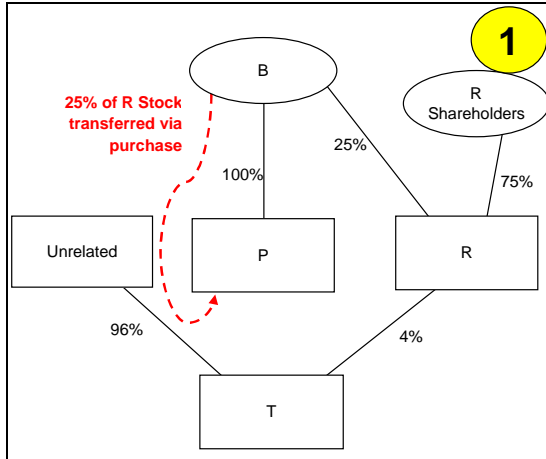


Reg. 1.338-3(b)(3)(iv), Example 4

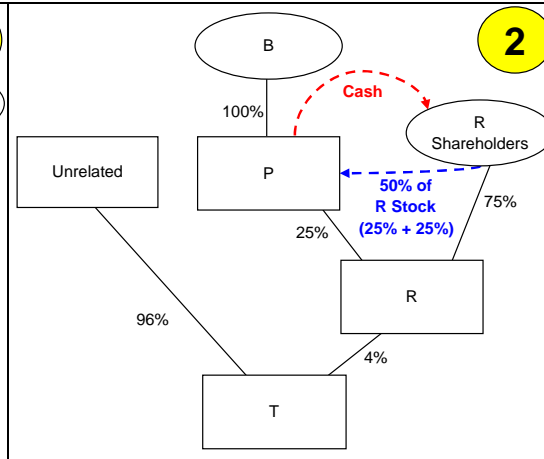
No QSP - Shares Constructively Acquired Prior to 12 Month Period

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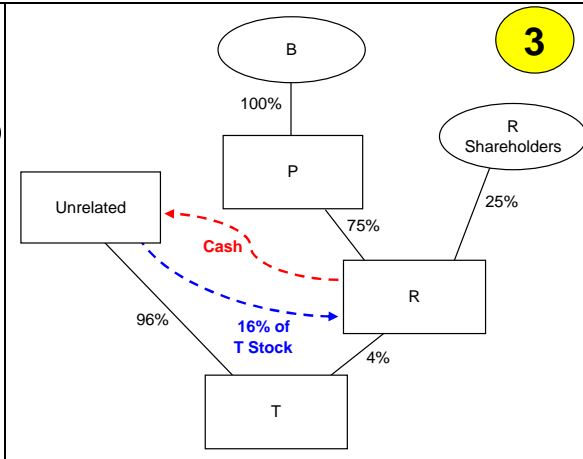
**First Constructive Acquisition
(Feb. 1 Year 1)**



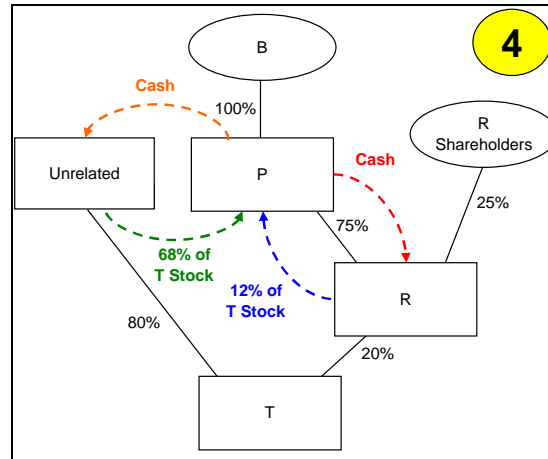
**Second and Third Constructive Acquisitions
(June 1, Year 1 and Jan. 1, Year 2)**



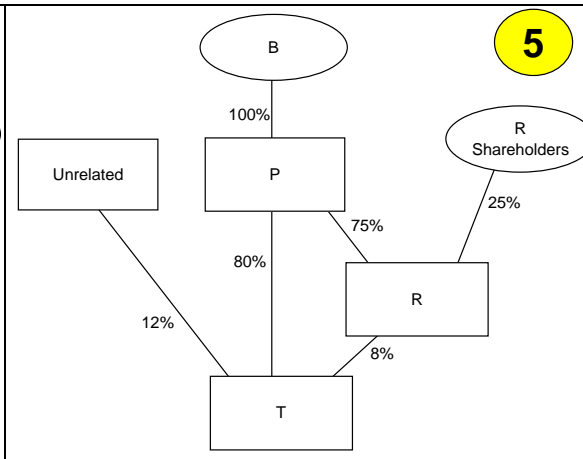
**Fourth Constructive Acquisition
(June 1, Year 2)**



**First Actual Acquisition
(Dec. 1, Year 2)**



**Ending Point
(Dec. 1, Year 2)**



On Feb. 1 of Year 1, P acquires 25% of R stock from B (the sole shareholder of P). That R stock is acquired by purchase. On that date, R owns 4 of the 100 shares of T stock. On June 1 of Year 1, P purchases an additional 25% of R stock, and on Jan. 1 of Year 2, P purchases another 25% of R stock. On June 1 of Year 2, R acquires an additional 16 shares of the T stock. On Dec. 1 of Year 2, P purchases 68 shares of the T stock from an unrelated person and 12 of the 20 shares of the T stock held by R.

Of the 12 shares of the T stock purchased by P from R on Dec. 1 of Year 2, 2 of those shares are deemed to have been acquired by P on June 1 of Year 1, the date on which 2 of the 4 shares of the T stock held by R on that date were first considered owned by P under section 318(a)(2)(C).

Of the remaining 10 shares of the T stock purchased by P from R on Dec. 1 of Year 2, 1 of those shares is deemed to have been acquired by P on Jan. 1 of Year 2, the date on which an additional 1 share of the 4 shares of the T stock held by R on that date was first considered owned by P under section 318(a)(2)(C). The remaining 9 shares of the T stock purchased by P from R on Dec. 1 of Year 2, are deemed to have been acquired by P on June 1 of Year 2, the date on which an additional 12 shares of the T stock held by R on that date were first considered owned by P under section 318(a)(2)(C). Because a QSP of T by P is made on Dec. 1 of Year 2 only if all 12 shares of the T stock purchased by P from R on that date are considered acquired during a 12-month period ending on that date (so that, in conjunction with the 68 shares of the T stock P purchased on that date from the unrelated person, 80 of T's 100 shares are acquired by P during a 12-month period) and because 2 of those 12 shares are considered to have been acquired by P more than 12 months before Dec. 1 of Year 2 (i.e., on June 1 of Year 1), a QSP is not made.