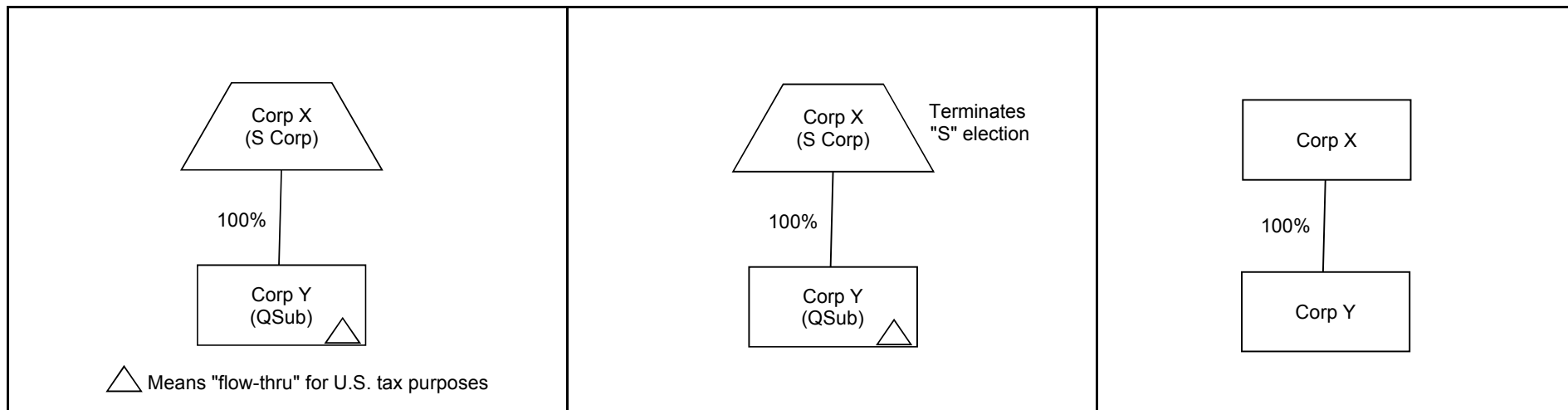


**Termination of QSub Election upon
Termination of Parent's "S" Election**

Initial Structure

Termination of "S" Election

Ending Point



Corp X, an S corporation, owns 100% of Corp Y. A QSub election is in effect with respect to Y for 2011. On January 1, 2002, Corp X revokes its "S" election. Because Corp X is no longer an S corporation, Corp Y no longer qualifies as a QSub at the close of December 31, 2001.