
From: Jeffrey Epstein <jeevacation@gmail.com>
Sent: Monday, January 14, 2013 6:56 PM
To: Erika Kellerhals
Subject: Re: IBE Structure

No it's fine , lets move forward

On Monday, January=14, 2013, Erika Kellerhals wrote:

Is the needing foreign or percentage ownership going to be an issue? C=n you avoid cfc status?

Please let me know your thoughts .

Erika A.=Kellerhals

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From: Erika Kellerhals <ekellerhals@kffklaw.com>
Date: Wednesday, January 9, 2013 8:07 AM
To: Jeffrey Epstein <jeevacation@gmail.com>
Subject: IBE Structure

As the IBE will potentially be earning passive income through its activities, including interest, dividends and capital gains, the ultimate individual beneficial owners/shareholders will potentially be subject to personal income tax in the United States on this income under Subpart F. The Subpart F provision of the Code generally limits the ability of U.S. shareholders to defer the recognition of certain types of foreign corporate earnings, including interest and dividends, capital gains, foreign currency gains, rents, royalties, and certain other types of income as provided by the Subpart F rules. The Subpart F rules apply to foreign corporations and their shareholders only where the corporation meets the definition of a "controlled foreign corporation" or "CFC". If a foreign corporation meets the CFC definition then each "U.S. Shareholder" of the CFC must pay tax on his or her share of the CFC's Subpart F income. A CFC, as defined by Code section 957(a), is any foreign corporation of which 50 percent or more of either the total voting power of all classes of stock entitled to vote, or the total value of the stock, is owned by "U.S. Shareholders" on any day during the taxable year of the foreign corporation. A foreign corporation is any entity organized under laws, other than those of the United States, the several States, the District of Columbia, and, at times, Guam or other U.S. territories, but not including the USVI. To determine whether a foreign corporation (including a USVI corporation) is a CFC, stock ownership tests are applied on both a voting power basis and a value basis, and certain attribution of ownership rules are applied. A "U.S. Shareholder" is a U.S. person that owns directly, indirectly, or constructively 10 percent of the total voting power of the foreign corporation at any time during the tax year. The definition of "U.S. persons" under Code section 957(c), includes U.S. citizens, resident aliens, domestic corporations, partnerships, and trusts subject to the jurisdiction of U.S. courts, as well as certain corporations domiciled in certain U.S. territories, such as Puerto Rico and Guam. Unlike the definition of a CFC however, voting power, not value, defines a U.S. shareholder for purposes of Code section 958.

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