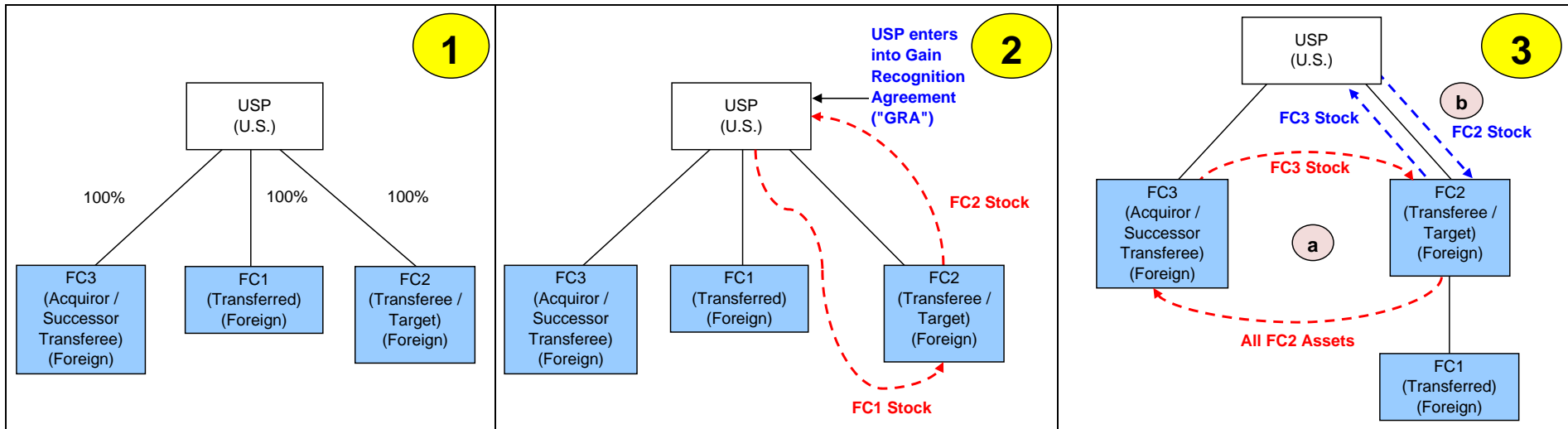


**Tax Free Reorganization Impact on  
Gain Recognition Agreement - Transferee**

Initial Structure

Outbound 351 (Year 1)

D Reorganization (Year 4)



In Year 1, USP transfers 100% of the stock of FC1 to FC2 in an outbound section 351 exchange and enters into a gain recognition agreement ("GRA"). In Year 4, in a reorganization described in section 368(a)(1)(D), FC2 transfers all of its assets, including the stock of FC1, to FC3 in exchange for FC3 stock. FC2 transfers the FC3 stock to USP in exchange for FC2 stock held by USP and the FC2 stock is canceled.

The D reorganization will not trigger the GRA **IF**, in addition to complying with the reporting requirements, USP enters into a new GRA pursuant to which it agrees to recognize gain with respect to the transfer subject to the original GRA, substituting FC3 as the successor transferee foreign corporation in place of FC2, and treating FC3 as the original transferee foreign corporation. For purposes of the new GRA, USP continues to be the U.S. transferor, FC3 is the successor transferee foreign corporation and is treated as the original transferee foreign corporation, and FC1 continues to be the transferred corporation. The new gain recognition agreement applies through the close of year 6 (the remaining term of the original GRA filed by USP).

Ending Point

