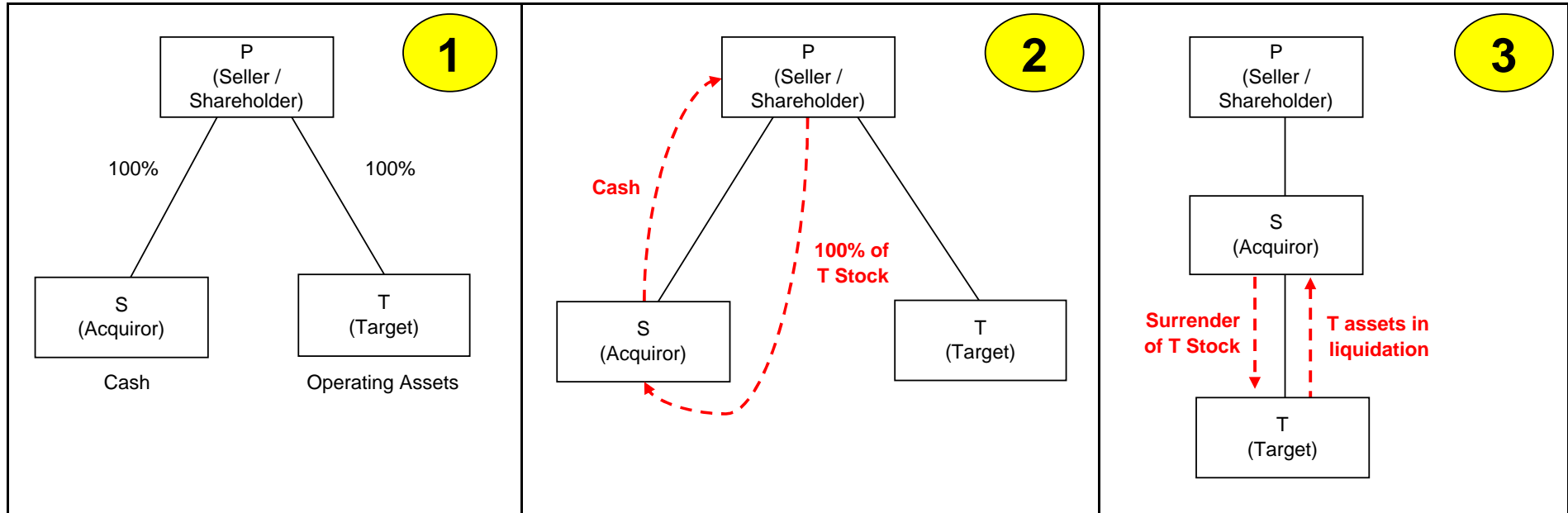


Related Stock Purchase & Liquidation Treated as a D Reorg

Initial Structure

Target Purchase/Sale

Target Liquidation



The ruling holds that the sale of Target stock followed by the liquidation of Target is treated as a D reorganization under the step transaction doctrine. The ruling holds that the sale of stock is not governed by section 304.

Although the ruling does not specify the deemed transfers of the D reorganization, the transfers would be as follows: S is deemed to transfer its own [fictional] stock and cash to T in exchange for T transferring its assets to S. T then transfers the [fictional] S stock and cash to P in exchange for P surrendering its shares in T. The transfer of the fictional S stock is considered a "meaningless gesture" because P owns 100% of both S and T.

Ending Point

