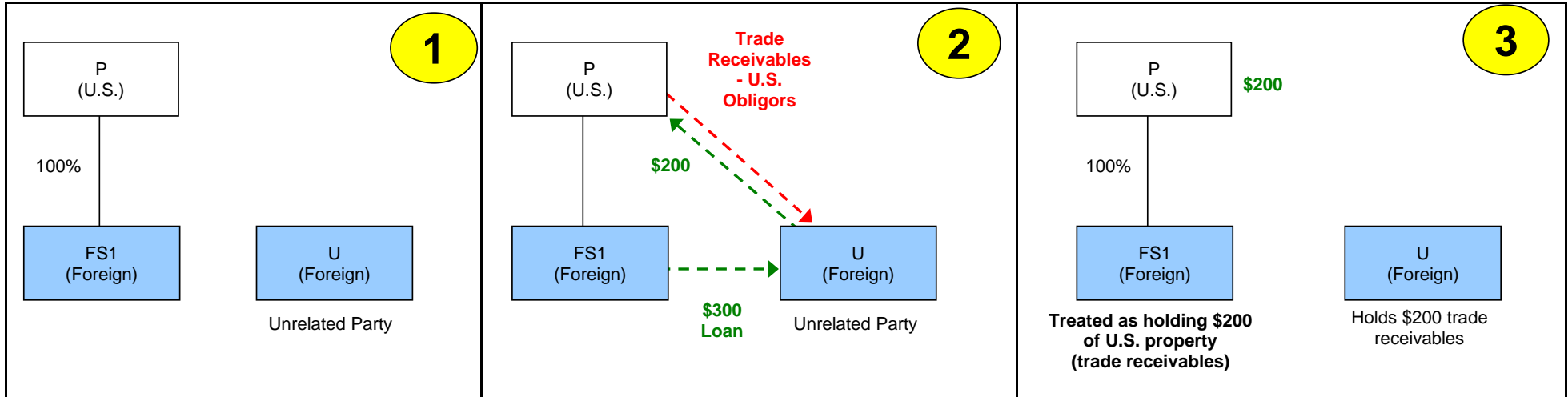


**U.S. Property - Financing Thru
Unrelated Party (Trade Receivables)**

Initial Structure

Lending Transaction

Ending Point



P, a domestic corporation, owns all of the outstanding stock of FS1, a controlled foreign corporation. FS1 makes a \$300x loan to U, an unrelated foreign corporation, in connection with U's purchase from P of receivables from the sale of inventory property by P to United States obligors for \$200x.

FS1 is considered to have acquired a trade or service receivable described in Treas. Reg. §1.956-3(a) because FS1 directly participates in a lending transaction described in Treas. Reg. §1.956-3(b)(2)(iv). That is, FS1 is considered to have acquired a trade or service receivable of a United States person from a related United States person. Thus, FS1 is treated as holding United States property in the amount of \$200x.

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