Nonrecognition Operative Provisions:

- **Acquiror**: section 1032, Target - section 361(a)
- **Shareholders**: section 354(a)(1), Target - section 361(c)

**Initial Structure**
- **Acquiror**
  - 368(c) control
- **Subsidiary**
- **Target**

**Target Asset Transfer**
- **Acquiror**
  - Solely Acquiror voting stock
- **Target**
  - Substantially All Assets

**Target Liquidation**
- **Subsidiary**
- **Target**

**Drop**
- **Acquiror**
- **Subsidiary**
  - 368(c) control

**Ending Point**
- **Acquiror**
- **Subsidiary**
  - All or part of Target assets

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**368(a)(1)(C) & 368(a)(2)(C)**

368(a)(1) . . . the term "reorganization" means . . . (C) the acquisition by one corporation, in exchange solely for all or a part of its voting stock . . . of substantially all of the properties of another corporation, but in determining whether the exchange is solely for stock the assumption by the acquiring corporation of a liability of the other shall be disregarded;

368(a)(2)(C) A transaction otherwise qualifying under paragraph . . . (1)(C) . . . 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 . . .

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