Internal Revenue Service

Department of the Treasury

Washington, DC 20224

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Person to Contact:

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Date:
February 13, 2001

Legend:

Parent	=
Sub 1	=
Sub 2	=
Target	=
Business A	=
Country W	=
State X	=
Date Y	=
Date Z	=

Dear :

This responds to your October 2, 2000 request for a ruling on certain Federal income tax consequences of completed and proposed transactions. The information submitted is summarized below.

Parent, a Country W corporation, wholly owns Sub 1 and Sub 2, each of whom are State X corporations. Sub 1 was organized solely for the purpose of being the acquiring corporation in the transaction described below.

On Date Y Sub 1 and Target, a State X corporation, entered into a merger agreement pursuant to which Target will merge with and into Sub 1 in exchange for Parent stock and cash ("the Merger"). The transaction was consummated on Date Z.

For what are represented to be valid business reasons, Parent proposes to transfer all of its Sub 1 stock to Sub 2 (the "Transfer").

Parent has made the following representations regarding the transaction:

(a) To the best of Parent's knowledge and belief, but for the effect of the proposed transaction, the Merger qualifies as a reorganization under § 368(a)(1)(A) by reason of § 368(a)(2)(D) of the Code.

(b) To the best of taxpayer's knowledge and belief, the proposed Transfer will

qualify as a transfer to a controlled corporation under § 351(a) of the Code.

Section 3.01(29) of Rev. Proc. 2001-3, 2001-1 I.R.B. 111, 114 provides that the Internal Revenue Service will not rule on the qualification of a transaction as a reorganization under § 368(a)(1)(A) by reason of § 368(a)(2)(D). Although Rev. Proc. 2001-3 provides a general no-rule policy concerning § 368(a)(1)(A), the Service will rule on collateral issues where the consequences of qualification are not adequately addressed by a statute, regulation, decision of the Supreme Court, tax treaty, revenue ruling, revenue procedure, notice or other authority published in the Internal Revenue Bulletin.

Based solely on the information submitted and the representations set forth above, we rule as follows:

(1) The post-merger contribution by Parent of its Sub 1 stock to Sub 2 will not preclude the Merger from qualifying as a reorganization under § 368(a)(1)(A) by reason of § 368(a)(2)(D).

No opinion is expressed about the tax treatment of the proposed transaction under other provisions of the Code and regulations or about the tax treatment of any conditions existing at the time of, or effects resulting from, the proposed transaction that are not directly covered by the above rulings. Specifically, no opinion is expressed as to whether the Merger satisfies the requirements under §§ 368(a)(1)(A) and 368(a)(2)(D) or whether the Transfer qualifies under § 351(a).

This ruling letter is directed only to the taxpayer that requested it. Section 6110(k)(3) provides that it may not be used or cited as precedent.

Each taxpayer involved in the proposed transaction should attach a copy of this letter to the taxpayer's federal income tax return for the taxable year in which the proposed transaction is completed.

Sincerely,
Associate Chief Counsel (Corporate)
By: Gerald B. Fleming
Senior Technician Reviewer, Branch 2