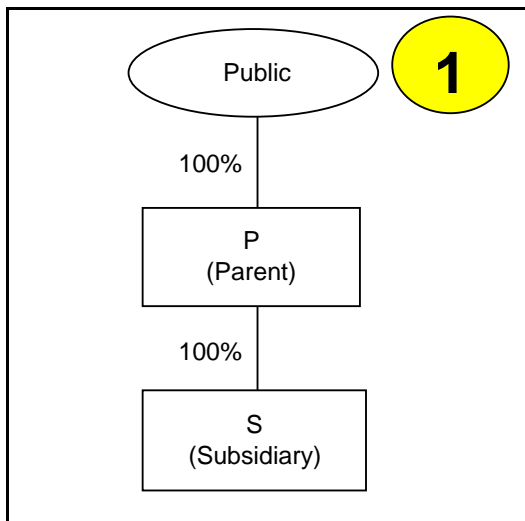
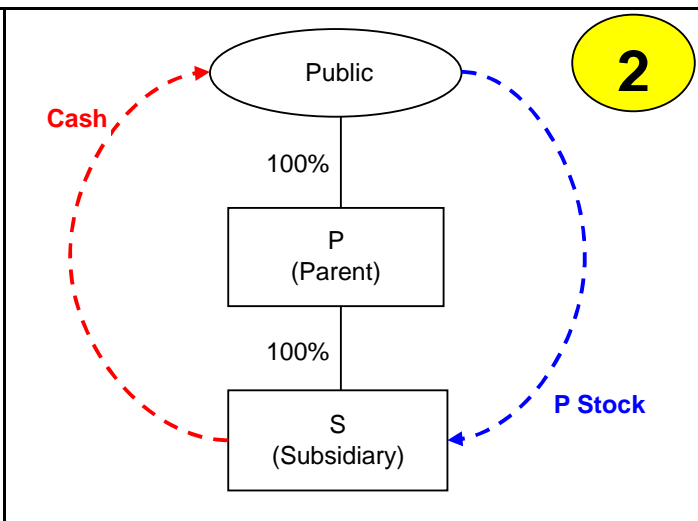


**Subsidiary Purchase & Sale of Parent Stock**

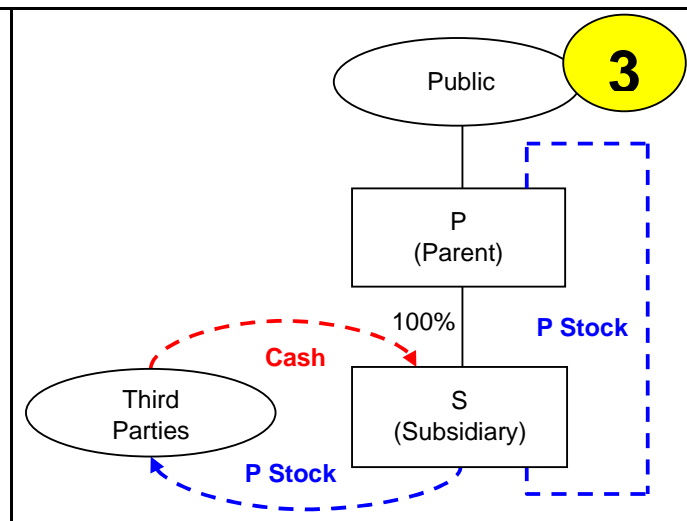
**Initial Structure**



**Purchase of Stock**



**Sale of P Stock**



S, a wholly owned domestic subsidiary of domestic corporation P, purchased shares of P's stock on the open market and sold the stock to outside interests at a gain. S received dividends from P prior to the sale of the stock.

The stock of P held by S is not treasury stock and the sale of such stock is not to be treated as a sale by the corporation of its own capital stock pursuant to the provisions of section 1032. The sale of such stock to outside interests is a transaction resulting in a gain or loss. The dividends, however, will be treated as prescribed by section 243, pertaining to dividends received by corporations.

**Ending Point**

