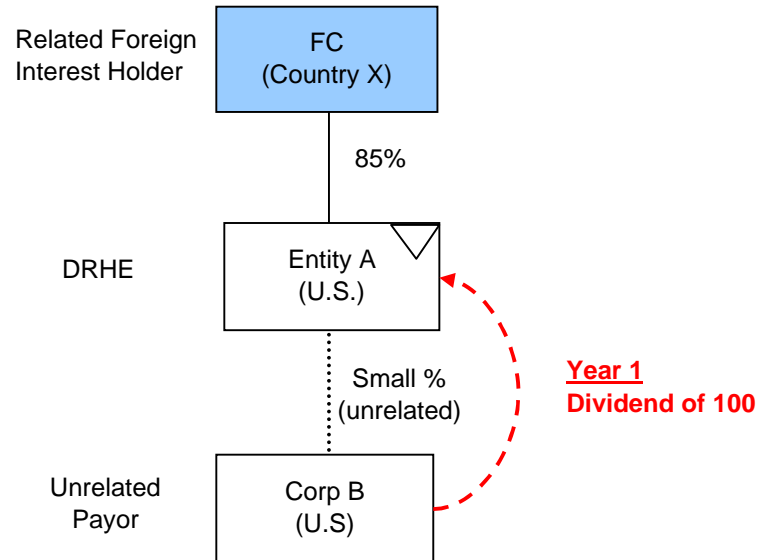


Dividend Paid by Unrelated Entity to DRHE



▽ Domestic reverse hybrid entity ("DRHE") - Not fiscally transparent (not "flow-thru") for U.S. tax purposes but fiscally transparent for foreign tax purposes.

Country X has an income tax treaty in effect with the United States. Under Country X law, FC is not fiscally transparent. The applicable withholding tax rate on dividends under the U.S.-Country X income tax treaty is 5% with respect to a 10-percent or more corporate shareholder. However, the U.S.-Country X income tax treaty does not apply to the dividend income received by A because the payment is made from one U.S. corporation to another U.S. corporation. A is fully taxable under the U.S. tax laws as a domestic corporation with regard to that item of income.