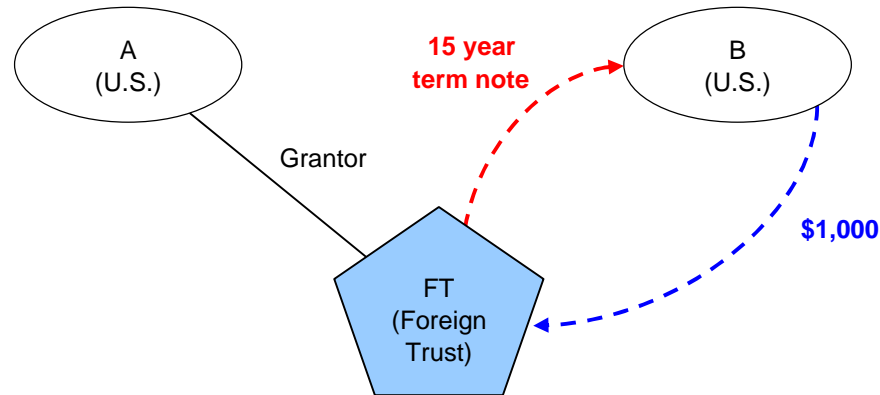



**Reg. 1.679-4(d)(7),
Example 3**

**Loan From Unrelated Party
to a Foreign Trust
Meets FMV Exception**

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 Means a trust

A and B are U.S. residents and FT is a foreign trust. B transfers 1000X to FT in exchange for an obligation of the trust. The term of the obligation is fifteen years. B is not a related person (as defined in Reg. 1.679-1(c)(5)) with respect to FT. Because B is not a related person, the fair market value of the obligation received by B is taken into account for purposes of determining whether B's transfer is eligible for the fair market value exception of Reg. 1.679-4(a)(4), even though the obligation is not a qualified obligation.

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