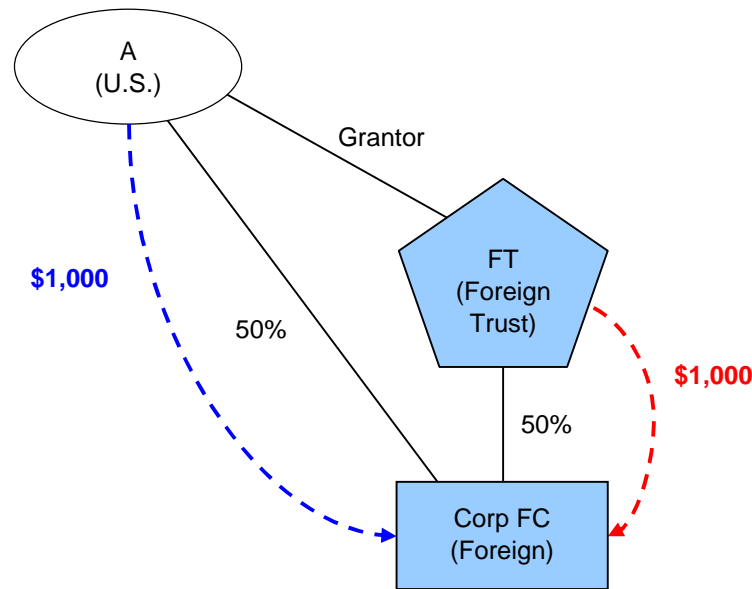


**Reg. 1.679-3(f)(2),  
Example 3**

**No Deemed Transfer Thru  
Foreign Trust**

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Means a trust

A is a U.S. citizen, FT is a foreign trust, and FC is a foreign corporation. A creates and funds FT. FC has outstanding solely 100 shares of common stock. FT owns 50 shares of FC stock, and A owns the remaining 50 shares. On July 1, 2001, FT and A each transfer 1000X to FC. A is able to demonstrate to the satisfaction of the Commissioner that A's transfer to FC is properly attributable to A's ownership interest in FC. Accordingly, A's transfer to FC is not treated as a transfer to FT.

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