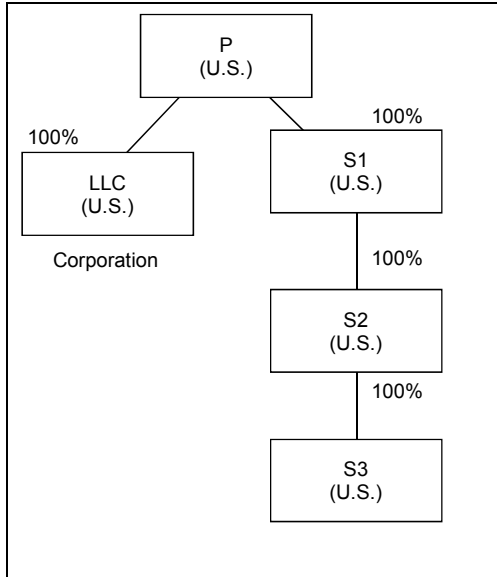
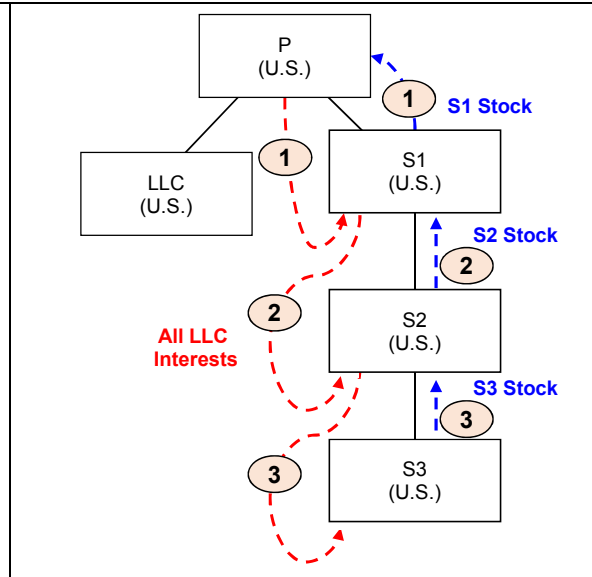


**Triple Drop and Check - Two 351s
Followed by a D Reorg**

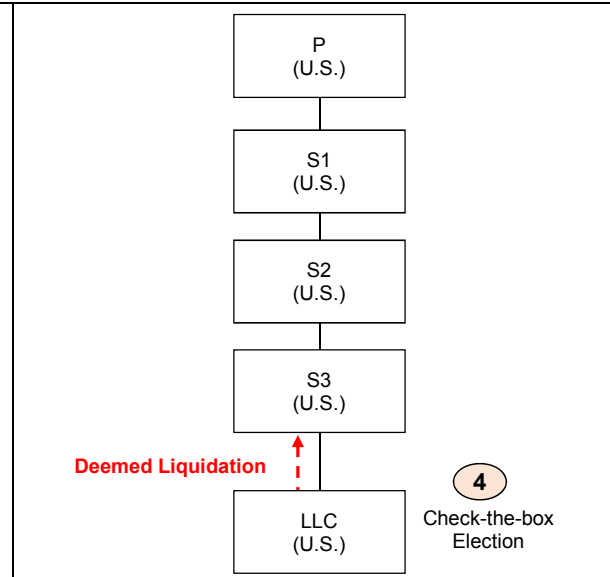
Initial Structure



Triple Drop of LLC Interests



LLC Check-the-box Election



The IRS held that a transaction in which (1) a parent corporation transfers all of the interests in its limited liability company that is taxable as a corporation to the first subsidiary in exchange for additional stock, (2) the first subsidiary transfers all of the interests in the limited liability company to the second subsidiary in exchange for additional stock, (3) the second subsidiary transfers all of the interests in the limited liability company to the third subsidiary in exchange for additional stock, and (4) the limited liability company elects to be disregarded as an entity separate from its owner for federal income tax purposes effective after it is owned by the third subsidiary, is properly treated for federal income tax purposes as two transfers of stock in exchanges governed by Code §351 followed by a reorganization under Code §368(a)(1)(D).

Ending Point

