**Initial Structure**

1. **Target Shareholder(s)**
   - Acquiror
   - Subsidiary
   - 368(c) control
   - Target
   - Subsidiary

**Target Asset Transfer**

2. **Target Shareholder(s)**
   - Acquiror
   - Subsidiary
   - 51% Acquiror Stock
   - 49% Cash
   - Assets
   - Transfer of all or part of Target assets

**Target Liquidation**

3. **Target Shareholder(s)**
   - Acquiror
   - Subsidiary
   - Surrender 100% of Target Stock
   - 51% Acquiror Stock
   - 49% Cash

**Nonrecognition Operative Provisions:**

Acquiror shareholders omitted for simplicity purposes.

368(a)(1) . . . the term "reorganization" means . . . (A) a statutory merger or consolidation;

368(a)(2)(C) A transaction otherwise qualifying under paragraph (1)(A) . . . shall not be disqualified by reason of the fact that part or all of the assets . . . which were acquired in the transaction are transferred to a corporation controlled by the corporation acquiring such assets . . . .

**Drop**

1. **Target Shareholder(s)**
   - Acquiror
   - Subsidiary
   - Transfer of all or part of Target assets

**Ending Point**

5. **Target Shareholder(s)**
   - Acquiror
   - Subsidiary
   - All or part of Target assets
   - 368(c) control