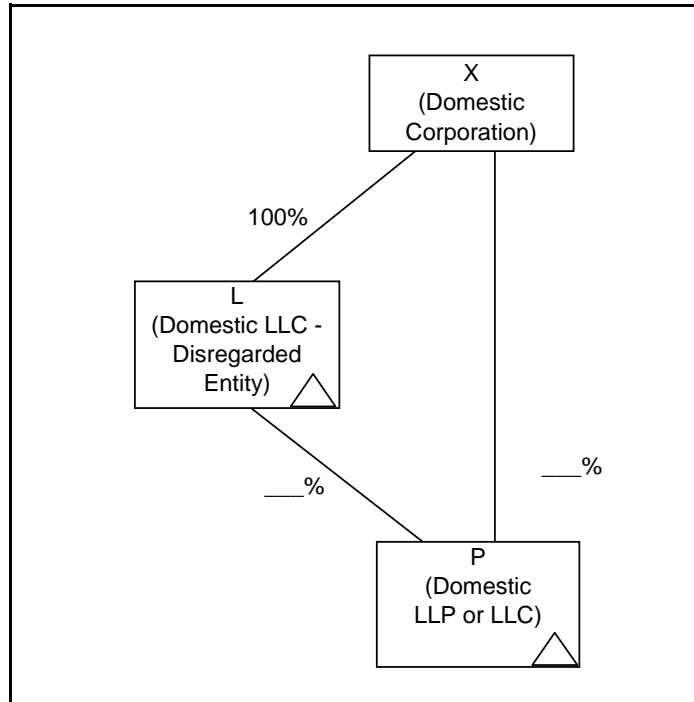


**Disregarded Entity with Two Owners**

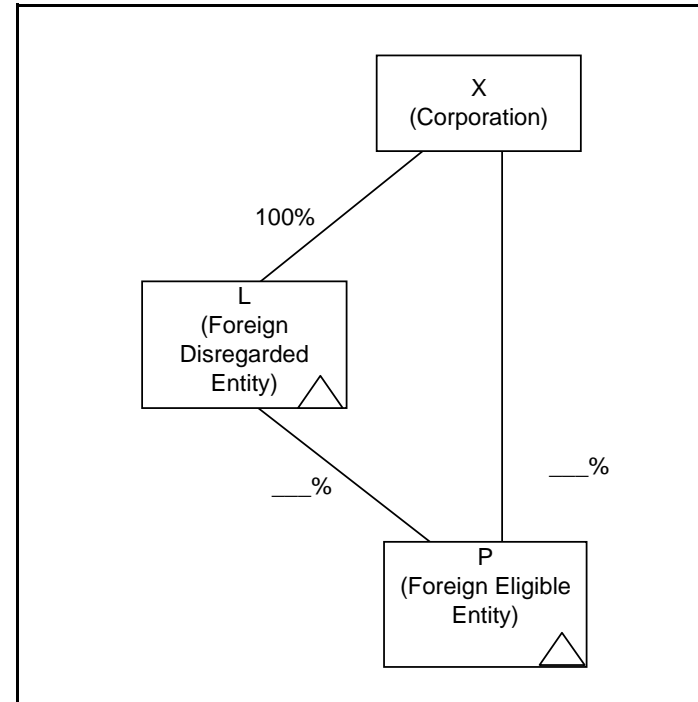
**Situation 1**



Because L is a disregarded entity, X is treated as owning all of the interests in P. P is an LLC that has not elected to be classified as a corporation, and P has only one owner for federal tax purposes. Thus, P is treated as a disregarded entity.

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

**Situation 2**



Because L is a disregarded entity, X is treated as owning all of the interests in P. P has only one owner for federal tax purposes. Thus, P cannot be classified as a partnership. P will be treated as a disregarded entity or as a corporation (depending on the default rules and/or whether an entity classification election has been filed).