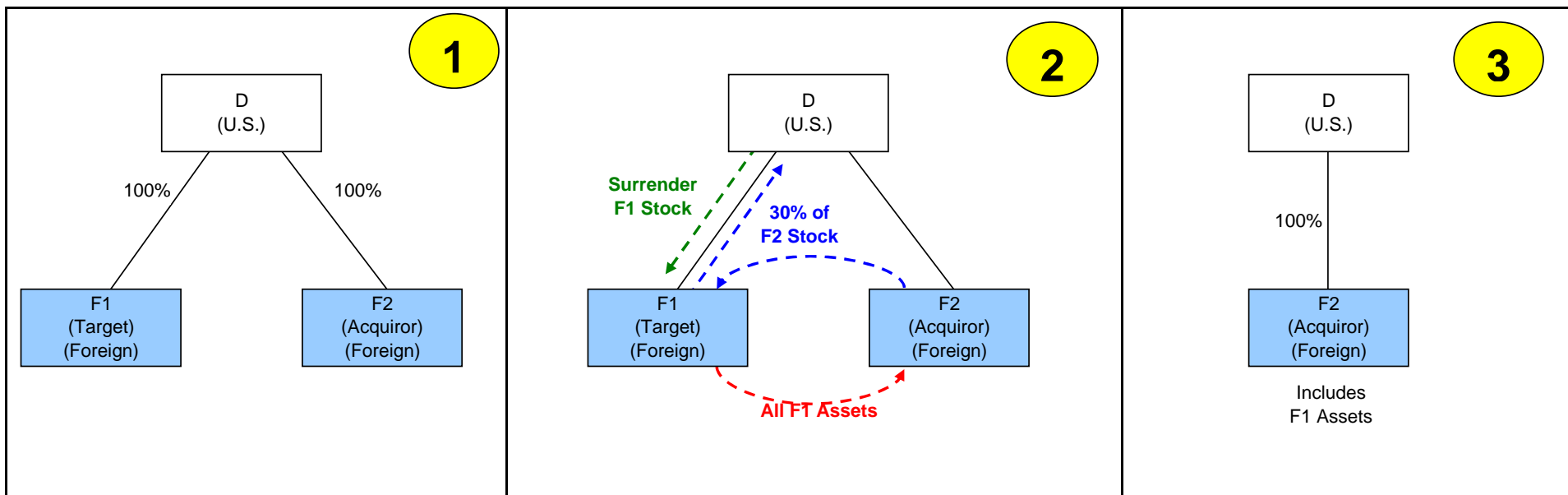


Initial Structure

Foreign to Foreign D Reorganization

Ending Point



D is a domestic corporation that owns all the stock of F1 and F2, both foreign corporations. In a reorganization described in section 368(a)(1)(D), F2 acquires all of the assets of F1, and D receives 30 percent of the stock of F2 in an exchange described in section 354.

The section 368(a)(1)(D) reorganization is not an indirect stock transfer. Moreover, the section 354 exchange by D of F1 stock for F2 stock is not an exchange described under section 367(a).