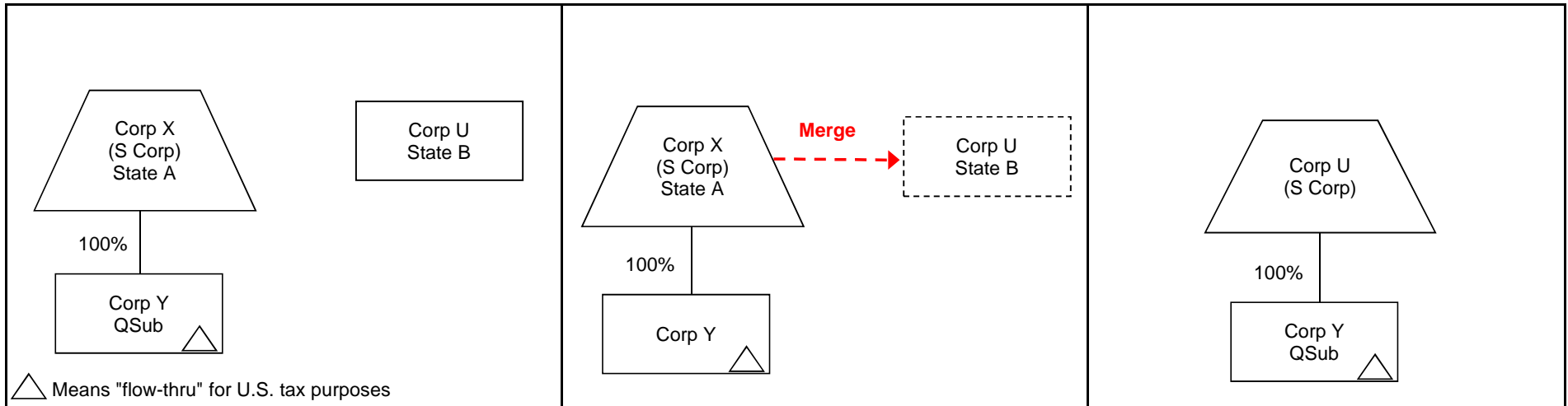


"F" Reorganization of an S Corp Did Not Terminate QSub Election of Subsidiary

Initial Structure

Merger

Ending Point



Corp X (an S corporation) merged into Corp U (a corporation that met the requirements to be a small business corporation under section 1361(b)(1)) in a transaction qualifying as a reorganization under section 368(a)(1)(F). Under Rev. Rul. 64-250 Corp U is treated as a continuation of Corp X. Corp U, therefore, is an S corporation immediately after the merger. Because Corp U is treated as a continuation of Corp X, the reorganization does not terminate Corp X's election to treat Corp Y as a QSub.

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