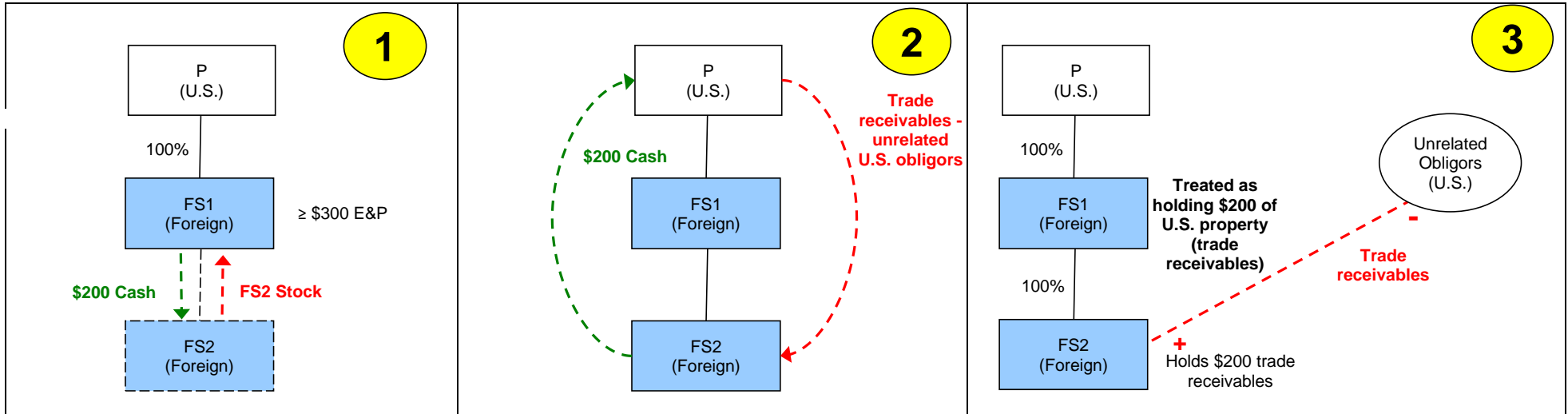


**U.S. Property - Receivables  
Acquired by Nominee**

**FS2 Formation**

**Sale of Receivables**

**Ending Point**



A domestic corporation, P, wholly owns a controlled foreign corporation, FS1, that has earnings and profits of at least \$300x. FS1 organizes a foreign corporation, FS2, with a \$200x cash contribution. FS2 uses the cash contribution to purchase trade receivables from P. The obligors with respect to the trade receivables are unrelated United States persons. A principal purpose of funding FS2 (through FS1's cash contribution) is to avoid the application of Code §956 with respect to FS1.

Under Treas. Reg. §1.956-1(b), if the trade receivables held by FS2 were United States property, FS1 would be treated as holding the trade receivables held by FS2 because FS1 controls FS2 and a principal purpose of FS1 funding FS2 was to avoid the application of Code §956 with respect to FS1. Accordingly, under Treas. Reg. §1.956-4(b)(2)(ii), FS1 is treated as having acquired from P, a related United States person, the trade receivables that it would be treated as holding with a basis equal to \$200x. Thus, FS1 is treated as holding United States property with a basis of \$200x under Treas. Reg. §1.956-4(a).