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Date:

May 12, 2025

Legend

Taxpayer =

Business =

Certain Expenses =

Recapitalization Business Purpose =

State A =

State A Law =

a =

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Dear :

This letter responds to a letter from your authorized representatives dated November 4, 2024, submitted on behalf of Taxpayer, its affiliates, and its shareholders, requesting rulings on certain federal tax consequences of the Proposed Transaction (as defined below). The material information submitted in that letter and 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 material 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.

Summary of Facts

Taxpayer, a privately held State A corporation, is the common parent of an affiliated group of corporations that join in the filing of a consolidated return for U.S. federal income tax purpose (the "Taxpayer Group"). The Taxpayer Group is engaged in the Business.

Taxpayer currently has three classes of stock issued and outstanding: a shares of voting common stock having no par value (the "Existing Common Stock"); b shares of voting Class A preferred stock having no par value (the "Class A Preferred Stock"); and c shares of voting Class B preferred stock having no par value (the "Class B Preferred Stock"). Taxpayer does not have any outstanding warrants, options, convertible securities, or any other type of right under which any person could acquire any stock in Taxpayer.

The Class A Preferred Stock is entitled to an annual dividend equal to \$d per share and a liquidation preference equal to \$e per share. The Class B Preferred Stock is entitled to a quarterly dividend equal to \$f per share and a liquidation preference equal to \$g per share, with each preference payable only after all required distributions on the Class A Preferred Stock have been paid. The Class A Preferred Stock and Class B Preferred Stock have no rights to participate in dividends paid with respect to any other class of stock or in liquidating distributions in excess of their respective liquidation preferences. The Class A Preferred Stock and Class B Preferred Stock are not convertible into any other class of stock and are not redeemable pursuant to their terms.

The Existing Common Stock does not have any dividend preference, liquidation preference, or conversion or redemption rights. Dividends on the Existing Common Stock are generally payable at the discretion of Taxpayer's Board of Directors and subject to approval by holders of Taxpayer's voting stock. Dividends on the Existing Common Stock may be declared and paid only after satisfaction of the dividend preferences on the Class A Preferred Stock and Class B Preferred Stock. In the event Taxpayer were to liquidate, after satisfaction of Taxpayer's outstanding liabilities and liquidation preferences of the Class A Preferred Stock and Class B Preferred Stock, the remaining assets of Taxpayer would be distributed to the holders of Existing Common Stock.

The Proposed Transaction

Taxpayer proposes to effect a recapitalization of the Existing Common Stock through a distribution of a new class of stock to the holders of Existing Common Stock (the "Proposed Transaction"). Taxpayer is undertaking the Proposed Transaction to accomplish the Recapitalization Business Purpose.

In connection with the Proposed Transaction, Taxpayer's certificate of incorporation will be amended to authorize a new class of stock denominated as Class C Preferred stock and having no par value (the "Class C Preferred Stock"). The Class C Preferred Stock will rank junior to the Class A Preferred Stock and Class B Preferred Stock in all respects. The Class C Preferred Stock will be entitled to an annual dividend equal to \$h per share and a liquidation preference equal to \$i per share, with each preference payable only after all required distributions on the Class A Preferred Stock and Class B Preferred Stock have been paid. Thereafter, the Class C Preferred Stock will share ratably in the payment of dividends and liquidation distributions with the Existing Common Stock. The Class C Preferred Stock will not be convertible into any other class of stock and will not be redeemable pursuant to its terms.

Following the amendment of its certificate of incorporation, Taxpayer will distribute to holders of Existing Common Stock one newly issued share (or fraction thereof) of Class C Preferred Stock with respect to each outstanding share (or fraction thereof) of Existing Common Stock. Each such share (or fraction thereof) of Class C Preferred Stock will, by its terms, be stapled with the share (or fraction thereof) of Existing Common Stock with respect to which it is distributed, such that each share (or fraction thereof) of Class C Preferred Stock may not be transferred without the simultaneous transfer of the corresponding share (or fraction thereof) of Existing Common Stock to which such share of Class C Preferred Stock is stapled, and vice versa, under any circumstances. These stapling restrictions will be set forth in the Certificate of Designation for the Class C Preferred Stock and in Taxpayer's amended and restated Shareholders Agreement.

For Federal income tax purposes, Taxpayer and the holders of Existing Common Stock will treat each share (or fraction thereof) of Class C Preferred Stock, together with the share (or fraction thereof) of Existing Common Stock with respect to which it is distributed, as a single, unitary share (or fraction thereof) of a new class of stock reflecting the aggregated rights of the Class C Preferred Stock and Existing Common Stock (such class of stock, the "New Common Stock"). Due to State A Law restrictions, Taxpayer could not achieve the Recapitalization Business Purpose by undertaking an actual exchange of the Existing Common Stock for a new class of common stock.

Representations

The following representations have been made with respect to the Proposed Transaction:

1. All other transactions undertaken contemporaneously with, in anticipation of, in conjunction with, or in any way related to the Proposed Transaction have been fully disclosed.
2. Taxpayer will be solvent, for Federal income tax purposes, immediately before and immediately after the Proposed Transaction.
3. Taxpayer is not an organization exempt from Federal income tax within the meaning of section 501 of the Internal Revenue Code of 1986, as amended (the "Code").
4. Taxpayer is not a "personal service corporation" within the meaning of section 269A of the Code.
5. Taxpayer will not be a U.S. real property holding corporation (as defined in section 897(c)(2) of the Code) at any time during the five-year period preceding the Proposed Transaction, and will not be a U.S. real property holding corporation immediately after the Proposed Transaction.
6. Taxpayer will not have outstanding at the time of the Proposed Transaction, and will not have any plan or intention to issue, any fast-pay stock as defined in Treas. Reg. § 1.7701(1)-3.
7. Taxpayer will not have outstanding at the time of the Proposed Transaction, and will not have any plan or intention to issue, any shares of nonqualified preferred stock as defined in section 351(g)(2) of the Code.
8. The Proposed Transaction will be undertaken pursuant to a plan of reorganization, as described in Treas. Reg. §§ 1.368-1(c) and 1.368-2(g), that was adopted by the Taxpayer as necessary, before the Proposed Transaction.
9. The Proposed Transaction is being undertaken pursuant to a single, integrated, and prearranged plan to effect a reorganization under section 368(a)(1)(E) of the Code.
10. The Proposed Transaction will be a single, isolated transaction, and will not be part of a plan to periodically increase the proportionate interest of any shareholder in the assets or earnings and profits of Taxpayer.
11. The fair market value of the New Common Stock deemed received by holders of Existing Common Stock in the Proposed Transaction (as determined immediately following the Proposed Transaction) will be approximately equal to the fair market value of the Existing Common Stock deemed surrendered in exchange therefor (as determined immediately prior to the Proposed Transaction).

12. The Existing Common Stock will not have dividends in arrears at the time of the Proposed Transaction.
13. None of the Existing Common Stock is section 306 stock (within the meaning of section 306(c) of the Code).
14. There is no plan, intention, or formal understanding of Taxpayer (or to which Taxpayer is a party) to alter the voting rights or power of the new rights established by the Proposed Transaction.
15. Taxpayer does not have any plan or intention to acquire any of its stock issued to its shareholders in the Proposed Transaction.
16. Taxpayer, on the one hand, and the shareholders receiving stock in the Proposed Transaction, on the other hand, will each pay their own expenses (other than the Certain Expenses), if any, incurred in connection with the Proposed Transaction.
17. The Proposed Transaction is motivated, in whole or substantial part, by the Recapitalization Business Purpose.
18. Taxpayer is not under the jurisdiction of a court in a title 11 or similar case (within the meaning of section 368(a)(3)(A)).
19. None of the shares of Class C Preferred Stock being issued in the Proposed Transaction are being issued to any shareholder-employee.

Rulings

Based solely on the information submitted and the representations set forth above, we rule as follows regarding the Proposed Transaction:

1. For Federal income tax purposes, the issuance of the Class C Preferred Stock will be ignored, and the Proposed Transaction will instead be treated as an exchange of the outstanding Existing Common Stock for a single class of newly issued New Common Stock. *See and compare* Rev. Rul. 88-31, 1988-1 C.B.302 (1988) (treating a share of common stock and a contingent payment right that are issued as a unit but separately transferable as two separate instruments).
2. The Proposed Transaction will qualify as a reorganization described in section 368(a)(1)(E) and as an exchange described in section 1036.

3. No gain or loss will be recognized by Taxpayer upon the issuance of the New Common Stock in the Proposed Transaction. Section 1032.
4. No gain or loss will be recognized by the holders of Existing Common Stock upon the deemed receipt of New Common Stock in exchange for Existing Common Stock in the Proposed Transaction. Sections 354(a) and 1036(a).
5. Each holder's basis in the New Common Stock received in the Proposed Transaction will equal such holder's basis in the Existing Common Stock surrendered in exchange therefor. Sections 358(a)(1) and 1031(d).
6. Each holder's holding period in the New Common Stock received in the Proposed Transaction will include such holder's holding period in the Existing Common Stock exchange therefor, provided that such Existing Common Stock is owned as a capital asset on the date of the Proposed Transaction. Section 1223(1).
7. The New Common Stock will not be "section 306 stock" within the meaning of section 306. Section 306(c) and Treas. Reg. §1.306-1(a).

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. Additionally, no opinion is expressed or implied as to the tax treatment of the payment by Taxpayer of the Certain Expenses.

Procedural Statements

This ruling is directed only to the taxpayer who requested it. Section 6110(k)(3) of the Code provides that it 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 in this matter, a copy of this letter is being sent to your authorized representatives.

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Sincerely,

Justin O. Kellar
Chief, Branch 4
Office of Associate Chief Counsel (Corporate)

cc: