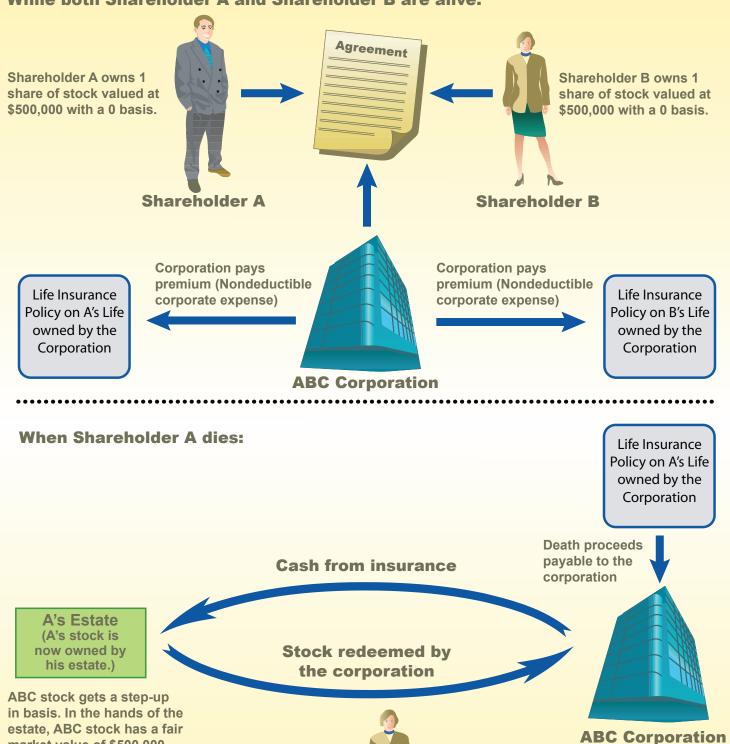
## **Stock Redemption Agreement: Basis Implications**

**ABC** Corporation is a C Corporation.

While both Shareholder A and Shareholder B are alive:



market value of \$500,000 and a basis of \$500,000.

After A dies, B owns 100% of ABC Corporation. The fair market value of ABC Corporation is \$1.0 million. Shareholder B's basis in the corporation is 0.