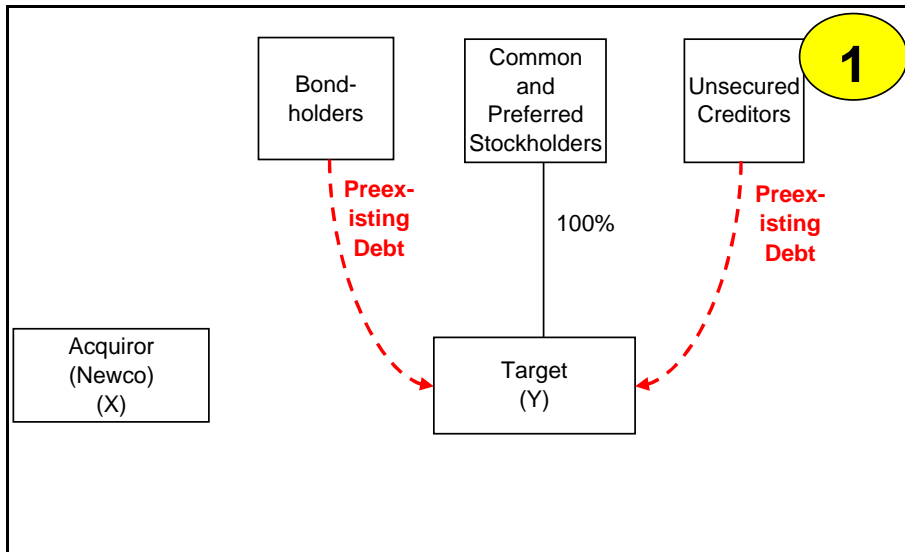


**Comm'r v. Southwest Consolidated  
315 U.S. 194 (1942)**

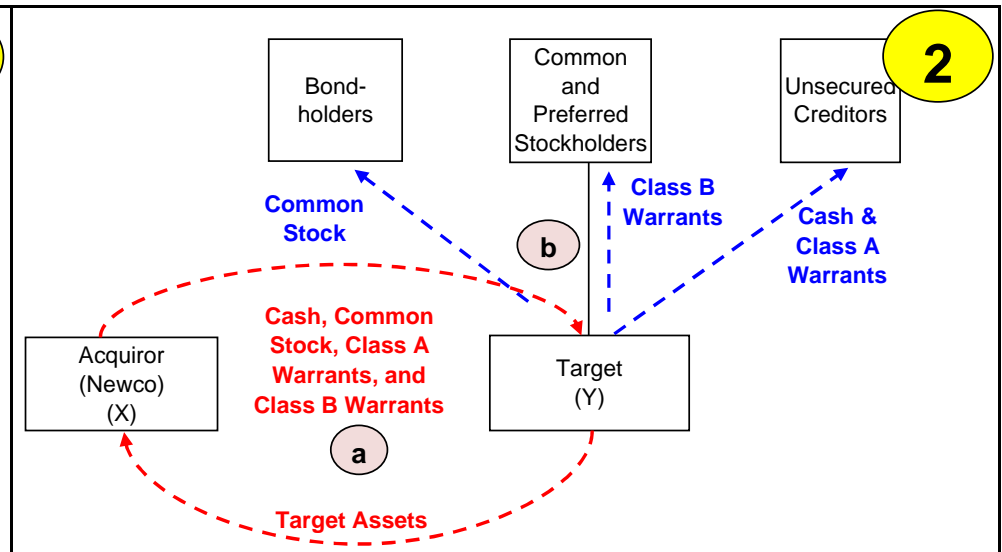
**Warrants are not voting stock  
"Solely" leaves no leeway"**

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**Initial Structure**



**Asset Transfers**



In Southwest Consolidated, the Supreme Court held that warrants are not treated as voting stock. The following is an excerpt from the case:

Under the statute involved in *Helvering v. Alabama Asphaltic Limestone Co.* . . . there would have been a "reorganization" here. For the creditors of the old company had acquired substantially the entire proprietary interest of the old stockholders. . . . But clause B of §112(g)(1) of the 1934 Act effects an important change as respects transactions whereby one corporation acquires substantially all of the assets of another [a C reorganization]. The continuity of interest test is made much stricter. . . Congress has provided that the assets of the transferor corporation must be acquired in exchange "solely" for "voting stock" of the transferee. **"Solely" leaves no leeway.** Voting stock plus some other consideration does not meet the statutory requirement. [Emphasis added.]

**Ending Point**

