



USP, a domestic corporation, owns 70% of the stock of FS, a controlled foreign corporation, and a 90% interest in FPRS, a foreign partnership. X, an unrelated foreign person, owns 30% of the stock of FS. Y, an unrelated foreign person, owns a 10% interest in FPRS. There are no special allocations in the FPRS partnership agreement. FPRS borrows \$100x from Z, an unrelated person. FS pledges its assets as security for FPRS's performance of its obligation to repay the \$100x loan. USP's share of the \$100x FPRS obligation, determined in accordance with its liquidation value percentage, is \$90x. Under Treas. Reg. §1.956-4(c), \$90x of the FPRS obligation is treated as an obligation of USP for purposes of Code §956.

For purposes of Code §956, under Treas. Reg. §1.956-1(c)(1), FS is considered to hold an obligation of USP in the amount of \$90x, and thus is treated as holding United States property in the amount of \$90x.