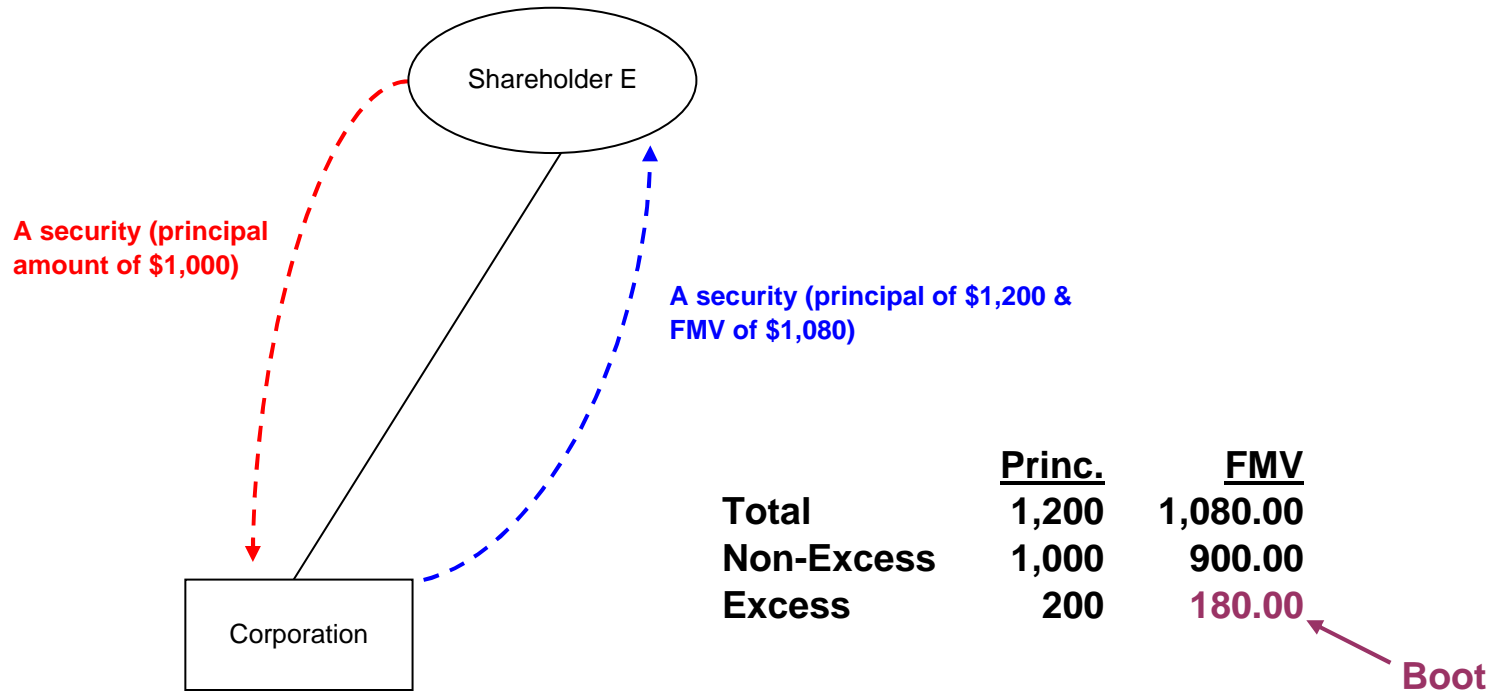


**Reg. 1.356-3(c),
Example 5**

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

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E, an individual, exchanged a security in the principal amount of \$1,000 for another security in the principal amount of \$1,200 with a fair market value of \$1,080. The fair market value of the excess principal amount, or \$180 is treated as "other property."

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