Corporation X was merged under state law into corporation Y. Corporation X had four stockholders (A, B, C, D), each of whom owned 25 percent of its stock. Corporation Y paid A and B each $50,000 in cash for their stock of corporation X, and C and D each received corporation Y stock with a value of $50,000 in exchange for their stock of corporation X. There are no other facts present that should be taken into account in determining whether the continuity of interest requirement of Reg. 1.368-1(b) has been satisfied, such as sales, redemptions or other dispositions of stock prior to or subsequent to the exchange which were part of the plan of reorganization.

The continuity of interest requirement of Reg. 1.368-1(b) has been satisfied. It would also be satisfied if the facts were the same except corporation Y paid each stockholder $25,000 in cash and each stockholder received corporation Y stock with a value of $25,000.