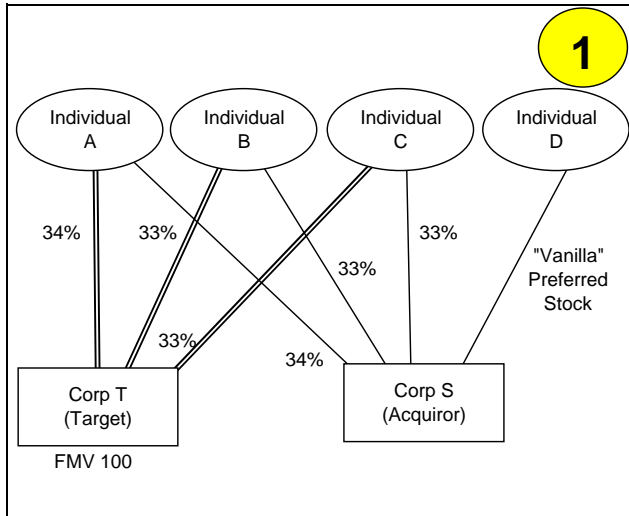
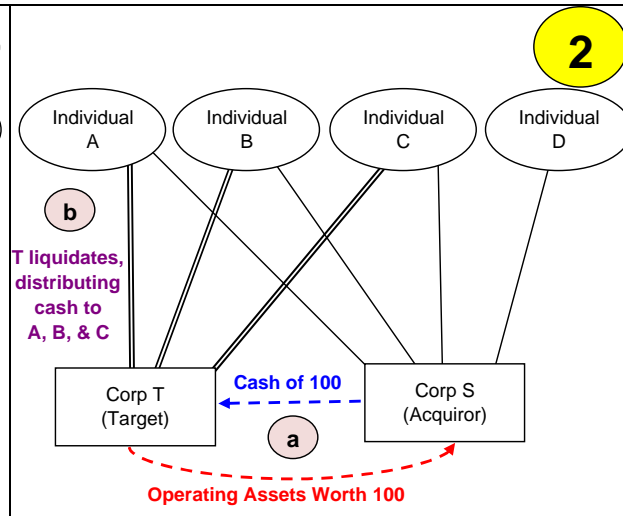


**Cash D Reorganization
("Vanilla" Preferred Stock)**

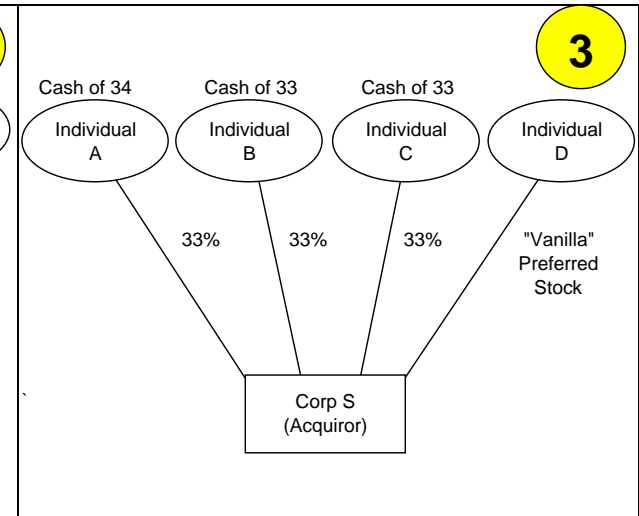
Initial Structure



Asset Sale & Target Liquidation



Ending Point



A, B, and C own 34%, 33%, and 33%, respectively, of the common stock of T and S. D owns preferred stock in S described in section 1504(a)(4). The T stock has a fair market value of \$100x. T sells all of its assets to S in exchange for \$100x of cash and immediately liquidates. For purposes of determining whether the distribution requirement of sections 368(a)(1)(D) and 354(b)(1)(B) is met, D's ownership of stock described in section 1504(a)(4) is ignored and the transaction is treated as if there is complete shareholder identity and proportionality of ownership in T and S. Because there is complete shareholder identity and proportionality of ownership in T and S, the requirements of sections 368(a)(1)(D) and 354(b)(1)(B) are treated as satisfied notwithstanding the fact that no S stock is issued. S will be deemed to issue a nominal share of S stock to T in addition to the \$100x of cash actually exchanged for the T assets, T will be deemed to distribute all such consideration to A, B, and C. The transaction qualifies as a reorganization described in section 368(a)(1)(D).

Deemed Nominal Share Transfers

