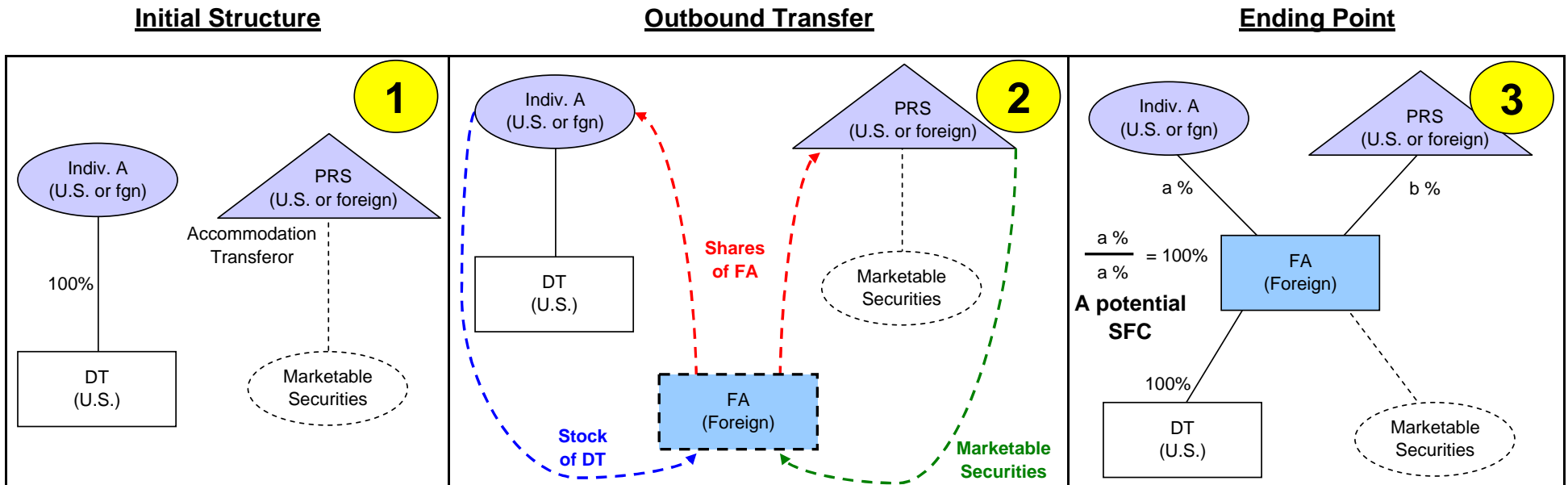


**Inversion With Accommodation
Transferor (Marketable Securities)**



Individual A wholly owns DT, a domestic corporation. FA, a newly formed foreign corporation, acquires all the DT stock from individual A in exchange solely for FA stock. In a transaction related to FA's acquisition of the DT stock, PRS, a partnership, transfers marketable securities (within the meaning of section 453(f)(2)) to FA solely in exchange for FA stock.

A foreign corporation constitutes a surrogate foreign corporation ("SFC") if three conditions are satisfied. First, the foreign corporation completes, after March 4, 2003, the direct or indirect acquisition of substantially all of the properties held directly or indirectly by a domestic corporation. Section 7874(a)(2)(B)(i). Second, after the acquisition at least 60 percent of the stock of the foreign corporation (by vote or value) is held by former shareholders of the domestic corporation by reason of holding stock in the domestic corporation (the Ownership Condition). Section 7874(a)(2)(B)(ii). Third, after the acquisition the expanded affiliated group (defined in section 7874(c)(1)) that includes the foreign corporation does not have substantial business activities in the foreign country in which, or under the law of which, the foreign corporation is created or organized, when compared to the total business activities of the expanded affiliated group ("EAG"). Section 7874(a)(2)(B)(iii). Similar provisions apply if a foreign corporation acquires substantially all of the properties constituting a trade or business of a domestic partnership. Under section 7874(c)(2), certain stock of the foreign corporation is not taken into account in determining whether the Ownership Condition is satisfied: (1) stock of the foreign corporation held by members of the expanded affiliated group that includes the foreign corporation, and (2) stock of the foreign corporation sold in a public offering related to the acquisition described in section 7874(a)(2)(B)(i).

Under Notice 2009-78, the FA stock issued to PRS in exchange for the marketable securities is not taken into account for purposes of the Ownership Condition. Therefore, the ownership fraction is $a\%/a\%$. If FA does not have substantial business activities in its country of incorporation, when compared to the total business activities of the EAG, FA will be a SFC.