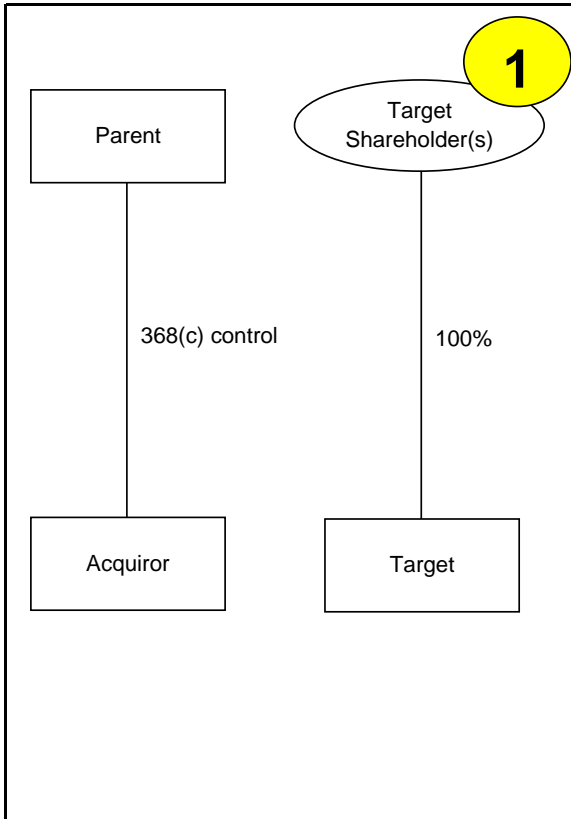
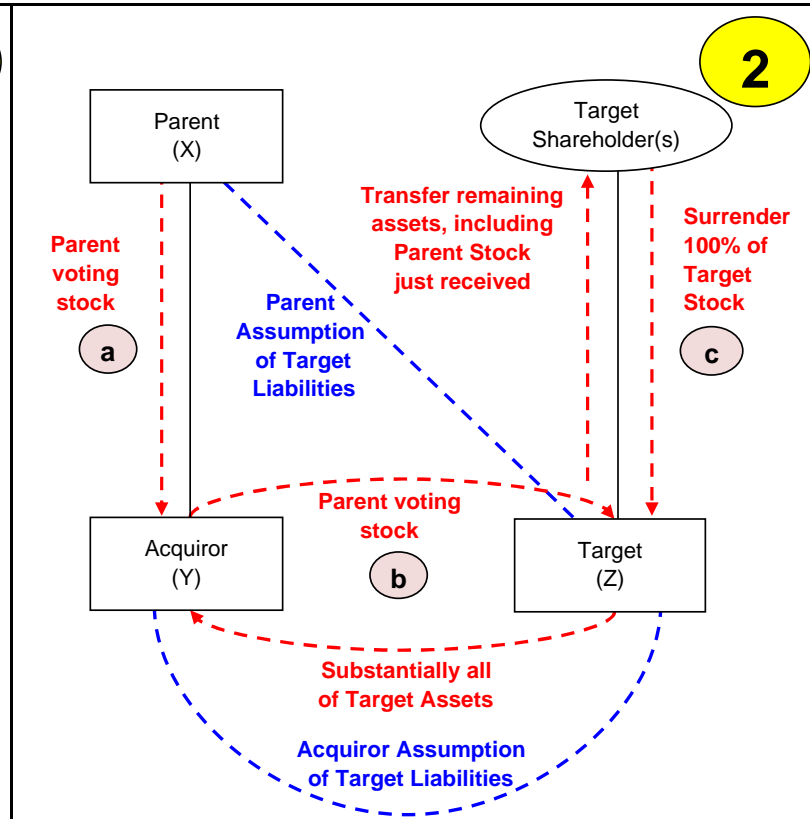


**Parent Assumption of Liabilities is Boot in Purported Triangular C Reorg**

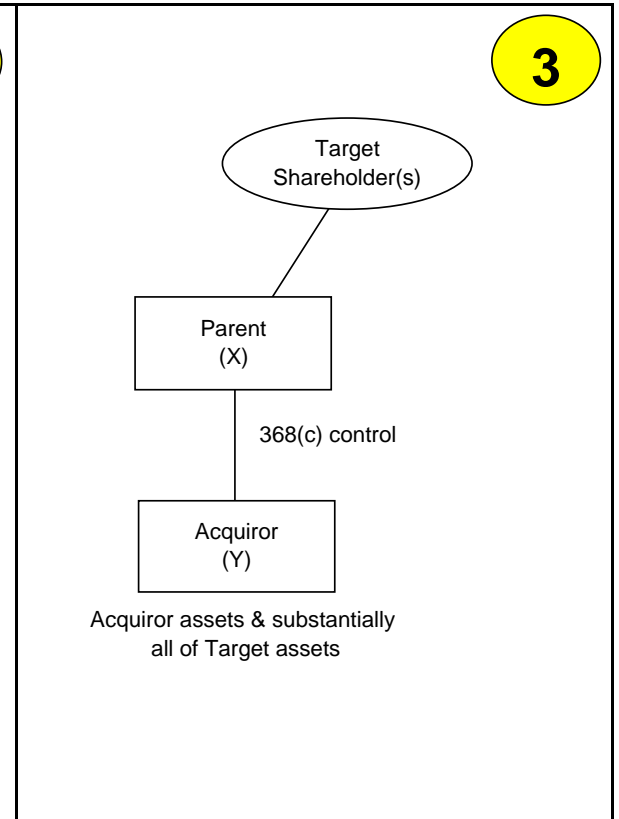
Initial Structure



Purported Reorganization



Ending Point



368(a)(1) . . . the term "reorganization" means . . . (C) the acquisition by one corporation . . . in exchange solely for all or a part of the voting stock of a corporation which is in control of the acquiring corporation . . . 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.

In the above example, both Parent and Acquiror assumed Target's liabilities. Parent's assumption of Target liabilities is treated as boot. Thus, the transaction does not meet the "solely for voting stock" requirement of section 368(a)(1)(C). However, the transfers may still qualify as a C reorganization under the boot relaxation rule of section 368(a)(2)(B).