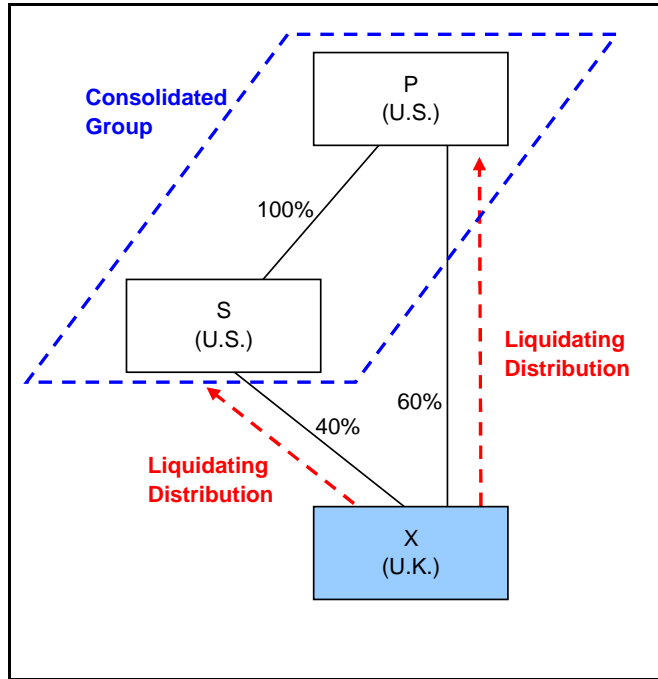


**Ownership Attribution**  
**Reg. 1.1502-34 & Sections 332 and 351**

**Situation 1 (Sec. 332)**

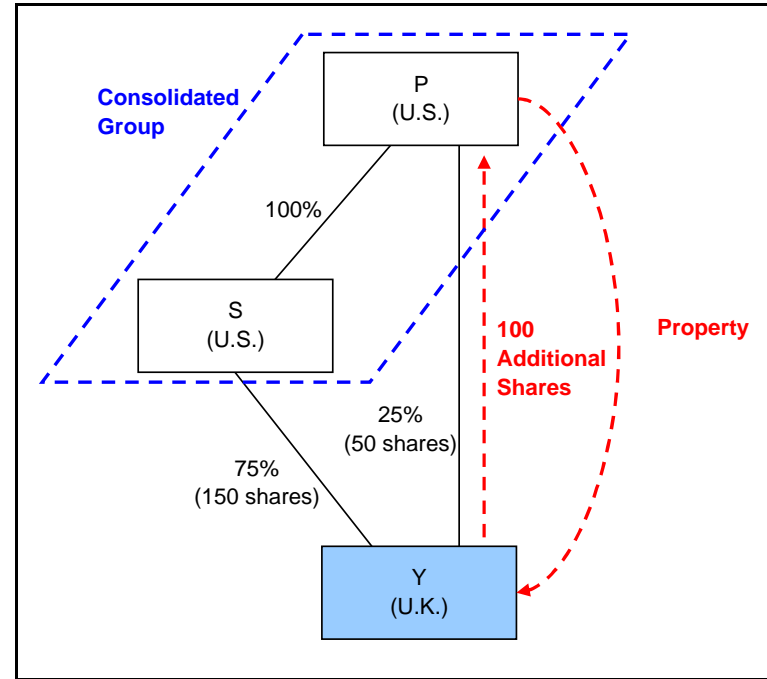


The stock of X owned by S was attributed to P in determining the stock ownership of P in X and the stock owned by P was attributed to S in determining the stock ownership of S in X.

Under current law, P & S would be required to include the all earnings and profits amount in their income pursuant to Reg. 1.367(b)-3.

Although shareholder level gain may be avoided under section 332 by the application of Reg. 1.1502-34, corporate level gain cannot similarly be avoided. See section 337(c).

**Situation 2 (Sec. 351)**



Without attribution, Y would not be considered controlled by P. P would only own 50% (150 shares of a total 300 shares) after the exchange.

However, the stock of Y owned by S is attributed to P in determining the stock ownership for purposes of section 351(a). Thus, P is considered in control of Y and the exchange qualifies as a section 351 exchange (as long as the section 367 requirements are met).