

**Reg. 1.7874-2(k),
Example 1**

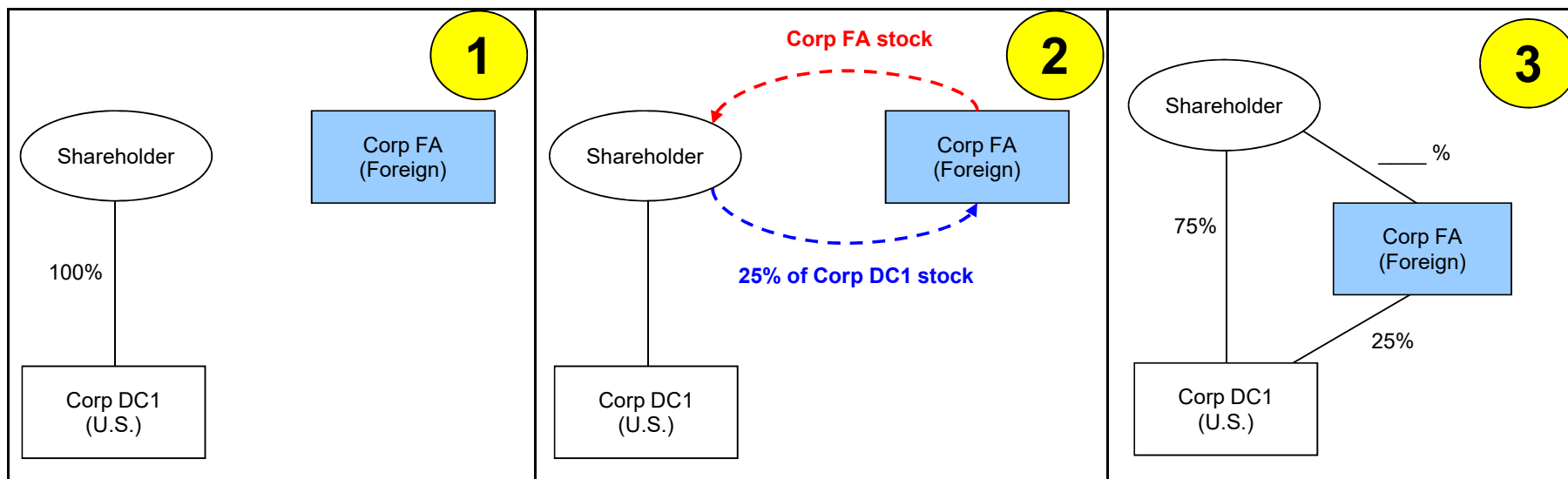
**Indirect Asset Acquisition Thru
Stock of Domestic Corporation**

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Initial Structure

Stock Acquisition

Ending Point



DC1 is a domestic corporation with a single class of common stock outstanding. FA is a foreign corporation. FA acquires 25% of the outstanding stock of DC1. For purposes of section 7874(a)(2)(B)(i), FA is treated as acquiring 25% of the properties held by DC1 on the date of the stock acquisition.

(Although not specified in the example in the regulations, this chart shows the acquisition of the DC1 stock as having been in exchange for FA stock.)