

Temp. Reg. 1.7874-2T(n),
Example 3

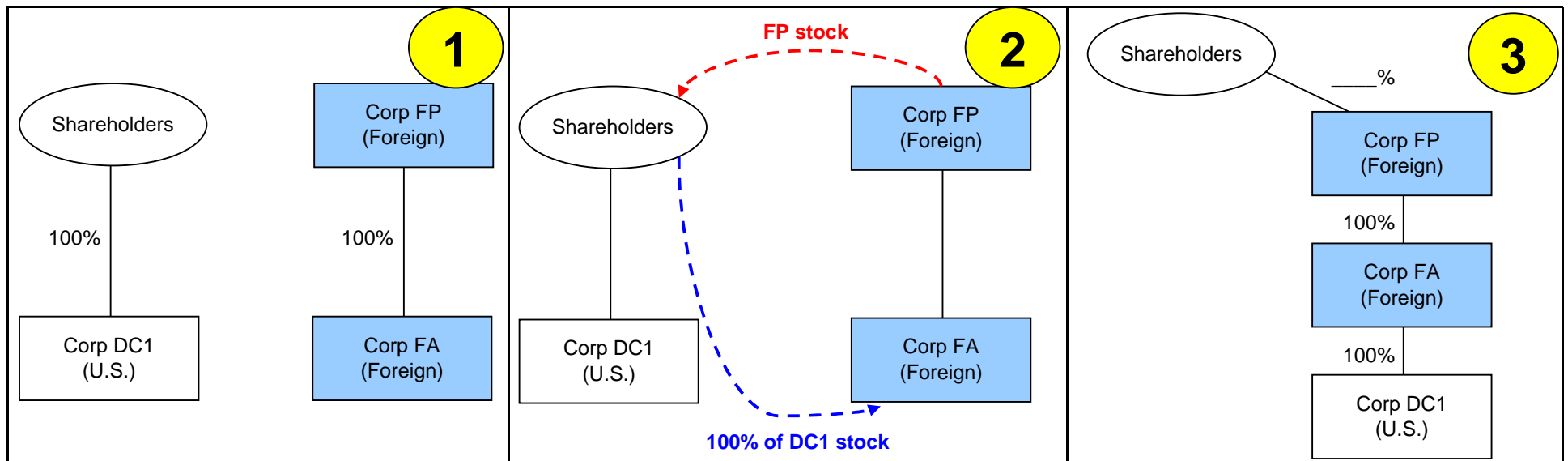
**Indirect Asset Acquisition -
Outbound Triangular B
Reorganization**

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Initial Structure

Triangular B Reorganization

Ending Point



DC1 is a domestic corporation with a single class of stock outstanding. FA and FP are foreign corporations. FP wholly owns FA. FA acquires all the outstanding stock of DC1 in exchange solely for FP stock. FP and FA are members of the same expanded affiliated group after the acquisition.

FA is treated as acquiring 100% of the properties held by DC1 on the date of the stock acquisition. Further, for purposes of section 7874(a)(2)(B)(i) FP is also treated as acquiring 100% of the properties held by DC1 on the date of the stock acquisition. The result would be the same if instead FA had directly acquired all the properties held by DC1 in exchange for FP stock (an outbound triangular C reorganization).