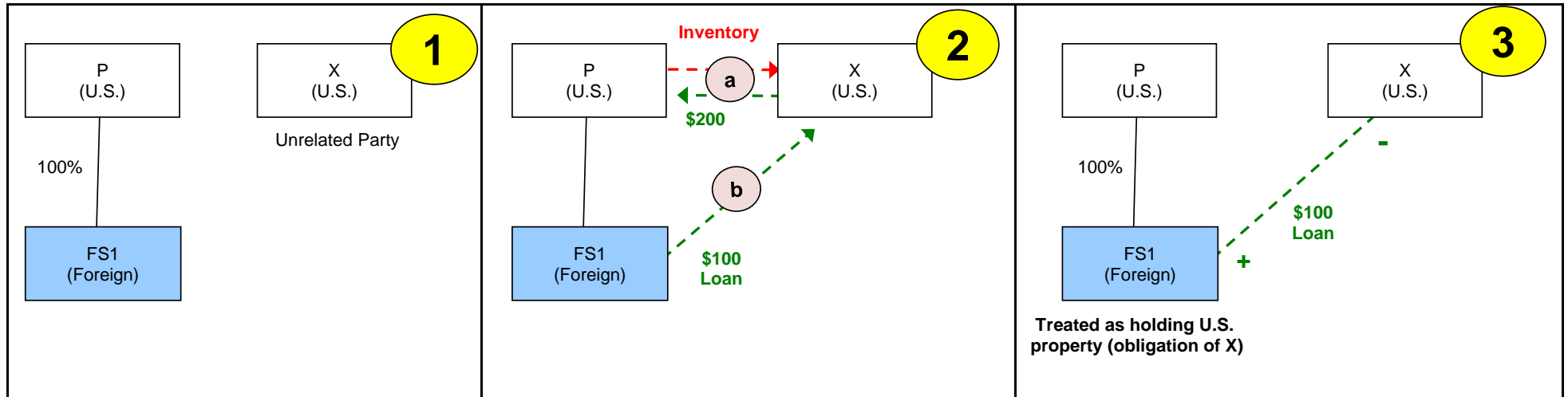


**U.S. Property - Financing Thru Unrelated Party (Inventory)**

Initial Structure

Lending Transaction

Ending Point



P, a domestic corporation, owns all of the outstanding stock of FS1, a controlled foreign corporation. P sells inventory property for \$200x to X, an unrelated United States person. FS1 makes a \$100x short-term loan to X, which loan would not have been made or maintained on the same terms but for X's purchase of P's inventory property.

FS1 directly participates in a lending transaction described in Treas. Reg. §1.956-3(b)(2)(iv). Thus, FS1 is considered to have acquired a trade or service receivable described in Treas. Reg. §1.956-3(a). That is, FS1 is considered to have acquired a trade or service receivable of a United States person from a related United States person. As a result, FS1 is treated as holding United States property in the amount of \$100x.