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Department of the Treasury

Washington, DC 20224

Third Party Communication: None

Date of Communication: Not Applicable

Person To Contact:

, ID No.

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Refer Reply To:

CC:CORP:4

PLR-111416-25

Date:

December 16, 2025

Legend

Acquiring =

Target =

State A =

State B =

State C =

A =

B =

C =

Date 1 =

Date 2 =

Date 3 =

PLR-111416-25 2

Class A Stock =

Class B Stock =

Cash Boot =

Cash Distribution Amount =

Company A =

Stock Repurchase Program =

a =

b =

c =

d =

e =

f =
g =
h =
i =
j =
k =

Dear :

This letter responds to your letter dated May 16, 2025, as supplemented by subsequent information and documentation, submitted on behalf of Target and its subsidiary, Acquiring, requesting rulings under section 368(a)(1)(A) and related provisions of the Internal Revenue Code of 1986, as amended (the “Code”), and related regulations with respect to the proposed merger of Target with and into Acquiring, with Acquiring surviving and Target ceasing to exist (the “Merger”). The material information provided in that request 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.

This letter is issued pursuant to Rev. Proc. 2025-1, 2025-1 I.R.B. 1 and Rev. Proc. 2025-3, 2025-1 I.R.B. 142. This Office expresses no opinion as to any issue not specifically addressed by the rulings below.

Summary of Facts

Target, a State A corporation, made an S election effective Date 1. Target has two classes of stock outstanding—voting common stock and non-voting common stock. Persons A, B, and C (the “Primary Shareholders”) collectively own approximately a% of the voting stock of Target. The Primary Shareholders are also officers and directors of Target. The outstanding non-voting common stock is held by approximately b shareholders.

On Date 2, Acquiring was a State B corporation. It has two classes of common stock outstanding—Class A Stock and Class B Stock. Shares of Class A Stock and Class B Stock generally have identical voting and economic rights, except that the holders of the Class A Stock elect c of the members of the Acquiring board of directors, and the holders of the Class B Stock elect d of the members of the Acquiring board of directors.

As of Date 2, Target's assets included approximately \$e cash, shares of Company A stock worth approximately \$f, and common stock in Acquiring worth approximately \$g, the latter of which constitutes Target's primary asset. Target owns h% of the outstanding shares of Class A Stock and i% of the outstanding shares of Class B Stock. In total, Target owns approximately j% of the value and k% of the voting power (as measured by ability to elect Acquiring's board of directors) of the outstanding Acquiring stock. As of Date 2, Target had no liabilities, and its gross income, which is from Acquiring dividends, is routinely distributed pro rata to its shareholders.

In addition, the Primary Shareholders are also officers and directors of Acquiring.

Proposed Transaction

To accomplish a number of business objectives that can be achieved by eliminating Target, such as simplified organizational governance, reduced operational and compliance costs and other administrative burdens, Target proposes to merge downstream into Acquiring, pursuant to the applicable state merger statute (i.e., the Merger).

On Date 3, and prior to the Merger, Acquiring reincorporated from State B to State C through legal filings in both State B and State C. Such reincorporation (the "Reincorporation") is intended to qualify as a reorganization under section 368(a)(1)(F).

Prior to the Merger, Target will distribute the Cash Distribution Amount to its shareholders pursuant to its regular and ordinary distribution procedures (the "Pre-Merger Distribution").

Following the Pre-Merger Distribution, and pursuant to the applicable merger statutes and an agreement of merger between Target and Acquiring (the "Plan of Merger"), Target will merge with and into Acquiring, with Acquiring surviving and Target ceasing to exist. At the effective time of the Merger, all of the assets of Target (subject to any liabilities) will be transferred to and assumed by Acquiring by operation of law. Target will cease to exist and each Target shareholder will receive its pro rata share of newly issued shares of Acquiring Class A Stock and Class B Stock (together, the "New Acquiring Stock") in the same number as the number of such shares held by Target, less any fractional shares to which the Target shareholders would be entitled to receive and for which cash will be received instead (separate from the Cash Boot described below).

In the Merger, Acquiring will, in addition to issuing the New Acquiring Stock, pay the Cash Boot. The Cash Boot will be distributed pro rata to shareholders of Target as Merger consideration in cancellation of Target stock.

Representations

With respect to the Proposed Transaction, Target makes the following representations:

1. The Reincorporation is a reorganization described in section 368(a)(1)(F).
2. The Pre-Merger Distribution will occur at the same time and in the same amount irrespective of whether the Merger occurs.
3. The Merger will be effected pursuant to applicable state laws and will qualify as a statutory merger under applicable state laws.
4. All other transactions undertaken contemporaneously with, in anticipation of, in conjunction with, or in any way related to the Merger for which the letter ruling is requested have been fully disclosed.
5. All exchanges effectuating the Merger will be on a value-for-value basis under arm's length terms.
6. The fair market value of all property transferred in any exchange effectuating the Merger will exceed all liabilities (if any) assumed under section 357(d) at the time of such exchange.
7. Each party to the Merger will be solvent, for Federal income tax purposes, immediately before and immediately after the Merger.
8. No party to the Merger is an organization exempt from Federal income tax within the meaning of section 501.
9. No party to the Merger will be a "personal service corporation" within the meaning of section 269A.
10. None of the Merger or any other transaction described herein will be undertaken contemporaneously with, in anticipation of, in conjunction with, or in any way related to a transaction designated as a "listed transaction" for purposes of §§1.6011-4T(b)(2) and 301.6111-2T.
11. Target and Acquiring will adopt the Plan of Merger, and the Merger will be effected pursuant to the statute or statutes necessary to effect the Merger or consolidation under section 368(a)(1)(A) and §1.368-2(b)(1).

12. The Merger will be undertaken pursuant to a plan of reorganization, as described in §§1.368-1(c) and 1.368-2(g), that was adopted by the taxpayer and each of its affiliates as necessary, before the Merger.
13. The aggregate fair market value of Acquiring stock provided to Target shareholders will be at least 40 percent of the fair market value, as of the relevant testing date, of the total consideration received by such Target shareholders in exchange for their Target stock in connection with the Merger (even if such total consideration included the Pre-Merger Distribution). For purposes of this representation, cash or other property furnished by Acquiring (or any related person, as defined in §1.368-1(e)(4)) for redemptions of Target stock (including Target stock surrendered by dissenters or exchanged for cash in lieu of fractional shares), is treated as nonstock consideration received by such Target shareholders, and is taken into account in determining the total consideration received by such Target shareholders in exchange for their Target stock.
14. There is no plan or intention by Acquiring (or any related person, as defined in §1.368-1(e)(4)) to acquire any of the Acquiring stock received by Target shareholders in exchange for their Target stock in connection with the Merger that will reduce the former Target shareholders' ownership of Acquiring stock to a number of shares having a value of less than 40 percent of the fair market value, as of the relevant testing date, of the total consideration received by such Target shareholders in exchange for their Target stock in connection with the Merger, except for acquisitions of Acquiring stock in the open market pursuant to its previously adopted Stock Repurchase Program meeting the requirements of Rev. Rul. 99-58, 1999-2 C.B. 701. For purposes of this representation, cash or other property furnished by Acquiring (or any related person, as defined in §1.368-1(e)(4)) for redemptions of Target stock (including Target stock surrendered by dissenters or exchanged for cash in lieu of fractional shares) is treated as nonstock consideration received by such Target shareholders, and is taken into account in determining the total consideration received by such Target shareholders in exchange for their stock.
15. Except for stock acquired in the Merger, neither Acquiring nor any related person of Acquiring, as defined in §1.368-1(e)(4), has acquired or will acquire any stock of Target in connection with the Merger.
16. After the effective time of the Merger, Acquiring will continue its historic business.
17. Acquiring has no plan or intention to sell or otherwise dispose of any of the assets of Target acquired in the Merger, except for dispositions made in the ordinary course of business or transfers allowed under section 368(a)(2)(C) or §1.368-2(k).

18. The liabilities of Target that will be assumed by Acquiring (if any), within the meaning of section 357(d), were incurred by Target in the ordinary course of its business and are associated with the assets transferred.
19. Acquiring, Target, and the Target shareholders will pay their respective expenses, if any, incurred in connection with the Merger.
20. There is no intercorporate indebtedness existing between Target and Acquiring that was issued, acquired, or will be settled at a discount.
21. Target has not made, and prior to or in connection with the Merger will not make, any distributions with respect to its stock other than any regular, normal distributions, and neither Target nor any related person of Target, as defined in §1.368-1(e)(4) (determined without regard to §1.368-1(e)(4)(i)(A)), will acquire any stock of Target, in each case, in connection with the Merger.
22. The aggregate fair market value of the assets of Target that will be held by Acquiring immediately after the Merger will equal or exceed Acquiring's aggregate basis in such assets at that time.
23. The Merger is motivated, in whole or substantial part, by one or more bona fide non-Federal income tax purposes as described in this request for ruling.
24. No party to the Merger is under the jurisdiction of a court in a title 11 or similar case within the meaning of section 368(a)(3)(A).
25. Immediately before the Merger, no party to the Merger is an investment company within the meaning of section 368(a)(2)(F).
26. None of the stock to be transferred is section 306 stock (within the meaning of section 306(c)).
27. The payment of cash in lieu of fractional shares of New Acquiring Stock is solely for the purpose of avoiding the expense and inconvenience of issuing fractional shares and does not represent separately bargained-for consideration. The total cash consideration that will be received in connection with the Merger in lieu of fractional shares of New Acquiring Stock will not exceed one percent of the total consideration that will be received by the Target shareholders in exchange for their shares of Target stock. The fractional share interests of each Target shareholder will be aggregated, and no Target Shareholder will receive cash in an amount equal to or greater than the value of one full share of Acquiring stock, with the possible exception of Target shareholders whose holdings are in multiple accounts or with multiple brokers.

28. At the time of the Merger, none of the Primary Shareholders will have any plan or intention to utilize the Stock Repurchase Program to have Acquiring redeem the shares of Acquiring Class A Stock issued to them in the Merger (or received in exchange for Acquiring Class B Stock issued to them in the Merger).
29. None of the compensation to be received by any shareholder-employees of Target will be separate consideration for, or allocable to, any of their shares of Target stock; none of the shares of Acquiring stock received by any shareholder-employees will be separate consideration for, or allocable to, any employment agreement; and the compensation paid to any shareholder-employees will be for services actually rendered and will be commensurate with amounts paid to third parties bargaining at arm's-length for similar services.

Rulings

Based solely on the information submitted and the representations made, we rule as follows with respect to the Proposed Transaction:

1. The Merger will constitute a reorganization within the meaning of section 368(a)(1)(A). Target and Acquiring will each be a “party to a reorganization” within the meaning of section 368(b). In the Merger, Target will be treated for federal income tax purposes as having transferred all of its assets, subject to liabilities (if any), including the Acquiring stock held by it, to Acquiring in exchange for the New Acquiring Stock and the Cash Boot (together, the “Merger Consideration”). Thereafter, Target will be treated as distributing the New Acquiring Stock and the Cash Boot received in the Merger to its shareholders in exchange for their Target shares.
2. With respect to each Target shareholder, no gain or loss will be recognized on the exchange of its shares of Target stock for shares of New Acquiring Stock, but gain will be recognized to the extent of any Cash Boot received. Section 356(a)(1). For the treatment of gain, see also sections 356(a)(2) and 1368, as applicable. No loss will be recognized by a Target shareholder pursuant to section 356(c).
3. The basis of the New Acquiring Stock in the hands of the Target shareholders immediately after the exchange will be the same as the aggregate basis of the Target shares in the hands of the shareholders immediately prior to the exchange (section 358(a)(1)), decreased by the amount of Cash Boot received by such Target shareholders, and increased by the amount treated as a dividend and the amount of gain (if any) recognized on such exchange (but not including any portion of such gain which is treated as a dividend).
4. Each Target shareholder’s holding period in the shares of New Acquiring Stock received (including any fractional share interest in New Acquiring Stock to which

a shareholder may be entitled) will include such shareholder's holding period in Target stock surrendered in exchange therefor, provided such Target stock was held as a capital asset by such Target shareholder on the date of the Merger. Section 1223(1).

5. A Target shareholder who receives cash in lieu of receiving a fractional share of New Acquiring Stock will be viewed as (i) receiving the fractional share, and then (ii) transferring the fractional share back to Acquiring in exchange for cash. The cash payment will be treated as having been received as a distribution in redemption of the fractional share, subject to the provisions and limitations of section 302. Rev. Rul. 66-365, 1966-2 C.B. 116. Gain or loss will be recognized by a Target shareholder on the difference between the Target shareholder's basis in such fractional share and the amount of cash received. Section 1001. If the fractional share qualifies as a capital asset in the hands of the shareholder, such gain or loss will be capital gain or loss subject to the provisions and limitations of sections 1221 and 1222.
6. Target will recognize no gain or loss upon the transfer of its assets to Acquiring (including the Acquiring stock held by Target immediately before the Merger) solely in exchange for the Merger Consideration and the assumption of Target liabilities, if any, by Acquiring. Sections 361 and 357(a).
7. Acquiring will recognize no gain or loss upon its receipt of Target's assets in exchange for the Merger Consideration. Section 1032(a).
8. Acquiring's basis in each asset received from Target will be the same as the basis of such property in the hands of Target immediately prior to the Merger. Section 362(b).
9. Acquiring's holding period in each asset received in the Merger will include the period during which Target held such asset. Section 1223(2).
10. Pursuant to section 381(a) and §§ 1.381(a)-1, Acquiring will succeed to and take into account the items of Target described in section 381(c) as of the close of the day of the Merger. The items will be taken into account by Acquiring subject to the conditions and limitations specified in sections 381, 382, 383, and 384 and the regulations thereunder, as applicable.

Caveats

No opinion is expressed about the federal income tax treatment of the Proposed Transaction under other provisions of the Code or regulations, or the federal income tax treatment of any conditions existing at the time of, or effects resulting from, the Proposed Transaction that are not specifically covered by the above rulings.

Procedural Statements

This letter is directed only to the taxpayer who requested it. Section 6110(k)(3) provides that this letter 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 this ruling letter.

Pursuant to the power of attorney on file in this matter, a copy of this letter is being sent to your authorized representatives.

Sincerely,

Petya V. Kirilova
Assistant to the Branch Chief, Branch 4
Office of Chief Counsel (Corporate)

cc: