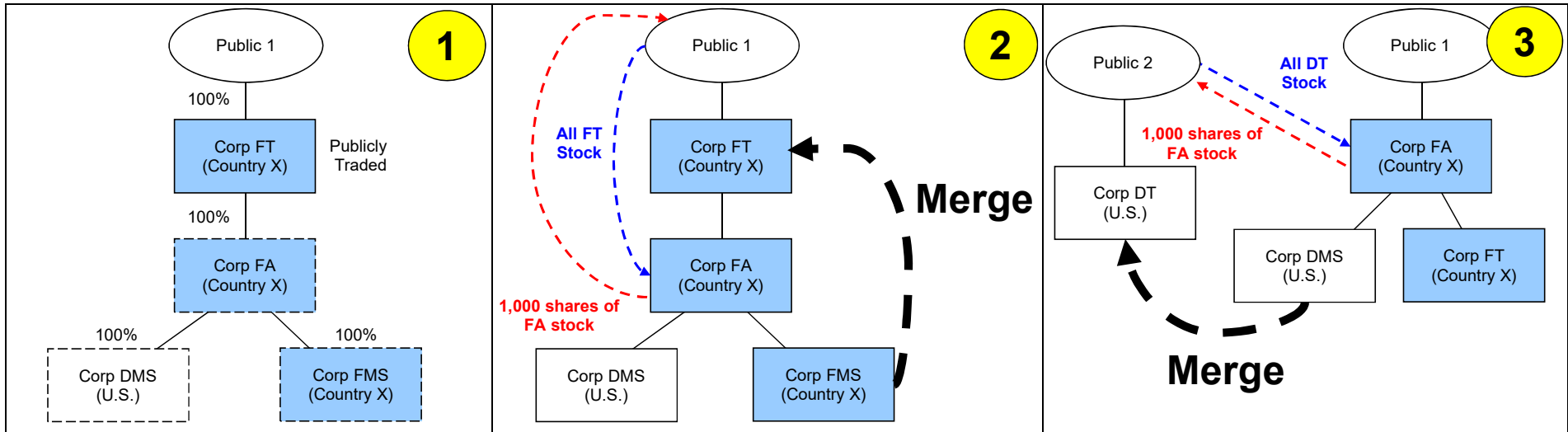


Formation of Corp FT

FMS-FT Merger

DMS-DT Merger



FT, a publicly traded foreign corporation, forms FA, a foreign corporation, and then FA forms DMS, a domestic corporation, and FMS, a foreign corporation. FMS merges with and into FT, with FT surviving the merger (FMS-FT merger). Pursuant to the FMS-FT merger, the FT shareholders exchange their FT stock solely for 1,000 shares of FA stock and FT becomes a wholly owned subsidiary of FA. Following the FMS-FT merger, DMS merges with and into DT, also a publicly traded domestic corporation, with DT surviving the merger (DMS-DT merger). Pursuant to the DMS-DT merger, the DT shareholders exchange their DT stock solely for the remaining 1,000 shares of FA stock, and DT becomes a wholly owned subsidiary of FA. After the completion of the plan, FA wholly owns FT and DT, DMS and FMS cease to exist, and the stock of FA is publicly traded.

Because FT becomes a member of the expanded affiliated group that includes FA in a transaction related to FA's acquisition of substantially all the properties of DT, the FT stock does not constitute marketable securities (within the meaning of Treas. Reg. §1.7874-4T(i)(6)) and therefore does not constitute nonqualified property pursuant to Treas. Reg. §1.7874-4T(i)(7)(ii). Accordingly, no FA stock is disqualified stock described in Treas. Reg. §1.7874-4T(c)(1) and therefore the FA stock transferred in exchange for the FT stock and DT stock is included in the denominator of the ownership fraction. Thus, the ownership fraction is 1,000/2,000.

Ending Point

