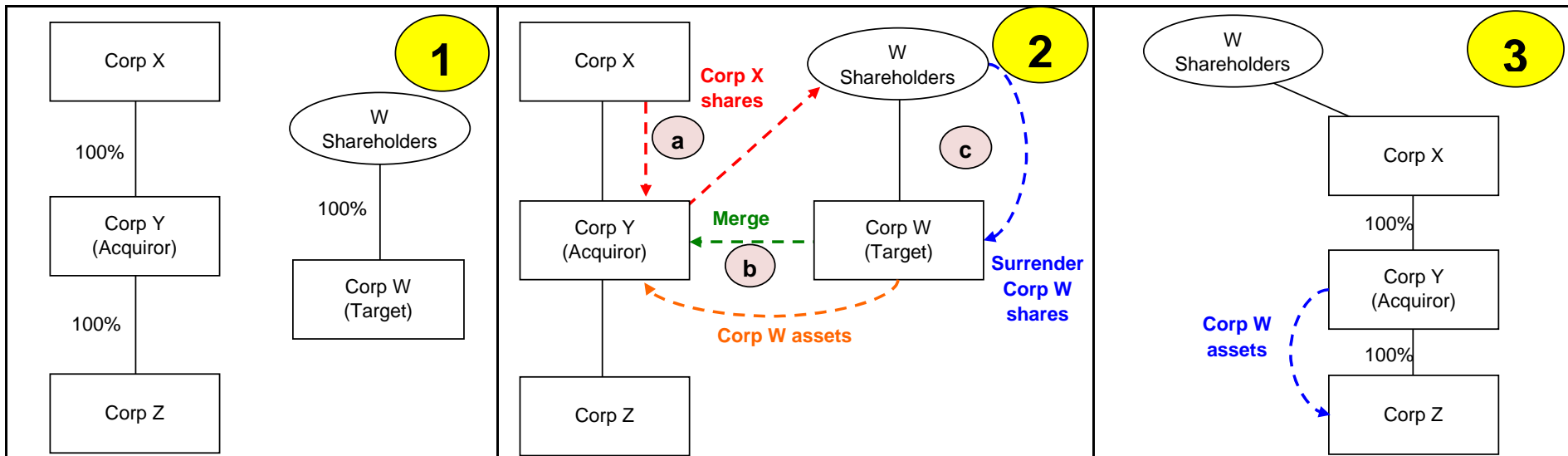


Remote Continuity: Forward Triangular Merger With a Drop

Initial Structure

Forward Triangular Merger

Contribution



Corporation Y, a wholly owned subsidiary of Corporation X, acquired, pursuant to a statutory merger, the assets of Corporation W, an unrelated corporation, in exchange for stock of X, and the assumption by Y of the liabilities of W. The merger, in and of itself, otherwise qualified as a reorganization described in sections 368(a)(1)(A) and (a)(2)(D). Immediately following the merger of W into Y, and as part of the same plan of reorganization, Y transferred the newly acquired assets of W to its wholly owned subsidiary, Corporation Z.

Section 368(a)(1)(A) provides that the term reorganization means a statutory merger. Section 368(a)(2)(D) provides, in part, that a statutory merger where substantially all of the properties of a corporation are acquired in exchange for stock of a corporation which is in control of the acquiring corporation will not be disqualified under section 368(a)(1)(A). Section 368(a)(2)(C) states, in part, that a transaction otherwise qualifying under section 368(a)(1)(A) will not be disqualified by the transfer of assets, which were acquired in the transaction, to a corporation controlled by the corporation that acquired the assets.

The Code places no restriction on the application of section 368(a)(2)(C) to a reorganization that otherwise qualifies as a reorganization under sections 368(a)(1)(A) and (a)(2)(D). Accordingly, the acquisition by Y of the assets of W in exchange for the stock of X and the assumption by Y of the liabilities of W will not be disqualified as a reorganization described in sections 368(a)(1)(A) and (a)(2)(D) by reason of the subsequent transfer by Y of the assets of W to Z.