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COUNSEL CONNECTIONS
Your business and the law

Freeborn & Peters LLP

Fall 2009

Welcome to the latest issue of Freeborn & Peters' *Counsel Connections.* This publication focuses on current developments and trends in business law. We welcome your suggestions for issues you would like us to address and ways we can make this resource more valuable to you. Feel free to e-mail the editors: Cindy Bergmann at cbergmann@freebornpeters.com, or Jeff Mattson at jmattson@freebornpeters.com.

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Recent Changes in Tax Laws Affecting LLC's -- An Opportunity to Defer Cancellation of Indebtedness Income

One of the most significant hurdles in structuring a suitable debt workout or restructuring arrangement between a lender and a borrower involves the negative impact of U.S. income taxes on the borrower. When a borrower reduces or cancels its outstanding indebtedness for less than the full amount due, the borrower is deemed to realize taxable income on the amount of the reduction under U.S. federal income tax laws. This cancellation of indebtedness ("COI") income is subject to many nuances and exceptions under U.S. federal income tax laws, the primary exception being that an insolvent debtor can avoid COI income to the extent it is insolvent. Similarly, a bankrupt borrower can also avoid recognizing COI income. A borrower may also avoid COI income recognition if the debt constitutes "qualified real property business indebtedness" (QRPBI).

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The Employee Free Choice Act of 2009

Employers should be aware of potential changes to the National Labor Relations Act currently being considered in Congress, since these changes shift power from the employer to the union during the unionization process and increase the penalties employers will face if the employer impedes the organization of a bargaining unit.

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How to Maintain a Strong Banking Relationship

In this tight credit market, maintaining an open dialogue with your bank is of the utmost importance. Whether your business has been flourishing or is struggling to stay afloat in the economic downturn, understanding your loan documents and keeping the bank apprised of the company's condition is key to protecting your corporate banking relationship.

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Spotlight on the Freeborn & Peters LLP Business Law Practice Group

We are pleased to announce that Todd R. Southwell and Michael F. Tomasek have joined the firm as Partners in the Business Law Group. These two talented lawyers will strengthen our firm with their technical expertise and thriving practices.

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Freeborn & Peters LLP, 311 South Wacker Drive, Suite 3000, Chicago, IL 60606 312-360-6000 POWER & finesse

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