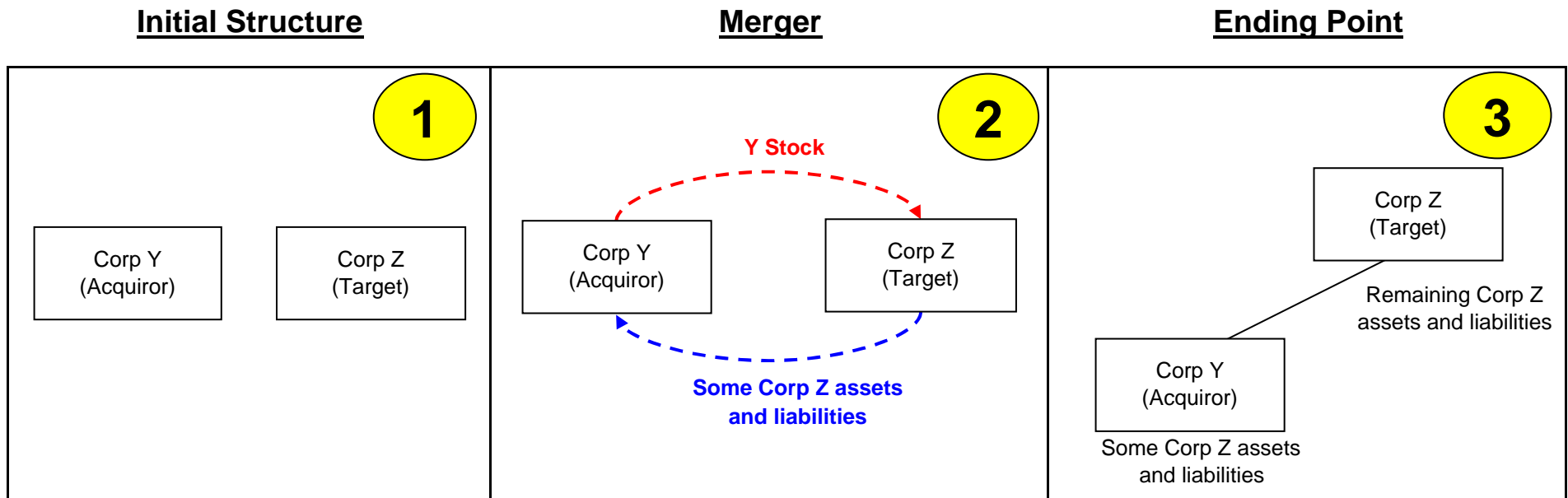


Divisive Merger



Under State W law, Corp Z 1) transfers some of its assets and liabilities to Corp Y, 2) retains the remainder of its assets and liabilities, and 3) remains in existence for Federal income tax purposes following the transaction. The transaction qualifies as a merger under State W corporate law.

The transaction does not qualify as a statutory merger or consolidation under section 368(a)(1)(A) because all of the assets and liabilities of Corp Z do not become the assets and liabilities of Corp Y and because the separate legal existence of Corp Z does not cease for all purposes.