W, a state M corporation, is a manufacturing corporation all of the stock of which is owned by two individuals. W conducted its business through several wholly owned subsidiaries. The management of W determined that it would be in the best interest of W to acquire the business of Z, an unrelated corporation, and combine it with the business of Y, one of its subsidiaries, and to change the state of incorporation of W. In order to accomplish these objectives, and pursuant to an overall plan, W entered into a plan and agreement of merger with Y and Z. In accordance with the agreement, Z merged with and into Y pursuant to the law of state M, with the former Z shareholders receiving shares of newly issued W preferred stock in exchange for their shares of Z stock. Immediately following the acquisition of Z, W changed its place of organization by merging with and into N, a newly organized corporation incorporated in state R. Upon W's change of place of organization, the holders of W common and preferred stock surrendered their W stock in exchange for identical N common and preferred stock, respectively.

The reincorporation by W in state N qualifies as a reorganization under section 368(a)(1)(F) even though it was a step in the transaction in which W acquired the business of Z.