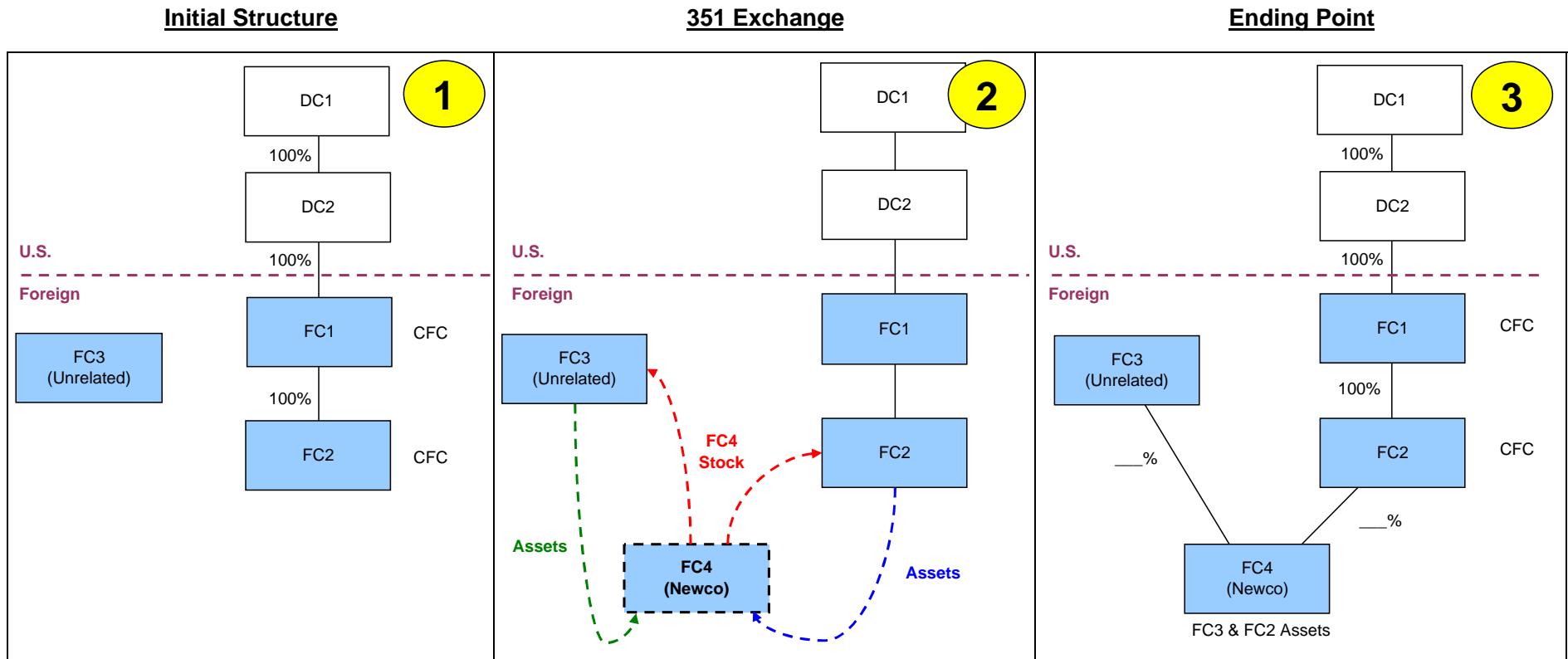


## Foreign-to-Foreign 351 Exchange - Operating Assets

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There were no U.S. transferors. Therefore, the exchange is not subject to section 367(a). The exchange is subject to section 367(b) because it is described in section 351 and the status of a foreign corporation (FC4) as a corporation is relevant in determining tax attributes. The general rule of section 367(b) is that a foreign corporation is considered to be a corporation except to the extent provided in the regulations. The regulations do not provide any exceptions to corporate treatment for the above section 351 exchange. Therefore, no income inclusions are required under section 367(b). However, the transfer must be disclosed on the tax return.