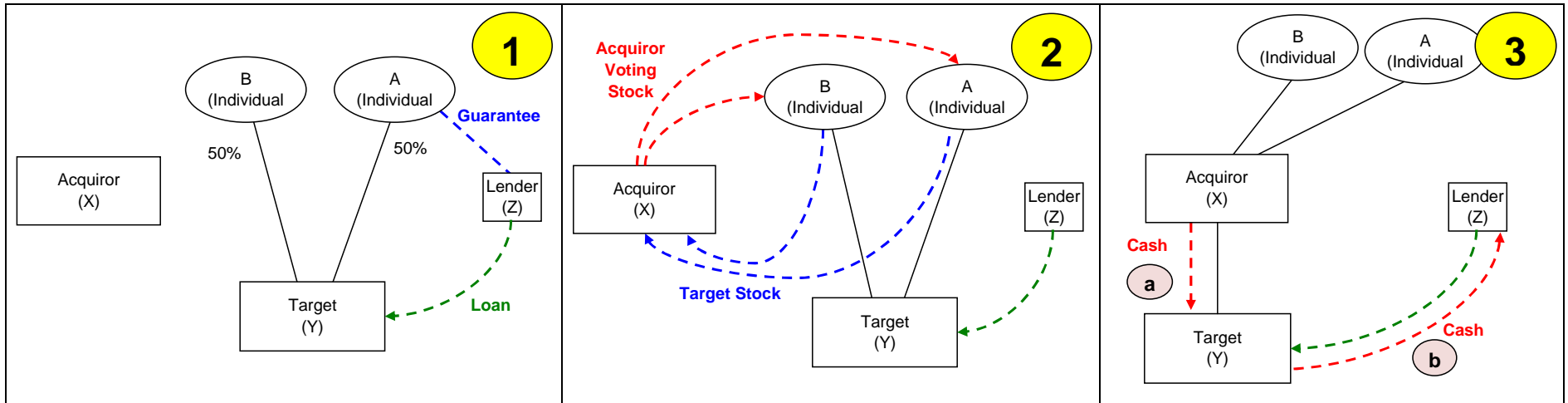


**Acquiror Repayment of Debt  
Guaranteed by Target Shareholder  
is Not Boot in B Reorganization**

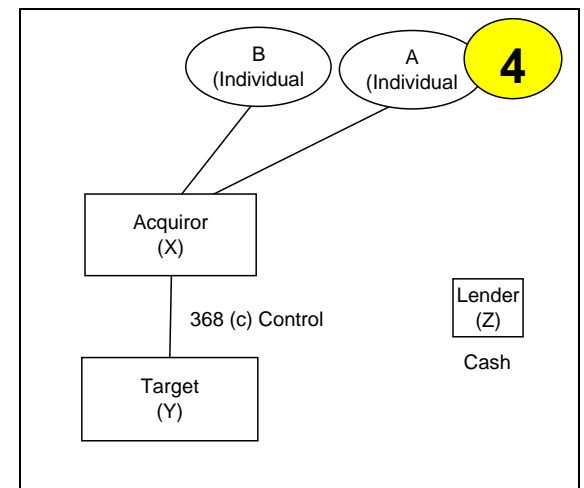
**Initial Structure**

**B Reorganization**

**Equity Injection / Debt Repayment**



**Ending Point**



The solely for voting stock requirement of section 368(a)(1)(B) of the Code is not violated in a situation in which an Acquiror contributes cash to the Target to discharge an indebtedness, which was guaranteed by one of the two shareholders of the Target, to an unrelated third party. The contribution was not a condition of the exchange and the fair market value of the Acquiror's stock received by both shareholders was equal. The payment of the indebtedness and the incidental release of A from A's guarantee are considered to be separate from the acquisition of the Target stock even though both occurred as part of one overall plan. See Rev. Rul. 72-522. However, see Rev. Rul. 79-4.