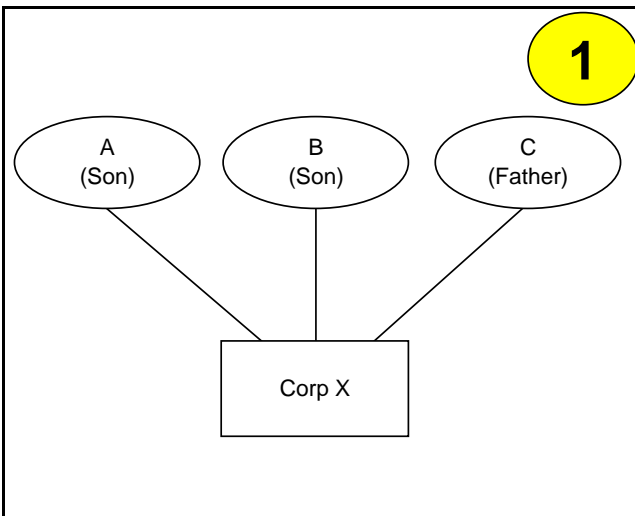
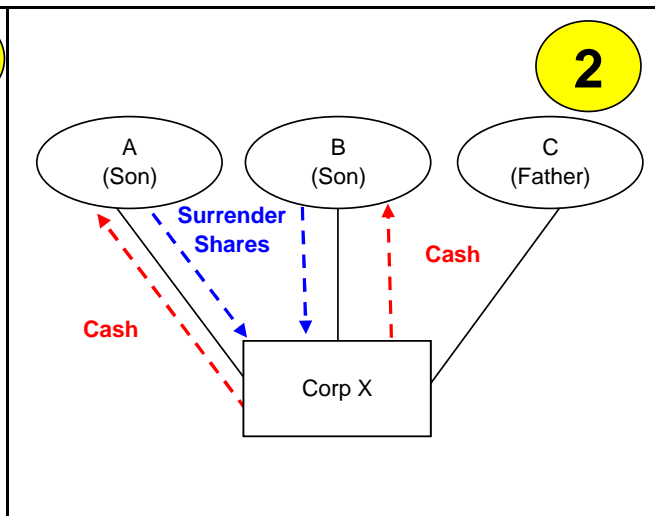


Executor of Estate Not Tainted Interest for 302(b)(3) Termination

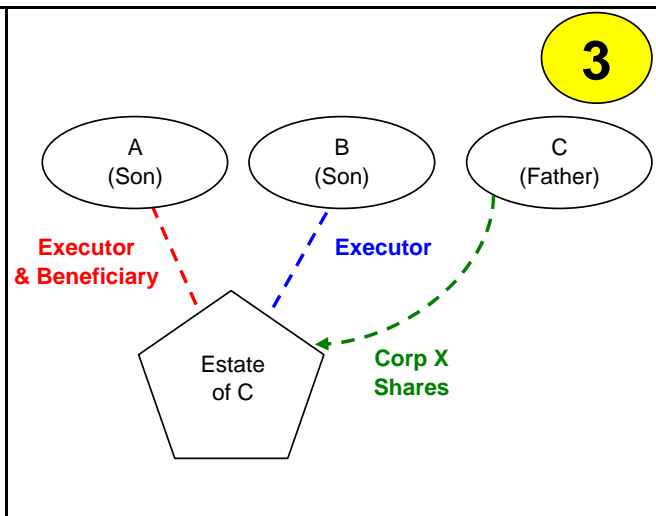
Initial Structure



Redemption

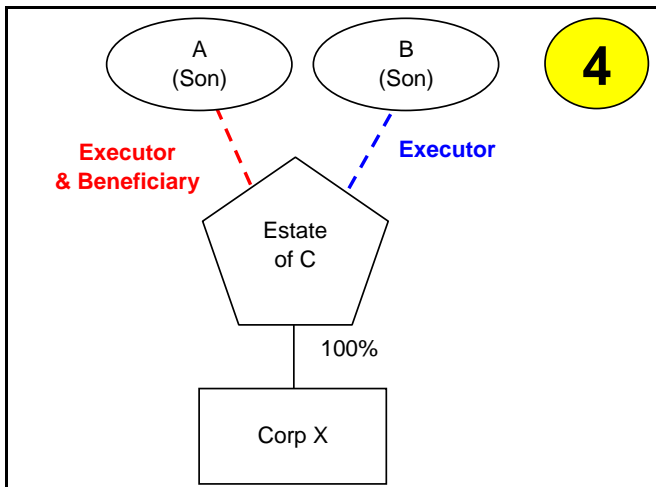


Death of C



Two brothers, A and B, and their father C, owned all the stock of corporation X. In 1966, X redeemed all the stock owned by A and B. Since the attribution rules of section 318 apply in determining the ownership of stock for purposes of section 302, A and B were each considered to own all the stock of X owned by C. Thus, as a general rule, the redemptions from A and B could not qualify as complete terminations of interest under section 302(b)(3). A and B each filed the agreement required by section 302(c)(2)(A)(iii). C died in 1970. In his will, A and B were named as executors of his estate which allows them to vote stock contained in the assets of an estate. The question presented was whether A and B, by qualifying as executors of C's estate, acquired an interest in X within the meaning of section 302(c)(2)(A)(ii). Section 302(c)(2)(A)(ii) expressly provides that the acquisition of stock by bequest or inheritance does not constitute the acquisition of a forbidden interest within the meaning of that section. Since section 302(c)(2)(A)(ii) expressly provides for the reacquisition of a complete direct stock interest by a former shareholder by reason of the death of another shareholder, it is reasonable to conclude that the acquisition under identical circumstances of the significantly lesser interest embodied in the limited and sharply circumscribed right of an executor to vote stock in an estate does not violate section 302(c)(2)(A)(ii). Accordingly, the qualification of A and B as executors of C's estate that holds stock in X will not be considered the acquisition of a forbidden interest in X within the meaning of section 302(c)(2)(A)(ii).

Ending Point



See also Rev. Rul. 75-2 (becoming president within the 10 year period prohibited).