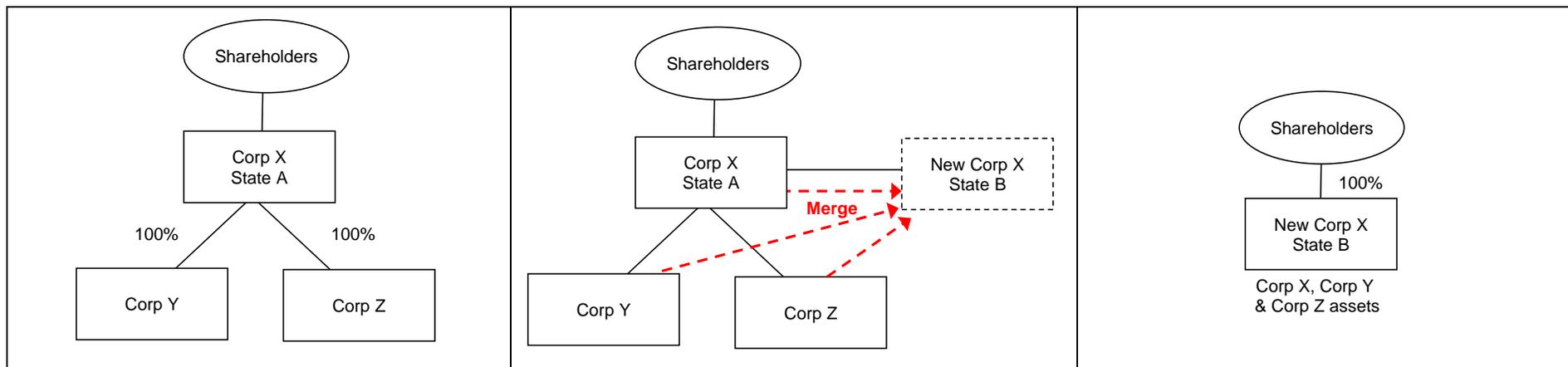


Merger of Parent and its Subsidiaries into Single NewCo is an "F" Reorg & Two 332 Liquidations

Initial Structure

Merger

Ending Point



In the instant case, Corp X desired, for valid business purposes, to reincorporate in a state other than the state of its incorporation and to acquire and operate directly the assets and businesses of its two wholly-owned subsidiaries, Corps Y and Z. To carry out these purposes, Corp X organized a new corporation, New Corp X, under the laws of the desired other state, and New Corp X, Corp X, and Corps Y and Z entered into an agreement of statutory merger under which New Corp X was to be the surviving corporation. On the effective date of the merger, New Corp X succeeded to and became the owner of all of the assets of, and assumed all of the liabilities of Corps X, Y, and Z, and the separate existence of the three old corporations thereupon ceased. New Corp X issued shares of its common stock, share for share, to the stockholders of Corp X in exchange for their shares of common stock of Corp X (the only stock of the parent outstanding). The stock of Corps Y and Z was surrendered and cancelled.

The liquidations of the two subsidiaries in pursuance of the merger agreement are liquidations to which section 332 applies. The fact that the subsidiaries of the former parent were liquidated at the same time that the parent reincorporated in a different state did not constitute a change in the stockholders or assets of the merged corporation. The stockholders of the former parent had the same equity in the surviving corporation that they had in the three old corporations, inasmuch as all of the assets of the three transferor corporations were held by the surviving corporation. In this connection, had the subsidiaries liquidated under the nontaxable provisions of section 332 before the merger and, subsequently, the parent reincorporated in a different state, the latter transaction would have been considered a reorganization coming within the provisions of section 368(a)(1)(F). The fact that the two transactions were consummated simultaneously does not change the above conclusion.