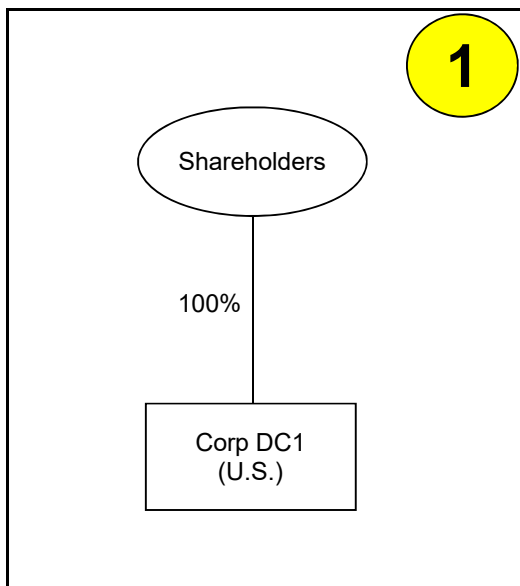


**Reg. 1.7874-2(k),
Example 9**

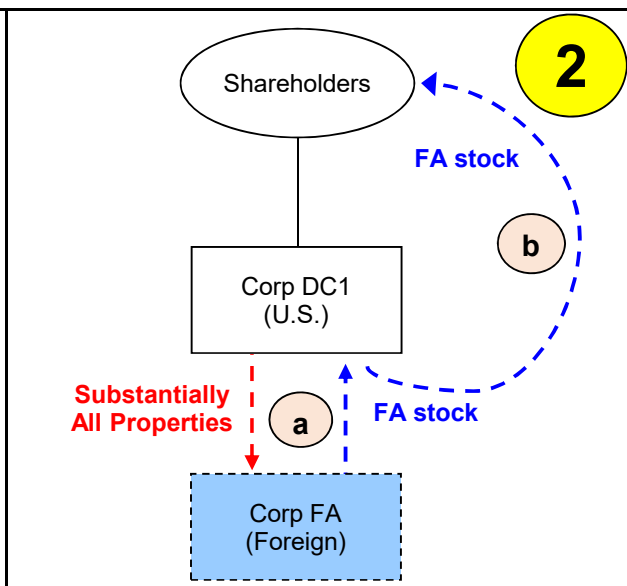
**Stock Held "By Reason of" -
Divisive D Reorganization**

Copyright © 2016 Andrew Mitchel LLC
International Tax Services
www.andrewmitchel.com

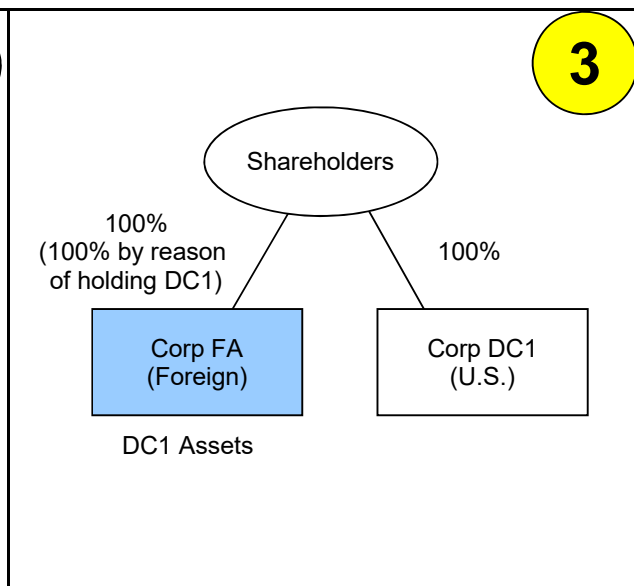
Initial Structure



D Reorganization



Ending Point



DC1 is a domestic corporation. Pursuant to a divisive reorganization described in section 368(a)(1)(D), DC1 contributes substantially all of its properties to FA, a newly-formed corporation, in exchange solely for FA stock and then distributes the FA stock to its shareholders under section 355.

For purposes of section 7874(a)(2)(B)(ii) the FA stock received by the DC1 shareholders as a distribution with respect to the DC1 stock is considered held by reason of holding stock in DC1. The result would be the same if the transaction did not qualify as a reorganization (for example, if the distribution were subject to sections 301 and 311(b)).

[It is unclear how this transaction is a divisive D reorganization if DC1 contributes substantially all of its properties to FA]

[HUNDREDS of additional charts at www.andrewmitchel.com](http://www.andrewmitchel.com)