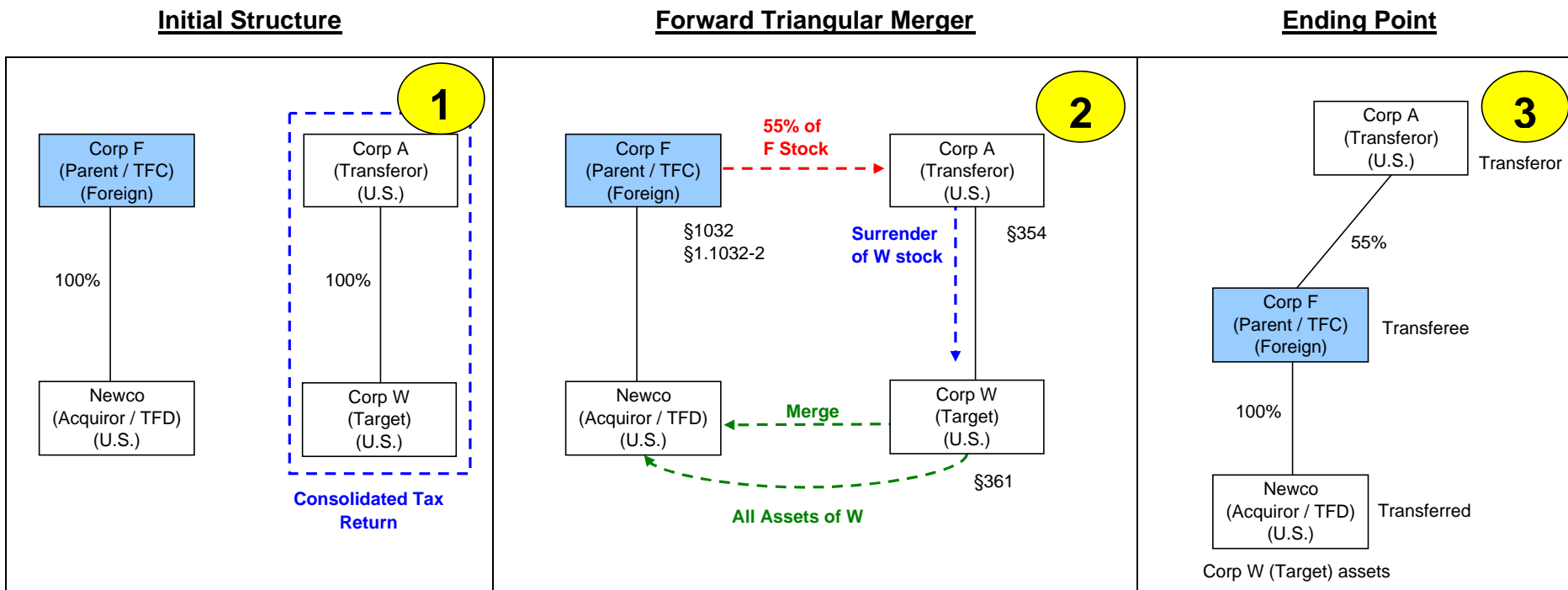


**Reg. 1.367(a)-3(d)(3), Example 3  
368(a)(1)(A) / (a)(2)(D)**

**Indirect Stock Transfer -  
Forward Triangular Merger (55%)**

Copyright © 2007 Andrew Mitchel LLC  
International Tax Services  
www.andrewmitchel.com



F, a foreign corporation, owns all the stock of Newco, a domestic corporation. A, a domestic corporation, owns all of the stock of W, also a domestic corporation. A and W file a consolidated Federal income tax return. A does not own any stock in F (applying the attribution rules of section 318, as modified by section 958(b)). In a reorganization described in sections 368(a)(1)(A) and (a)(2)(D) ("forward triangular merger"), Newco acquires all of the assets of W, and A receives 55% of the stock of F in an exchange described in section 354.

A is required to include in income in the year of the exchange the amount of gain realized on such exchange. Because A acquired more than 50% of the stock of F, this falls within the category of an "inversion" transaction.