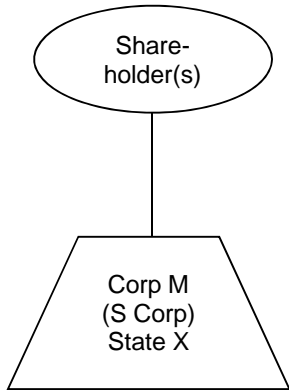
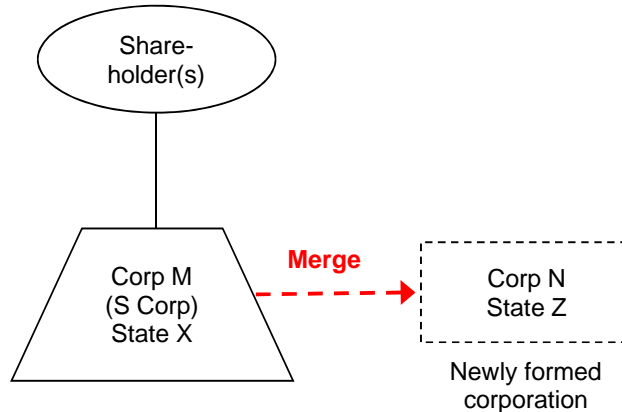


"F" Reorganization Did Not Terminate S Corp Election

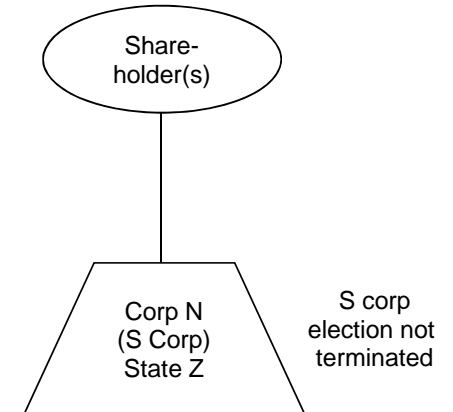
Initial Structure



Merger



Ending Point



M, an electing small business corporation within the meaning of section 1361(b) (formerly section 1371(b)), was reincorporated in a state other than that of original incorporation. The shareholders of M accomplished the reincorporation by organizing a new corporation, N, in the other state and merging M into N. The transaction qualified as a reorganization under section 368(a)(1)(F). The surviving corporation, N, also met the requirements for qualification as a small business corporation under section 1361(a) (formerly section 1371(a)). The section 368(a)(1)(F) reorganization did not cause a termination of the "S" election under section 1362 (formerly section 1372).