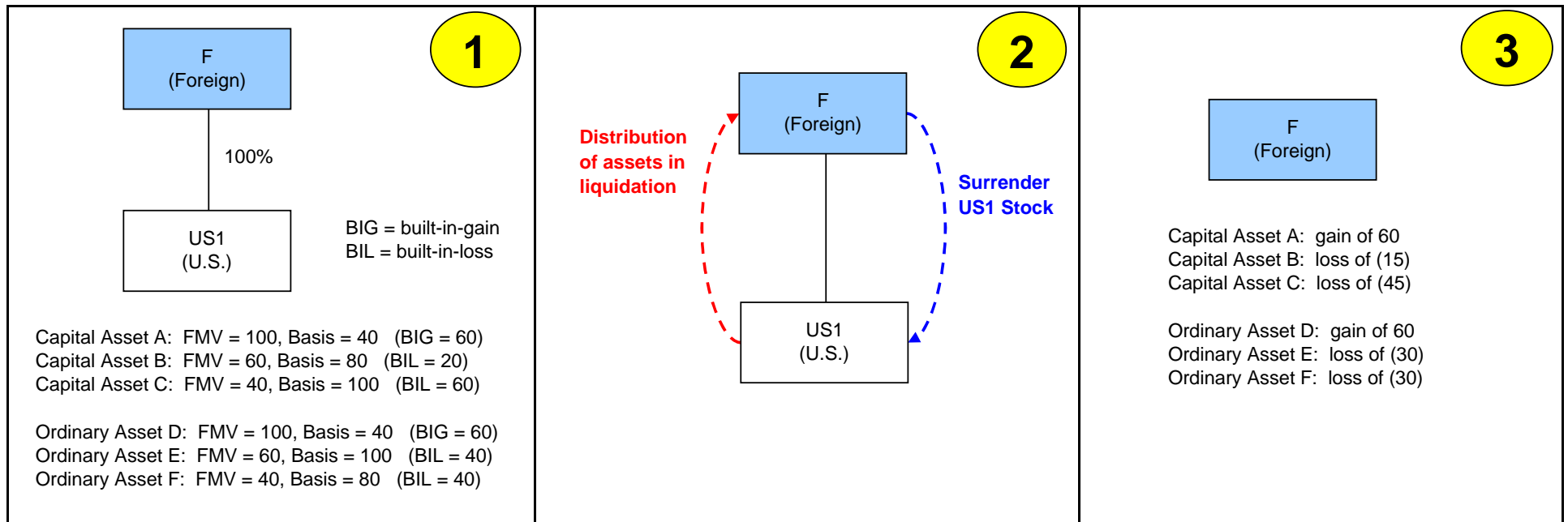


**Outbound 332 Liquidation:
Overall Loss Limitation**

Initial Structure

Outbound Liquidation

Ending Point



F, a foreign corporation, owns all stock of US1, a domestic corporation. US1 owns the assets shown above in box 1. US1 liquidates into F and distributes all assets to F in liquidation. US1's total realized capital loss is \$80, but it may only recognize \$60 of that loss. See section 1211(a). US1's total realized ordinary loss is \$80, but it may only recognize \$60 of that loss. See Reg. 1.367(e)-2(b)(1)(ii)(B)(1). US1 will allocate \$15 of the recognized capital loss to Asset B and will allocate the remaining \$45 of recognized capital loss to Asset C. US1 will allocate \$30 of the recognized ordinary loss to Asset E and will allocate the remaining \$30 to Asset F.