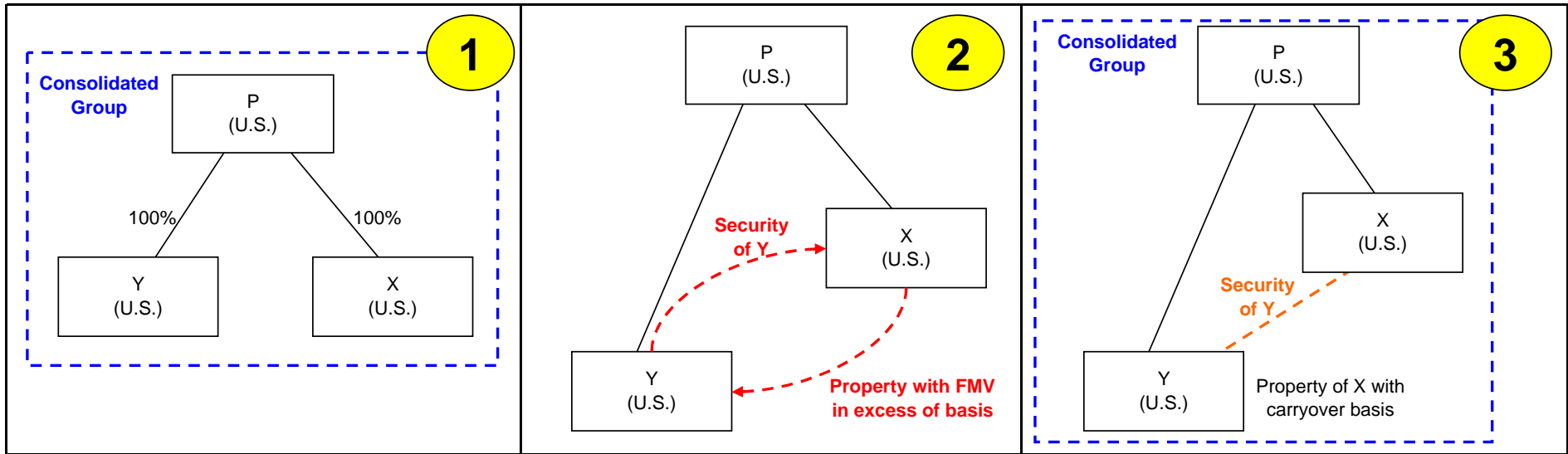


**Ownership Attribution  
Reg. 1.1502-34 & Section 351**

Initial Structure

X Asset Transfer to Y

Ending Point



Reg. 1.1502-34 provides in part:

For purposes of §§1.1502-1 through 1.1502-80, in determining the stock ownership of a member of the group in another corporation (the "issuing corporation) for purposes of determining the application of section . . . 351(a) . . . , there shall be included stock owned by all other members of the group in the issuing corporation.

The issue in the ruling was whether, pursuant to Reg. 1.1502-34, X was deemed to own the Y shares that P owned, such that X's transfer of the asset to Y would be treated as a section 351 exchange. Section 351(a) provides that "no gain or loss shall be recognized if property is transferred to a corporation by one or more persons solely in exchange for stock in such corporation and immediately after the exchange such person or persons are in control (as defined in section 368(c)) of the corporation." The transfer of property above was in exchange for a security of Y. At the time of the ruling, section 351(a) included stock and securities.

Without the application of Reg. 1.1502-34, the above transfer met the requirements of section 351(a), except for the control requirement. The ruling holds that even though X holds no actual stock ownership in Y, X is considered, for purposes of section 351(a), the owner of the Y shares owned by P. Thus, X is considered in control of Y and section 351(a) applies to the exchange. This ruling modifies Rev. Rul. 74-598.