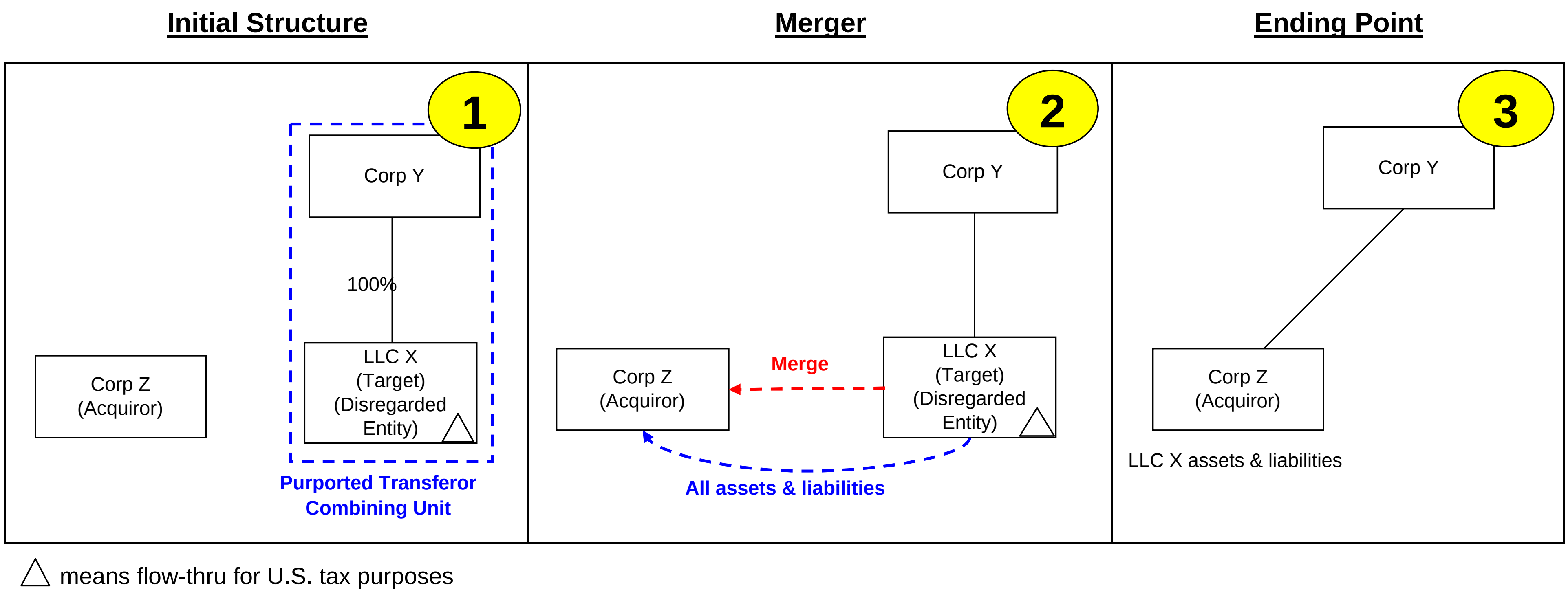
Reg. 1.368-2(b)(1)(iii), Example 6

Merger of a Disregarded Entity into a Corporation



Under State W law, X merges into Z. Pursuant to such law, the following events occur simultaneously at the effective time of the transaction: all of the assets and liabilities of X (but not the assets and liabilities of Y other than those of X) become the assets and liabilities of Z and X's separate legal existence ceases for all purposes.

The transaction cannot qualify as a statutory merger or consolidation for purposes of section 368(a)(1)(A) because all of the assets and liabilities of a transferor unit do not become the assets and liabilities of one or more members of the transferee unit and because X does not qualify as a combining entity.