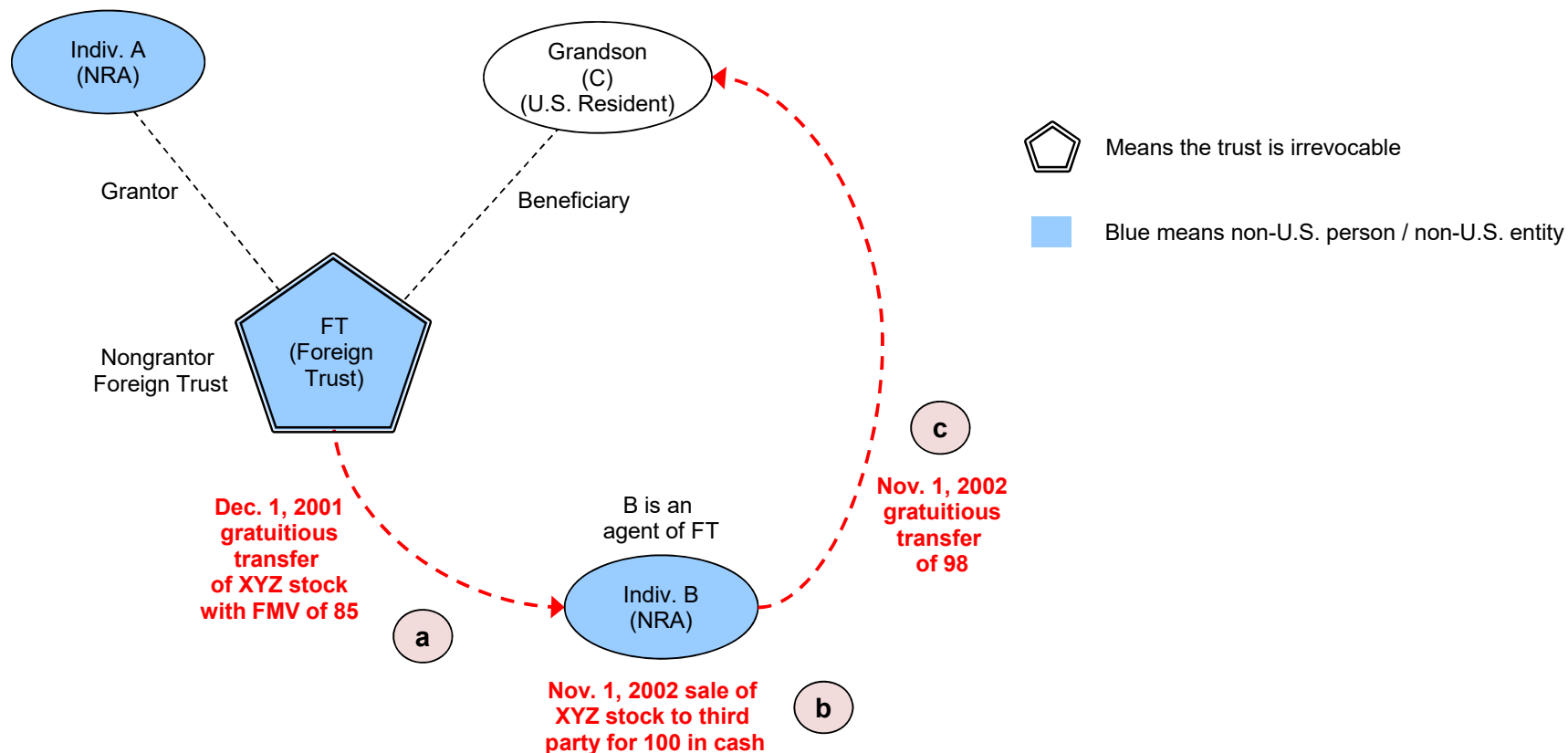


**Reg. 1.643(h)-1(g),  
Example 8**

**Intermediary As Agent of  
Trust; Increase in FMV**

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Intermediary as agent of trust; 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. C is unable to demonstrate to the satisfaction of the Commissioner that B acted independently of A and the trustee of FT in making the transfer. Under Treas. Reg. §1.643(h)-1(a)(2), FT is deemed to have made a distribution directly to C. Under Treas. Reg. §1.643(h)-1(c)(1), B is treated as an agent of FT, and FT is deemed to have distributed 98X to C on November 1, 2002.