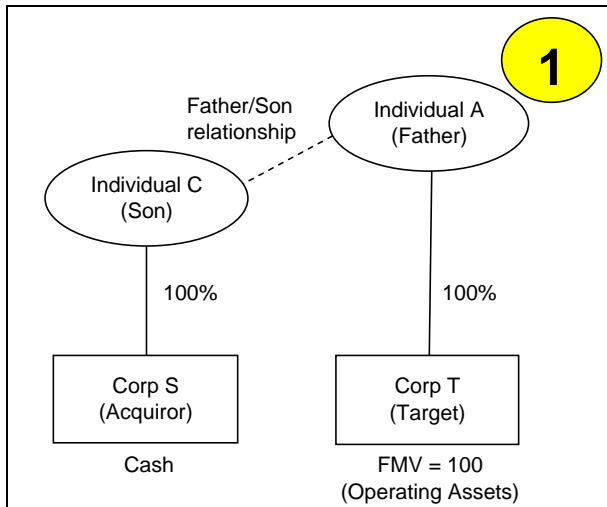
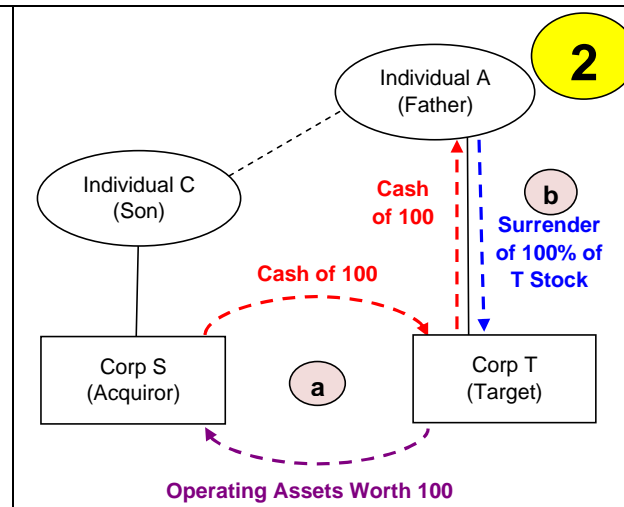


**Cash D Reorganization
(Related Shareholders)**

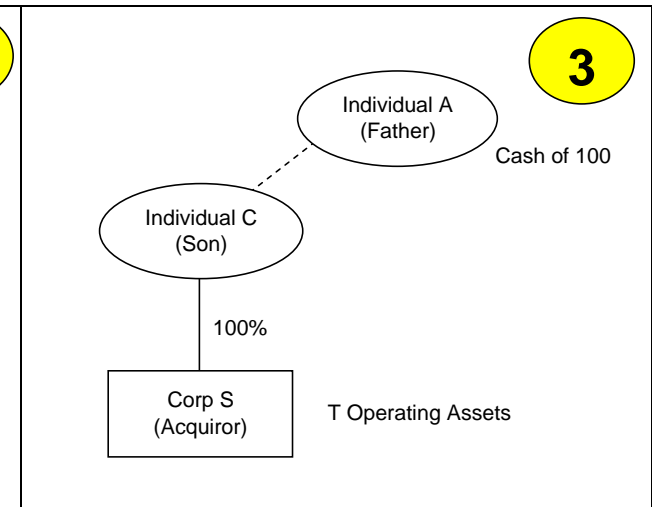
Initial Structure



Asset Sale & Target Liquidation



Ending Point



Individual A owns all the stock of T. Individual C, A's son, owns all of the stock of S. A and C are treated as one individual. Accordingly, there is complete shareholder identity and proportionality of ownership in T and S. The T stock has a fair market value of \$100x. T sells all of its assets to S in exchange for \$100x of cash and immediately liquidates. Because there is complete shareholder identity and proportionality of ownership in T and S, the requirements of sections 368(a)(1)(D) and 354(b)(1)(B) are treated as satisfied notwithstanding the fact that no S stock is issued. S will be deemed to issue a nominal share of S stock to T in addition to the \$100x of cash actually exchanged for the T assets, and T will be deemed to distribute all such consideration to A. A will be deemed to transfer the nominal share of S stock to C. The transaction qualifies as a reorganization described in section 368(a)(1)(D).

Deemed Nominal Share Transfer

