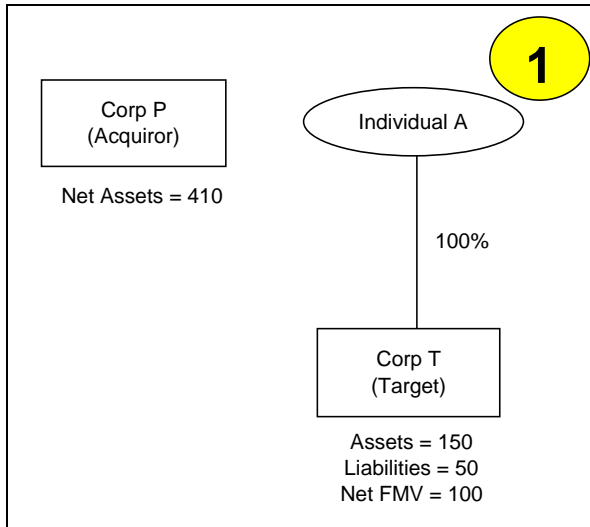
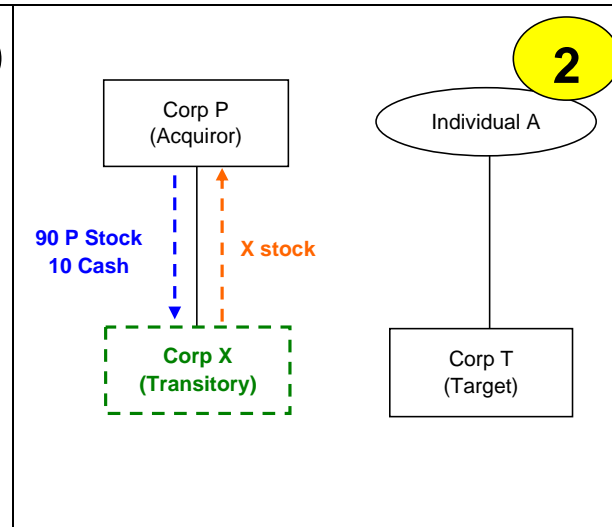


**Multi-Step Reorganization
Was a Qualified Stock Purchase**

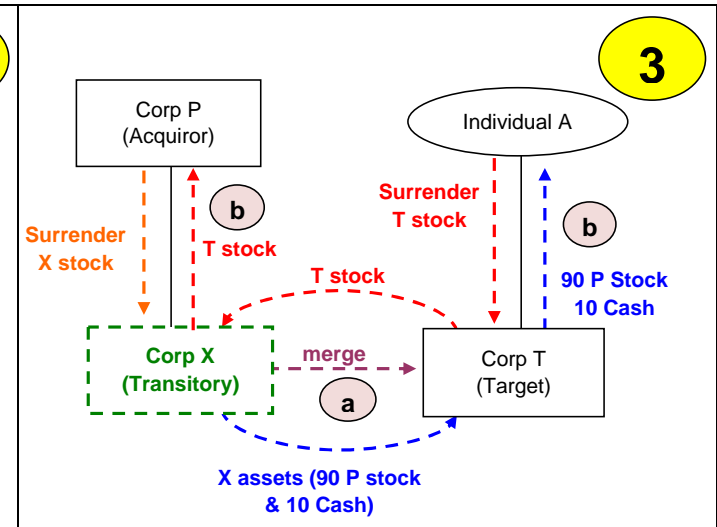
Initial Structure



Subsidiary Formation and Funding

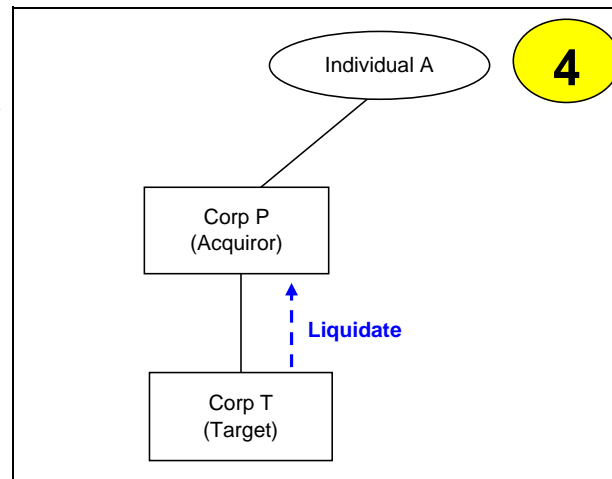


Acquisition Merger

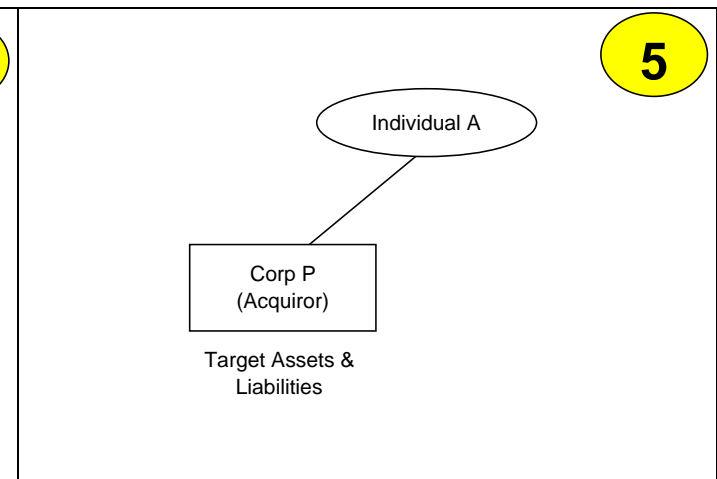


If the Acquisition Merger and the Liquidation were treated as separate from each other, the Acquisition Merger would qualify as a tax free reverse triangular merger under section 368(a)(2)(E), and the Liquidation would qualify under section 332. Under Reg. 1.368-2(k), the step transaction doctrine is not turned off and the Acquisition Merger and the Liquidation may not be considered independently. The integrated transaction does not qualify under section 368(a)(2)(E) because after the transaction T does not hold substantially all of its properties and the properties of X. The integrated transaction does not qualify as a section 368(a)(1)(C) reorganization because the exchange was not solely for voting stock and the boot relaxation rule of section 368(a)(2)(B) does not apply. Thus, the integrated transaction does not qualify as a tax free section 368(a) reorganization. The Acquisition Merger is a

Liquidation



Ending Point



qualified stock purchase and the Liquidation qualifies under section 332. Compare Rev. Rul. 2001-46, Situation 2, where the target was merged, rather than liquidated, into the parent and the integrated transaction qualified as a tax free reorganization under section 368(a)(1)(A) (and therefore was not a qualified stock purchase).

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