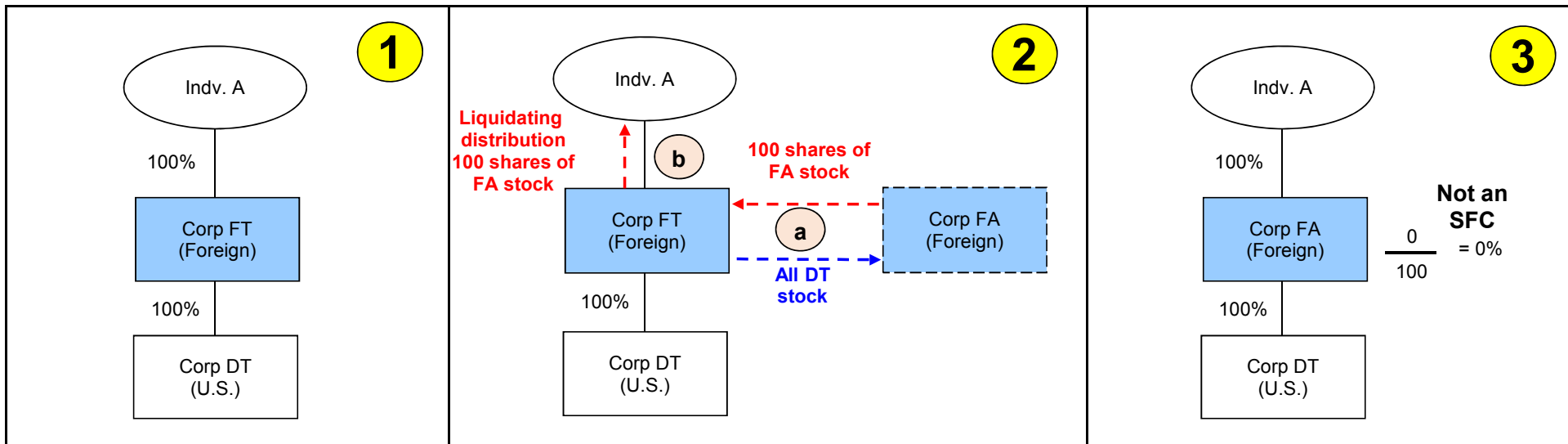


**Internal Group Restr'g With  
 Fgn-to-Fgn F Reorg of Fgn Parent**

Initial Structure

F Reorganization

Ending Point



Individual A owns all the stock of Corp FT, a foreign corporation. Corp FT owns all the stock of Corp DT, a domestic corporation. Corp FT does not own any other property and has no liabilities. Pursuant to a reorganization described in section 368(a)(1)(F), Corp FT transfers all of its Corp DT stock to Corp FA, a newly formed foreign corporation, in exchange for 100 shares of Corp FA stock (DT acquisition) and distributes the Corp FA stock to individual A in liquidation pursuant to Code §361(c)(1) (subsequent distribution).

Under Treas. Reg. §1.7874-2(f)(1), the 100 shares of Corp FA stock received by Corp FT in the reorganization is stock of a foreign corporation (Corp FA) that is held by reason of holding stock in a domestic corporation (Corp DT). Accordingly, such stock is described in Code §7874(a)(2)(B)(ii). Under Treas. Reg. §1.7874-5T(a), all 100 shares of Corp FA stock retain their status as being described in Code §7874(a)(2)(B)(ii) even though Corp FT subsequently transfers all of the Corp FA stock to its shareholder (individual A) in the subsequent distribution. Under section 2.03(b)(iii) of Notice 2014-52, the Corp FA stock received by Corp FT is treated as held by a member of the EAG for purposes of applying the EAG rules because (i) before the DT acquisition, Corp FT and Corp DT are members of a foreign-parented group (of which Corp FT is the common parent), and (ii) absent the distribution of the Corp FA stock by Corp FT to individual A in the subsequent distribution, Corp FT would be a member of the EAG. In addition, the DT acquisition qualifies as an internal group restructuring ("IGR") under Treas. Reg. §1.7874-1(c)(2). Accordingly, the ownership fraction is 0/100.