Q is a manufacturing corporation all of the common stock of which is owned by twelve individuals. One class of nonvoting preferred stock, representing 40 percent of the aggregate value of Q, is held by a variety of corporate and noncorporate shareholders. Q is incorporated in state M. Pursuant to a plan to raise immediate additional capital and to enhance its ability to raise capital in the future by issuing additional stock, Q proposes to make a public offering of newly issued stock and to cause its stock to become publicly traded. Q entered into an underwriting agreement providing for the public offering and a change in its state of incorporation. The change in the state of incorporation was undertaken, in part, to enable the corporation to avail itself of the advantages that the corporate laws of state N afford to public companies and their officers and directors. In the absence of the public offering, Q would not have changed its state of incorporation. Pursuant to the underwriting agreement, Q changed its place of incorporation by merging with and into R, a newly organized corporation incorporated in state N. The shares of Q stock were converted into the right to receive an identical number of shares of R stock. Immediately thereafter, R sold additional shares of its stock to the public and redeemed all of the outstanding shares of nonvoting preferred stock. The number of new shares sold was equal to 60 percent of all the outstanding R stock following the sale and redemption. The reincorporation by Q in state N qualifies as a reorganization under section 368(a)(1)(F) even though it was a step in the transaction in which Q was issuing common stock in a public offering and redeeming stock having a value of 40 percent of the aggregate value of its outstanding stock prior to the offering.