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Department of the Treasury

Washington, DC 20224

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Person To Contact:

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Date: November 03, 2006

Legend

X =

Y =

Z =

Trust =

State =

Dear :

This responds to a letter dated June 20, 2006, submitted on behalf of X, Y, and Z, by their authorized representatives, requesting entity classification rulings under §§ 7701 and 7704 of the Internal Revenue Code.

The information submitted states that X is a life insurance company licensed in 49 states and the District of Columbia to provide various life insurance products, annuities, mutual funds and other investment products. Y, a wholly owned subsidiary of X, is a life insurance and annuity company that provides a variety of life insurance products, annuities, and other investment products to individuals and businesses in all 50 states and the District of Columbia.

Trust is an open-end management investment company organized under the laws of State. The beneficial interests in Trust's property consist of transferable shares (Shares) in multiple segregated portfolios of assets, including portfolio Z, each with separate investments. The portfolios support X's and Y's variable contracts. Shares of the portfolios may only be purchased by domestic life insurance companies, either directly or through separate accounts of such companies. X has nine separate accounts and Y has four separate accounts. Premiums received by X and Y are allocated to their respective separate accounts. Collectively, the accounts of X and Y own all of the Shares of the portfolios and have the right to purchase additional shares or have shares redeemed at any time.

Contract holders may specify in which separate account the premium is to be invested. The benefits X and Y pay to the contract holder are determined by reference to the investment return associated with, and the market value of, the relevant portfolio supporting the variable contract. However, the benefits under the variable contracts can vary significantly from the value of the Shares in the portfolios, especially where a contract holder dies before his or her life expectancy. The contract holder is typically entitled to a minimum payment, regardless of the portfolio's performance. Typically, a variable contract cannot be redeemed, within a specified period, without a penalty, nor sold at face value. Furthermore, the Shares in the portfolios are owned by the insurance company issuing the variable contract for federal income tax purposes. The contract holder only has claims against the insurance company issuing the variable contract and not against the income, gains, losses, or distributions of the portfolios. Each portfolio is currently a regulated investment company (RIC) within the meaning of § 851.

Z proposes to elect to be treated as a partnership. Z requests a ruling that it will be classified as a partnership and not a publicly traded partnership.

X and Y make the following representations:

1. Trust is a business trust that has never held itself out to be a state law corporation. Each portfolio is currently a separate RIC as defined in § 851(a).
2. Z will have at least two members, X and Y, investing through their separate accounts, and will elect to be treated as a partnership for federal tax purposes.
3. If Shares are sold to other insurance companies, the Shares will not be held by more than 100 domestic life insurance companies.
4. If Shares are sold to other insurance companies, the Shares will only be issued to separate accounts of domestic life insurance companies.
5. X and Y are and will be treated as the owners of the Shares in the portfolios for federal income tax purposes.
6. The assets of the separate accounts will be adequately diversified within the meaning of § 817(h) and § 1.817-5(b) of the Income Tax Regulations.
7. Allocations of taxable income, gain, loss, deductions, and credits of the portfolios will be made in accordance with §§ 704(b) and (c), and except as required by § 704(c),

each holder of a Share will be allocated its share of each portfolio's income or loss which will be composed of a proportionate share of each item of the portfolio's income or loss.

8. Public access to Z is only available through the purchase of a variable contract.

9. The Shares are not and will not be traded on an established securities market.

10. The Shares are not and will not be regularly quoted by any person, such as a broker or dealer, making a market in the shares.

11. No person regularly makes available, and will not make available, to the public (including customers or subscribers) bid or offer quotes with respect to the Shares or stands ready, or will stand ready, to effect buy or sell transactions at the quoted prices for itself or on behalf of others.

12. No holder of Shares has, or will have, a readily available, regular, and ongoing opportunity to sell or exchange the Shares through a public means of obtaining or providing information of offers to buy, sell, or exchange Shares.

13. There is no plan or intention for the redemption of Shares by Z to be combined with the issuance of Shares in Z to a new partner.

Partnership Ruling

Section 301.7701-3(a) provides that a business entity that is not classified as a corporation under § 301.7701-2(b)(1), (3), (4), (5), (6), (7), or (8) (an eligible entity) can elect its classification for federal tax purposes.

Section 301.7701-3(b)(1)(i) provides that, unless it elects otherwise, a domestic eligible entity is classified as a partnership if it has two or more members.

X and Y represent that Z will have at least two members and will elect pursuant to § 301.7701-3 to be classified as a partnership. Provided Z has 2 or more members and makes the entity classification election to be classified as a partnership, Z will be properly classified as a partnership for federal tax purposes.

Publicly Traded Partnership Ruling

Section 7704(a) provides that except as provided in § 7704(c), a publicly traded partnership will be treated as a corporation.

Section 7704(b) provides that the term "publicly traded partnership" means any partnership if (1) interests in such partnership are traded on an established securities market and (2) interests in such partnership are readily tradable on a secondary market (or the substantial equivalent thereof).

Section 1.7704-1(a)(2)(i) provides that for purposes of § 7704(b) and § 1.7704-1, an interest in a partnership includes (A) any interest in the capital or profits of the partnership (including the right to partnership distributions); and (B) any financial

instrument or contract the value of which is determined in whole or in part by reference to the partnership (including the amount of partnership distributions, the value of partnership assets, or the results of partnership operations).

Section 1.7704-1(a)(3) provides that for purposes of § 7704(b) and § 1.7704-1, a transfer of an interest in a partnership means a transfer in any form, including a redemption by the partnership or the entering into of a financial instrument or contract described in § 1.7704-1(a)(2)(i)(B).

Section 1.7704-1(c)(1) provides that for purposes of § 7704(b) and § 1.7704-1, interests in a partnership that are not traded on an established securities market (within the meaning of § 7704(b) and § 1.7704-1(b)) are readily tradable on a secondary market or the substantial equivalent thereof if, taking into account all of the facts and circumstances, the partners are readily able to buy, sell, or exchange their partnership interests in a manner that is comparable, economically, to trading on an established securities market.

Section 1.7704-1(c)(2) provides that for purposes of § 1.7704-1(c)(1), interests in a partnership are readily tradable on a secondary market or the substantial equivalent thereof if (i) interests in the partnership are regularly quoted by any person, such as a broker or dealer, making a market in the interests; (ii) any person regularly makes available to the public (including customers or subscribers) bid or offer quotes with respect to interests in the partnership and stands ready to effect buy or sell transactions at the quoted prices for itself or on behalf of others; (iii) the holder of an interest in the partnership has a readily available, regular, and ongoing opportunity to sell or exchange the interest through a public means of obtaining or providing information of offers to buy, sell, or exchange interests in the partnership; or (iv) prospective buyers and sellers otherwise have the opportunity to buy, sell, or exchange interests in the partnership in a time frame and with the regularity and continuity that is comparable to that described in the other provisions of § 1.7704-1(c)(2).

Section 1.7704-1(d) provides that for purposes of § 7704(b) and § 1.7704-1, interests in a partnership are not traded on an established securities market within the meaning of § 1.7704-1(b)(5) and are not readily tradable on a secondary market or the substantial equivalent thereof within the meaning of § 1.7704-1(c) (even if interests in the partnership are traded or readily tradable in a manner described in § 1.7704-1(b)(5) or (c)) unless (1) the partnership participates in the establishment of the market or the inclusion of its interests thereon; or (2) the partnership recognizes any transfers made on the market by (i) redeeming the transferor partner (in the case of a redemption or repurchase by the partnership); or (ii) admitting the transferee as a partner or otherwise recognizing any rights of the transferee, such as a right of the transferee to receive partnership distributions (directly or indirectly) or to acquire an interest in the capital or profits of the partnership.

The Shares sold by X to the segregated asset accounts of other insurance companies are interests in the capital or profits of the portfolios. Therefore, the Shares are partnership interests for purposes of § 7704(b). See § 1.7704-1(a)(2)(i)(A). The sale of Shares to the segregated asset accounts of other insurance companies does not fall within the definition of trading on an established securities market as defined in § 7704(b)(1) and § 1.7704-1(b). Additionally, Shares may only be sold to the segregated asset accounts of other insurance companies and (i) are not regularly quoted by any person, such as a broker or dealer, making a market in the interests; (ii) no person regularly makes available to the public (including customers or subscribers) bid or offer quotes with respect to the Shares and stands ready to effect buy or sell transactions at the quoted prices for itself or on behalf of others; (iii) the Unit holder does not have a readily available, regular, and ongoing opportunity to sell or exchange the interest through a public means of obtaining or providing information of offers to buy, sell, or exchange interests in the partnership; or (iv) prospective buyers and sellers do not otherwise have the opportunity to buy, sell, or exchange Shares in a time frame and with the regularity and continuity that is comparable to that described in the other provisions of § 1.7704-1(c)(2).

The shares are not traded on an established securities market and the Shares are not readily tradable on a secondary market (or substantial equivalent thereof). Therefore, based solely on the information submitted and the representations made, we conclude that after Z elects to be classified as a partnership, Z will not be a publicly traded partnership.

Except as specifically set forth above, no opinion is expressed or implied concerning the federal tax consequences of the facts described above under any other provision of the Code.

This ruling is directed only to the taxpayer who requested it. Section 6110(k)(3) provides that it may not be used or cited as precedent.

Pursuant to the power of attorney on file with this office, a copy of this letter is being sent to Z's authorized representatives.

Sincerely,

Dianna K. Miosi
Chief, Branch 1
Office of the Associate Chief Counsel
(Passthroughs and Special Industries)

Enclosures (2)
Copy of this letter
Copy for section 6110 purposes