

Agent by USAID as a result of such failure or neglect. A Noteholder may appoint the Fiscal Agent to make demand for payment on its behalf under this Guarantee.

§ 234.8 Event of Default; Application for Compensation; payment.

At any time after an Event of Default, as this term is defined in an Eligible Note, any Noteholder hereunder, or the Fiscal Agent on behalf of a Noteholder hereunder, may file with USAID an Application for Compensation in the form provided in Appendix A to this part. USAID shall pay or cause to be paid to any such Applicant any compensation specified in such Application for Compensation that is due to the Applicant pursuant to the Guarantee as a Loss of Investment not later than the Guarantee Payment Date. In the event that USAID receives any other notice of an Event of Default, USAID may pay any compensation that is due to any Noteholder pursuant to a Guarantee, whether or not such Noteholder has filed with USAID an Application for Compensation in respect of such amount.

§ 234.9 No acceleration of Eligible Notes.

Eligible Notes shall not be subject to acceleration, in whole or in part, by USAID, the Noteholder or any other party. USAID shall not have the right to pay any amounts in respect of the Eligible Notes other than in accordance with the original payment terms of such Eligible Notes.

§ 234.10 Payment to USAID of excess amounts received by a Noteholder.

If a Noteholder shall, as a result of USAID paying compensation under this Guarantee, receive an excess payment, it shall refund the excess to USAID.

§ 234.11 Subrogation of USAID.

In the event of payment by USAID to a Noteholder under this Guarantee, USAID shall be subrogated to the extent of such payment to all of the rights of such Noteholder against the Borrower under the related Note.

§ 234.12 Prosecution of claims.

After payment by USAID to an Applicant hereunder, USAID shall have exclusive power to prosecute all claims related to rights to receive payments under the Eligible Notes to which it is thereby subrogated. If a Noteholder continues to have an interest in the outstanding Eligible Notes, such a Noteholder and USAID shall consult with each other with respect to their respective interests in such Eligible Notes and the manner of and responsibility for prosecuting claims.

§ 234.13 Change in agreements.

No Noteholder will consent to any change or waiver of any provision of any document contemplated by this Guarantee without the prior written consent of USAID.

§ 234.14 Arbitration.

Any controversy or claim between USAID and any Noteholder arising out of this Guarantee shall be settled by arbitration to be held in Washington, DC in accordance with the then prevailing rules of the American Arbitration Association, and judgment on the award rendered by the arbitrators may be entered in any court of competent jurisdiction.

§ 234.15 Notice.

Any communication to USAID pursuant to this Guarantee shall be in writing in the English language, shall refer to the Ukraine Loan Guarantee Number inscribed on the Eligible Note and shall be complete on the day it shall be actually received by USAID at the Office of Development Credit, Bureau for Economic Growth, Education and Environment, United States Agency for International Development, Washington, DC 20523-0030. Other addresses may be substituted for the above upon the giving of notice of such substitution to each Noteholder by first class mail at the address set forth in the Note Register.

§ 234.16 Governing Law.

This Guarantee shall be governed by and construed in accordance with the laws of the United States of America governing contracts and commercial transactions of the United States Government.

Appendix A to Part 234—Application for Compensation United States Agency for International Development Washington, DC 20523

Ref: Guarantee dated as of __, 20 __ ;
Gentlemen: You are hereby advised that payment of \$__ (consisting of \$__ of principal, \$__ of interest and \$__ in Further Guaranteed Payments, as defined in § 234.2 of the Standard Terms and Conditions of the above-mentioned Guarantee) was due on __, 20 __, on \$__ Principal Amount of Notes issued by Ukraine (the "Borrower") held by the undersigned. Of such amount \$__ was not received on such date and has not been received by the undersigned at the date hereof. In accordance with the terms and provisions of the above-mentioned Guarantee, the undersigned hereby applies, under § 234.8 of said Guarantee, for payment of \$__, representing \$__, the Principal Amount of the presently outstanding Note(s) of the Borrower held by the undersigned that was due and payable on __ and that remains unpaid, and \$__, the Interest Amount on

such Note(s) that was due and payable by the Borrower on __ and that remains unpaid, and \$__ in Further Guaranteed Payments,¹ plus accrued and unpaid interest thereon from the date of default with respect to such payments to and including the date payment in full is made by you pursuant to said Guarantee, at the rate of __% per annum, being the rate for such interest accrual specified in such Note. Such payment is to be made at [state payment instructions of Noteholder or Fiscal Agent, as applicable].

All capitalized terms herein that are not otherwise defined shall have the meanings assigned to such terms in the Standard Terms and Conditions of the above-mentioned Guarantee.

[Name of Applicant]

By: _____

Name:

Title:

Dated:

Dated: May 7, 2014.

D. Bruce McPherson,

Attorney Advisor, Office of the General Counsel, U.S. Agency for International Development.

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DEPARTMENT OF THE TREASURY

Internal Revenue Service

26 CFR Part 1

[TD 9650]

RIN 1545-BK67; RIN 1545-BK91

Definitions and Reporting Requirements for Shareholders of Passive Foreign Investment Companies; Insurance Income of a Controlled Foreign Corporation for Taxable Years Beginning After December 31, 1986; Correction

AGENCY: Internal Revenue Service (IRS), Treasury.

ACTION: Correcting amendment.

SUMMARY: This document contains corrections to final and temporary regulations (TD 9650) that were published in the **Federal Register** on Tuesday, December 31, 2013 (78 FR 79602). The regulations provide guidance on determining ownership of a passive foreign investment company ("PFIC") and on the annual filing requirements for shareholders of PFICs.

DATES: This correction is effective May 12, 2014 and applicable beginning December 31, 2013.

¹ In the event the Application for Compensation relates to Further Guaranteed Payments, such Application must also contain a statement of the nature and circumstances of the related loss.

FOR FURTHER INFORMATION CONTACT:
Susan Massey at (202) 317-6934 (not a toll free number).

SUPPLEMENTARY INFORMATION:

Background

The final and temporary regulations (TD 9650) that are the subject of this correction are under sections 1291, 1298, 6038, and 6046 of the Internal Revenue Code.

Need for Correction

As published, the final and temporary regulations (TD 9650) contain errors that may prove to be misleading and are in need of clarification.

List of Subjects in 26 CFR Part 1

Income taxes, Reporting and recordkeeping requirements.

Correction of Publication

Accordingly, 26 CFR part 1 is corrected by making the following correcting amendments:

PART 1—INCOME TAXES

■ **Paragraph 1.** The authority citation for part 1 continues to read in part as follows:

Authority: 26 U.S.C. 7805 ***

■ **Par. 2.** The section heading for § 1.6038-2T is revised to read as follows:

§ 1.6038-2T Information returns required of United States persons with respect to annual accounting periods of certain foreign corporations beginning after December 31, 1962 (temporary).

* * * * *

■ **Par. 3.** Section 1.6046-1 is amended as follows:

■ 1. Paragraphs (a)(2)(i)(a) and (b) and (c)(1) and (3) are revised.

■ 2. The language “in value” is removed wherever it appears in paragraphs (a)(3) *Example 2.(i)*, (a)(3) *Example 3.*, and (c)(2).

■ 3. The language “M” in the first sentence of paragraphs (a)(3) *Example 2.(i)*, (c)(2) *Example 3.(i)*, and (c)(2) *Example 5.(i)* is removed and the language “M Corporation” added in its place.

■ 4. The language “liability” in paragraph (a)(3) *Example 2.* (ii) is removed and the language “liability for A” added in its place.

■ 5. The language “U.S.” in paragraph (c) introductory text and paragraph (c)(1) introductory text is removed and the language “United States” added in its place.

■ 6. Paragraph (l)(2) is revised.

The revisions read as follows:

§ 1.6046-1 Returns as to organizations or reorganizations of foreign corporations and as to acquisitions of their stock.

(a) * * *

(2) * * *

(i) * * *

(a) Acquires (whether in one or more transactions) outstanding stock of such corporation which equals, or which when added to any such stock then owned by him equals, 10 percent or more of the total combined voting power of all classes of stock of the foreign corporation entitled to vote or the total value of the stock of the foreign corporation;

(b) Acquires (whether in one or more transactions) an additional 10 percent or more of the total combined voting power of all classes of stock of the foreign corporation entitled to vote or the total value of the stock of the foreign corporation; or

* * * * *

(c) *Returns required of United States when liability to file arises after January 1, 1963—(1) United States persons required to file.* A return on Form 5471, containing the information required by paragraph (c)(4) of this section, shall be made by each United States person when at any time after January 1, 1963:

(i) Such person acquires (whether in one or more transactions) outstanding stock of such foreign corporation which equals, or which when added to any such stock then owned by him equals, 10 percent or more of the total combined voting power of all classes of stock of the foreign corporation entitled to vote or the total value of the stock of the foreign corporation;

(ii) Such person, having already acquired the interest referred to in paragraph (b) of this section or in paragraph (c)(1)(i) of this section—
(a) Acquires (whether in one or more transactions) an additional 10 percent or more of the total combined voting power of all classes of stock of the foreign corporation entitled to vote or the total value of the stock of the foreign corporation;

(b) Owns 10 percent or more of the total combined voting power of all classes of stock of the foreign corporation entitled to vote or the total value of the stock of the foreign corporation when such foreign corporation is reorganized (as defined in paragraph (f)); or

(c) Disposes of sufficient stock in such foreign corporation to reduce his interest to less than 10 percent of the total combined voting power of all classes of stock of the foreign corporation entitled to vote or the total value of the stock of the foreign corporation; or

(iii) Such person is, at any time after January 1, 1987, treated as a United States shareholder under *section 953(c)* with respect to a foreign corporation.

* * * * *

(3) *Shareholders who become United States persons.* A return on Form 5471, containing the information required by paragraph (c)(4) of this section, shall be made by each person who at any time after January 1, 1963, becomes a United States person while owning 10 percent or more of the total combined voting power of all classes of stock of the foreign corporation entitled to vote or the total value of the stock of the foreign corporation.

* * * * *

(l) * * *

(2) Paragraph (c)(1)(iii) of this section applies to taxable years ending on or after December 31, 2013.

* * * * *

■ **Par. 4.** Section 1.6046-1T is amended by revising paragraph (e)(5) to read as follows:

§ 1.6046-1T Returns as to organizations or reorganizations of foreign corporations and as to acquisitions of their stock (temporary).

* * * * *

(e) * * *

(5) *Persons excepted from furnishing items of information.* Any person required to furnish any item of information under paragraph (b) or (c) of this section with respect to a foreign corporation may, if such item of information is furnished by another person having an equal or greater stock interest (measured in terms of the total combined voting power of all classes of stock of the foreign corporation entitled to vote or the total value of the stock of the foreign corporation) in such foreign corporation, satisfy such requirement by filing a statement with his return on Form 5471 indicating that such liability has been satisfied and identifying the return in which such item of information was included. This paragraph (e)(5) does not apply to persons excepted from filing a return by reason of the provisions of paragraph (e)(4) of this section.

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Martin V. Franks,

Chief, Publications and Regulations Branch, Legal Processing Division, Associate Chief Counsel, (Procedure and Administration).

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