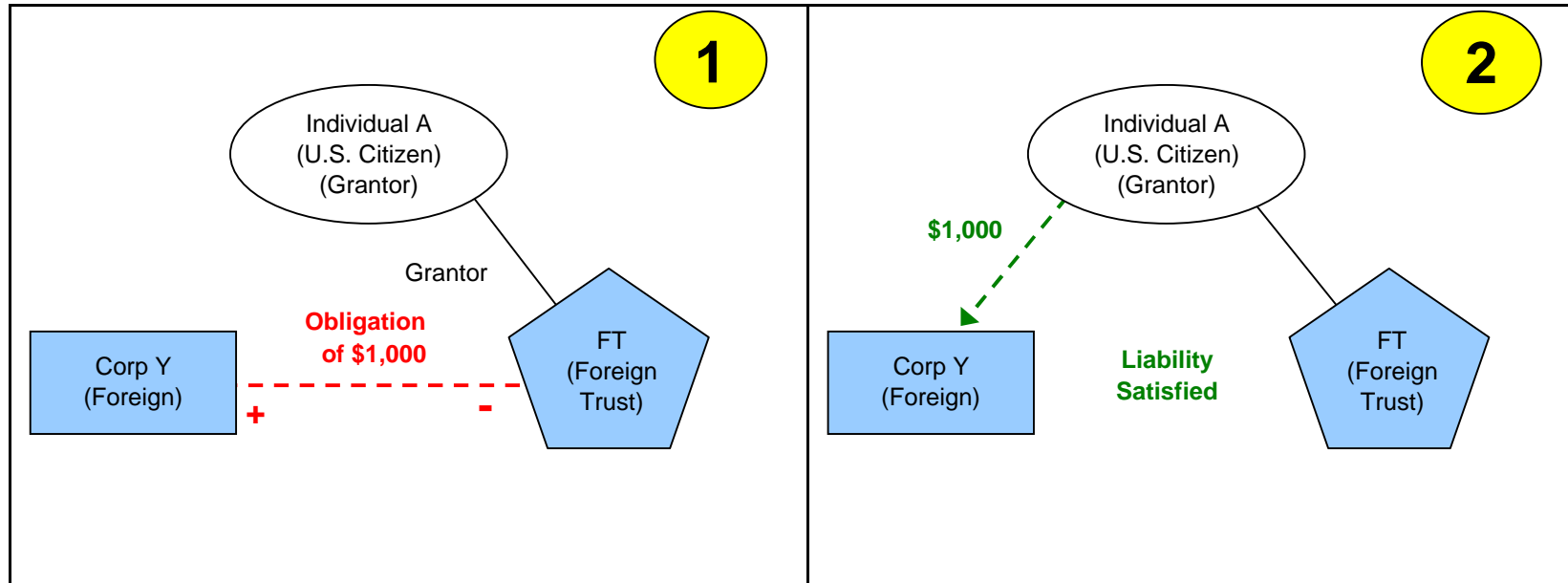


Constructive Transfer to Foreign Trust: Debt Payment

Initial Structure

Payment of Debt



A is a U.S. citizen and FT is a foreign trust. FT owes 1000X to Y, an unrelated foreign corporation, for the performance of services by Y for FT. In satisfaction of FT's liability to Y, A transfers to Y property with a fair market value of 1000X. A is treated as having made a constructive transfer of the property to FT.