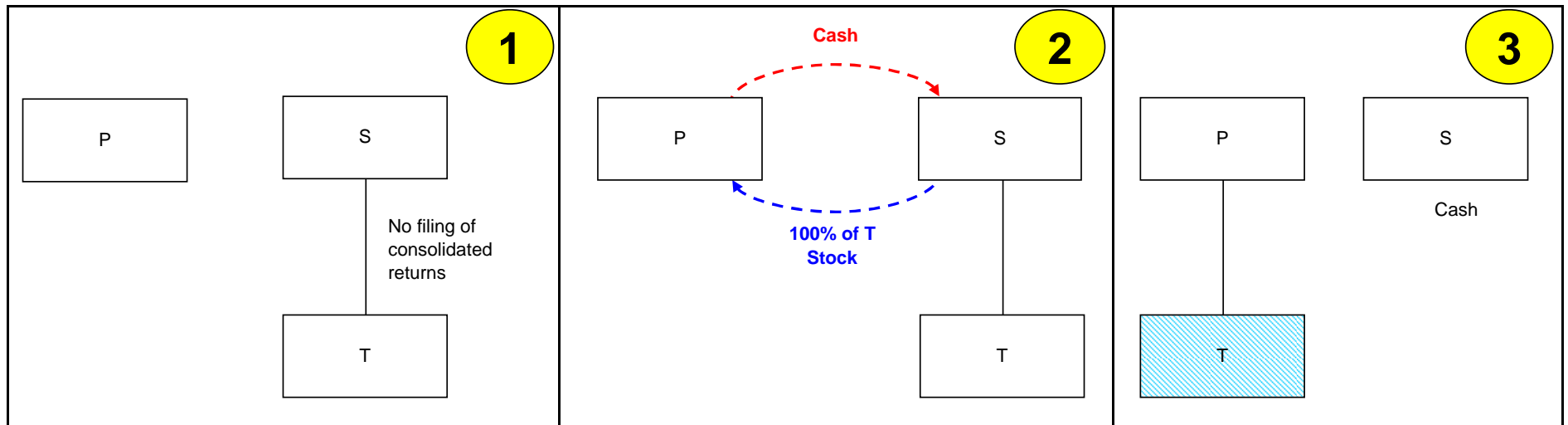


338 Election - Short Year Tax Return

Initial Structure

QSP & 338 Election (June 30, Year 1)

Ending Point



S is the parent of T. S and T do not file consolidated returns. At the close of June 30 of Year 1, P makes a qualified stock purchase of T from S. P makes a section 338 election for T, and T's deemed asset sale occurs as of the close of T's acquisition date (June 30). T must file a separate return for its taxable year ending on June 30 of Year 1, which return includes the deemed asset sale.