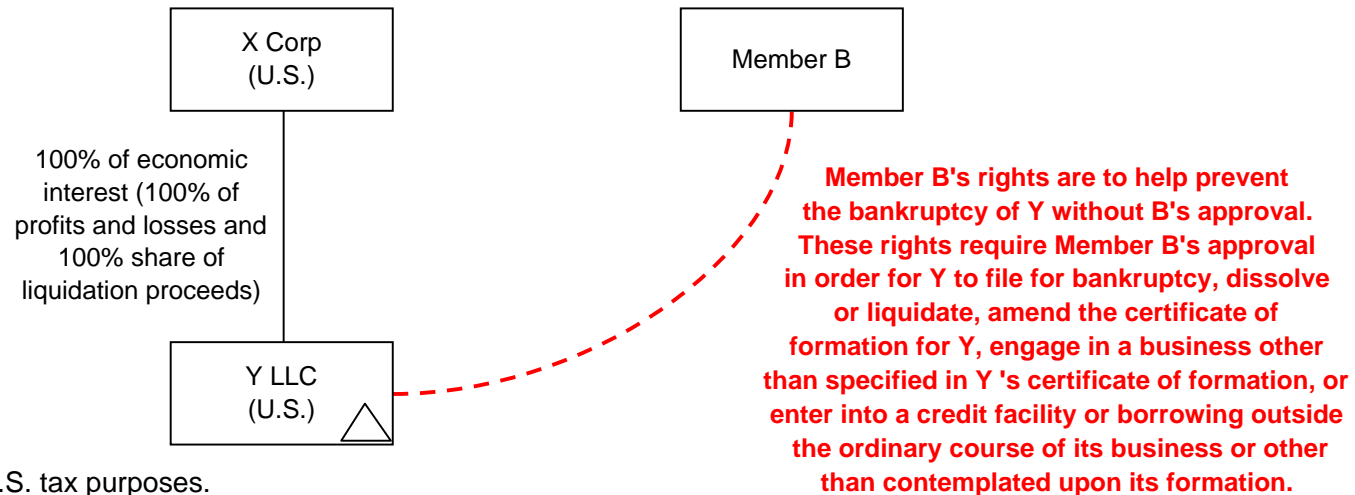


LLC With Two Members (But One Economic Owner) Treated As A Disregarded Entity



This issue in the ruling was whether Y LLC would be treated as a disregarded entity or as a partnership.

In this case Member B is a member of Y for the sole limited purpose of preventing X from placing Y into bankruptcy on its own volition. Member B has no interest in Y capital, profits or losses and neither manages the enterprise nor has any management rights other than those limited rights described above. Thus, for federal tax purposes Member B will not be treated as a member of Y. Accordingly, X is the sole member of Y. Because X is the sole owner of Y and Y will not elect to be treated as a corporation for federal tax purposes, Y will be disregarded as an entity separate from X.