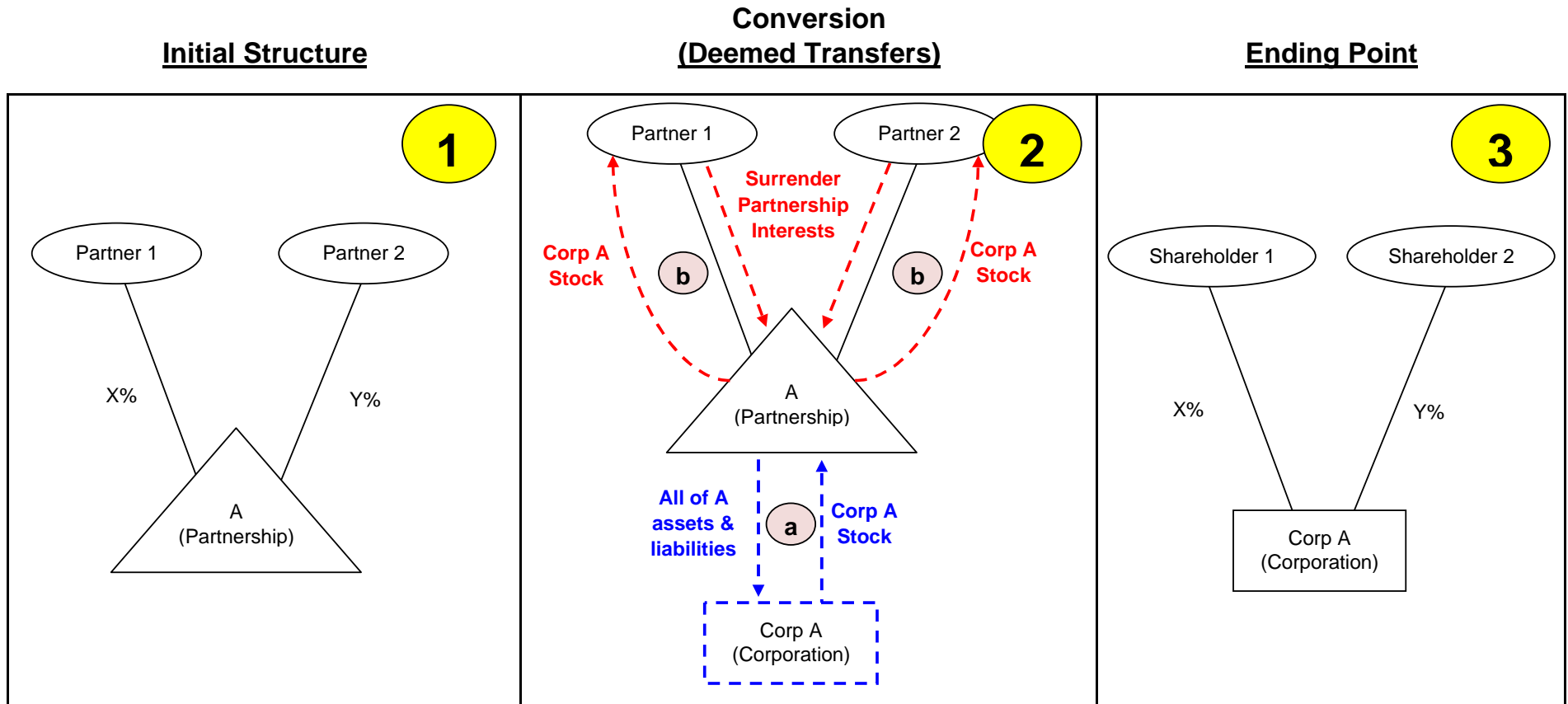


Partnership Conversion to Corporation



A partnership that converts to a corporation under state law that does not require an actual transfer of assets or interests is treated in the same manner as a partnership that makes an election to be treated as a corporation under Reg. 301.7701-3(c)(1)(i).

Under the conversion, the following is deemed to occur: (1) the partnership contributes all its assets and liabilities to the corporation in exchange for stock in the corporation, and (2) immediately thereafter, the partnership liquidates, distributing the stock of the corporation to its partners. Cf. Revenue Ruling 84-111.