Y acquires the stock of Z from the Z shareholders in exchange for consideration that consists of 50 percent voting stock of Y and 50 percent cash. Immediately after the stock acquisition, Z files a certificate of dissolution pursuant to State W law and commences winding up its activities. Under State W dissolution law, ownership and title to Z's assets does not automatically vest in Y upon dissolution. Instead, Z transfers assets to its creditors in satisfaction of its liabilities and transfers its remaining assets to Y in the liquidation stage of the dissolution. Y’s acquisition of the stock of Z and the dissolution of Z are steps in a single integrated acquisition by Y of the assets of Z.

Y’s acquisition of the assets of Z does not qualify as a statutory merger or consolidation for purposes of section 368(a)(1)(A) because Y does not acquire all of the assets of Z as a result of Z filing the certificate of dissolution or simultaneously with Z ceasing its separate legal existence. Instead, Y acquires the assets of Z by reason of Z’s transfer of its assets to Y.

The above transaction would be treated as a section 338 qualified stock purchase and the liquidation of Z would be treated as a separate 332 liquidation. See Reg. 1.338-3(d). If Y had transferred more of its own stock and less cash to the Z shareholders, then the combined transaction may have qualified as a C reorganization. See Rev. Rul. 67-274.