Excerpt from Rev. Rul. 66-365:

In Mills . . . the Fifth Circuit held that the "solely for voting stock" requirement of section 368(a)(1)(B) . . . was satisfied where the acquiring corporation received all of the stock of several corporations and distributed in return for such stock, shares of its voting common stock and a small amount of cash in lieu of fractional shares. After finding that the cash given in lieu of fractional shares was simply a mathematical rounding-off for the purpose of simplifying the corporate and accounting problems which would have been caused by the actual issuance of fractional shares, the Court concluded that the receipt of the stock of the acquired corporations was for all practical purposes "solely in exchange for voting stock".

The Internal Revenue Service will follow the decision of the Court of Appeals in Mills . . . in similar factual situations. Accordingly, the "solely for voting stock" requirement of section 368(a)(1)(B) and (C) of the Code will not be violated where the cash paid by the acquiring corporation is in lieu of fractional share interests to which the shareholders are entitled, representing merely a mechanical rounding-off of the fractions in the exchange, and is not a separately bargained-for consideration. Where, however, the cash paid by the acquiring corporation is not in lieu of fractional share interests to which the shareholders are entitled or is a separately bargained-for consideration, the "solely for voting stock" requirement of section 368(a)(1)(B) and (C) of the Code will not be satisfied.

See also Rev. Rul. 69-34, Rev. Rul. 72-57, Rev. Rul. 78-351.