Background Facts

The material facts in this case are not in dispute and have been stipulated by the parties.\n\nThe Cannonburg Skiing Corporation (Old Cannonburg) was formed in 1965. Its sole business was the operation of a full-service ski facility, located outside Grand Rapids, Michigan. Russell and Mary Ann Russell, husband and wife, resided in Grand Rapids, Michigan, at the time they filed their petition. Russell was a shareholder of Old Cannonburg from 1967 until October 24, 1978, on which date he surrendered his 1,857 shares of Old Cannonburg stock for 2,233.2 shares of Brown-Schaefer stock. As of October, 1977, Old Cannonburg had 215,000 shares of authorized, common voting stock with a par value of one dollar per share. The outstanding stock was owned as follows:\n\nShareholder Number of Shares Percent Interest\n\n___