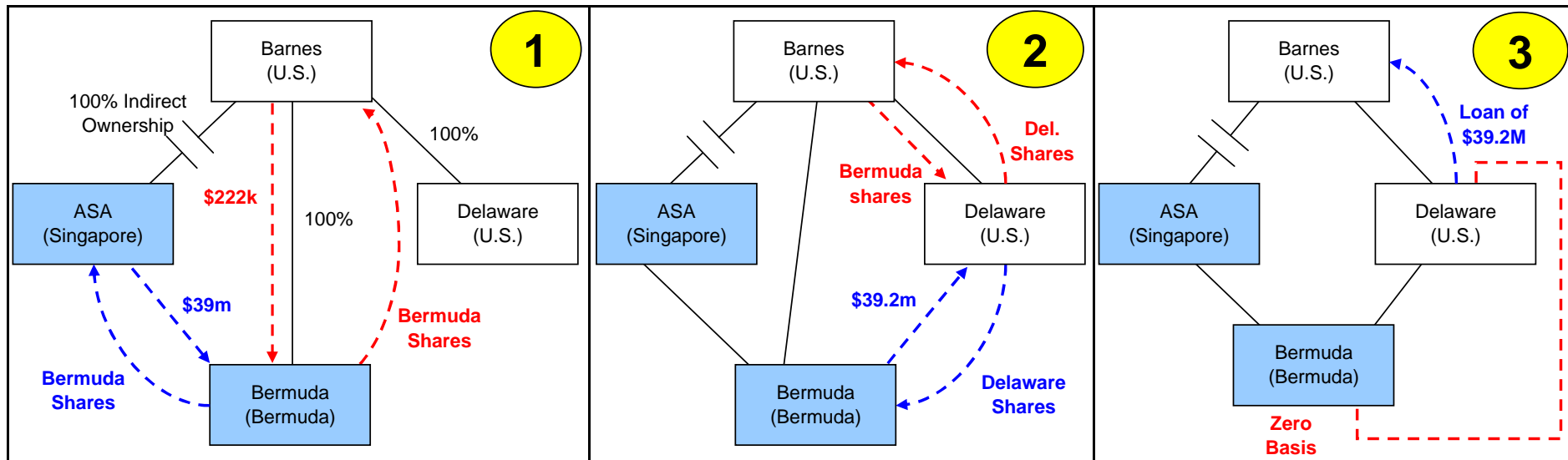


**Structured Repatriation of Cash
 Was Held to be a Dividend**

First 351 Exchange

Second 351 Exchange

U.S. to U.S. Loan



ASA had cash that Barnes wanted to repatriate in a tax free manner. U.S. tax would have been imposed if ASA distributed the cash as a dividend to Barnes or if ASA loaned the cash to Barnes.

In the first section 351 exchange, ASA and Barnes transferred cash to Bermuda in exchange for Bermuda stock. In the second section 351 exchange Bermuda transferred cash and Barnes transferred Bermuda common stock to Delaware in exchange for Delaware stock. Delaware then loaned the cash to Barnes.

Although Bermuda's ownership of shares in Delaware was an investment in U.S. property under section 956, the taxpayer argued that Bermuda's basis in the Delaware shares was zero (under Rev. Rul. 74-503) and that the 956 inclusion should therefore be zero.

The Tax Court held that the cash that started at ASA and ended at Barnes was in substance a dividend and taxable to Barnes under section 301.