Section 304(b)(5)(B)

Anti-abuse Rule for Redemptions of U.S. Corporations in Foreign Sandwich Structures

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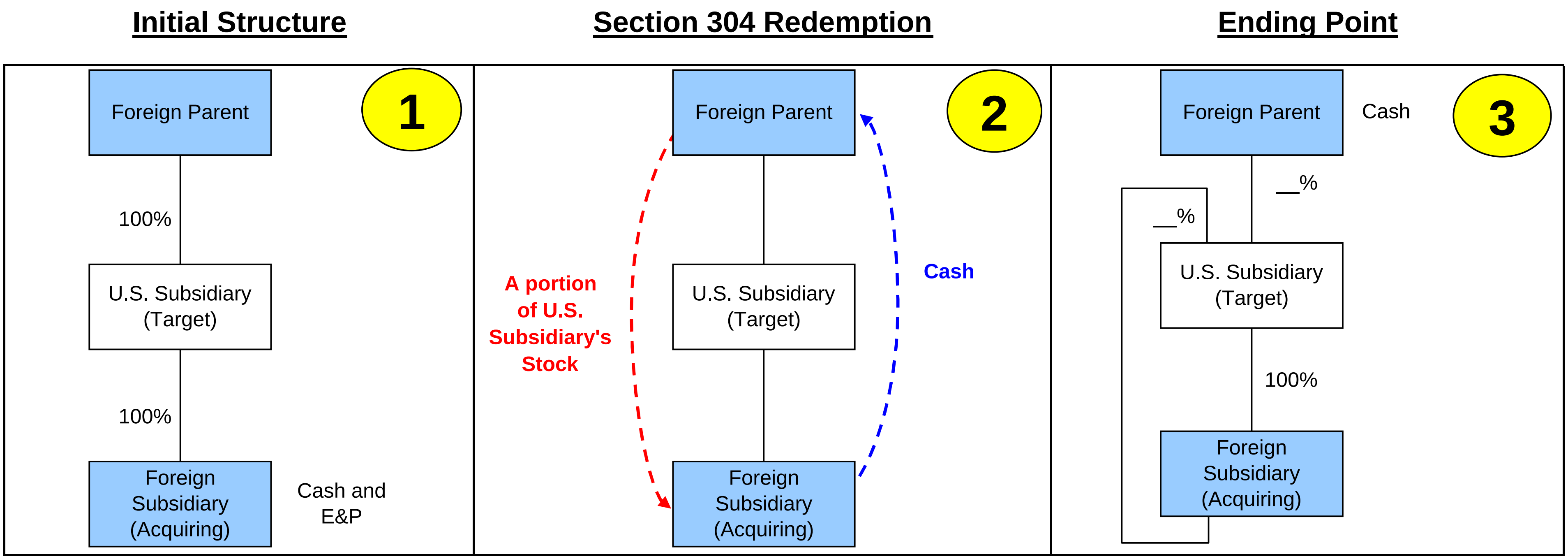

Prior to the 2010 enactment of the anti-abuse rule of section 304(b)(5)(B), under section 304 the transfer of cash from Foreign Subsidiary to Foreign Parent was first treated as a dividend from Foreign Subsidiary to Foreign Parent to the extent of Foreign Subsidiary's (the acquiring corporation's) earnings and profits. Because the dividend was a foreign source dividend from one foreign corporation to another foreign corporation, the cash and earnings and profits were able to escape U.S. tax. The new rule [2010] under section 304(b)(5)(B) excludes the earnings and profits of foreign subsidiary and instead looks to the earnings and profits of U.S. Subsidiary (the target corporation). A dividend from U.S. Subsidiary to Foreign Parent would generally be subject to tax and withholding under sections 881 and 1442.