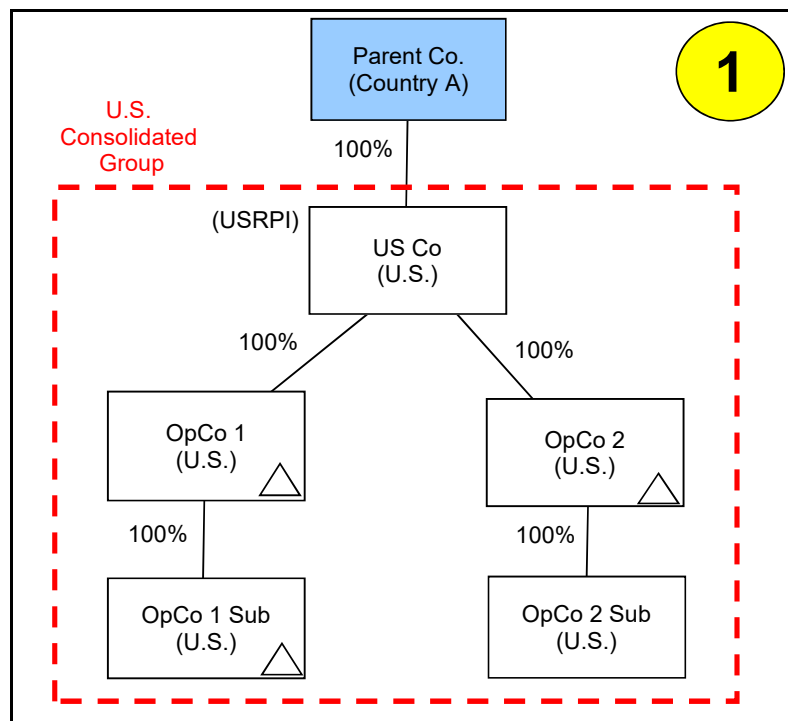


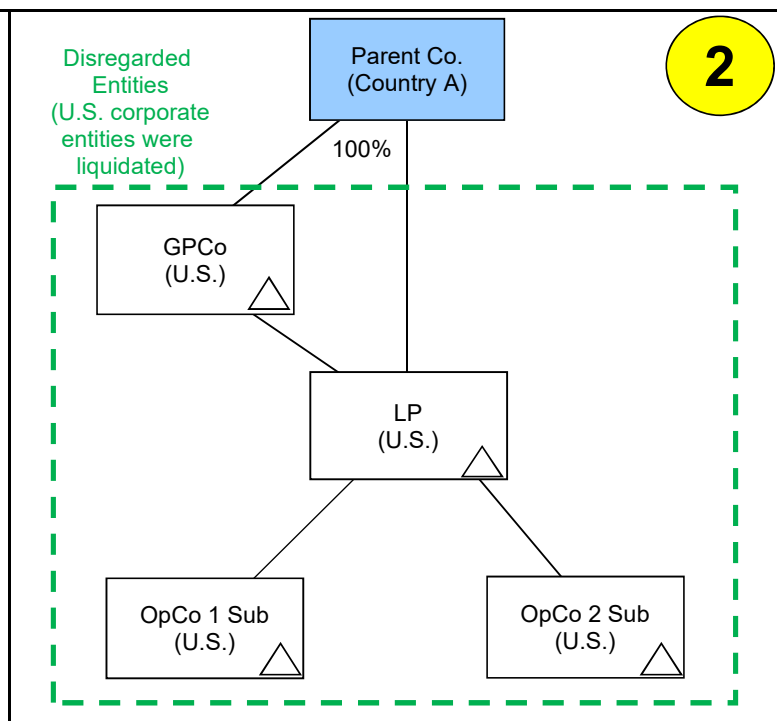
**Sec. 367(e)(2): Outbound 332 Liquidation
With Assets Remaining in U.S. For 10 Years**

Pre-Liquidation Structure



△ Means "flow-thru" for U.S. tax purposes

Post-Liquidation Structure



Section 337(a) generally provides that a liquidating corporation does not recognize gain or loss on the distribution of any property to an 80% distributee in a complete liquidation to which section 332 applies. Section 367(e)(2) provides that, in the case of any liquidation to which section 332 applies, except as provided in regulations, sections 337(a) and (b)(1) shall not apply where the 80% distributee is a foreign corporation. Therefore, absent an exception in the regulations under section 367(e)(2), a domestic corporation must recognize gain or loss on a liquidating distribution to an 80% foreign distributee under section 332.

If certain requirements are satisfied, the regulations under section 367(e)(2) provide a nonrecognition exception to this general rule for distributions of property used in a U.S. trade or business. Treas. Reg. §1.367(e)-2(b)(2)(i). To qualify for this exception, the foreign distributee corporation, immediately after the distribution and for ten years thereafter, must use the distributed property in the conduct of a trade or business within the U.S. In addition, the domestic liquidating corporation must attach a statement described in Treas. Reg. §1.367(e)-2(b)(2)(i)(C) to its U.S. income tax returns for the taxable years that include the distributions in liquidation. Finally, the foreign distributee corporation must attach a copy of the property description contained in Treas. Reg. §1.367(e)-2(b)(2)(i)(C)(2) to its U.S. income tax returns for the taxable years that include the distributions in liquidation.