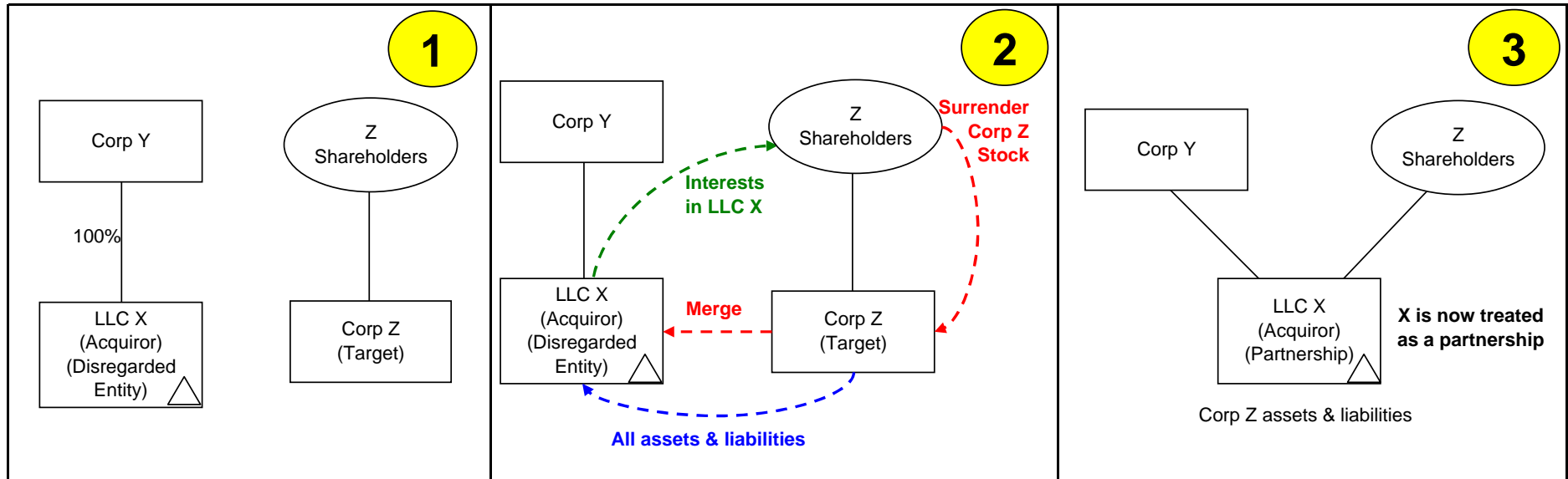


Merger of a Corporation into a Disregarded Entity/Partnership

Initial Structure

Merger

Ending Point



△ means flow-thru for U.S. tax purposes

Under State W law, Z merges into X. Pursuant to such law, the following events occur simultaneously at the effective time of the transaction: all of the assets and liabilities of Z become the assets and liabilities of X and Z's separate legal existence ceases for all purposes. In the merger of Z into X, the Z shareholders exchange their stock of Z for interests in X so that, immediately after the merger, X is not disregarded as an entity separate from Y for Federal income tax purposes, but instead X is classified as a partnership for Federal income tax purposes.

The transaction cannot qualify as a statutory merger or consolidation for purposes of section 368(a)(1)(A) because immediately after the merger X is not disregarded as an entity separate from Y and, consequently, all of the assets and liabilities of Z, the combining entity of the transferor unit, do not become the assets and liabilities of one or more members of a transferee unit.