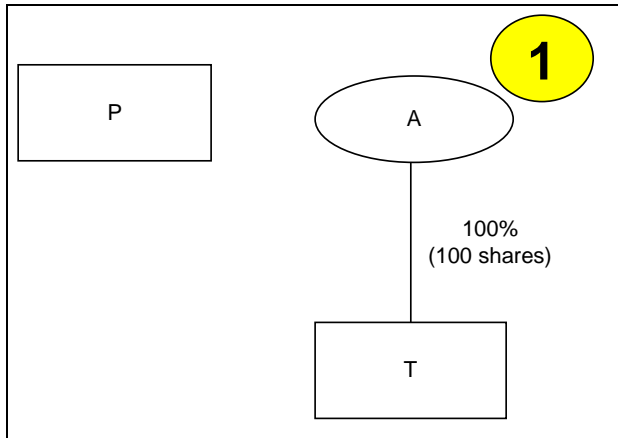


**Reg. 1.338-3(b)(5)(iv), Example 1**

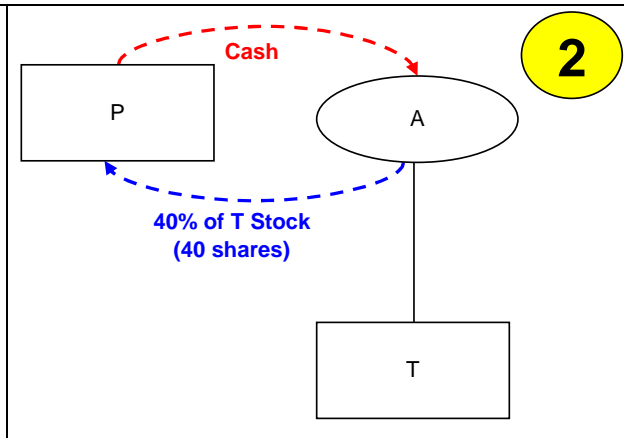
**QSP - Purchase, Redemption,  
& Purchase**

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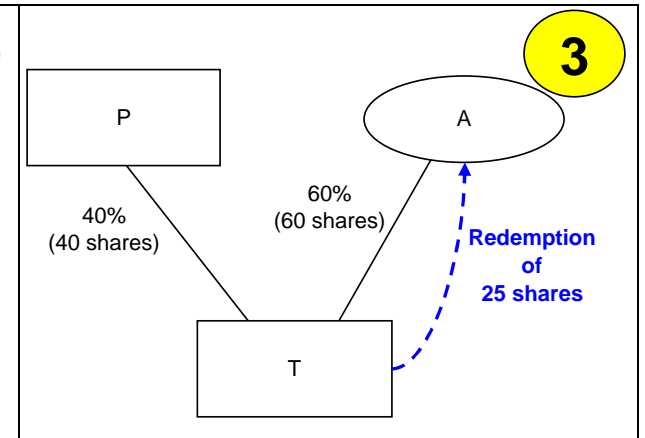
**Initial Structure**



**First Purchase (Jan. 1, Year 1)**

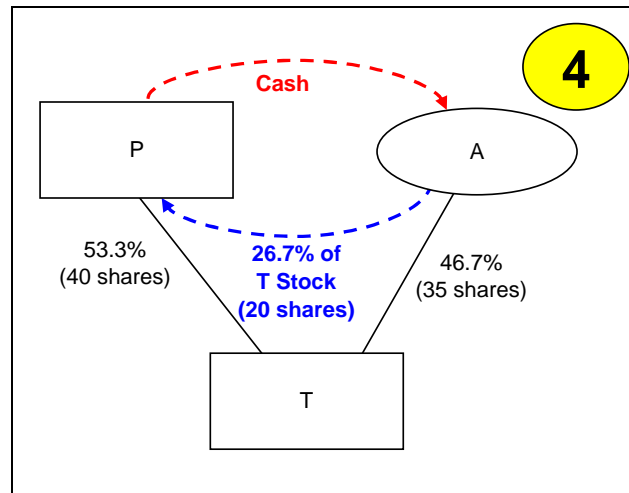


**Redemption (July 1, Year 1)**



A owns all 100 shares of T stock. On January 1 of Year 1, P purchases 40 shares of the T stock from A. On July 1 of Year 1, T redeems 25 shares from A. On December 1 of Year 1, P purchases 20 shares of the T stock from A. P makes a qualified stock purchase of T on December 1 of Year 1, because the 60 shares of T stock purchased by P within the 12-month period ending on that date satisfy the 80% ownership requirements of section 338(d)(3) (i.e., 60/75 shares), determined by taking into account the redemption of 25 shares.

**Second Purchase (Dec. 1, Year 1)**



**Ending Point**

