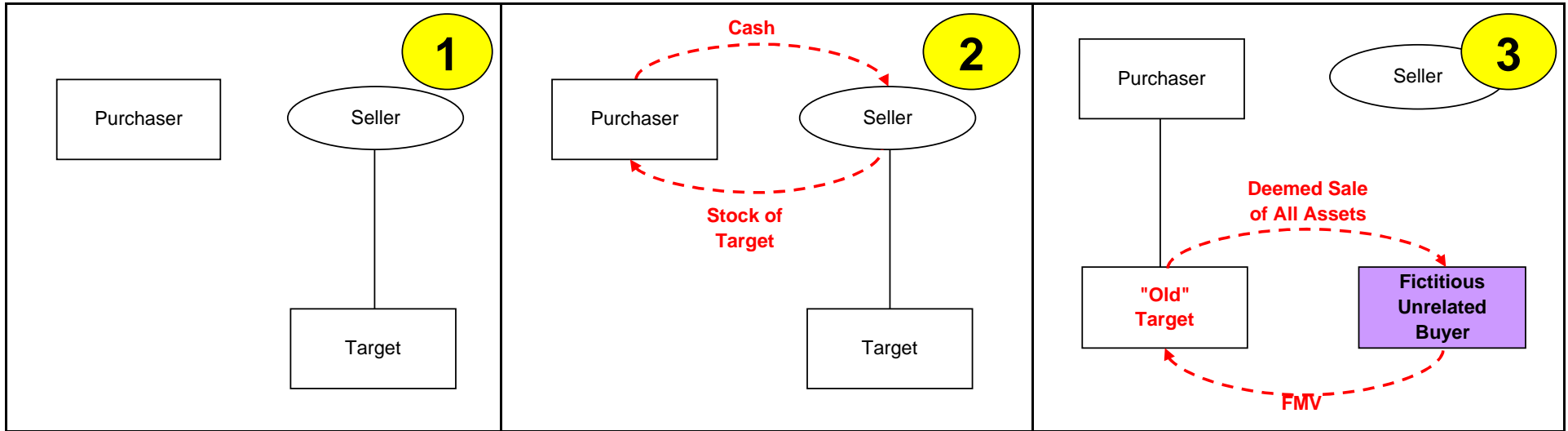


Section 338(g) Election - Domestic Target

Initial Structure

Acquisition (July 1st)

Deemed Asset Sale (At the Close of the Day July 1st)



The Purchaser makes the election under section 338(g). The election does not affect Purchaser's basis of the Target stock, but the value of Target may decrease. There is no impact to the seller in a domestic 338(g) election.

If Target has substantially appreciated assets, then such an election is generally made only if the Target has NOLs or other built-in losses to offset the gains on the deemed sale.

Target closes its taxable year at the end of the acquisition date, and Target is not treated as a member of Seller's or Purchaser's affiliated group with respect to the deemed asset sale.

Deemed Asset Purchase (Beginning of the Day July 2nd)

Ending Point

