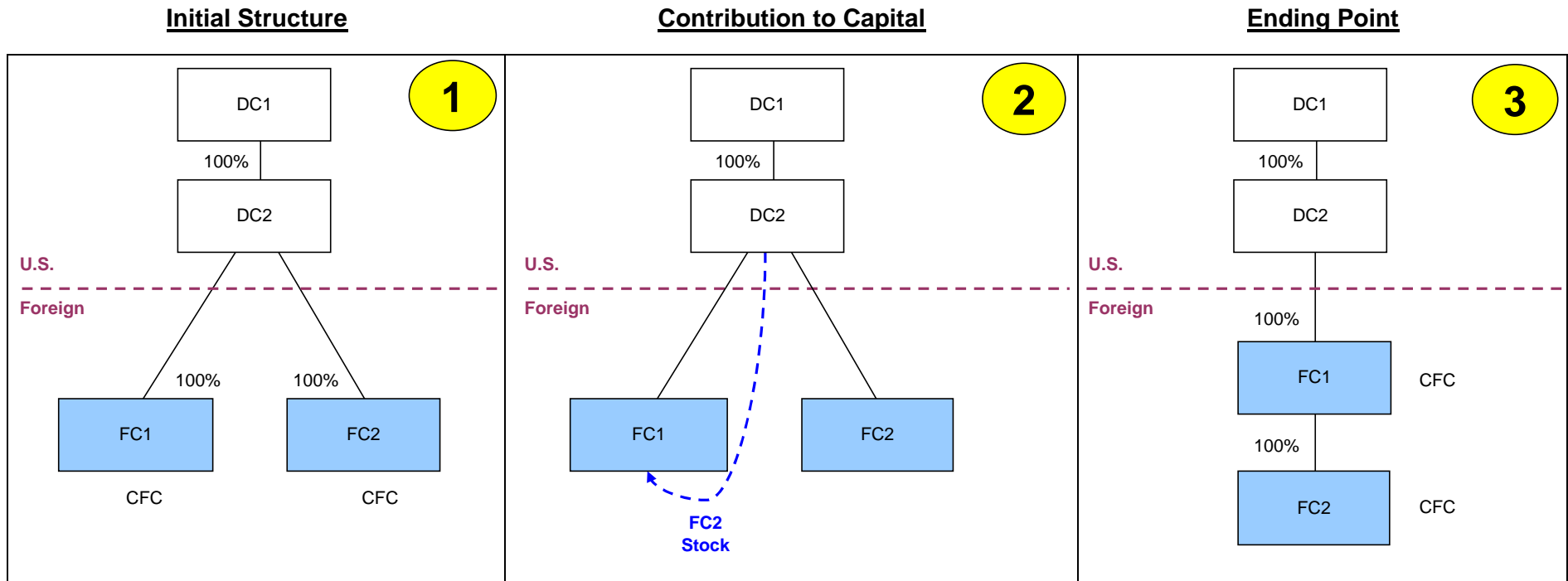


Outbound Capital Contribution - Section 367(c)(2)

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DC2 contributed the stock of FC2 to the capital of FC1. DC2 did not receive any stock of FC1 in exchange for the FC2 stock. Thus, there was no sale or exchange and section 1001 would not necessarily apply. However, section 367(c)(2) provides that a transfer of property to a controlled corporation as a contribution to capital is treated as an exchange of such property for stock of the foreign corporation equal in value to the FMV of the property transferred. As a result, sections 367(a) and 367(b) would apply in the above circumstances.