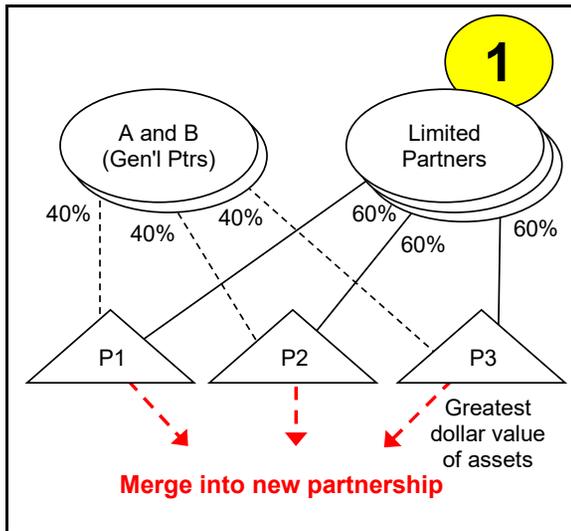
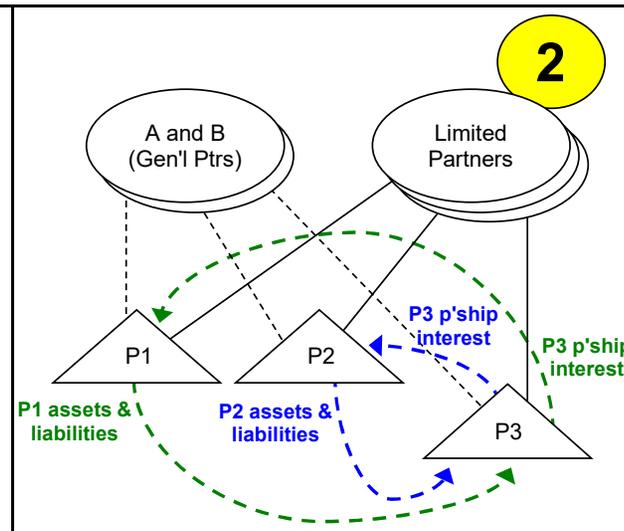


**Merger of Partnerships: Deemed Transactions (Assets-Over Form)**

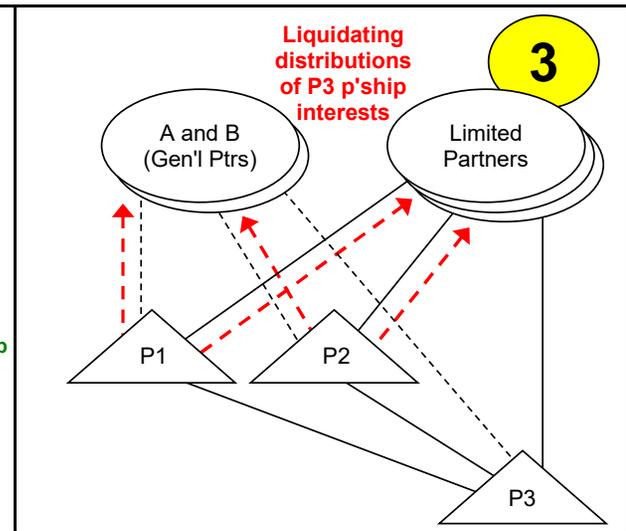
**Initial Structure & Merger**



**Deemed Contributions**

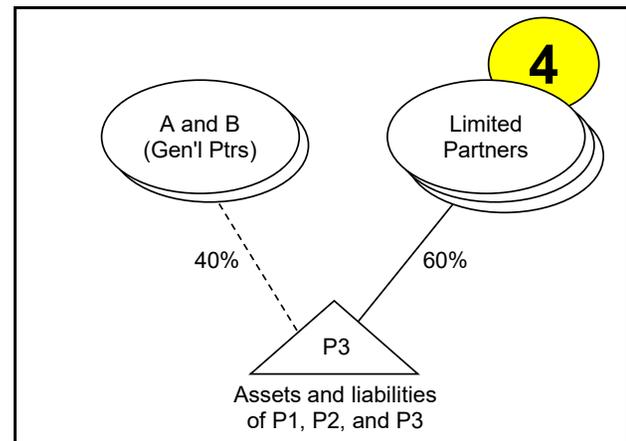


**Deemed Liquidating Distributions**



As of December 31, 1965, P1, P2, and P3 were limited partnerships engaged in the oil and gas business. A and B, the only general partners, each owns a 20% interest in capital and profits of the three partnerships. The limited partners in P1 and P2 are also the limited partners in P3. On January 1, 1966, in accordance with a written agreement, the three existing partnerships merged into one partnership with P3 contributing the greatest dollar value of assets. In accordance with section 708(b)(2)(A) and Reg. 1.708-1(b)(2)(i) [now see Reg. 1.708-1(c)], P3 is the resulting partnership and P1 and P2 are considered terminated. Accordingly, P3 is the resulting partnership and P1 and P2 are treated as having contributed all of their respective assets and transferred their liabilities to P3 in exchange for a partnership interest. P1 and P2 are thereafter considered terminated and their respective partners are considered to have received in liquidation partnership interests in P3 with a basis to them as determined under section 732(b).

**Ending Point**



A deemed contribution followed by a deemed distribution is referred to as an "assets-over" form. In contrast, a deemed distribution followed by a deemed contribution is referred to as an "assets-up" form. See Reg. 1.708-1(c)(3).