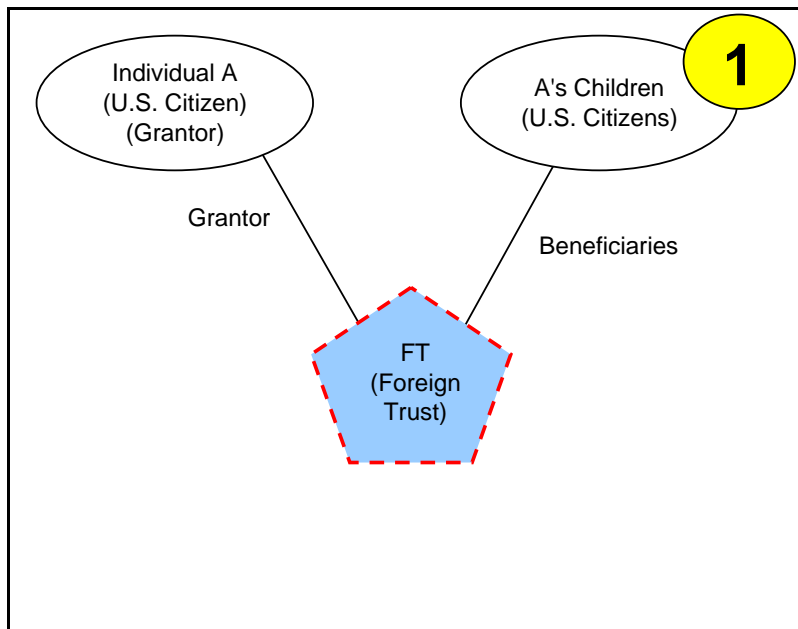
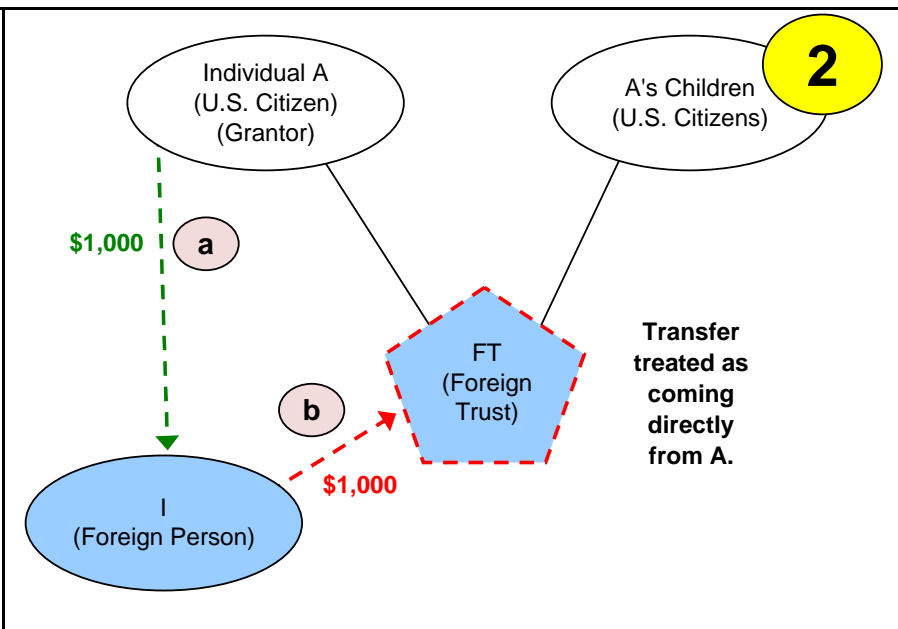


**Intermediary Transfer  
to Foreign Trust**

Initial Structure



Intermediary Transfer



A, a U.S. citizen, creates and funds FT, a foreign trust, for the benefit of A's children, who are U.S. citizens. In 2004, A decides to transfer an additional 1000X to the foreign trust. Pursuant to a plan with a principal purpose of avoiding the application of section 679, A transfers 1000X to I, a foreign person. I subsequently transfers 1000X to FT. A is treated as having made a transfer of 1000X to FT.

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).