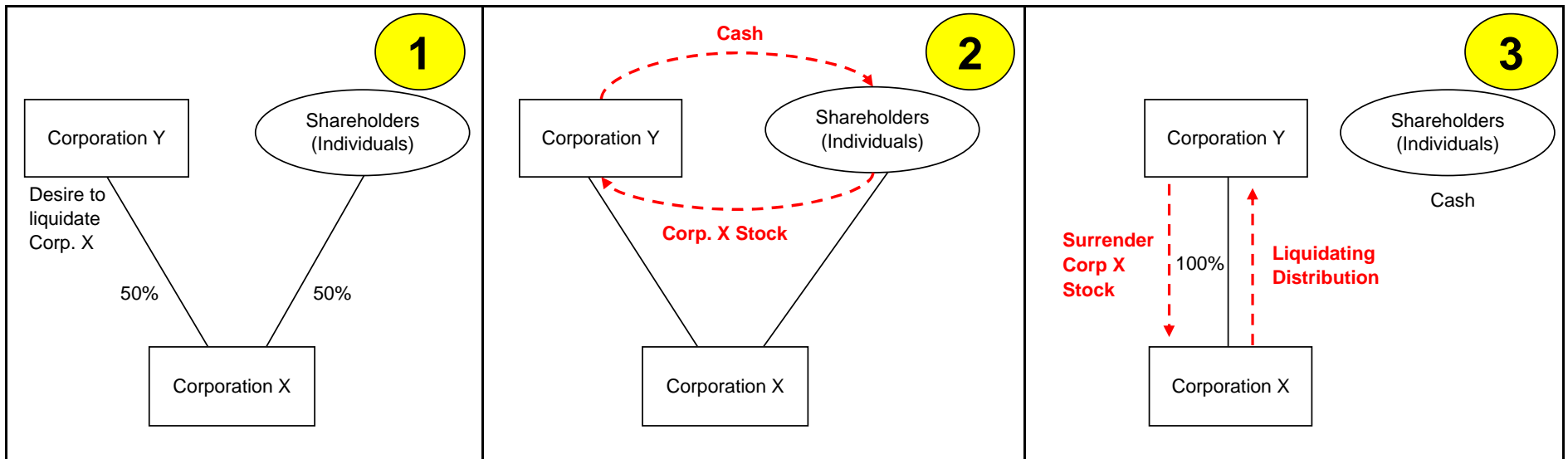


**Stock Purchase & Liquidation
 Qualifies Under Section 332**

Initial Structure

Stock Purchase

Liquidation



The ruling holds that the liquidation of Corporation X (step 3 above) meets the 80% stock ownership requirements of section 332(b)(1). The sale of stock between the shareholders does not constitute the adoption of a plan of liquidation.

Compare Rev. Rul. 70-106 where a **redemption** followed by a liquidation **did not** meet the requirements of section 332.

Ending Point

