Internal Revenue Service

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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.

Telephone Number:

Refer Reply To:
CC:CORP:BO2
PLR-119317-25

Date:
May 20, 2026

Legend

New Parent	=
Old Parent	=
Subsidiary	=
State X	=
State Y	=
State Y Department	=
Agency	=
Business <u>A</u>	=
LLC	=
Date 1	=
Date 2	=
Date 3	=

Date 4	=	
Date 5	=	
Date 6	=	
$B	=	
$C	=	
$D	=	
$E	=	
$F	=	
G%	=	
H	=	
I%	=	
Year J	=	
Year K	=	
$L	=	
Purpose M	=	
N	=	
O%	=	

Dear :

This letter responds to your authorized representatives' letter dated September 29, 2025, as supplemented by subsequent letters and documentation, requesting rulings under section 382(l)(5) of the Internal Revenue Code (the "Code") and Treas. Reg. § 1.269-3(d). The material information submitted in that request and subsequent correspondence is summarized below.

This letter is issued pursuant to Rev. Proc. 2026-1, 2026-1 I.R.B. 1, regarding issues under section 382 of the Code and Treas. Reg § 1.269-3(d). This office expresses no opinion as to any issue not specifically addressed by the rulings 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

Old Parent, a publicly traded State X corporation, was a holding company and the common parent of an affiliated group of corporations that filed a consolidated U.S. federal income tax return (the "Old Parent Consolidated Group"). Old Parent had common stock and several classes of preferred stock outstanding. Subsidiary was a State Y corporation, all the stock of which was owned by Old Parent. Subsidiary operated in a regulated industry and was regulated by State Y.

On Date 1, State Y Department placed Subsidiary in receivership, appointing Agency as receiver. On Date 2, Old Parent commenced a voluntary case (the "Filing") under chapter 11 of title 11 of the United States Code in the United States bankruptcy court (the "Bankruptcy Court").

Old Parent had outstanding unsecured senior notes, a portion of which had been issued during the period which began 18 months prior to Date 2 (collectively, the "Less Than 18 Months Indebtedness"). Taxpayer has currently been able to establish that $<u>L</u> (the "Traced Portion") of the proceeds from the Less Than 18 Months Indebtedness can be traced to contributions from Old Parent to Subsidiary for Purpose <u>M</u>.

The Emergence Transaction

Prior to Date 3, pursuant to the plan of reorganization previously confirmed by the Bankruptcy Court (the "Plan"), Old Parent abandoned the stock of Subsidiary and claimed a corresponding worthless stock deduction on its U.S. federal income tax return as part of the New Parent Consolidated Group (defined below). On Date 3 (the "Emergence Date"), pursuant to the Plan, Old Parent emerged from chapter 11 bankruptcy (the "Emergence Transaction"). Pursuant to the Plan, holders of unsecured senior notes received in exchange for their claims (a) units of a liquidating trust established for the benefit of Old Parent's creditors and other claimants, (b) cash, and (c) for any qualified holder (as defined in the Plan), shares of newly issued common stock of Old Parent or, if not a qualified holder, additional cash equal in amount to the value of the common stock. Other creditors received a mixture of cash, newly issued common stock of Old Parent and units in the liquidating trust. Each holder of Old Parent preferred stock received units of the liquidating trust. All the Old Parent common stock outstanding immediately prior to the Emergence Date was canceled for no consideration. As a result of the Plan, at emergence, a large and diversified group of Old Parent's creditors received 100% of the outstanding reorganized Old Parent's stock. No single creditor of Old Parent received more than I% of the stock of reorganized Old Parent in the Emergence Transaction.

On Date 4, New Parent acquired 100% of the stock of Old Parent in a pro rata exchange for all the stock of New Parent in a transaction characterized as a reverse acquisition under Treas. Reg. § 1.1502-75(d)(3) (the "Reverse Acquisition"), with New Parent becoming the new common parent of the continuing Old Parent Consolidated Group (prospectively, the "New Parent Consolidated Group").

In connection with the Emergence Transaction, New Parent implemented stock trading restrictions to prevent a further ownership change for Old Parent within the meaning of section 382(g)(1) and under the parent change method of Treas. Reg. § 1.1502-92(b) (an "Ownership Change").

Business A

N years prior to the Emergence Transaction, in a period of growth for the Old Parent Consolidated Group, Old Parent acquired Business A for amount $B. During the bankruptcy case and after the Emergence Transaction, Old Parent continued its operations of Business A (through LLC, an entity disregarded as separate from Old Parent for U.S. federal income tax purposes). On Business A's Date 5 pro-forma trial balance, it had $F of assets (excluding cash). As of Date 6, Business A had H employees. For Year J, Business A reported $C of revenue and payroll costs of $D. In Year K, Business A is projecting $E of revenue (all attributable to Business A's third-party clients) and payroll costs of G% of revenue.

Representations

New Parent makes the following representations with respect to the rulings requested:

1) New Parent is the common parent of an affiliated group of corporations, which includes Old Parent, that files a consolidated U.S. federal income tax return, and this affiliated group is a "loss group" within the meaning of Treas. Reg. § 1.1502-91(c)(1).

2) Prior to and at the time of the Emergence Transaction, Old Parent was a loss corporation within the meaning of section 382(k)(1) and Treas. Reg. § 1.382-2(a)(1)(i) and the Old Parent Consolidated Group was a loss group within the meaning of Treas. Reg. § 1.1502-91(c)(1).

3) On the Emergence Date, Old Parent underwent an Ownership Change (the "Old Parent Ownership Change").

4) The Reverse Acquisition did not trigger a second Ownership Change with respect to Old Parent.

5) The Old Parent common stock issued as part of the Emergence Transaction was issued by order of the Bankruptcy Court or pursuant to the Plan which was approved by the Bankruptcy Court.

6) The Plan was confirmed by the Bankruptcy Court.

7) Immediately before the Old Parent Ownership Change, Old Parent was "under the jurisdiction of the court in a title 11 or similar case," as defined for purposes of section 382(l)(5) and section 368(a)(3)(A).

8) New Parent did not make an election under section 382(l)(5)(G) with respect to the Old Parent Ownership Change.

9) The issuance of the Less Than 18 Months Indebtedness was not effected for a principal purpose of being exchanged for Old Parent stock.

10) Old Parent does not have a plan or intention to dispose of Business A.

11) The Traced Portion of the proceeds from the Less Than 18 Months Indebtedness were contributed by Old Parent to Subsidiary for Purpose M, which was in accordance with normal, usual, and customary industry practices. The Traced Portion of the proceeds from the Less Than 18 Months Indebtedness was an amount consistent with Old Parent's and Subsidiary's business practice for achieving Purpose M.

12) Based on the actual knowledge of the management of Old Parent and New Parent in place on the date of this ruling and publicly available information (as provided in Treas. Reg. § 1.382-2T(k)(1)), the Traced Portion of the Less Than 18 Months Indebtedness was not incurred by Old Parent and contributed to Subsidiary in order to enable Subsidiary to acquire, for U.S. federal income tax purposes, either: (i) a O% or greater equity interest in another entity, or (ii) assets constituting a trade or business of another entity.

13) The New Parent Consolidated Group will reduce the New Parent Consolidated Group's pre-change losses and excess credits pursuant to section 382(l)(5)(B) and Treas. Reg. § 1.1502-28.

14) Within 120 days of the date on this private letter ruling, New Parent will file an amended return for the New Parent Consolidated Group for the taxable year in which the Old Parent Ownership Change occurred consistent with this letter ruling.

Rulings

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

1. In determining whether section 382(l)(5) applies to Old Parent's Ownership Change, the Old Parent Consolidated Group is treated on a consolidated basis as though the Old Parent Consolidated Group were a single entity under the jurisdiction of the court in a title 11 or similar case.

2. The Traced Portion of the Less Than 18 Months Indebtedness, the proceeds of which were contributed by Old Parent to Subsidiary for Purpose M, is treated as arising in the ordinary course of the trade or business of Old Parent (within the meaning of section 382(l)(5)(E)(ii) and Treas. Reg. § 1.382-9(d)(2)(iv)).

3. Old Parent's operation of Business A constitutes more than an insignificant active trade or business of Old Parent and the Old Parent Consolidated Group (and, as applicable, the New Parent Consolidated Group) during and subsequent to the title 11 or similar case (in accordance with section 382(l)(5)(F)) for purposes of Treas. Reg. § 1.269-3(d).

Caveats

Except as expressly provided herein, no opinion is expressed or implied concerning the tax treatment of the Emergence 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 Emergence Transaction that is not specifically covered by the above rulings. Additionally, no opinion is expressed or implied as to whether portions of the Less Than 18 Months Indebtedness, other than the Traced Portion, arose in the ordinary course of the trade or business of Old Parent under section 382(l)(5)(E)(ii) and Treas. Reg. § 1.382-9(d)(2)(iv).

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.

Consistent with its representations, New Parent must attach a copy of this letter ruling to any U.S. federal income tax return (including amended returns) to which this letter ruling 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 with this office, a copy of this letter is being sent to your authorized representatives.

Sincerely,

Jonathan M. Kushner
Senior Technician Reviewer, Branch 5
Office of Associate Chief Counsel (Corporate)

cc: