

**Reg. 1.7874-2(k),
Example 4**

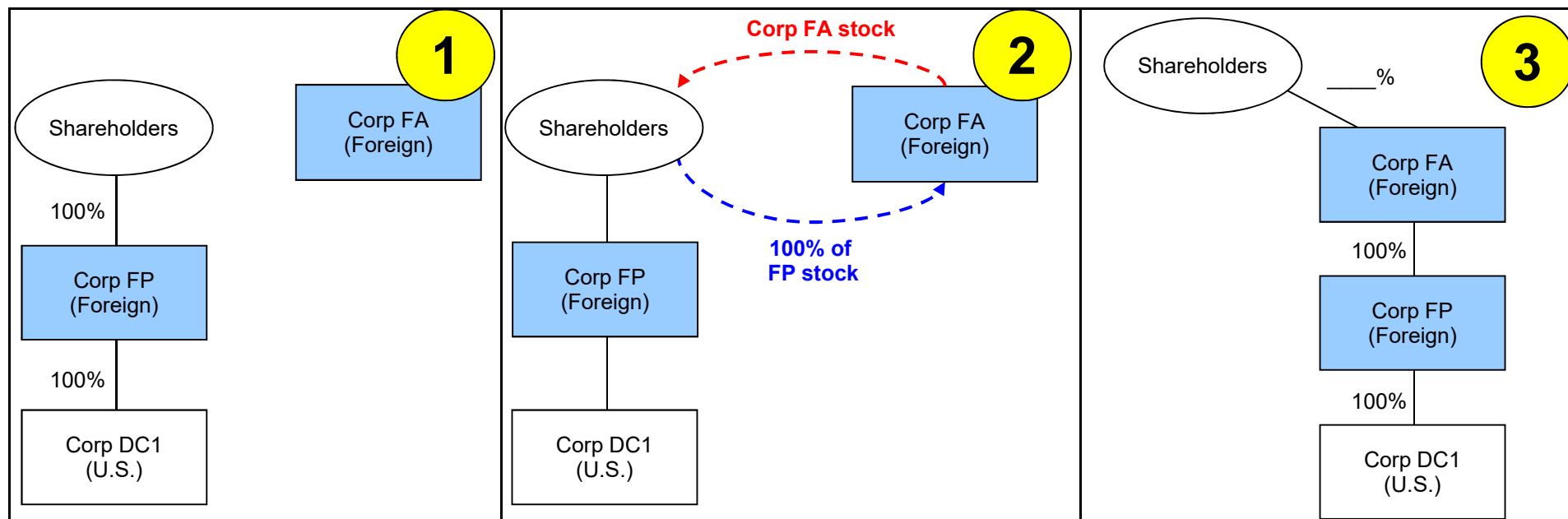
**No Indirect Asset Acquisition
Thru Stock of Foreign Corp.**

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Initial Structure

B Reorganization

Ending Point



DC1 is a domestic corporation. FP and FA are foreign corporations. FP wholly owns DC1. FA acquires all of the outstanding stock of FP. For purposes of section 7874(a)(2)(B)(i) FA is not treated as acquiring any properties held by DC1 on the date of the acquisition of the FP stock.

(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.)