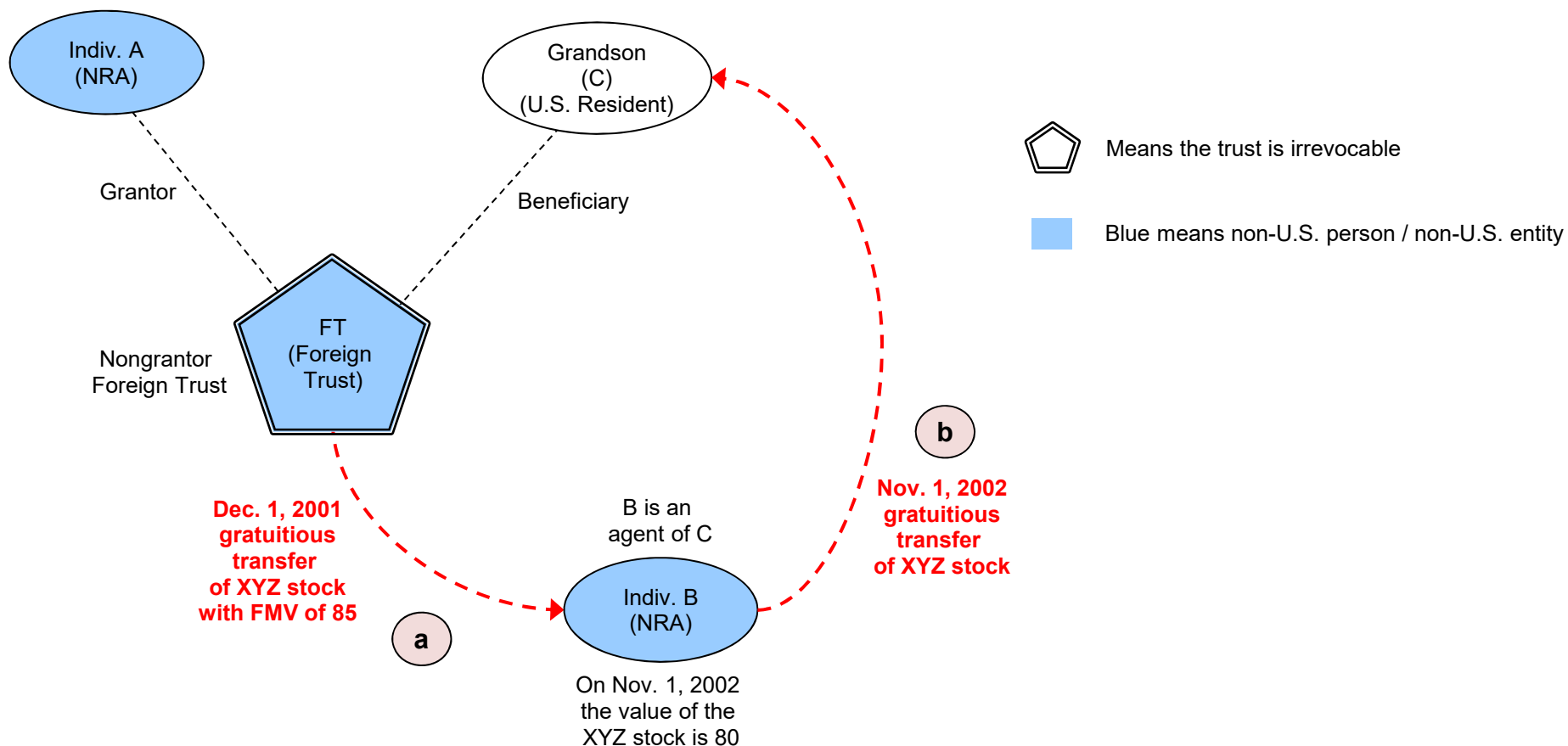


Reg. 1.643(h)-1(g), Example 11

Intermediary As Agent of U.S. Person; Decrease in FMV

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Intermediary as agent of United States Person; decrease in FMV. A, a nonresident alien, created and funded FT for the benefit of his children and their descendants. On December 1, 2001, FT makes a gratuitous transfer of XYZ stock with a fair market value of 85X to B, a nonresident alien. On November 1, 2002, the value of the XYZ stock is only 80X, and on this date B transfers the XYZ stock to C in a gratuitous transfer.

The Commissioner determines that B is an agent of C under generally applicable United States agency principles. Under Treas. Reg. §1.643(h)-1(c)(2), FT is deemed to have distributed XYZ stock with a value of 85X to C on December 1, 2001.

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