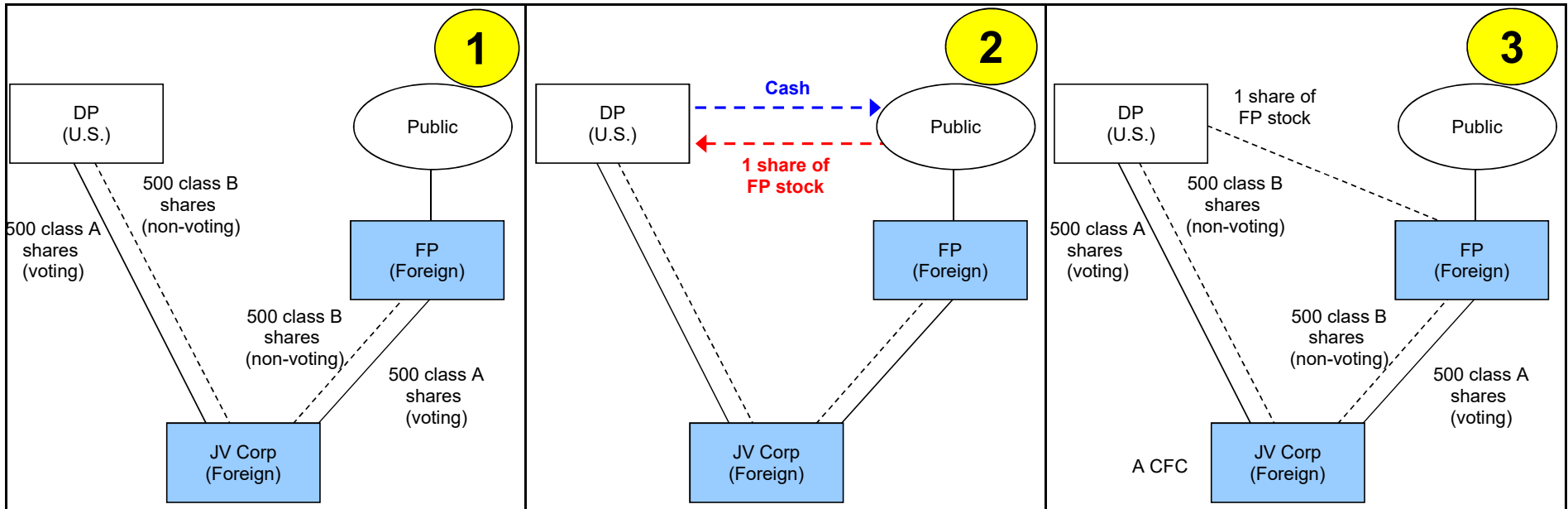


>50% Ownership of Value (Thru Publicly Traded Co.) & At Least 10% of Vote Makes a CFC

Initial Structure

JV Corp Share Purchase

Ending Point



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.

The stock of FP was publicly traded, FP had one class of stock, and on the first day of the current taxable year DP purchased one share of FP stock on the foreign stock exchange. JV became 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).