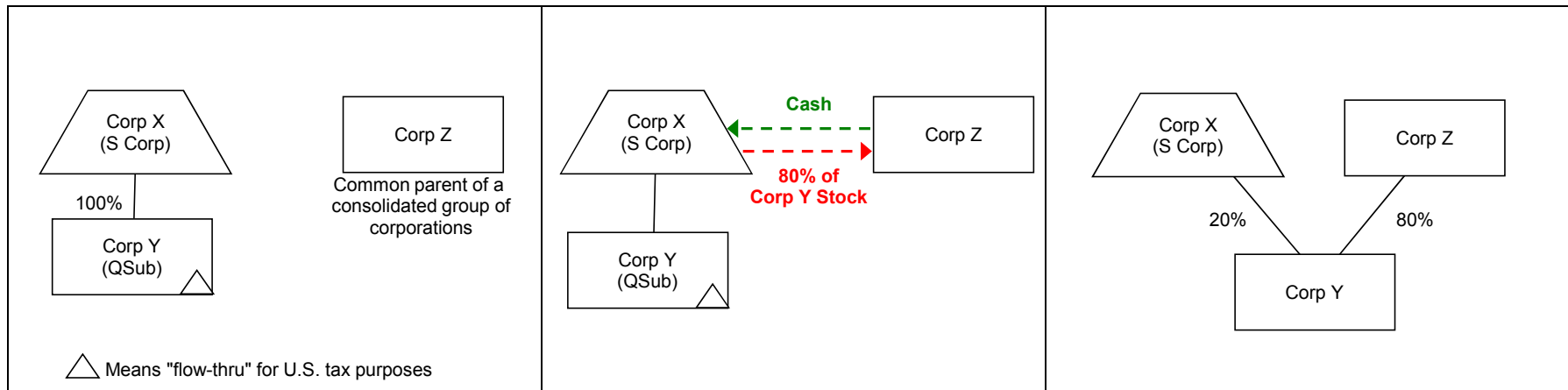


**Termination of QSub Election due
to 80% Acquisition of QSub by C Corp**

Initial Structure

Acquisition of QSub

Ending Point



Corp X, an S corporation, owns 100 percent of Corp Y, a corporation for which a QSub election is in effect. Corp Z, the common parent of a consolidated group of corporations, acquires 80 percent of the stock of Corp Y on June 1, 2002. Corp Y's QSub election terminates as of the close of June 1, 2002. Under Section 1.1502-76(b)(1)(ii)(A)(1) Corp Y becomes a member of Corp Z's consolidated group of corporations as of the close of the day June 1, 2002.