Bashford v. Commissioner
302 U.S. 454 (1938)

Remote Continuity of Interest

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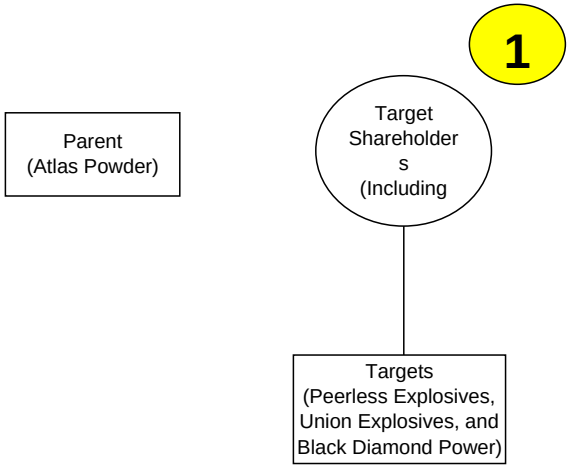
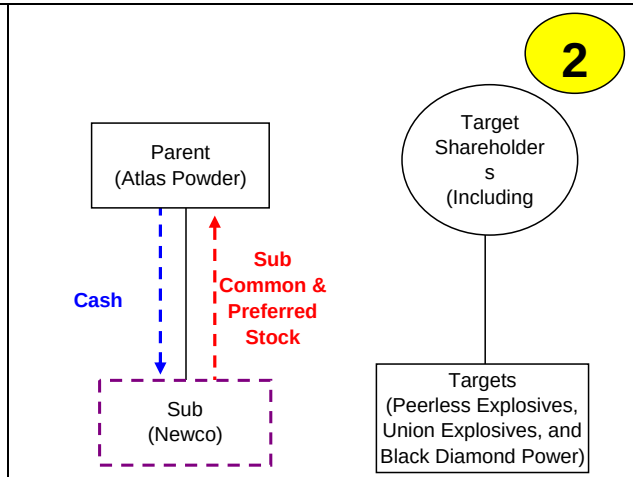
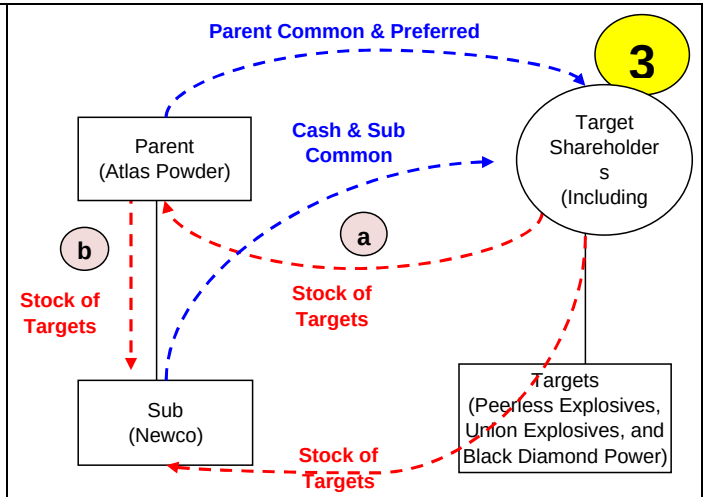
Initial Structure



Newco Formation



Transfer of Stock in Targets

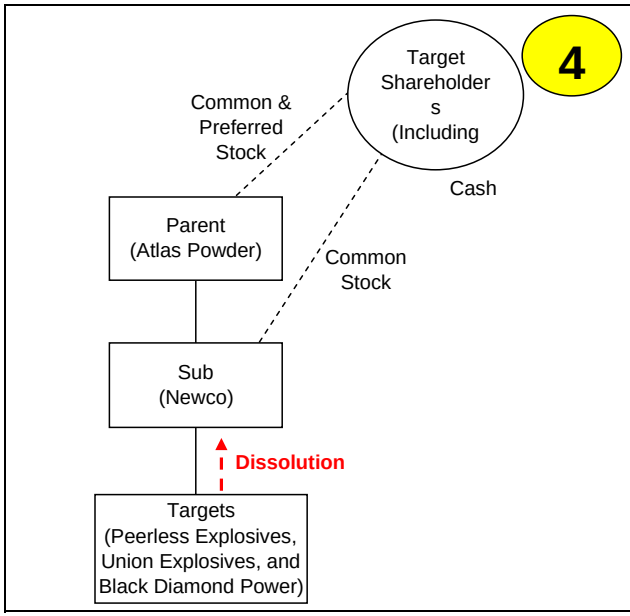


Excerpt from Rev. Rul. 2002-85:

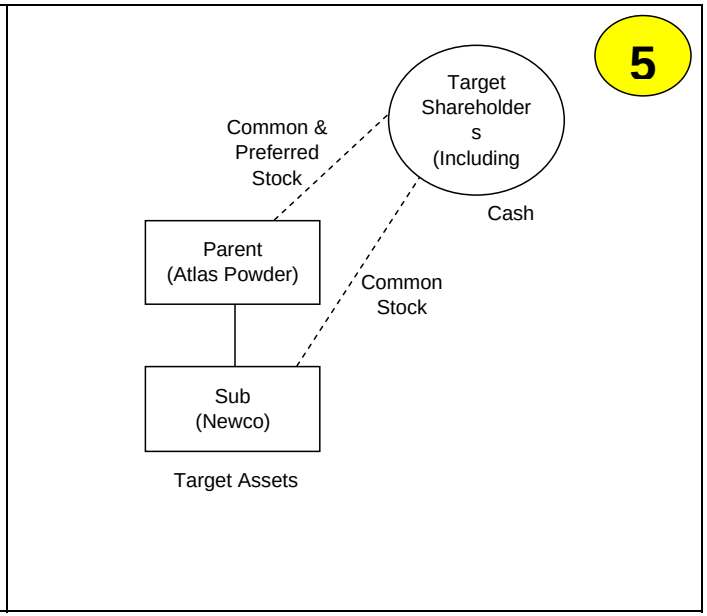
> In Bashford, [Parent] wished to acquire three competitors (Targets). Pursuant to a plan, Parent formed a new corporation (Sub) and acquired all the preferred shares and a majority of the common shares of Sub. Sub became the owner of the stock and assets of the Targets. The former stockholders of the Targets exchanged their shares in the Targets for shares of Sub, shares of Parent, and cash. Because any direct ownership by Parent of the Targets was transitory and without real substance, the Court saw no significant distinction between this transaction and the transaction in Groman. Therefore, the Court concluded that Parent was not a party to the reorganization. Hence, the Parent stock received by the shareholders of the Targets did not confer the requisite continuity of interest.

This case has been significantly limited with the 1954 enactment of section 368(a)(2)(C) and later amendments which allow for triangular reorganizations.

Dissolution of Targets



Ending Point



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