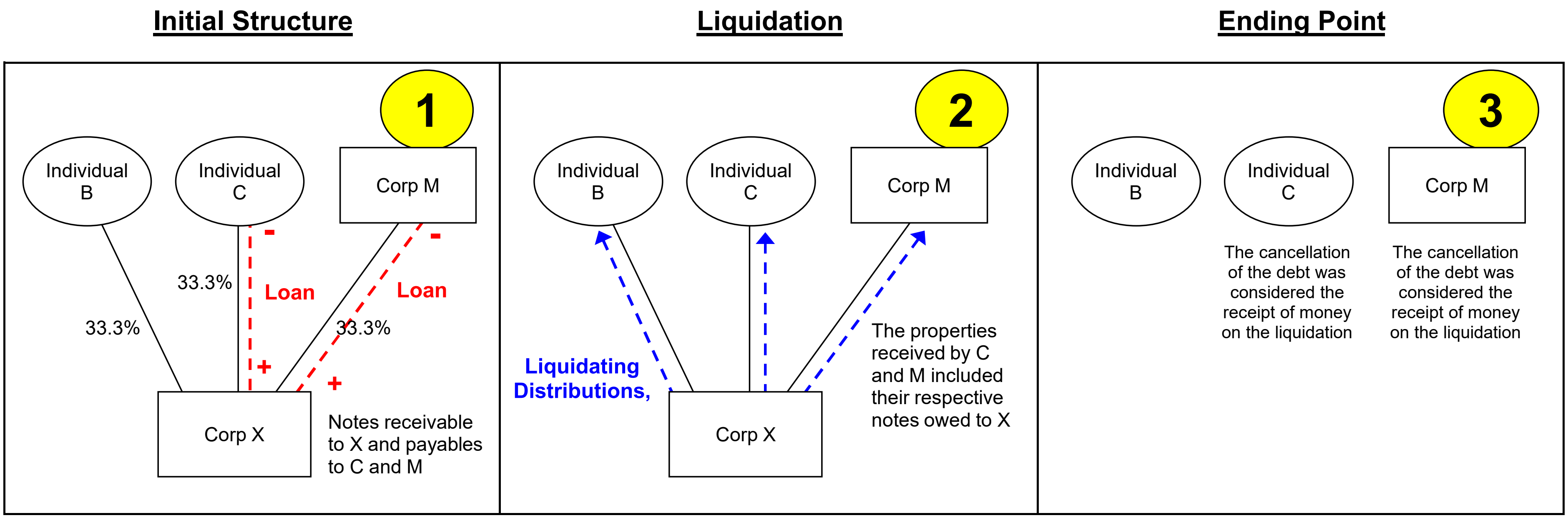
Revenue Ruling 70-409

Liquidating Distribution of Shareholders' Notes Was a Distribution of Money



The stock of X, a domestic corporation, was owned one-third by B, an individual, one-third by C, an individual, and one-third by M, a corporation. X's assets included two notes receivable which represented valid indebtedness owed by C and M, respectively, to X.

X adopted a plan of complete liquidation and distributed all its assets pro rata to B, C and M in complete cancellation and redemption of all of their shares of stock in X. The properties received by C and M included their respective notes owed to X which were thus cancelled in connection with the distribution.

The cancellation of the indebtedness of C and M pursuant to the distribution in liquidation of X was considered as the receipt of money by C and M.