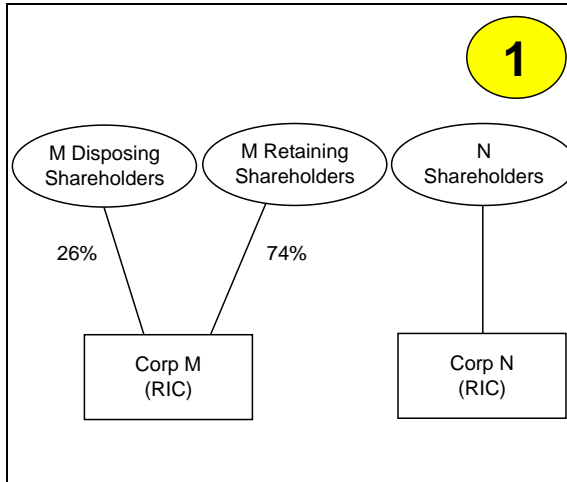
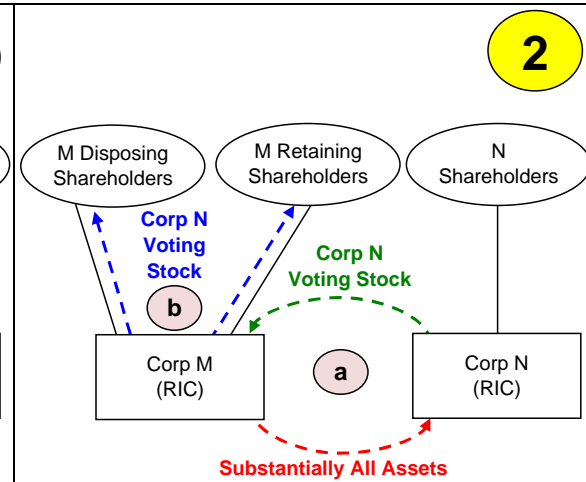


**C Reorganization & Subsequent Redemption Not Integrated Transactions**

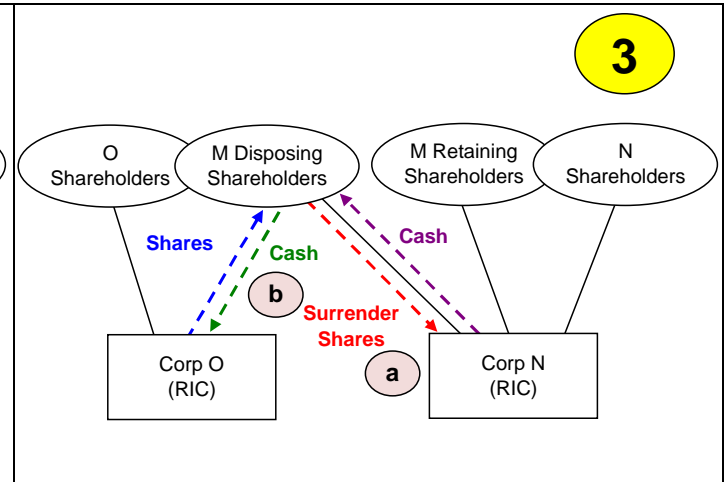
**Initial Structure**



**C Reorganization**



**Redemption**



M and N corporations are regulated investment companies within the meaning of section 851. On July 1, 1954, pursuant to a plan of reorganization, M transferred all assets (except a small amount of cash and receivables necessary to pay for services in liquidating and dissolving M corporation) to N corporation in exchange for shares of N.

On July 1, 1954, an investment counsel firm handling the affairs of another regulated investment company, O corporation, addressed a letter to certain stockholders of M corporation in regard to an offer which was made to them to purchase stock of O corporation. These stockholders accepted the offer and exchanged their stock for shares of O corporation on or before July 29, 1954, by tendering their shares of N corporation for redemption and using the proceeds to purchase the shares of O corporation. Approximately 26 percent of the shares of stock issued by N corporation were redeemed. Therefore, the former stockholders of M corporation owning approximately 74 percent of M's stock remained stockholders of N corporation.

The principal question for consideration was whether the exchange by certain stockholders of M corporation of stock of that corporation for stock of N corporation and the redemption of the stock of the latter corporation constituted two transactions or one transaction. On the basis of the facts and circumstances presented, particularly the fact that the agreement and plan of reorganization made no

mention of the offer to purchase stock of O corporation; the fact that N corporation made no commitment prior to the reorganization in regard to the redemption of the stock received by the stockholders of M corporation who accepted the offer; and the fact that the N corporation did not agree to pay cash to the stockholders of M for the stock of that corporation, it is held that the exchange of stock of M for stock of N and the redemption of stock of N constituted two separate and distinct transactions rather than one transaction. In view of the foregoing, it is held that the acquisition by N corporation of substantially all the assets of M corporation in exchange for shares of voting stock of N and a small amount of cash constituted a reorganization within the meaning of section 368(a)(1)(C) and (a)(2)(B).

**Ending Point**

