STATE OF NORTH CAROLINA

COUNTY OF WAKE

BEFORE THE
SECRETARY OF REVENUE

IN THE MATTER OF:

The Petition of [redacted] for an alternative method of apportionment formula for corporate income and franchise taxes purposes for the tax year ending December 31, 2011, December 31, 2012, and December 31, 2013	)))))	**ADMINISTRATIVE DECISION Number: 2012-01**

This matter was heard before Secretary of Revenue, David W. Hoyle, on July 9, 2012 at 2:30 PM in the Revenue Building in the City of Raleigh, North Carolina upon a petition dated June 14, 2012 by [redacted] ("Company") concerning the apportionment of Company's corporate income and franchise taxes for the tax years ending December 31, 2011 ("2011"), December 31, 2012 ("2012"), and December 31, 2013 ("2013") pursuant to G.S. 105-130.4(tl).

The Secretary of Revenue presided over the conference with Linda S. Millsaps, Chief Operating Officer, Y. Canaan Huie, General Counsel for the Department of Revenue, and Lennie Collins, Director of the Income Tax Division, participating. [redacted] represented Company via telephone.

Company, the main U.S. operating subsidiary of [redacted], has its main office located in [redacted] and until its insolvency filings provided [redacted]. In [redacted], Company filed under Chapter 11, Title 11 of the United States Code (the "Bankruptcy Code"); [redacted] filed for relief under the Companies' Creditors Arrangement Act in [redacted]; and [redacted] were placed into administration in the [redacted]. Also in [redacted], Company (and other related entities) sold all of its businesses and its interests in Company's intellectual property through a series of sales conducted under the supervision of the courts overseeing the insolvency proceedings in [redacted]. Proceeds from the dispositions were placed into separate escrow accounts pending the resolution of disputes related to such proceeds among the relevant sellers. As of the date of the petition, there was no agreement among the sellers related to the disputes related to the sales proceeds. Because Company is no longer in normal business operations and because the uncertainty of events surrounding

the sale proceeds, its impact on distribution of funds deductible under the federal tax code, and the result of North Carolina statutory apportionment of the possible state taxable income scenarios result in an insurmountable challenge to determining adequate cash tax reserves with specificity, its position is that the statutory apportionment formula will not effectuate an equitable apportionment of Company's income to North Carolina in the final phase of the bankruptcy process.

After review of the petition and consideration of testimony and supporting documentation provided by Company, the Secretary of Revenue rendered his decision and entered the following order:

IT IS HEREBY ORDERED BY THE SECRETARY OF REVENUE that the petitioner's written request to employ an alternate method of apportionment for the purpose of determining its North Carolina income and franchise taxes for tax years 2011, 2012 and 2013 is granted. The petitioner shall compute a factor based on the historical North Carolina apportionment factors reported during tax years 2004 through 2008, inclusive, as set out in Attachment A of Company's petition and attached to this order. The relief granted to Company is made subject to audit and review by the North Carolina Department of Revenue.

Made and entered into this the 19 day of July, 2012.

Signature

David W. Hoyle, Secretary of Revenue



NOTE: The sales factor is double-weighted in North Carolina's apportionment factor for all periods listed above.