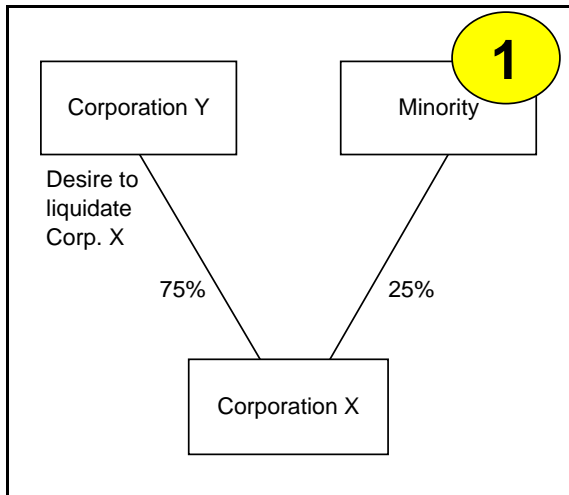
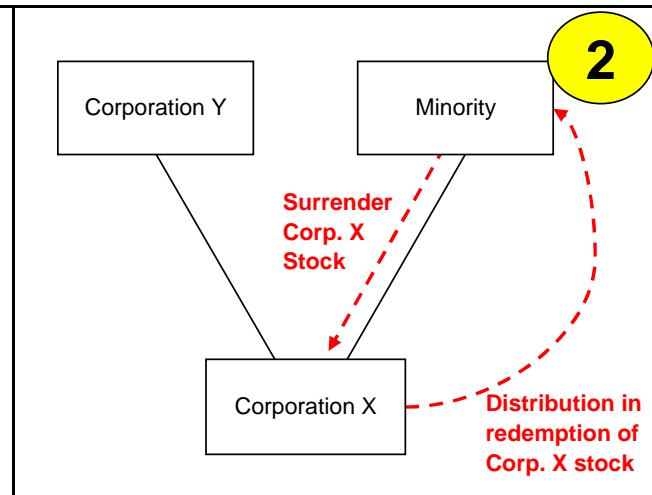


**Minority Redemption & Liquidation
Is Not a Sec. 332 Transaction**

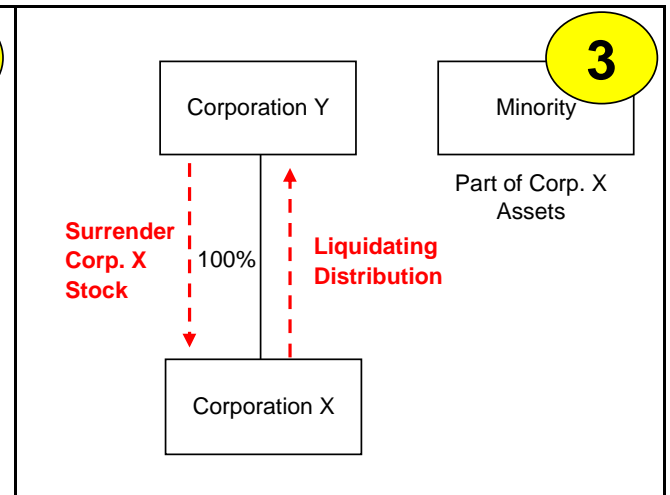
Initial Structure



Minority Redemption



Liquidation



The ruling holds that the liquidation of Corporation X (step 3 above) fails to meet the 80% stock ownership requirements of section 332(b)(1). The plan of liquidation was adopted at the time Corporation Y reached the agreement with the Minority shareholders. At such time, Corporation Y owned 75% of the stock of Corporation X.

All of the shareholders of Corporation X received a distribution in liquidation under the provisions of section 331.

Compare Rev. Rul. 75-521 where a **purchase** followed by a liquidation **did** meet the requirements of section 332.

Ending Point

