For its prior taxable year, JV, a foreign corporation, had outstanding 1000 shares of class A stock, which is voting common, and 1000 shares of class B stock, which is nonvoting preferred. DP, a domestic corporation, and FP, a foreign corporation, each owned precisely 500 shares of both class A and class B stock, and each elected 5 of the 10 members of JV's board of directors. The other facts and circumstances were such that JV was not a controlled foreign corporation on any day of the prior taxable year.

On the first day of the current taxable year, DP purchased one share of class B stock from FP. JV was a controlled foreign corporation on the following day because over 50 percent of the total value in the corporation was held by a person that was a United States shareholder under section 951(b). See Section 1.951-1(f).

**Initial Structure**

- DP (U.S.)
  - 500 class A shares (voting)
  - 500 class B shares (non-voting)
- FP (Foreign)
  - 500 class A shares (voting)
  - 500 class B shares (non-voting)
- JV Corp (Foreign)

Not a CFC since U.S. 10% shareholders do not own more than 50% of the vote or more than 50% of the value.

**JV Corp Share Purchase**

- DP (U.S.)
  - Cash
- FP (Foreign)
  - 1 share of class B stock
- JV Corp (Foreign)

**Ending Point**

- DP (U.S.)
  - 500 class A shares (voting)
  - 501 class B shares (non-voting)
- FP (Foreign)
  - 499 class B shares (non-voting)
  - 500 class A shares (voting)
- JV Corp (Foreign)

A CFC