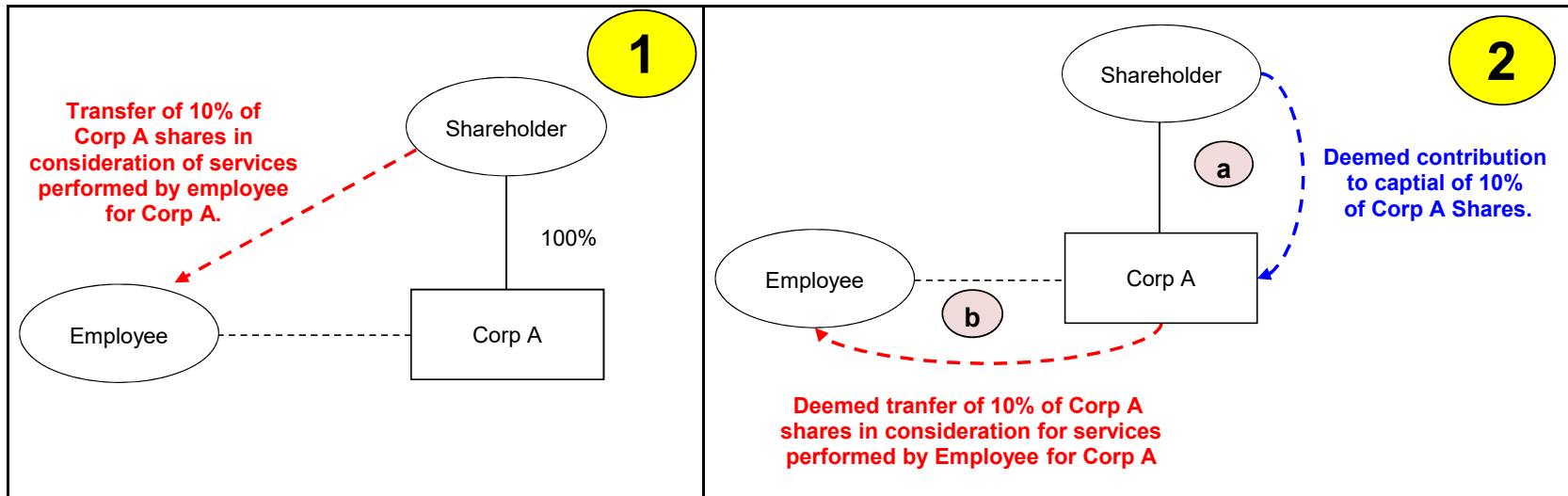


**Shareholder Transfer of Stock
To Employee of Corp**

Actual Transactions

Deemed Transactions



Where a shareholder of a corporation transfers property to an employee of such corporation or to an independent contractor (or to a beneficiary thereof), in consideration of services performed for the corporation, the transaction is considered to be a contribution of the property to the capital of the corporation by the shareholder, and immediately thereafter a transfer of the property by the corporation to the employee or independent contractor. The transfer is considered to be in consideration for services performed for the corporation if either the property transferred is substantially nonvested at the time of transfer or an amount is includible in the gross income of the employee or independent contractor at the time of transfer under Reg. 1.83-1(a)(1) or Reg. 1.83-2(a). Any money or other property paid to the shareholder for the stock shall be considered to be paid to the corporation and transferred immediately thereafter by the corporation to the shareholder as a distribution to which section 302 applies.