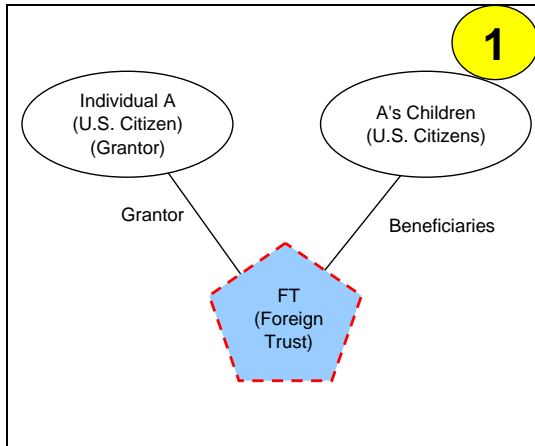
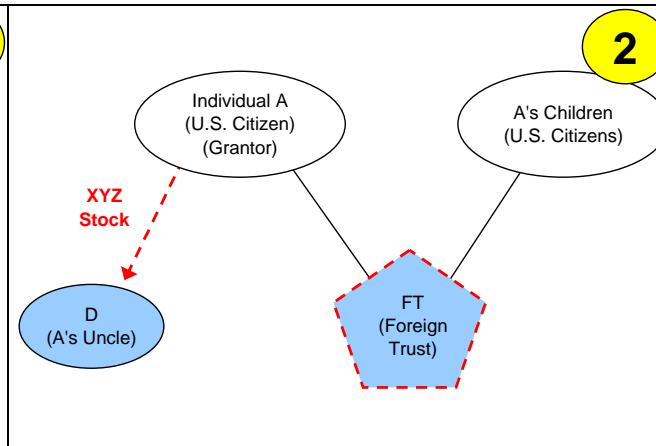


**Delayed Intermediary  
Transfer to Foreign Trust**

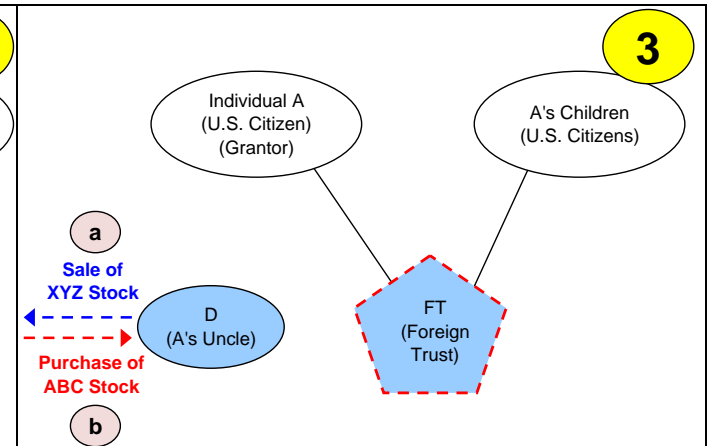
**Initial Structure**



**First Leg of Intermediary  
Transfer (July 1, 2004)**

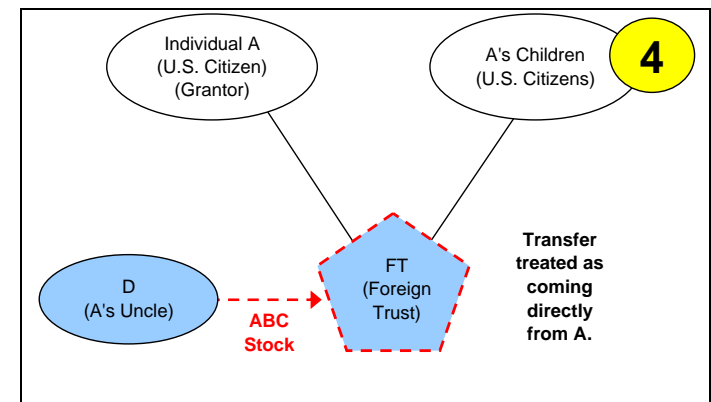


**Sale & Purchase (July 1, 2004)**



A, a U.S. citizen, creates and funds FT, a foreign trust, for the benefit of A's children, who are U.S. citizens. On July 1, 2004, A transfers XYZ stock to D, A's uncle, who is a nonresident alien. D immediately sells the XYZ stock and uses the proceeds to purchase ABC stock. On January 1, 2007, D transfers the ABC stock to FT. A is unable to demonstrate to the satisfaction of the Commissioner, that D acted independently of A in making the transfer to FT. A is treated as having transferred the ABC stock to FT. Under paragraph (c)(3) of this section, D is treated as an agent of A, and the transfer is deemed to have been made on January 1, 2007.

**Second Leg of Intermediary  
Transfer (Jan. 1, 2007)**



Pentagon represents a trust. A red, dashed border of a pentagon indicates that the trust is treated as a "grantor trust" (i.e., the grantor is treated as the owner under sections 671-679).