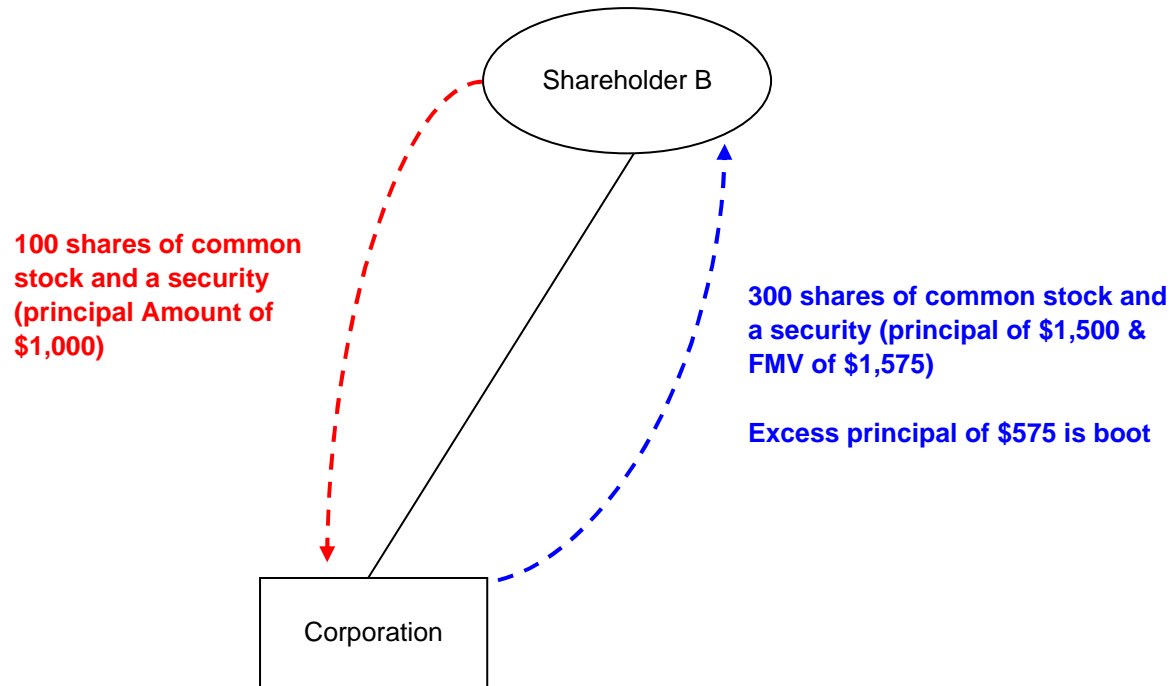


**Reg. 1.356-3(c),
Example 2**

**Excess Principal Treated
as "Other Property" (i.e., Boot)**

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B, an individual, exchanged 100 shares of common stock and a security in the principal amount of \$1,000 for 300 shares of common stock and a security in the principal amount of \$1,500. The security had a fair market value on the date of receipt of \$1,575. The fair market value of the excess principal amount, or \$525, is treated as "other property."

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