



F-Reorganization Acquisition Overview

31st Annual LLCs, LPs, Partnerships and Nuts and Bolts
For Discussion Purposes Only

1

Overview

- Pre-Closing F-Reorganization
- Letter of Intent
- Transaction Timeline
- Due Diligence Checklist
- Membership Interest Purchase Agreement
- Closing Checklist/Ancillary Documents

2

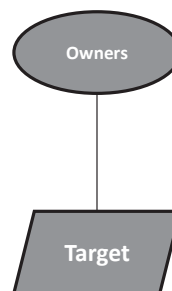
Pre-Closing F-Reorganization

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Pre-Acquisition Organizational Structure

Background of Target Company:

- Target is treated as an S corporation for U.S. federal income tax purposes.
- Target is owned by Seller 1 and Seller 2 (the "Owners").



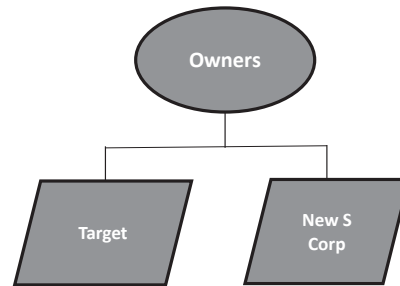
| LEGEND | |
|--------|--------------------|
| | Corporation |
| | Disregarded Entity |
| | Partnership |
| | S Corporation |
| | Individual |

4

Pre-Acquisition Step 1: Formation of New S Corp

Pre-Acquisition Step 1:

- The Owners form a new corporation under the laws of the State of Texas (“New S Corp”). The stock of New S Corp will be owned in the same proportions as the Owners’ current ownership of Target stock.
- New S Corp is intended to be treated as an S corporation for US federal income tax purposes (as described in Pre-Acquisition Step 2.A).



| LEGEND | |
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| | Individual |



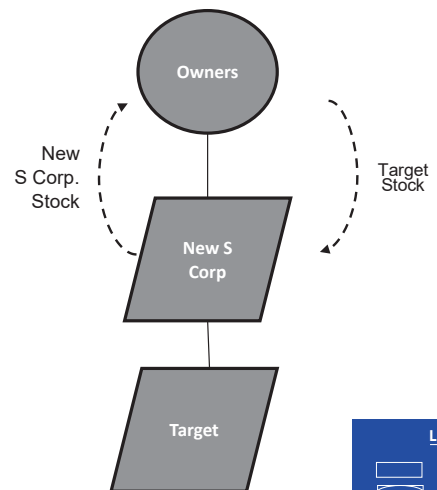
Pre-Acquisition Step 2: Contribution of Target

Pre-Acquisition Step 2.A:

- On the same date as the formation of New S Corp, the Owners contribute all of the issued and outstanding stock of Target to New S Corp in exchange for 100% of the outstanding stock of New S Corp.

Pre-Acquisition Step 2.B:

- On the same date as the contribution set forth above in Pre-Acquisition Step 2.A, New S Corp files a Qualified Subchapter S Subsidiary Election for Target by completing and filing Form 8869 Qualified Subchapter S Subsidiary Election. The original properly completed IRS Form 8869 must be mailed (via certified mail) to the IRS on the date of the contribution (and prior to Pre-Acquisition Step 3).
- New S Corp should consider filing a protective S Corp election (IRS Form 2553) with the IRS in addition to the IRS Form 8869.
- On Form 8869, Target responds “Yes” to Part II, Question 14.
- Form 8869 must be signed by an officer of New S Corp. The Form 8869 mailed to IRS must have an original signature.
- This step should be treated as a reorganization of Target under Section 368(a)(1)(F) of the Code, with New S Corp being treated as a continuation of Target. See Rev. Ruling 2008-18.
- New S Corp must apply for new EIN.



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"Nuts and Bolts of LLCs, LPs and Partnerships: Part One"