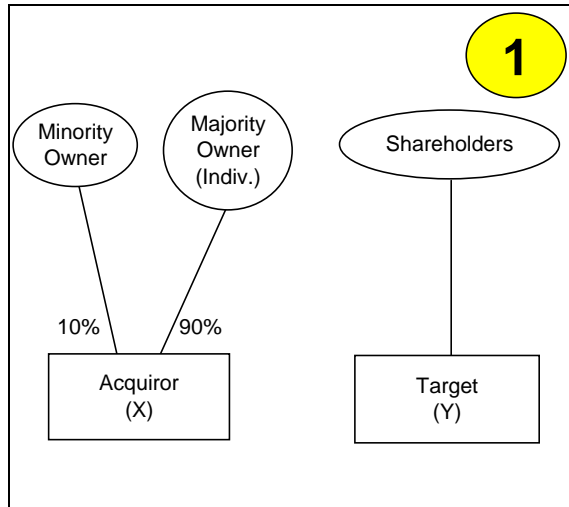
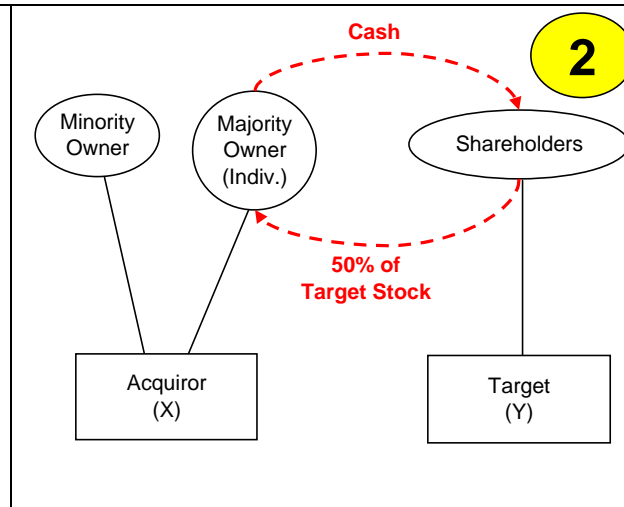


Acquiror's Shareholder Purchased 50% of Target Prior to B Reorganization

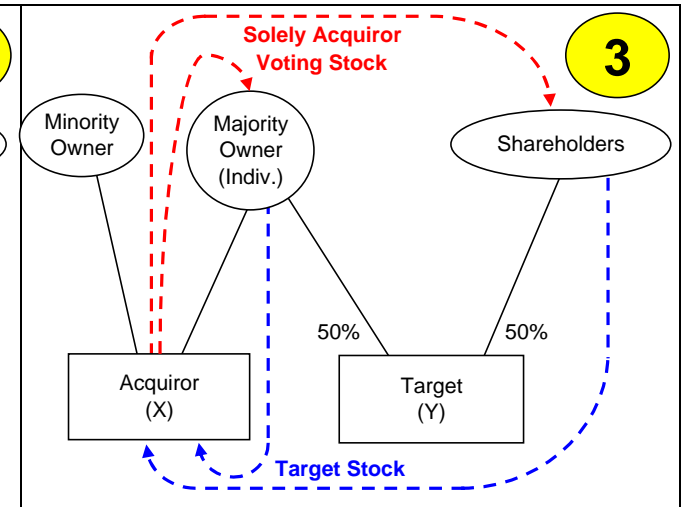
Initial Structure



Stock Purchase (Jan. 1968)



Stock for Stock Exchange (Mar. 1968)



Section 368(a)(1)(B) defines as a reorganization the acquisition by one corporation, in exchange solely for all or a part of its voting stock (or in exchange solely for all or a part of the voting stock of a corporation which is in control of the acquiring corporation) 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).

Since the majority owner of Acquiror purchased the Target stock solely for his own account and in his own behalf, Acquiror is not considered the purchaser of the 50% interest in Target. Therefore, the acquisition by Acquiror of all of the outstanding stock of Target in exchange for Acquiror's voting stock qualifies as a reorganization under section 368(a)(1)(B).

Ending Point

