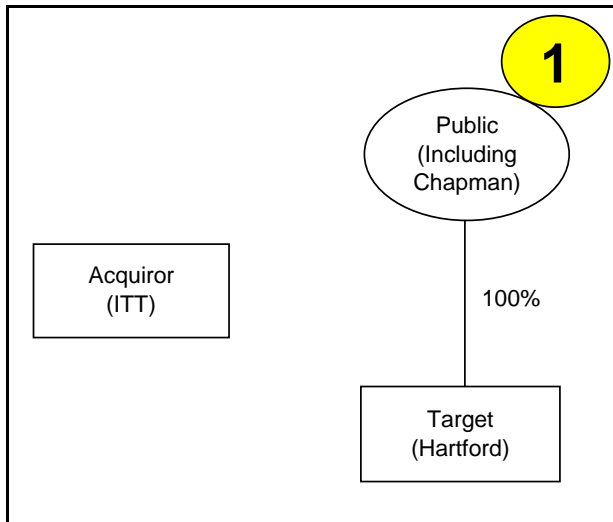
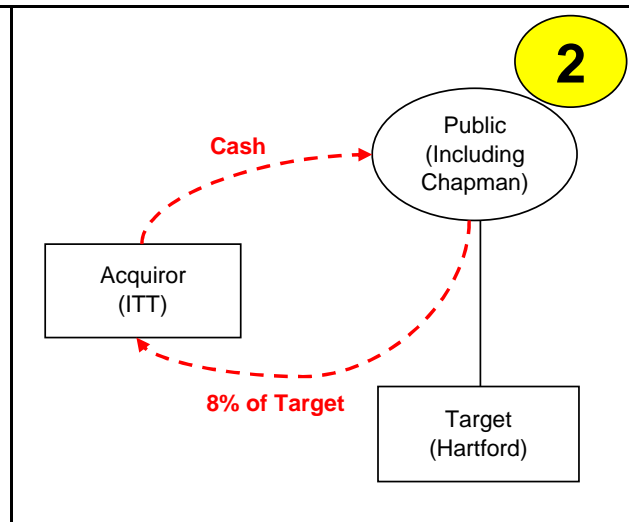


B Reorg - "Acquisition" Solely for Voting Stock

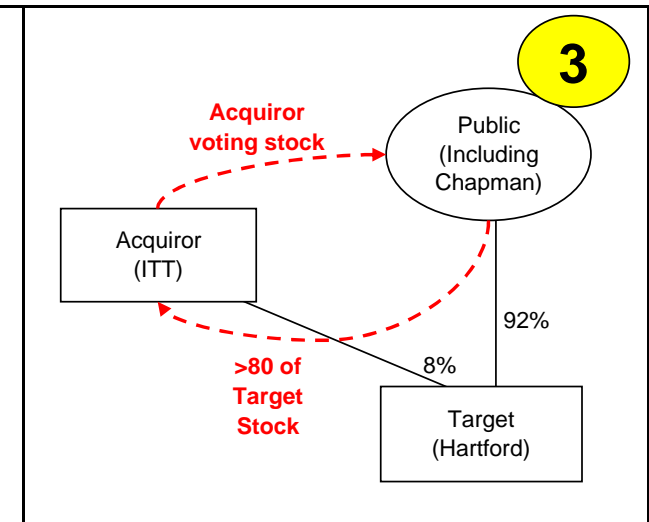
Initial Structure



Cash Acq'ns (Nov. 1968 to Mar. 1969)



Stock Acquisition (May 1970)



In the Tax Court (sub nom. Reeves), Chapman argued that 1) the two exchanges were not part of the same acquisition, or 2) even if both were part of the same acquisition, because Acquiror received "control" in exchange solely for voting stock (box 3 above), the requirements of section 368(a)(1)(B) were met. A divided Tax Court held for Chapman, relying entirely on the second argument and not reaching the first.

The First Circuit vacated and remanded for further proceedings on whether both exchanges were part of the same acquisition. The Court stated that "We read the statute to mean that the entire transaction which constitutes 'the acquisition' must not contain any nonstock consideration if the transaction is to qualify as a (B) reorganization."

Ending Point

