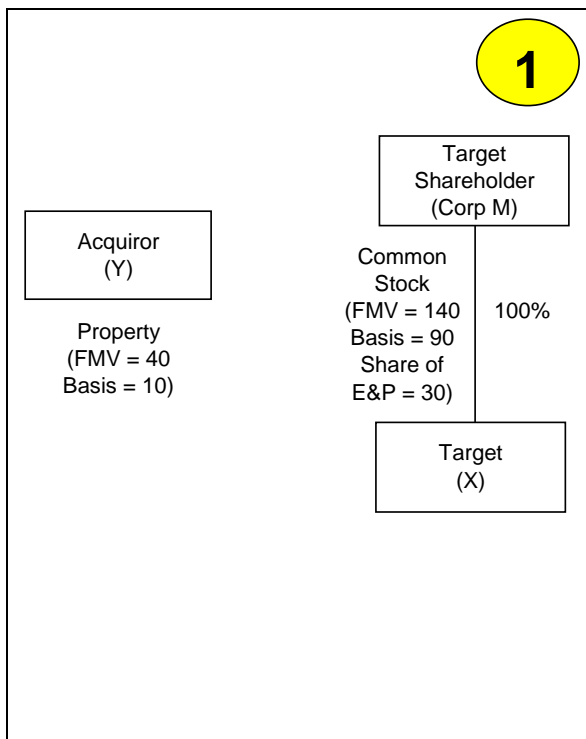
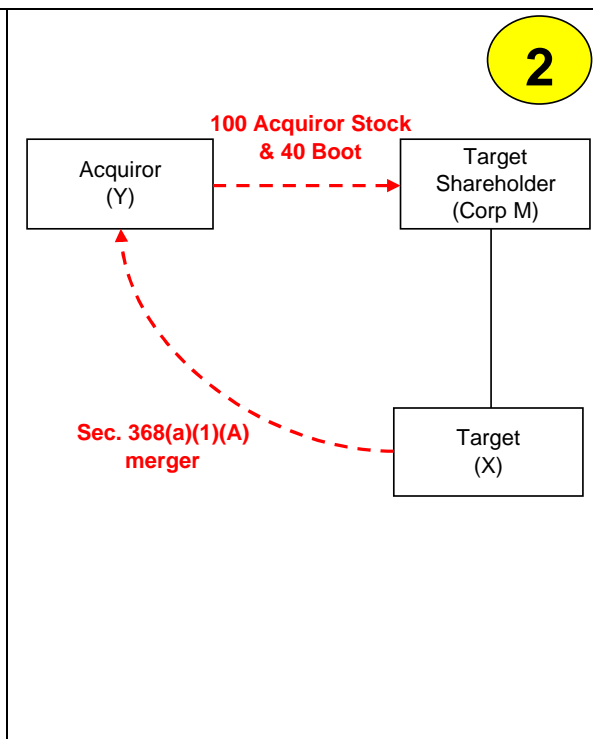


Boot in Reorganization, Treated as Dividend, Qualifies for DRD

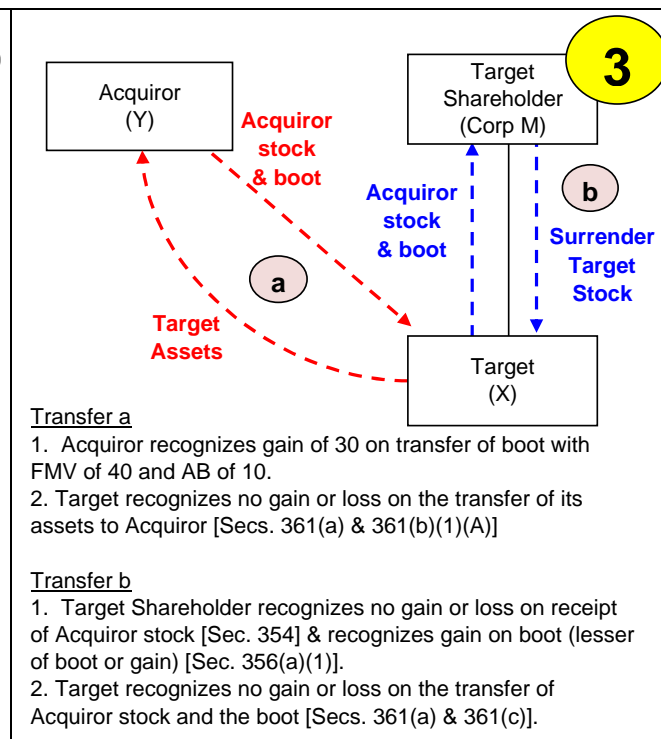
Initial Structure



Merger



Deemed Transfers



Target merged into Acquiror in a reorganization qualifying under section 368(a)(1)(A). Pursuant to the reorganization, Target Shareholder received, in exchange for its Target stock, Acquiror stock having a fair market value of 100x dollars plus other property having a fair market value of 40x dollars but an adjusted basis in the hands of Acquiror of 10x dollars. Target Shareholder had a basis of 90x dollars in its stock of Target. Target Shareholder's ratable share of the undistributed earnings and profits of Target, was 30x dollars. Target Shareholder realized gain of 50x dollars (140x dollars less 90x dollars) on the exchange. Of the 50x dollar gain, 40x dollars was recognized to Target Shareholder pursuant to section 356(a)(1). Pursuant to section 356(a)(2), 30x dollars was treated as a dividend and 10x dollars was treated as gain from the exchange of property.

The 30x dollar gain, treated as a dividend to Target Shareholder under section 356(a)(2), is eligible for the corporate dividends received deduction provided by section 243(a).

Ending Point

