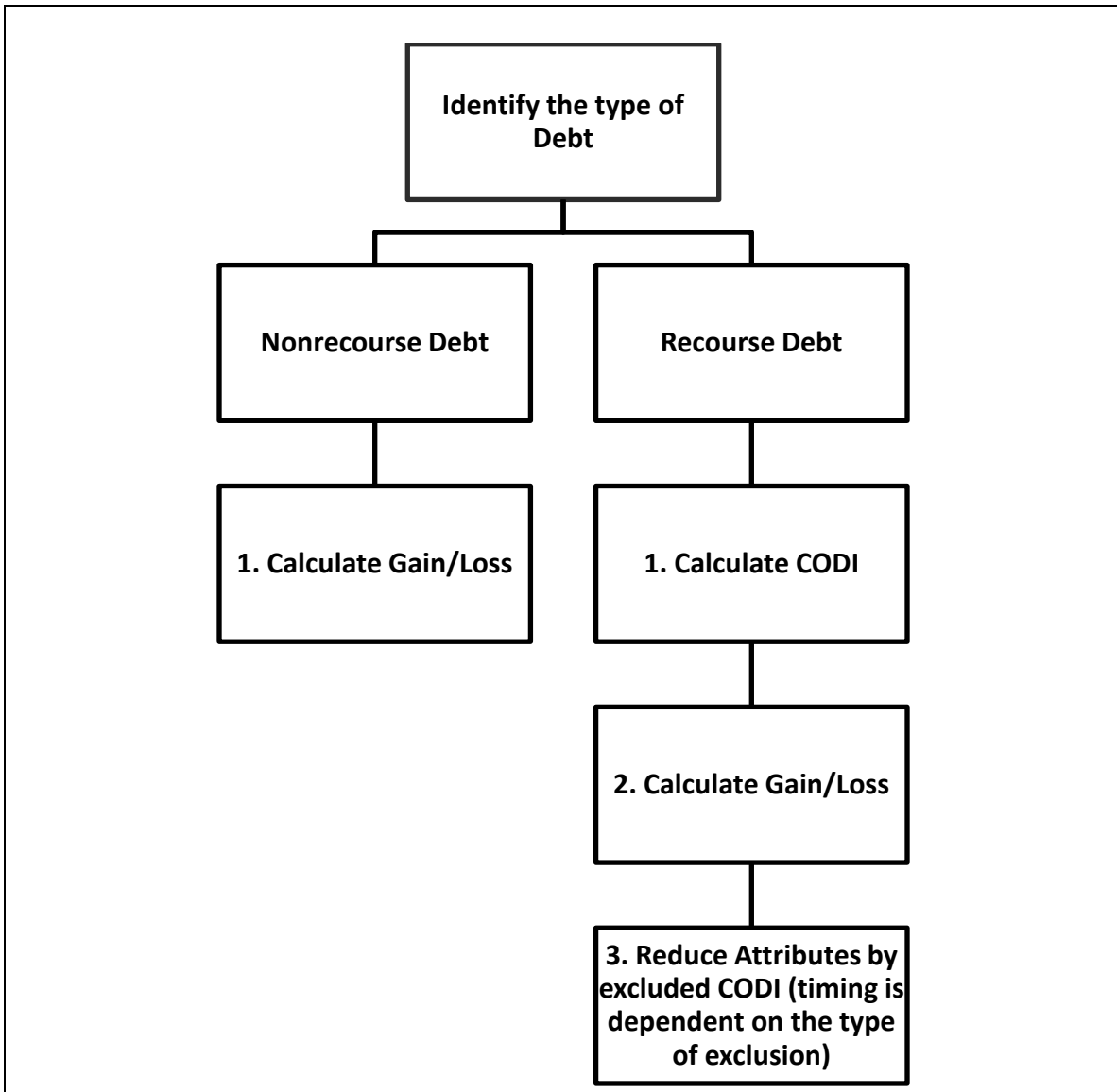


Diagram 1. Debt Flowchart



The first step is to identify whether the debt is nonrecourse or recourse debt.

If the debt is nonrecourse, there is generally one tax consequence to consider and that is whether a recognized gain or loss from the disposition exists.

If the debt is recourse, recourse debt has three different potential tax consequences which are (1) Cancellation of debt income, (2) gain/loss from the disposition, and (3) the reduction of tax attributes if CODI is excluded from income.