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**UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK**

In re:

**Velo Holdings, Inc.,
(f/k/a Kentile Floors, Inc.),**

Debtors.

Chapter 11

Case No. 12-11384 (MG)

Hearing: 4/12/2014 @ 11:00 a.m.

**Amended Response of Illinois Department of Revenue to
Debtor's Seventh Omnibus Objection to Claims [Docket 956]
(Re: Claim 360)**

and

Notice if Withdrawal of Request for Payment of Administrative Tax Claim

**Amended Response of Illinois Department of Revenue to
Debtor's Seventh Omnibus Objection to Claims [Docket 956]
(Re: Claim 360)**

The Illinois Department of Revenue (“IDOR”), by its attorney, Lisa Madigan, Illinois Attorney General, hereby files this amended response to the Debtor’s objection to its claim number 360 to correct certain misstatements made in the original response filed under Docket 967 and, as its amended response, states as follows:

1. IDOR filed claim no. 360 in the amount of \$632,895.67 for Illinois corporate income/replacement taxes (IL-1120) owed by the Debtor for taxable year ending December 31, 2010. The claim listed taxable year 2011 as “unfiled.”

2. The objection states that “Debtors are not liable to claimant for any amount claimed and the claimant owes the Debtor a refund of \$286,490.00 (plus interest, if any).” See

Ex. 1 to Objection.

3. With respect to the 2010 tax liability, IDOR audited the return and determined that errors were made; namely that according to IDOR's records, the Debtor did not have Illinois net loss deductions available in the amount listed on the return. IDOR therefore issued to the Debtor a Return Correction Notice describing the problem and asking the Debtor to either provide documentation and other information or pay the deficiency. It simultaneously issued an Account Notice showing the amount due based on the filing error as determined by IDOR. Copies of the Return Correction Notice and Account Notice are attached as Exhibits A and B.

4. The Debtor has subsequently provided IDOR with the information which IDOR is in the process of reviewing. Based on that review, it appears that IDOR will agree to velo's use of substantial net loss deductions which will greatly reduce, if not eliminate the claim. That review, however, is not complete and there may be some liability determined when it is completed

5. With respect to the 2011 taxable year, the Debtor eventually filed its Illinois tax return (IL-1120). Because the Debtor made estimated deposits in an amount greater than the liability listed on the return, there is a credit balance of approximately \$286,490.

6. Under 35 ILCS 5/909(a), a taxpayer is entitled to a refund only to the extent that the credit amount exceeds the taxpayer's liability to IDOR. Once the review of the 2010 taxes is finalized, IDOR would have the right to net any final liability against the refund.

Wherefore, IDOR requests that the objection be continued until such time as IDOR's review of the documents submitted by the Debtor is complete and a final determination can be made as to whether there is liability for 2010 and, if so, in what amount.

Notice of Withdrawal of Request for Payment of Administrative Tax Claim

In its original pleading, IDOR also asked for the allowance of an administrative income tax claim for 2012. It appears that there are likewise pending issues with respect to finalizing liability, if any, for 2012 so IDOR therefore withdraws its request for allowance of an administrative expense as premature.

ILLINOIS DEPARTMENT OF REVENUE

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Certificate of Service

The undersigned, an attorney, certifies that the following parties registered to receive notice through the Court's ECF system received electronic notice of this response on May 9, 2014:

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