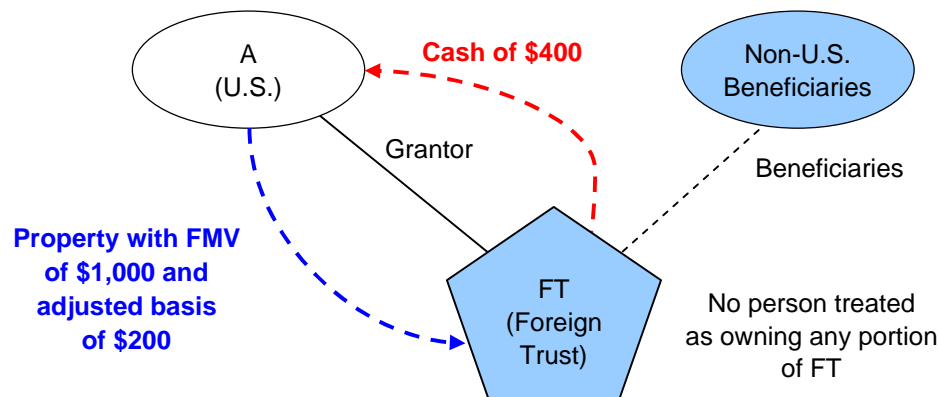


**Reg. 1.684-1(d),
Example 3**

**Gain on Transfer to
Non-Grantor Foreign Trust
for Partial Consideration**

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⬠ Means a trust

A is a U.S. person and FT is a foreign trust. A transfers property that has a fair market value of 1000X to FT in exchange for 400X of cash. A's adjusted basis in the property is 200X. FT has no U.S. beneficiary within the meaning of Reg. 1.679-2, and no person is treated as owning any portion of FT. A recognizes gain at the time of the transfer equal to 800X.

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