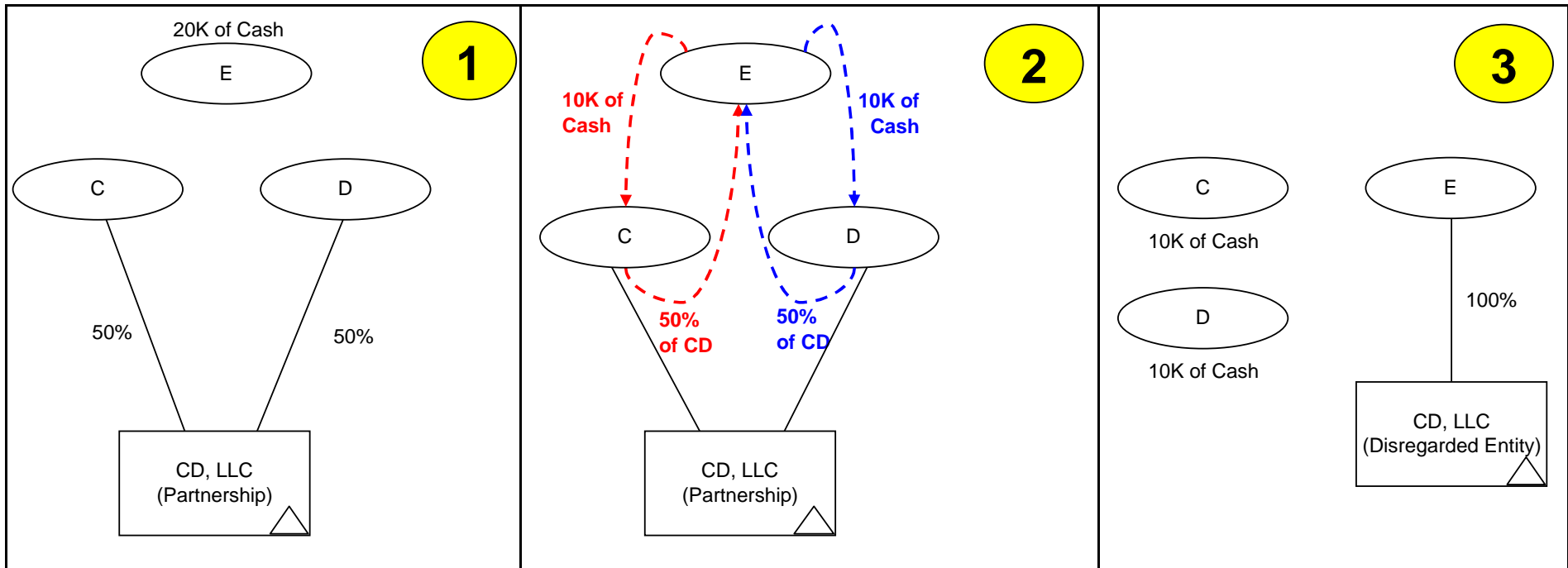


Partnership to Disregarded Entity

Initial Structure

C & D Sell LLC to E

Ending Point



C & D's Treatment: C & D must treat the transactions as a sales of partnership interests. Thus, C&D must report the gain or loss resulting from the sales in accordance with section 741.

E's Treatment: E is deemed to acquire, by purchase, all of the former partnership assets. E's basis in the assets is \$20,000 and E's holding period begins on the day immediately following the date of sale.

△ Means "flow-thru" for U.S. tax purposes

[HUNDREDS of additional charts at www.andrewmitchel.com](http://www.andrewmitchel.com)