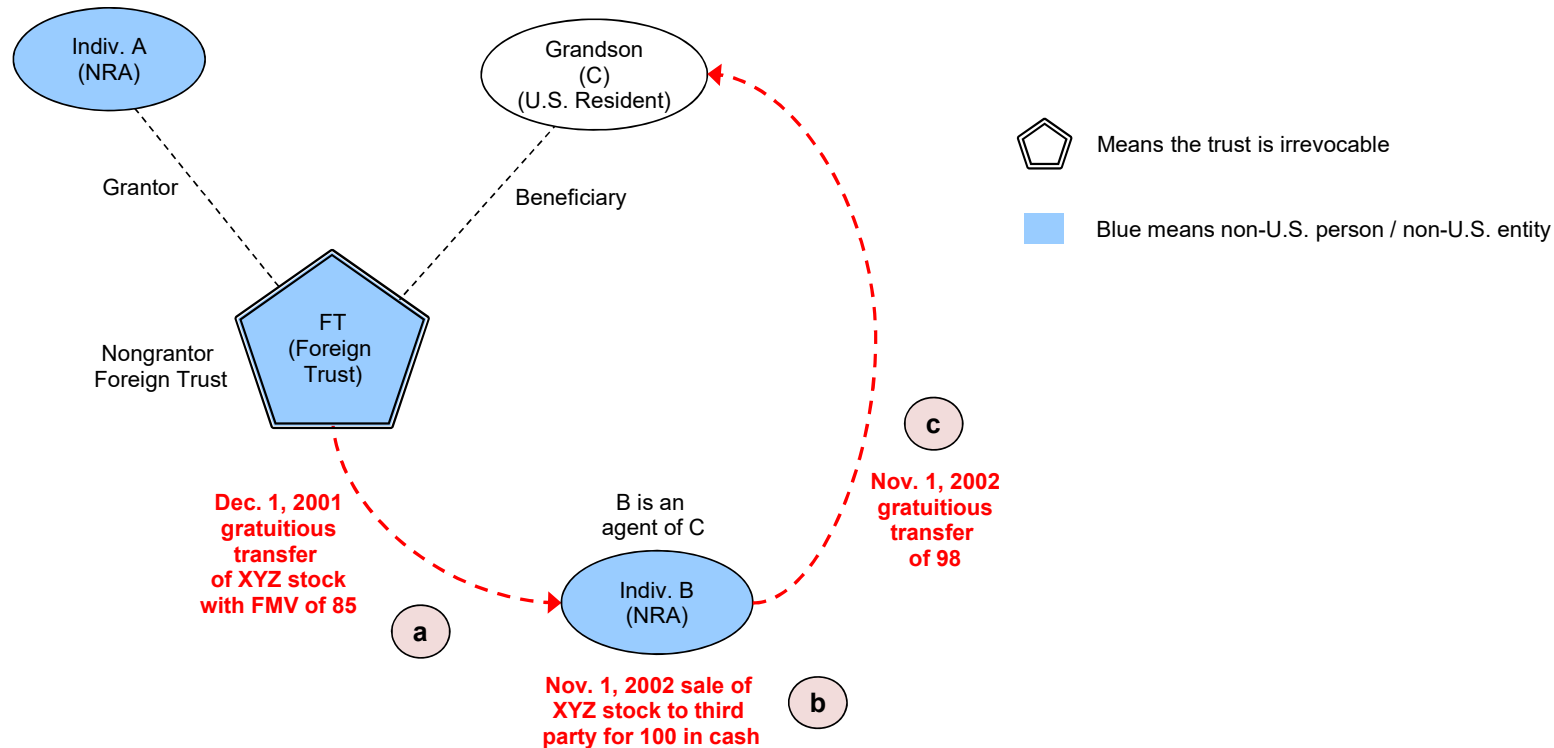


**Reg. 1.643(h)-1(g),
Example 9**

**Intermediary As Agent of
U.S. Person; Increase in FMV**

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Intermediary as agent of United States person; increase in FMV. A, a nonresident alien, created and funded FT for the benefit of his children and their descendants. On December 1, 2001, FT makes a gratuitous transfer of XYZ stock with a fair market value of 85X to B, a nonresident alien. On November 1, 2002, B sells the XYZ stock to a third party in an arm's length transaction for 100X in cash. On November 1, 2002, B makes a gratuitous transfer of 98X to A's grandson, C, a resident alien.

The Commissioner determines that B is an agent of C under generally applicable United States agency principles. Under Treas. Reg. §1.643(h)-1(c)(2), FT is deemed to have distributed 85X to C on December 1, 2001. C must take the gain of 15X into account in the year 2002.