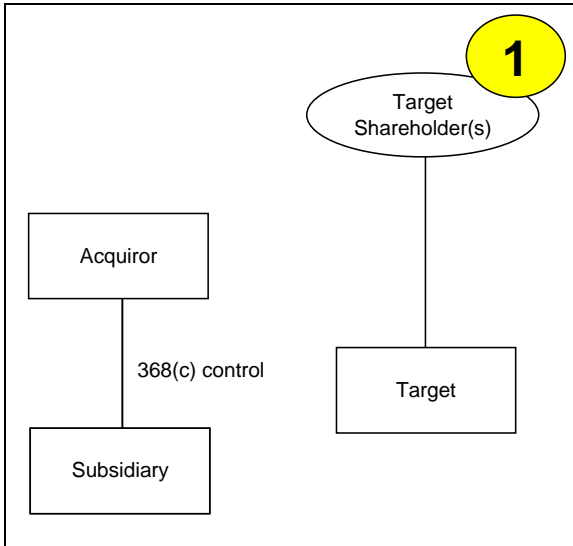
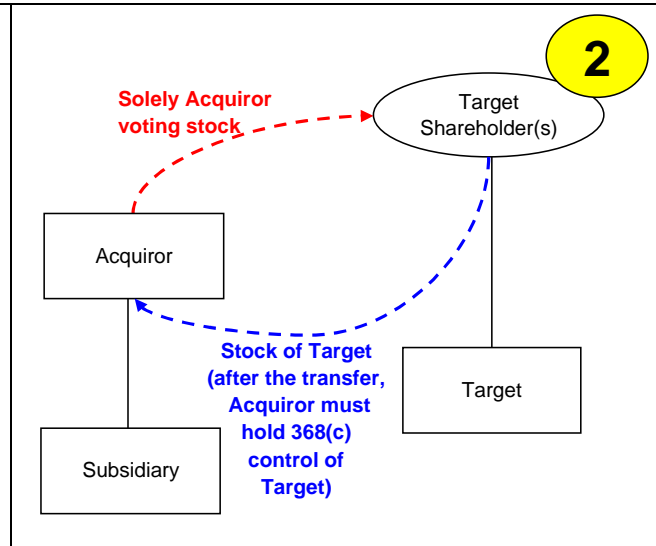


B Reorganization with a Drop

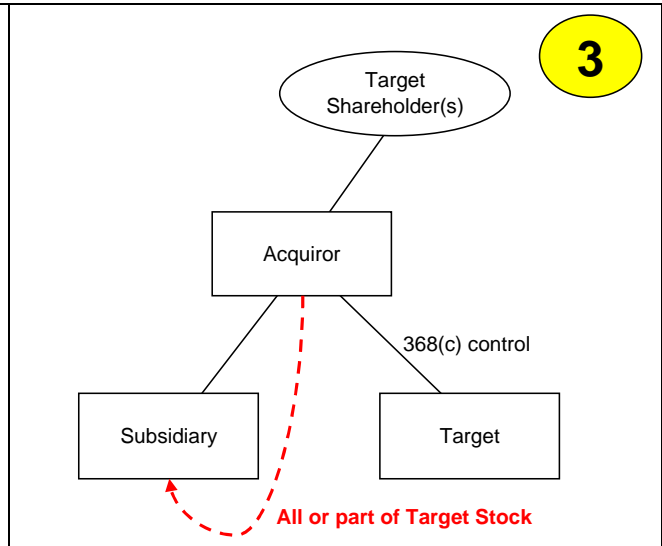
Initial Structure



Stock for Stock Exchange



Drop



Nonrecognition Operative Provisions:

Acquiror - section 1032,
Shareholders - section 354(a)(1)

Acquiror - section 351, or no 1001 amount realized
Subsidiary - section 351 or 118(a)

Acquiror shareholders omitted for simplicity purposes.

368(a)(1) . . . the term "reorganization" means . . . (B) the acquisition by one corporation, in exchange solely for all or a part of its voting stock . . . of stock of another corporation if, immediately after the acquisition, the acquiring corporation has control of such other corporation (whether or not such acquiring corporation had control immediately before the acquisition);

368(a)(2)(C) A transaction otherwise qualifying under paragraph . . . (1)(B) . . . shall not be disqualified by reason of the fact that part or all of the . . . stock . . . which were acquired in the transaction are transferred to a corporation controlled by the corporation acquiring such . . . stock. . . .

Ending Point

