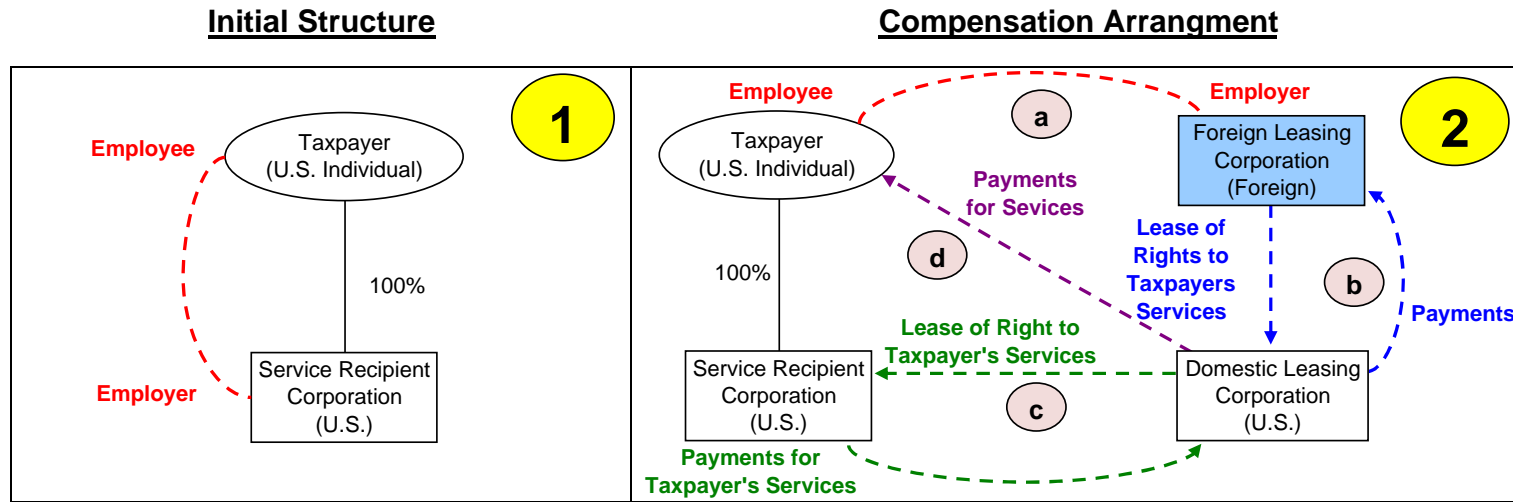


Offshore Deferred Compensation Arrangement (Listed Transaction)



An offshore deferred compensation arrangement involves a series of steps involving domestic and foreign parties. First, Taxpayer, an individual, purports to terminate Taxpayer's existing employment relationship with a domestic corporation ("Service Recipient Corporation") that may be owned, either directly or indirectly, in whole or in part by Taxpayer. Taxpayer then purports to enter into an employment relationship with a foreign corporation ("Foreign Leasing Corporation") that is incorporated and managed in a country with which the United States has an income tax convention. Foreign Leasing Corporation purports to lease the right to Taxpayer's services in the United States to a domestic corporation ("Domestic Leasing Corporation"). Domestic Leasing Corporation, in turn, purports to lease Taxpayer's services to Service Recipient Corporation.

Service Recipient Corporation makes payments to Domestic Leasing Corporation for Taxpayer's services. Domestic Leasing Corporation makes payments to Taxpayer for Taxpayer's services in an amount substantially less than the amount paid to Domestic Leasing Corporation by Service Recipient Corporation. After deducting a fee for its participation in the arrangement, Domestic Leasing Corporation remits to Foreign Leasing Corporation, in return for Taxpayer's services, the remainder of the amount paid to Domestic Leasing Corporation by Service Recipient Corporation. Foreign Leasing Corporation deducts a fee from the amount paid by Domestic Leasing Corporation and typically credits the remainder to a notional account maintained on behalf of Taxpayer. In certain cases, Foreign Leasing Corporation transfers the remainder to a trust ("Trust") for the benefit of Taxpayer. Although the assets of Trust may be nominally subject to the claims of Foreign Leasing Corporation's creditors, it is typically difficult or impossible for creditors of Foreign Leasing Corporation, Domestic Leasing Corporation, or Service Recipient Corporation to reach the assets of Trust in the event of insolvency or bankruptcy of any of these entities.

The arrangement is often designed to provide Taxpayer, either directly or indirectly, with explicit or implicit control over the amounts held on Taxpayer's behalf by Foreign Leasing Corporation or Trust. For example, the arrangement may permit or require Foreign Leasing Corporation to provide Taxpayer with a device, such as a credit or debit card, for paying personal, business, or professional expenses out of such amounts. As another example, the arrangement may permit Taxpayer to submit bills and receipts for payment or reimbursement from such amounts or to borrow from such amounts. Taxpayer takes the reporting position that only the compensation actually paid to Taxpayer by Domestic Leasing Corporation is currently includible in Taxpayer's gross income and that amounts held by Foreign Leasing Corporation or Trust on Taxpayer's behalf are not currently includible in Taxpayer's gross income. Service Recipient Corporation takes the reporting position that the entire amount paid to Domestic Leasing Corporation in return for Taxpayer's services is currently deductible as a trade or business expense under section 162. Service Recipient Corporation does not report any amount attributable thereto or withhold or pay any amount therefrom for federal tax purposes. Arrangements that are the same as, or substantially similar to, the arrangement described in the notice are listed transactions.