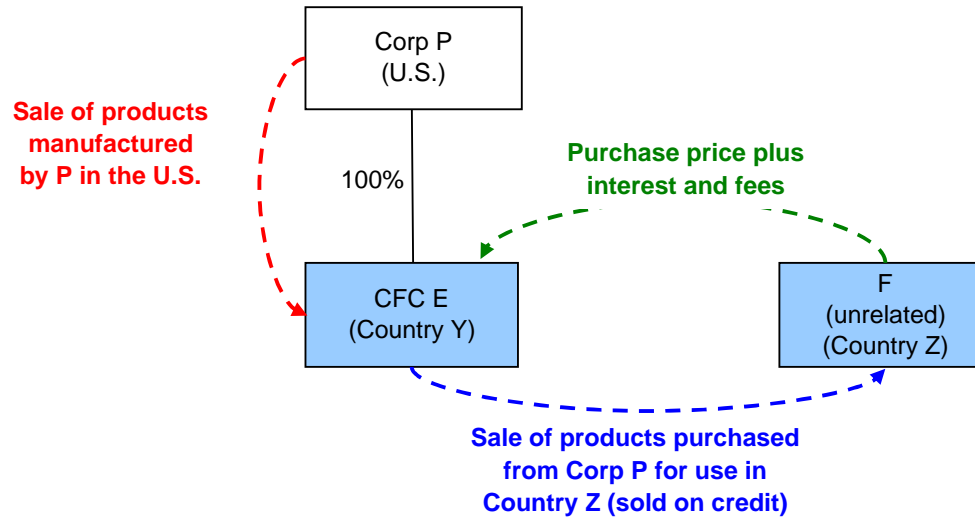


**Interest and Service Fees Included as Foreign Base Company Sales Income**



Controlled foreign corporation E, incorporated under the laws of foreign country Y, is a wholly owned subsidiary of domestic corporation P. Corporation E purchases from P Corporation articles manufactured by P Corporation outside of country Y and sells the articles to F Corporation, an unrelated person, for use in foreign country Z. Corporation E finances the purchase of the articles by F Corporation by agreeing to accept payment over an extended period of time and receives not only the purchase price but also interest and service fees. **All gross income** of E Corporation derived **in connection with the purchase and sale** of the personal property, **including interest and service fees** derived from financing the sale to F Corporation, **constitutes foreign base company sales income.**