

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

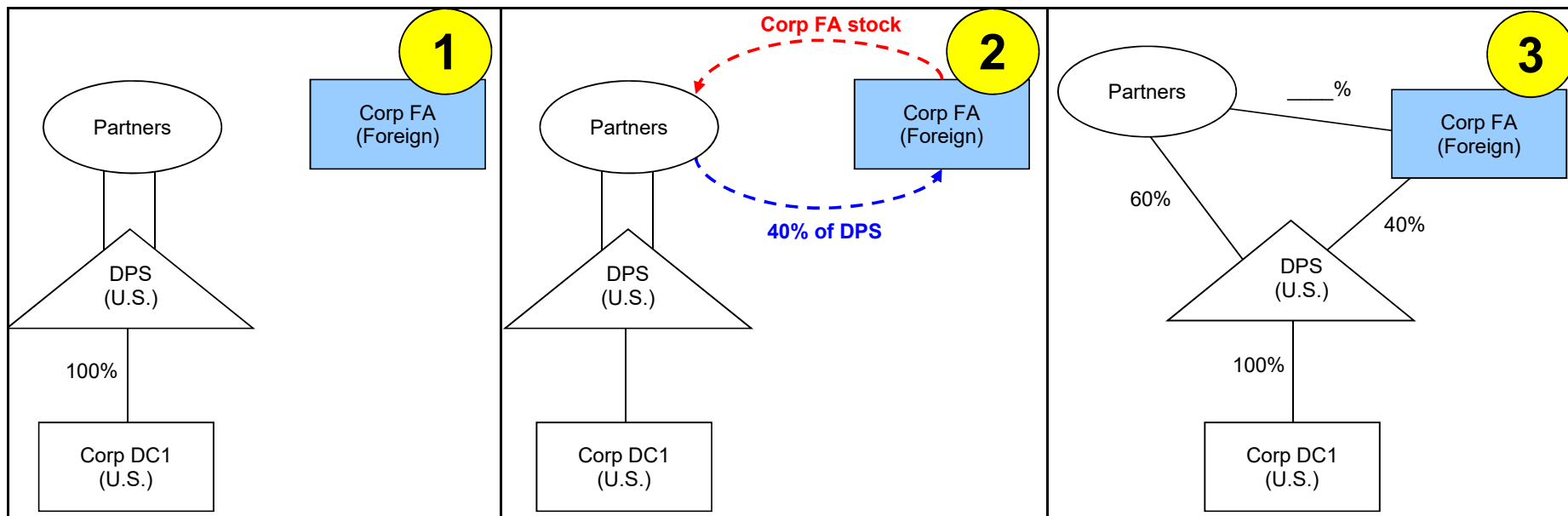
**Indirect Asset Acquisition
Thru a Partnership Interest**

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Initial Structure

Partnership Acquisition

Ending Point



DPS is a domestic partnership. DC1 is a domestic corporation that is wholly owned by DPS. FA is a foreign corporation. FA acquires a 40% interest in DPS. FA is treated as acquiring 40% of the DC1 stock held by DPS on the date of the acquisition of the partnership interest. Further, for purposes of section 7874(a)(2)(B)(i) FA is treated as acquiring 40% of the properties held by DC1 on the date of the acquisition of the partnership interest.

(Although not specified in the example in the regulations, this chart shows the acquisition of the DPS interest as having been in exchange for FA stock.)