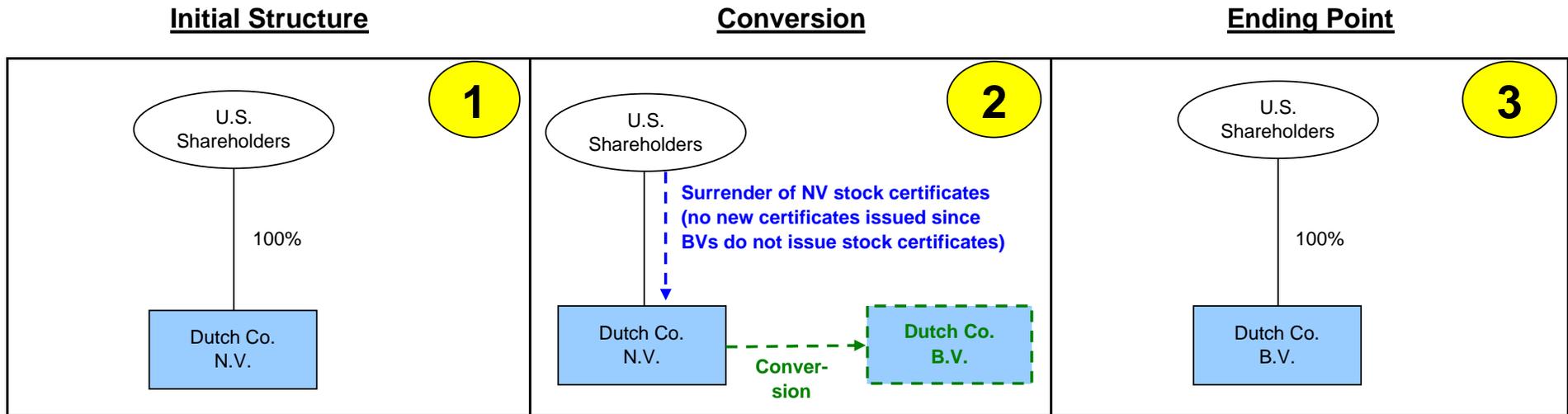


**Conversion from N.V. to B.V.  
Is A Section 1036 Exchange**



A Netherlands corporation amended its articles of association to change from a public company, called a Naamloze Vennootschap ("N.V."), to a private company, called a Besloten Vennootschap ("B.V."). The name of the corporation was changed to reflect that it is a B.V. The shareholders of the N.V. company will surrender their common stock certificates in such company. No new stock certificates will be issued since the laws of The Netherlands prohibit the issuance of stock certificates by a B.V. The name of the shareholder will be placed on a share register, indicating ownership of shares identical to those surrendered.

Under section 1036, no gain or loss is recognized if stock in a corporation is exchanged solely for stock of the same class in the same corporation. Section 368(a)(1)(F) provides, in part, that a mere change in identity is a reorganization. Section 354 provides, in part, that no gain or loss will be recognized if stock in a corporation, a party to a reorganization, is exchanged solely for stock in such corporation. The term "stock" is considered to mean a "stock interest" in a corporation and not merely the evidence thereof such as the stock certificates. See Revenue Ruling 65-286.

Section 367 provides, in effect, that gain will be recognized in any exchange described in section 354 between a foreign corporation and its shareholders unless certain requirements are met [at the time of this revenue ruling, an advance private letter ruling was needed to avoid gain recognition]. See also Rev. Rul. 66-171.

The conversion by the corporation from an N.V. to B.V., by an amendment to the articles of association, does not result in a new corporate entity being formed. Also, common stock will be exchanged for common stock since the registered share interests to be received by the shareholders will be identical to the stock certificates to be surrendered by them except for the restrictions on transferability. Therefore, since all of the stock involved in the exchange in the instant case will be issued by the same corporate entity and is common stock, the exchange of stock will meet the requirements of section 1036. Accordingly, no gain or loss will be recognized to the shareholders of the corporation upon the exchange of stock under section 1036, notwithstanding that the exchange is also described in sections 368(a)(1)(F) and 354 and the Commissioner has not issued a favorable ruling under section 367.