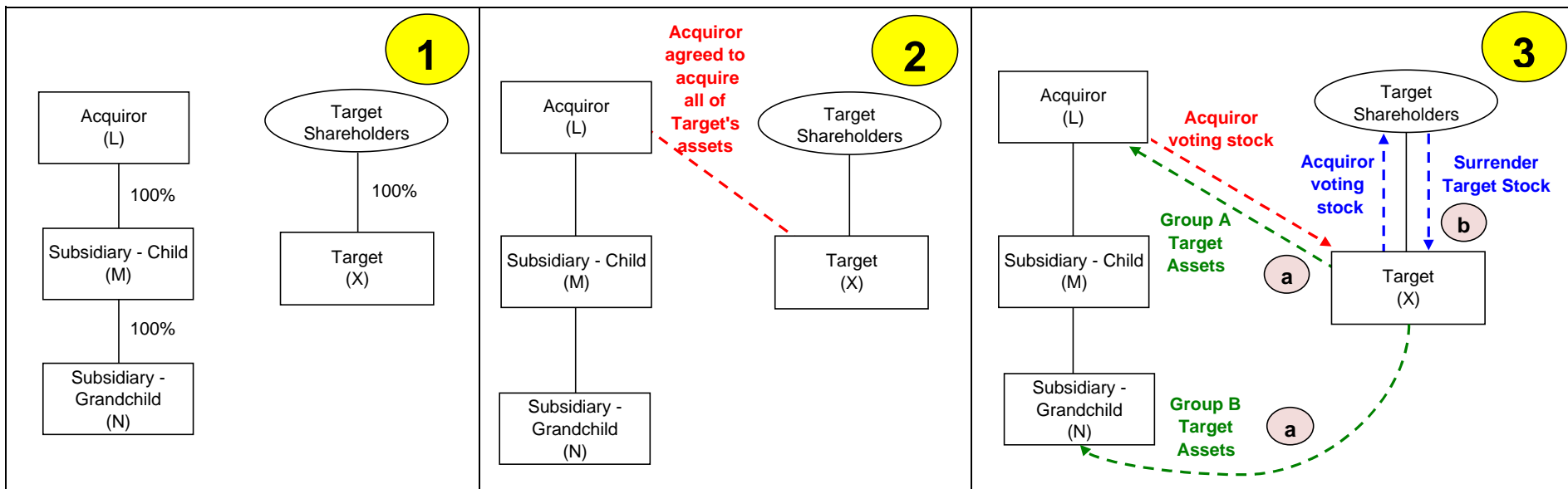


**C Reorganization - Part of Target's Assets Transferred Directly to Acquiror's Grandchild**

**Initial Structure**

**Agreement**

**C Reorganization**



Prior to the enactment of the 1954 Code, the above transaction would not have qualified as a reorganization, because the ultimate lodging of some of Target's assets in any subsidiary of Acquiror failed to satisfy the continuity-of-interest requirements. See *Groman v. Commissioner*, 302 U.S. 82 (1937), and *Helvering v. Bashford*, 302 U.S. 454 (1938).

The Congress, in 1954, modified the *Groman-Bashford* doctrine to provide that the placement of acquired assets in a controlled corporation would no longer destroy the continuity-of-interest requirements of section 368(a)(1)(C) reorganizations.

The above transaction is viewed as an acquisition by Acquiror, in exchange solely for part of its voting stock, of substantially all of the properties of Target. The fact that the plan of reorganization provides that some of the assets are to be transferred directly from Target to Grandchild, rather than through Acquiror and Child, does not prevent the transaction from constituting a section 368(a)(1)(C) reorganization.

**Ending Point**

