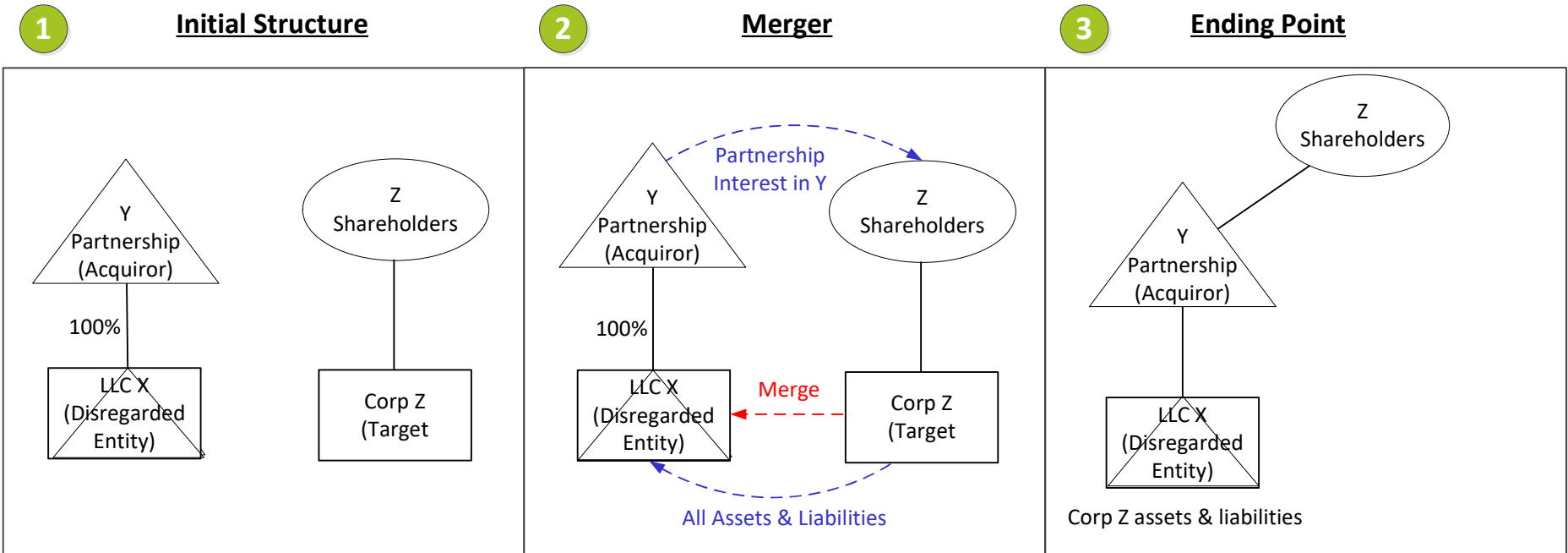


Merger into Disregarded Entity of a Partnership



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

(i) Facts. The facts are the same as in Example 2, except that Y is organized as a partnership under the laws of State W and is classified as a partnership for Federal income tax purposes.

(ii) Analysis. The transaction does not satisfy the requirements of paragraph (b)(1)(ii)(A) of this section. All of the assets and liabilities of Z, the combining entity and sole member of the transferor unit, do not become the assets and liabilities of one or more members of a transferee unit because neither X nor Y qualifies as a combining entity. Accordingly, the transaction cannot qualify as a statutory merger or consolidation for purposes of section 368(a)(1)(A).