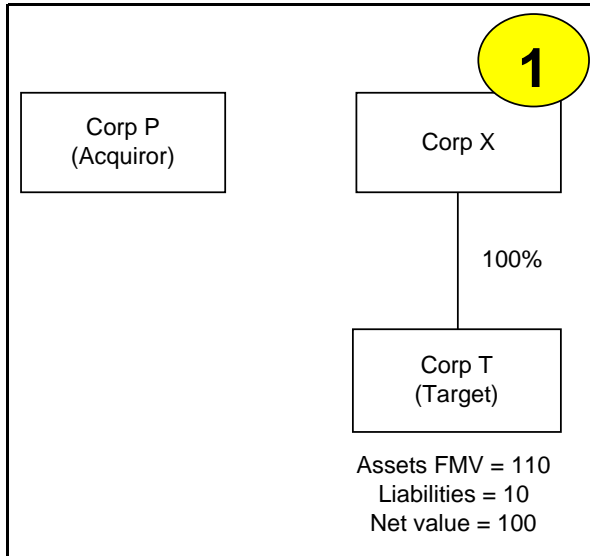


**Reg. 1.368-2(d)(4)(ii), Example 2**

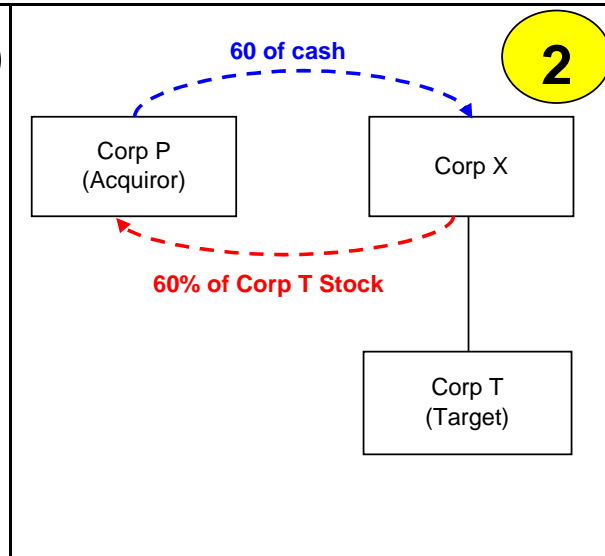
**Failed Upstream  
C Reorganization**

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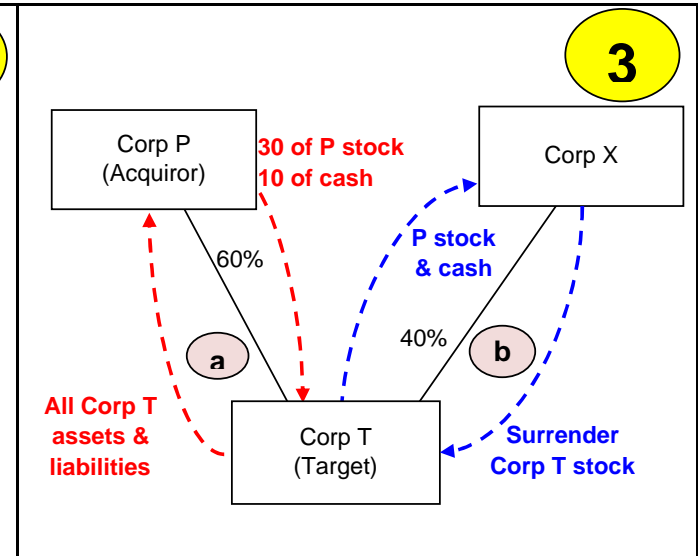
**Initial Structure**



**Share Acquisition**



**Purported C Reorganization**



T has 100 shares of stock outstanding. Corp P purchased 60% of Corp T stock. The other 40% of the T stock is owned by Corp X, an unrelated corporation. T has properties with a fair market value of \$110 and liabilities of \$10. In a related transaction, T transfers all of its properties to P. In exchange, P assumes the \$10 of liabilities, and transfers to T \$30 of P voting stock and \$10 of cash. T distributes the P voting stock and \$10 of cash to X and liquidates.

The transaction does not satisfy the solely for voting stock requirement of paragraph (d)(2)(ii) of this section because P is treated as having acquired all of the T assets for consideration consisting of \$70 of cash, \$10 of liability assumption and \$30 of P voting stock, and the sum of \$70 of cash and the assumption by P of \$10 of liabilities exceeds 20% of the value of the properties of T.

**Ending Point**

