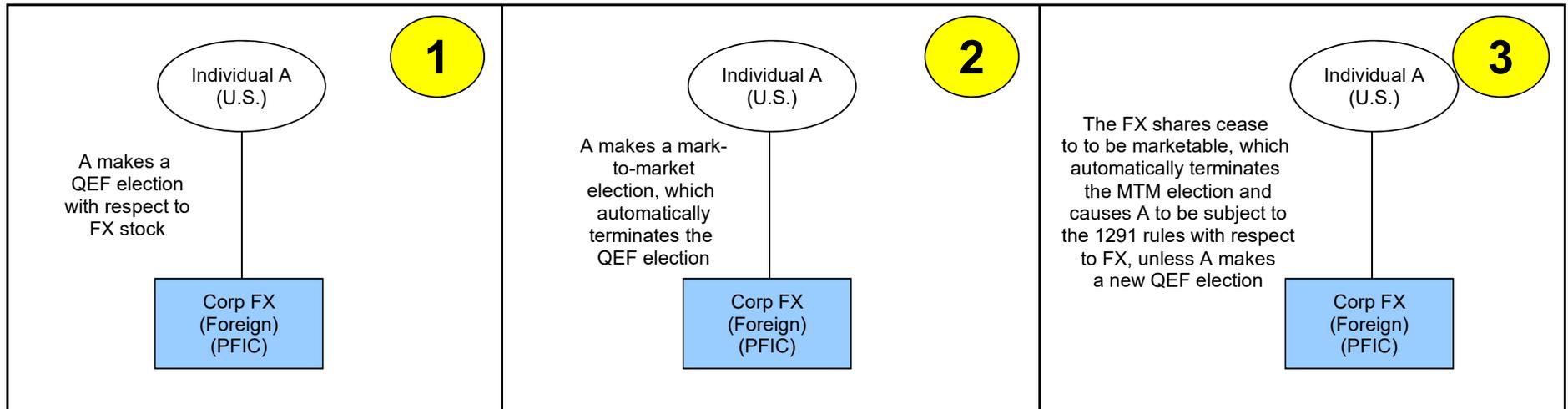


**QEF Election, Then MTM Election,  
Then Stock Ceases To Be Marketable,  
Then Stock Becomes Marketable Again**

**QEF Election (1996)**

**MTM Election (2005)**

**Shares Cease To Be Marketable (2006)**



A, a United States person, owns stock in FX, a PFIC. A makes a QEF election in 1996 with respect to the FX stock. For taxable year 2005, A makes a timely Code §1296 election with respect to its stock, and thus its QEF election is automatically terminated pursuant to Treas. Reg. §1.1295-1(i)(3). In 2006, A's stock in FX ceases to be marketable, and therefore its Code §1296 election is automatically terminated under Treas. Reg. §1.1296-1(h)(3). Beginning with taxable year 2006, A is subject to the rules of Code §1291 with respect to its FX stock unless it makes a new QEF election. See Treas. Reg. §1.1295-1(i)(5). A's stock in FX becomes marketable again in 2007. A may make a new Code §1296 election with respect to the FX stock for its taxable year 2007, or thereafter. A will be subject to the coordination rules under Treas. Reg. §1.1296-1(i) unless it made a new QEF election in 2006.

**Shares Become Marketable (2007)**

