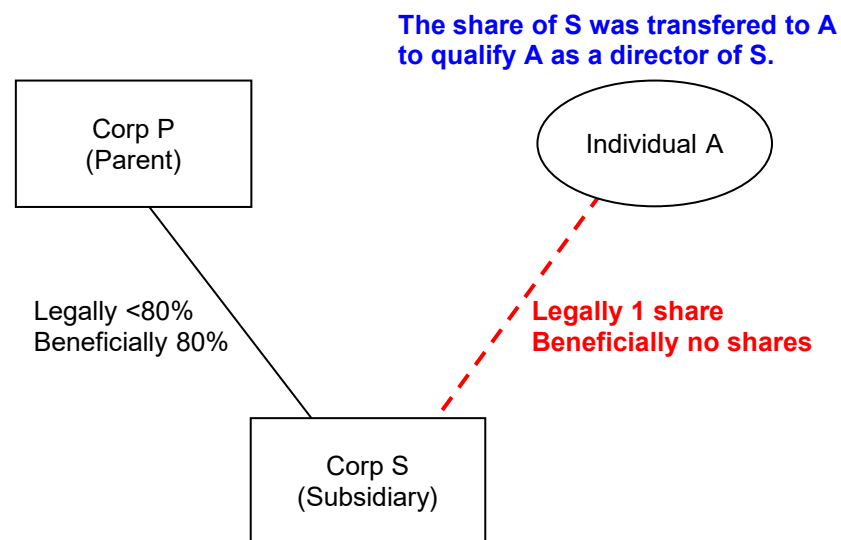


**80% Subsidiary With A Share Nominally Owned By Another**

P corporation owned 80% of the stock of S corporation. For valid corporate purposes P caused the name of A, as nominee, to appear on the stock book and records of S as the owner of one of P's shares of S. A was at all times legally obligated to hold and deal with such share according to such orders and direction as P, from time to time, gave him. The certificate representing the share was endorsed to A, transfer was made upon the stock book of S, A's name was entered upon the stock book as the owner of the share, and A endorsed the new certificate in blank and delivered it to P which retained it in its possession. Placing the record ownership of the share of S in A qualified A as a director of S.



The legal relationship between P and A, as nominee, is clear. The entire beneficial, or equitable, ownership is in P, but the legal title to the share is in A. A's relationship to P is essentially that of an agent to his principal.

P, being possessed of the entire beneficial ownership of the share and thus owning it, owns it "directly" because of its direct power over the share possessed by A, a power exercisable and legally enforceable at all times, and as complete as the dominion exercisable by one having both beneficial and legal ownership. Accordingly, in the instant case, the stock of S transferred to A, as nominee, is owned directly by P within the meaning of section 1504(a).