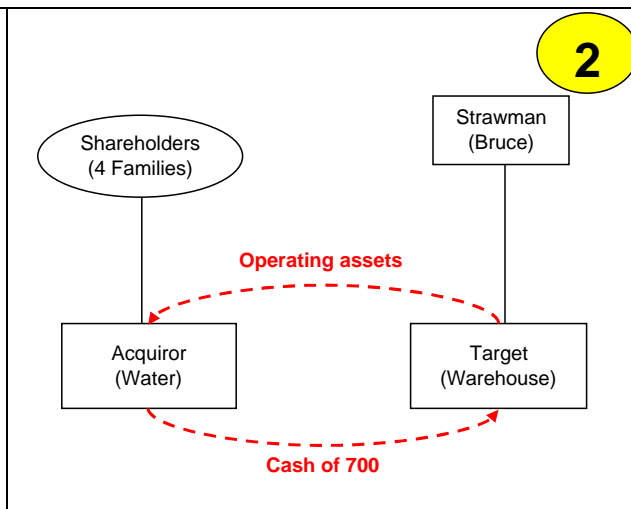
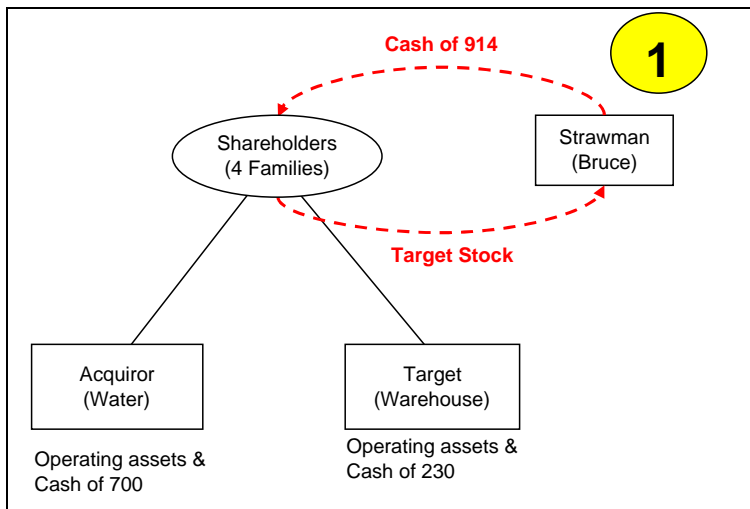


D Reorganization with Strawman

Transfer of Target Stock to Strawman

Transfer of Target Assets to Acquiror



All of these transactions occurred in approximately one hour

The 5th Circuit held that this was both a D reorg and an F reorg (prior to the 1982 amendment to section 368(a)(1)(F) saying "one corporation").

The Court also held that the 700 of cash that came from Acquiror to Shareholders (indirectly through Target and Strawman) was either a dividend separate and apart from the reorganization, or alternatively should be considered boot in the reorganization and characterized as a dividend under 356(a)(2).

To qualify as a D reorg, Target must transfer substantially all of its assets to Acquiror. However, the "substantially all" requirement is chiefly determined by focusing on the transfer of operating assets. Therefore, the transfer of substantial cash from Target to Shareholders (thru Strawman) did not violate the substantially all requirement.

Strawman Gets His Cash Back (plus a little)

Ending Point

