Date, the Debtors will transfer all of their cash and remaining assets (with limited exceptions) to Trust.

Pursuant to the provisions of the Plan, and as will be provided in the Trust agreement, Trust is being established for the primary purpose of liquidating the assets of Trust, with no objective to continue or engage in the conduct of a trade or business except to the extent reasonably necessary to, and consistent with, the liquidating purpose of Trust. Most of the Debtors’ general unsecured creditors will receive beneficial interests in Trust (“Trust Units”) in satisfaction of their claims. However, note that holders of X Claims will receive interests in the X Trust, which will receive Trust Units in satisfaction of the aggregate X Claims. A portion of the Trust Units and cash allocable to those Trust Units will be reserved for issuance in respect of unsecured claims against the Debtors that have not been allowed or disallowed prior to the Effective Date.

The Plan and related disclosure statement (the “Disclosure Statement”) provide, and the Trust agreement will provide, that the transfer of assets to Trust (other than assets allocable to disputed claims) will be treated for all federal income tax purposes as a deemed transfer by the Debtors to the holders of beneficial interests in Trust (the “beneficiaries”), followed by a deemed transfer by such beneficiaries to Trust. The Plan and Disclosure Statement treat, and the Trust agreement will treat, the beneficiaries of Trust as grantors and deemed owners of Trust. Trust will distribute cash available for distribution at least semi-annually to Trust beneficiaries, except if the aggregate cash available to distribute at that time is such as would make the distribution impracticable, in which case cash will be distributed on a subsequent distribution date. Cash available for distribution will include cash transferred by the Debtors to Trust, the net proceeds from the sale of the Trust assets, as well as any income earned from those assets prior to their sale, less cash required or reserved to pay Trust expenses, to maintain the value of Trust assets, and to meet claims or contingent liabilities.

The Plan provides, and the Trust agreement will provide, that in no event will Trust be dissolved later than three years from the Effective Date, unless the Bankruptcy Court, upon motion within the six months prior to the third anniversary of the Effective Date, determines that a fixed-period extension is necessary to facilitate or complete the recovery and liquidation of Trust’s assets.

Section 671 of the Internal Revenue Code provides that where it is specified in subpart E that the grantor or another person shall be treated as the owner of any portion of a trust, there then shall be included in computing the taxable income and credits of the grantor or the other person those items of income, deductions, and credits against tax of the trust that are attributable to that portion of the trust to the extent that such items would be taken into account under chapter 1 of the Code in computing taxable income or credits against the tax of an individual.

Section 1.671-4(a) provides that except as provided in § 1.671-4(b)(1) and (2), items of income, deduction, and credit attributable to any portion of a trust which, under the provisions of subpart E (§ 671 and following), part I, subchapter J, chapter 1 of the Code, are treated as owned by the grantor or another person should not be reported by the trust on Form 1041, U.S. Income Tax Return for Estates & Trusts, but should be shown on a separate statement attached to that form.

Section 677(a) provides, in part, that the grantor shall be treated as the owner of any portion of a trust, whether or not the grantor is treated as such owner under § 674, whose income without the approval or consent of any adverse party is, or, in the discretion of the grantor or a non-adverse party, or both, may be (1) distributed to the grantor or the grantor's spouse; or (2) held or accumulated for future distribution to the grantor or the grantor's spouse.

Section 301.7701-4(d) provides that certain organizations which are commonly known as liquidating trusts are treated as trusts for purposes of the Internal Revenue Code. An organization will be considered a liquidating trust if it is organized for the primary purpose of liquidating and distributing the assets transferred to it, and if its activities are all reasonably necessary to, and consistent with, the accomplishment of that purpose. A liquidating trust is treated as a trust for purposes of the Code because it is formed with the objective of liquidating particular assets and not as an organization having as its purpose the carrying on a profit-making business which normally would be conducted through business organizations classified as corporations or partnerships. However, if the liquidation is unreasonably prolonged or if the liquidation purpose becomes so obscured by business activities that the declared purpose of liquidation can be said to be lost or abandoned, the status of the organization will no longer be that of a liquidating trust.

Rev. Proc. 94-45, 1994-2 C.B. 684, provides the conditions under which the Service will consider issuing advance rulings classifying certain trusts as liquidating trusts under § 301.7701-4(d).

Rev. Proc. 94-45 states that the Service will issue a ruling classifying an entity created pursuant to a bankruptcy plan under Chapter 11 of the Bankruptcy Code, 11 U.S.C. § 1101, et. seq. (1988), as a liquidating trust under § 301.7701-4(d) if certain specified

conditions are met. Based on the information submitted and the representations made, we conclude that the conditions of Rev. Proc. 94-45 have been satisfied.

Accordingly, based on the representations made and the information submitted, we rule that Trust will be classified for federal income tax purposes as a liquidating trust under § 301.7701-4(d) of the regulations. As such, each beneficiary of Trust, including the X Trust, will be treated as receiving from the Debtors and then transferring to Trust that portion of the assets of Trust allocable to its interest in Trust (other than the Reserve). Furthermore, Trust will be a grantor trust and the beneficiaries of Trust will be treated as the owners of Trust under §§ 671 and 677.

Except as specifically set forth above, no opinion is expressed concerning the federal tax consequences of the facts described above under any other provision of the Code.

This ruling is directed only to the taxpayer requesting it. Section 6110(k)(3) provides that it may not be used or cited as precedent.

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

Sincerely,

Bradford R. Poston
Senior Counsel, Branch 2
(Passthroughs & Special Industries)

Enclosures (2)
Copy of this letter
Copy for § 6110 purposes

cc: