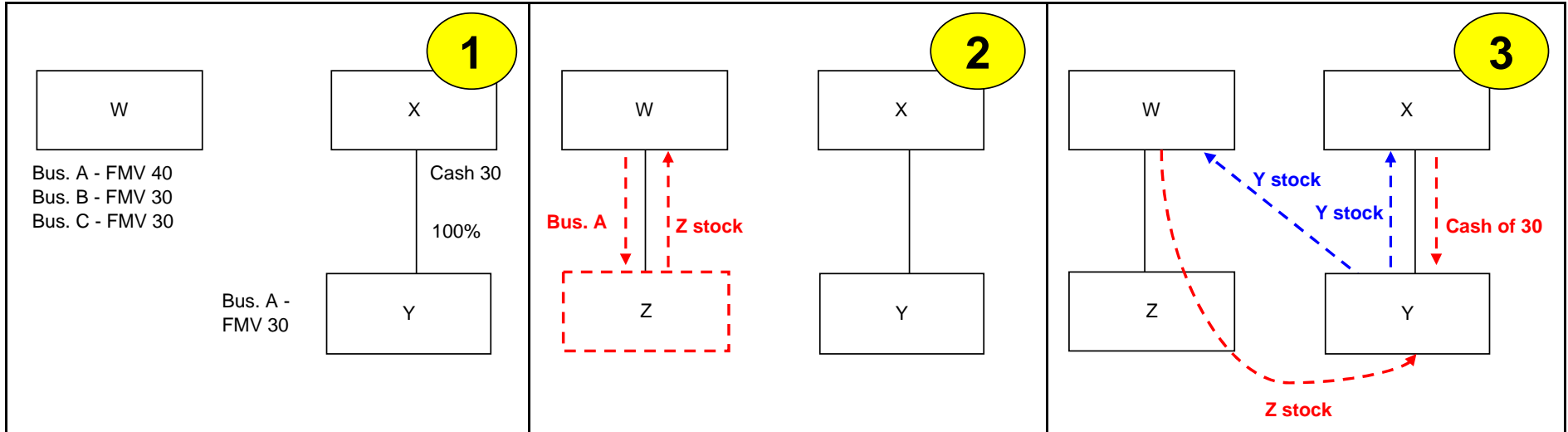


Successive 351 Exchanges

Initial Structure

**1st 351 Exchange
Formation of Z**

**2nd 351 Exchange
Contributions to Y**



To qualify as a 351 exchange W must control Z immediately after the exchange. Generally, 351 is not satisfied if the transferor, pursuant to a binding agreement, loses control of the transferee. See Intermountain Lumber, 65 T.C. 1025 (1976).

The ruling holds that a transfer of property in a purported 351 exchange, which is followed by a nontaxable disposition of the stock received, is not necessarily inconsistent with the purposes of section 351. In addition, the parties had an alternative form that would have qualified for nonrecognition treatment (W & X transfer to Y and then Y transfers to Z). Thus, the transfer from W to Z qualifies as a section 351 exchange.

Compare Rev. Rul. 70-140 (purported 351 exchange followed by a B reorganization).

**3rd 351 Exchange
Y Contribution to Z**

Ending Point

