UIL 501.03-11

200032046

DEPARTMENT OF THE TREASURY
INTERNAL REVENUE SERVICE
WASHINGTON, D.C. 20224

Date: MAY 15 2000

Contact Person:

ID Number:

Telephone Number:

OP:E:EO:T1

Employer Identification Number:
Key District Office:

Legend:

A =
B =
C =
D =
E =
F =
G =
H =
I =
J =
K =
L =
M =
N =

Dear Sir or Madam:

This is in response to a letter from your authorized representative requesting a series of rulings on your behalf regarding the tax consequences associated with the transactions described below.

The purpose of the proposed transactions is to add another health care system to an existing group of affiliated exempt entities whose parent is A. A will serve as the governing body of the consolidated group created as a result of the proposed transaction. A's employees will assume responsibility for providing strategic and system planning, community health and benefit planning, legal, human resources, physician relations, managed care contracting, communications, information systems, and finance services to all affiliates of the consolidated group. A is exempt from federal income tax under section 501(c)(3) of the Code and is a nonprivate foundation under section 509(a)(3). It currently functions as the parent and sole member of B and D and as the sole Class A member of C.

B is exempt from federal income tax under section 501(c)(3) of the Code and a nonprivate foundation under sections 509(a)(1) and 170(b)(1)(A)(iii).

219

C is exempt from federal income tax under section 501(c)(3) of the Code and is classified as a nonprivate foundation under sections 509(a)(1) and 170(b)(1)(A)(iii).

D has applied for exemption from federal income tax under section 501(c)(3) of the Code and classification as a nonprivate foundation under section 509(a)(2).

E is exempt from federal income tax under section 501(c)(3) of the Code and is classified as a nonprivate foundation under sections 509(a)(1) and 170(b)(1)(A)(iii). C is currently the sole member of E.

F is exempt from federal income tax under section 501(c)(3) of the Internal Revenue Code and is a nonprivate foundation under sections 509(a)(1) and 170(b)(1)(A)(vi). F is an independent fundraising foundation with an independent board of directors. It has no members.

G is exempt from federal income tax under section 501(c)(3) of the Code and is classified as a nonprivate foundation under section 509(a)(3). It is currently the sole member of H, I J and K and it is the sole shareholder of K, a business corporation which is currently inactive.

H is exempt from federal income tax under section 501(c)(3) of the Internal Revenue Code and is a nonprivate foundation under sections 509(a)(1) and 170(b)(1)(A)(iii).

I is exempt from federal income tax under section 501(c)(3) and is a nonprivate foundation under section 509(a)(2).

J is exempt from federal income tax under section 501(c)(3) of the Internal Revenue Code and is a nonprivate foundation under sections 509(a)(1) and 170(b)(1)(A)(vi).

You have stated that you propose to have A continue to be the sole member of B and D and the sole Class A member of C. A will become the sole member of G, H and I. H will become the sole member of J. You propose to have A support each of its tax-exempt subsidiaries, except for G, which is already classified as a supporting organization under section 509(a)(3) of the code.

G currently has no members. Incident to the proposed transaction, its Articles of Incorporation will be amended to convert it to a membership nonprofit corporation, the sole member of which will be A. G is currently the sole member of H, I and J. Incident to the proposed transaction, the Articles of Incorporation and Bylaws of H, I and J will be amended to substitute A as the sole member of each.

A, B and C are currently unrelated to G, H, I and J. Accordingly, you have stated that the transaction would bring G, H, I and J under the management and control of a single parent corporation, A. You have stated that the three hospitals of which A is or will be parent corporation are all located in the same geographic area.

A and B are affiliated with L. Specifically, L currently has four positions on the twelve person Boards of Directors of A and B. None of the real or personal property of B can be transferred without the approval of three of the four directors appointed by L.

The Bylaws of C require that all candidates for its Board of Directors and changes to its Bylaws be reviewed by M, an affiliate of N.

220

You have stated that the consummation of this transaction will enhance the availability, efficiency and economy of hospital facilities and services by providing for cooperation of the three hospitals and the utilization of shared facilities and services to achieve economies in operation and more effective health services. A will act as the managing member of all three hospitals and will integrate their operations, while no less than 50% of the Board of Directors of A will overlap with the Boards of Directors of the three hospital subsidiaries. You propose that 3 of the 18 voting directors of A will be physicians who are members of the medical staff of one of the three hospital subsidiaries, and your proposed Bylaws provide that in no event shall physicians constitute more than 40% of the Board of Directors. Your proposed Bylaws also adopt the suggested Service community board and conflict of interests policy.

Your proposed Bylaws require that the following actions require a supermajority vote of the board of directors of A:

(1) Amendments to the Articles of Incorporation or Bylaws of A, B, C, G, H, I and J;

(2) Approval of the annual budgets of A and the hospital subsidiaries;

(3) Approval of all policies related to medical and ethical issues;

(4) Approval of all decisions regarding expansion or closure of services by A and/or its affiliated corporations; and

(5) Approval of the distribution of assets in the event of the dissolution of A.

You have stated that a supermajority board decision is defined as a majority of the voting directors who are representatives of B, C and H.

You have stated that A must approve any amendments to the Articles of Incorporation and Bylaws of the three hospital subsidiaries, and that it has control over withdrawal of subordinates from the system.

You have stated that the following actions will require the approval of the Boards of Directors of the three hospital subsidiaries:

(1) Assumption of debt by A in excess of $500,000 annually;

(2) Any merger, acquisition or reorganization by A;

(3) Any sales or transfers by A with a value of an aggregate of $500,000 or more;

(4) Any voluntary dissolution of A;

(5) Annual capital budgets of A;

(6) All decisions regarding expansion or closure of services by A or the hospital subsidiaries and

(7) All decisions relating to the sale or transfer of any property or assets that are a part of trusts or endowments of the three hospital subsidiaries.

You have stated that the proposed Bylaws of A require that the Board will hold regular meetings each month and that A has the following powers:

(1) Authority to establish annual budgets of A and the three hospital subsidiaries, including the authority to approve major expenditures and assumption of debt;

(2) Authority to monitor and audit compliance with its directives by the three hospital subsidiaries;

(3) Authority to direct that health care services be undertaken or not be undertaken by the three hospital subsidiaries;

(4) Authority to enter into binding managed care agreements on behalf of the three hospitals;

(5) Authority to allocate capitation and other payments;

(6) Authority to hire and fire personnel of the hospital subsidiaries and

(7) Authority to set fees and prices for each of the hospital subsidiaries.

You have requested the following rulings in connection with the integration:

1. As to A:

1.1 The proposed amendments to the Articles and Bylaws of A and the carrying out of the transactions set forth in this ruling request and A's participation in the system will not, either alone or collectively, adversely affect A's status as exempt from federal income tax under section 501(a) of the Code as an entity organized and operated as described in section 501(c)(3) of the Code.

1.2 The proposed amendments to the Articles and Bylaws of A and the carrying out of the transactions set forth in this ruling request and A's participation in the system will not, either alone or collectively, adversely affect the status of A's status as other than private foundation under section 509(a)(3) of the Code.

1.3 That any transfers of assets, personnel and/or resources to A from any participating entitiy, or from A to any participating entity, which transfers are in furtherance of the exempt purposes of the A and the system, will not constitute an unrelated trade or business within the meaning of section 513 of the Code of any of the participating entities and will not result in any of the participating entities being subject to tax on unrelated business taxable income pursuant to section 511 of the Code.

2. As to B:

2.1 The proposed amendments to the Articles and Bylaws of A and the carrying out of the transactions set forth in this ruling request and B's participation in the system will not, either alone or collectively, adversely affect B's status as exempt from federal income tax under section 501(a) of the Code as an entity organized and operated as described in section 501(c)(3) of the Code.

222

2.2 The proposed amendments to the Articles and Bylaws of A and the carrying out of the transactions set forth in this ruling request and B's participation in the system will not, either alone or collectively, adversely affect the status of B as other than private foundation under sections 509(a)(1) and 170(b)(1)(A)(iii) of the Code.

2.3 That any transfers of assets, personnel and/or resources to B from A or any other participating entity, or from B to A and/or other participating entities, which transfers are in furtherance of the exempt purposes of B and the system, will not constitute an unrelated trade or business within the meaning of section 513 of the Code with respect to B and will not result in it being subject to tax on unrelated business taxable income pursuant to section 511 of the Code.

3. As to C:

3.1 The proposed amendments to the Articles and Bylaws of A and the carrying out of the transactions set forth in this ruling request and C's participation in the system will not, either alone or collectively, adversely affect C's status as exempt from federal income tax under section 501(a) of the Code as an entity organized and operated as described in section 501(c)(3) of the Code.

3.2 The proposed amendments to the Articles and Bylaws of A and the carrying out of the transactions set forth in this ruling request and C's participation in the system will not, either alone or collectively, adversely affect the status of C as other than private foundation under sections 509(a)(1) and 170(b)(1)(A)(iii) of the Code.

3.3 That any transfers of assets, personnel and/or resources to C from A or any other participating entity, or from C to A and/or other participating entities, which transfers are in furtherance of the exempt purposes of C and the system, will not constitute an unrelated trade or business within the meaning of section 513 of the Code with respect to C and will not result in it being subject to tax on unrelated business taxable income pursuant to section 511 of the Code.

4. As to H:

4.1 The proposed amendments to the Articles and Bylaws of A and H, the carrying out of the transactions set forth in this ruling request and H's participation in the system will not, either alone or collectively, adversely affect H's status as exempt from federal income tax under section 501(a) of the Code as an entity organized and operated as described in section 501(c)(3) of the Code.

4.2 The proposed amendments to the Articles and Bylaws of A and H, the carrying out of the transactions set forth in this ruling request and H's participation in the system will not, either alone or collectively, adversely affect the status of H as other than private foundation under sections 509(a)(1) and 170(b)(1)(A)(iii) of the Code.

4.3 That any transfers of assets, personnel and/or resources to H from A or any other participating entity, or from H to A and/or other participating entities, which transfers are in furtherance of the exempt purposes of H and the system, will not constitute an unrelated trade or business within the meaning of section 513 of the Code with respect to H and will not result in it being subject to tax on unrelated business taxable income pursuant to section 511 of the Code.

5. As to G:

5.1 The proposed amendments to the Articles and Bylaws of A and G, the carrying out of the transactions set forth in this ruling request and G's participation in the system will not, either alone or collectively, adversely affect G's status as exempt from federal income tax under section 501(a) of the Code as an entity organized and operated as described in section 501(c)(3) of the Code.

5.2 The proposed amendments to the Articles and Bylaws of A and G, the carrying out of the transactions set forth in this ruling request and G's participation in the system will not, either alone or collectively, adversely affect the status of G as other than private foundation under sections 509(a)(3) of the Code.

5.3 That any transfers of assets, personnel and/or resources to G from A or any other participating entity, or from G to A and/or other participating entities, which transfers are in furtherance of the exempt purposes of G and the system, will not constitute an unrelated trade or business within the meaning of section 513 of the Code with respect to G and will not result in it being subject to tax on unrelated business taxable income pursuant to section 511 of the Code.

6. As to I:

6.1 The proposed amendments to the Articles and Bylaws of A and I, the carrying out of the transactions set forth in this ruling request and I's participation in the system will not, either alone or collectively, adversely affect I's status as exempt from federal income tax under section 501(a) of the Code as an entity organized and operated as described in section 501(c)(3) of the Code.

6.2 The proposed amendments to the Articles and Bylaws of A and I, the carrying out of the transactions set forth in this ruling request and I's participation in the system will not, either alone or collectively, adversely affect the status of I as other than private foundation under sections 509(a)(2) of the Code.

6.3 That any transfers of assets, personnel and/or resources to I from A or any other participating entity, or from I to A and/or other participating entities, which transfers are in furtherance of the exempt purposes of I and the system, will not constitute an unrelated trade or business within the meaning of section 513 of the Code with respect to I and will not result in it being subject to tax on unrelated business taxable income pursuant to section 511 of the Code.

7. As to J:

7.1 The proposed amendments to the Articles and Bylaws of A and J, the carrying out of the transactions set forth in this ruling request and J's participation in the system will not, either alone or collectively, adversely affect J's status as exempt from federal income tax under section 501(a) of the Code as an entity organized and operated as described in section 501(c)(3) of the Code.

7.2 The proposed amendments to the Articles and Bylaws of A and J, the carrying out of the transactions set forth in this ruling request and J's participation in the system will not, either alone or collectively, adversely affect the status of J as other than private foundation under sections 509(a)(1) and 170(b)(1)(A)(vi) of the Code.

7.3 That any transfers of assets, personnel and/or resources to J from A or any other participating entity, or from J to A and/or other participating entities, which transfers are in furtherance of the exempt purposes of J and the system, will not constitute an unrelated trade or business within the

meaning of section 513 of the Code with respect to J and will not result in it being subject to tax on unrelated business taxable income pursuant to section 511 of the Code.

Section 501(a) of the Code provides an exemption from federal income tax for organizations described in section 501(c)(3), including organizations that are organized and operated exclusively for charitable, educational or scientific purposes.

Section 1.501(c)(3)-1(d)(2) of the Income Tax Regulations provides that the term "charitable" is used in section 501(c)(3) of the Code in its generally accepted legal sense.

Revenue Ruling 69-545, 1969-2 C.B. 117, acknowledges that the promotion of health is a charitable purpose within the meaning of section 501(c)(3) of the Code.

Revenue Ruling 78-41, 1978-1 C.B. 148, concludes that a trust created by an exempt hospital for the sole purpose of accumulating and holding funds to be used to satisfy malpractice claims against the hospital is operated exclusively for charitable purposes and is exempt under section 501(c)(3) of the Code.

Section 1.509(a)-4(f)(1) of the Income Tax Regulations provides that section 509(a)(3)(B) of the Code sets forth three different types of relationships, one of which must be met in order to meet the requirements of the subsection. One of those requirements is operated, supervised or controlled in connection with. Section 1.509(a)-4(f)(4) of the regulations provides that in the case of supporting organizations which are supervised or controlled in connection with one or more publicly supported organizations, the distinguishing feature is the presence of common supervision or control among the governing bodies of all organizations involved, such as the presence of common directors.

Section 511(a) of the Code imposes a tax on the unrelated business income of organizations described in section 501(c).

Section 512(a)(1) of the Code defines unrelated business taxable income as the gross income derived by an organization from any unrelated trade or business regularly carried on by it, less the allowable deductions which are directly connected with the carrying on of the trade or business, with certain modifications.

Section 513(a) of the Code defines unrelated trade or business as any trade or business the conduct of which is not substantially related (aside from the need of the organization for funds or the use it makes of the profits derived) to the exercise of the organization's exempt purposes or functions.

Section 1.513-1(d)(2) of the regulations provides, in part, that a trade or business is related to exempt purposes only where the conduct of the business activities has a causal relationship to the achievement of exempt purposes; and it is substantially related for purposes of section 513 of the Code only if the causal relationship is a substantial one. Thus, for the conduct of trade or business from which a particular amount of gross income is derived to be substantially related to purposes for which exemption is granted, the production or distribution of goods or the performance of the services from which the gross income is derived must contribute importantly to the accomplishment of exempt purposes.

Providing management and consultants' services to other, unrelated exempt organizations for a fee sufficient to produce a small profit does not further an exclusively exempt purpose. See BSW Group, Inc. v. Commissioner, 70 T.C. 352 (1978).

An organization providing laundry services on a centralized basis to exempt hospitals does not qualify for exemption under section 501(c)(3). See HCSC-Laundry v. United States, 450 U.S.1 (1981).

Section 513(e) of the Code provides that in the case of a hospital, the term "unrelated trade or business" does not include the furnishing of one or more of the services described in section 501(e)(1)(A) to one or more hospitals if such services are furnished solely to such hospitals which have facilities to serve not more than 100 inpatients, such services, if performed on its own behalf by the recipient hospital, would constitute activities in exercising or performing the purpose or function constituting the basis for its exemption, and such services are provided at a fee or cost which does not exceed the actual cost of providing such services.

Rev. Rul. 77-72, 1977-1 C.B. 157, provides that indebtedness owed to a labor union by its wholly owned tax-exempt subsidiary is not acquisition indebtedness within the meaning of section 514 of the Code since the parent and subsidiary relationship shows the indebtedness to be merely a matter of accounting.

In Geisinger Health Plan v. United States, 30 F.3rd 494 (3rd Cir. 1994) (Geisinger), the court recognized that an organization may qualify for exemption based on the integral part doctrine, which arises from an exception to the "feeder organization" rule set forth in section 1.502-1(b) of the regulations, which states that if a subsidiary organization of a tax-exempt organization would itself be exempt on the ground that its activities are an integral part of the exempt activities of the parent organization, its exemption will not be lost because, as a matter of accounting between the two organizations, the subsidiary derives a profit from its dealings with the parent organization. The court also noted that an entity seeking exemption as an integral part of another cannot primarily be engaged in activity which would generate more than insubstantial unrelated business income if engaged in by the other entity. In this regard, the court followed the reasoning of section 1.502-1(b), which contains an example of a subsidiary organization that is not exempt from tax because it is operated for the primary purpose of carrying on a trade or business which would be an unrelated trade or business (that is, unrelated to exempt activities) if regularly carried on by the parent organization. The example states that if a subsidiary organization is operated primarily for the purpose of furnishing electric power to consumers other than its parent organization (and the parent's tax-exempt subsidiary organizations) it is not exempt because such business would be an unrelated trade or business if regularly carried on by the parent organization. Similarly, if the organization is owned by several unrelated exempt organizations, and is operated for the purpose of furnishing electric power to each of them, it is not exempt since such business would be an unrelated trade or business if regularly carried on by any one of the tax-exempt organizations.

Accordingly, the court in Geisinger determined that application of the integral part doctrine requires at a minimum that an organization be in a parent and subsidiary relationship and that it not be carrying on a trade or business which would be an unrelated trade or business (that is, unrelated to exempt purposes) if regularly carried on by the parent.

A joint operating agreement between previously independent hospitals to provide corporate services among the participants raises exemption qualification and unrelated trade or business

issues. With respect to exemption qualification, the courts have been clear that exemption under section 501(c)(3) of the Code is not generally available where an organization is established to provide corporate services to unrelated exempt organizations, other than through the application of section 501(e) of the Code for cooperative hospital service organizations. See BSW Group, Inc., supra, and HCSC-Laundry, supra. Furthermore, exemption under the integral part doctrine requires a parent and subsidiary relationship and the absence of unrelated trade or business. See Geisinger, supra, and Rev. Rul. 78-41, supra. With respect to unrelated trade or business, section 513(e) of the Code makes clear that if a hospital provides regularly carried on corporate services to another unrelated exempt organization for a fee, then such services are unrelated trade or business unless they fall within the exception for certain hospital services provided by section 513(e). However, if the participating exempt organizations are in an affiliated system of organizations with common control, then corporate services provided between them necessary to their being able to accomplish their exempt purposes are treated as other than an unrelated trade or business and the financial arrangements between them are viewed as merely a matter of accounting. See Rev. Rul. 77-72, supra.

At issue, then, is whether the joint operating agreement has established an affiliated system with sufficient common control such that corporate services and payments provided between the participating affiliates will not be treated as unrelated trade or business income.

Based on all the facts and circumstances, we conclude that the joint operating agreement effectively binds the participating entities under the common control of A so that the participating entities are within a relationship analogous to that of a parent and subsidiary pursuant to the authority of A's governing board. Although all of the facts and circumstances are relevant to this conclusion, importantly, the participating affiliates have ceded significant authority to A over management and financial decisions including establishing their budgets, major expenditures, incurrence of debt, contracts, managed care agreements and capital expenditures; to direct the provision of health care services and to monitor their compliance with A's directives. In addition, A's Board of Directors meets regularly to exercise overall responsibility for operational decisions involving the day-to-day and long-range strategic management decisions that have been delegated by the hospital subsidiaries. Therefore, the transfer of resources, goods, services and the payment of fees between the previously unrelated organizations through the agreement to form a consolidated group are treated as other than an unrelated trade or business.

Contributions to organizations exempt from federal income tax under section 501(c)(3) of the Code do not fall within the definition of unrelated business income under section 512, nor create taxable gain or loss to the transferor or transferee.

The participating affiliates will not adversely affect their tax exempt status under section 501(c)(3) of the Code by the proposed transactions as they will continue to promote health within the meaning of Revenue Ruling 69-545. The sharing of assets, personnel and/or resources pursuant to the agreement to form a consolidated group will not adversely affect the section 501(c)(3) status of any exempt participating affiliate as this activity promotes health within the meaning of Revenue Ruling 69-545. The participating entities will continue to qualify as nonprivate foundations under section 509(a) of the Code.

Accordingly, based on all the facts and circumstances described above, we rule:

1. As to A:

1.1 The proposed amendments to the Articles and Bylaws of A and the carrying out of the transactions set forth in this ruling request and A's participation in the system will not, either alone or collectively, adversely affect A's status as exempt from federal income tax under section 501(a) of the Code as an entity organized and operated as described in section 501(c)(3) of the Code.

1.2 The proposed amendments to the Articles and Bylaws of A and the carrying out of the transactions set forth in this ruling request and A's participation in the system will not, either alone or collectively, adversely affect the status of A's status as other than private foundation under section 509(a)(3) of the Code.

1.3 That any transfers of assets, personnel and/or resources to A from any participating entitiy, or from A to any participating entity, which transfers are in furtherance of the exempt purposes of the A and the system, will not constitute an unrelated trade or business within the meaning of section 513 of the Code of any of the participating entities and will not result in any of the participating entities being subject to tax on unrelated business taxable income pursuant to section 511 of the Code.

2. As to B:

2.1 The proposed amendments to the Articles and Bylaws of A and the carrying out of the transactions set forth in this ruling request and B's participation in the system will not, either alone or collectively, adversely affect B's status as exempt from federal income tax under section 501(a) of the Code as an entity organized and operated as described in section 501(c)(3) of the Code.

2.2 The proposed amendments to the Articles and Bylaws of A and the carrying out of the transactions set forth in this ruling request and B's participation in the system will not, either alone or collectively, adversely affect the status of B as other than private foundation under sections 509(a)(1) and 170(b)(1)(A)(iii) of the Code.

2.3 That any transfers of assets, personnel and/or resources to B from A or any other participating entity, or from B to A and/or other participating entities, which transfers are in furtherance of the exempt purposes of B and the system, will not constitute an unrelated trade or business within the meaning of section 513 of the Code with respect to B and will not result in it being subject to tax on unrelated business taxable income pursuant to section 511 of the Code.

3. As to C:

3.1 The proposed amendments to the Articles and Bylaws of A and the carrying out of the transactions set forth in this ruling request and C's participation in the system will not, either alone or collectively, adversely affect C's status as exempt from federal income tax under section 501(a) of the Code as an entity organized and operated as described in section 501(c)(3) of the Code.

3.2 The proposed amendments to the Articles and Bylaws of A and the carrying out of the transactions set forth in this ruling request and C's participation in the system will not, either alone or collectively, adversely affect the status of C as other than private foundation under sections 509(a)(1) and 170(b)(1)(A)(iii) of the Code.

3.3 That any transfers of assets, personnel and/or resources to C from A or any other participating entity, or from C to A and/or other participating entities, which transfers are in furtherance of the

228

exempt purposes of C and the system, will not constitute an unrelated trade or business within the meaning of section 513 of the Code with respect to C and will not result in it being subject to tax on unrelated business taxable income pursuant to section 511 of the Code.

4. As to H:

4.1 The proposed amendments to the Articles and Bylaws of A and H, the carrying out of the transactions set forth in this ruling request and H's participation in the system will not, either alone or collectively, adversely affect H's status as exempt from federal income tax under section 501(a) of the Code as an entity organized and operated as described in section 501(c)(3) of the Code.

4.2 The proposed amendments to the Articles and Bylaws of A and H, the carrying out of the transactions set forth in this ruling request and H's participation in the system will not, either alone or collectively, adversely affect the status of H as other than private foundation under sections 509(a)(1) and 170(b)(1)(A)(iii) of the Code.

4.3 That any transfers of assets, personnel and/or resources to H from A or any other participating entity, or from H to A and/or other participating entities, which transfers are in furtherance of the exempt purposes of H and the system, will not constitute an unrelated trade or business within the meaning of section 513 of the Code with respect to H and will not result in it being subject to tax on unrelated business taxable income pursuant to section 511 of the Code.

5. As to G:

5.1 The proposed amendments to the Articles and Bylaws of A and G, the carrying out of the transactions set forth in this ruling request and G's participation in the system will not, either alone or collectively, adversely affect G's status as exempt from federal income tax under section 501(a) of the Code as an entity organized and operated as described in section 501(c)(3) of the Code.

5.2 The proposed amendments to the Articles and Bylaws of A and G, the carrying out of the transactions set forth in this ruling request and G's participation in the system will not, either alone or collectively, adversely affect the status of G as other than private foundation under sections 509(a)(3) of the Code.

5.3 That any transfers of assets, personnel and/or resources to G from A or any other participating entity, or from G to A and/or other participating entities, which transfers are in furtherance of the exempt purposes of G and the system, will not constitute an unrelated trade or business within the meaning of section 513 of the Code with respect to G and will not result in it being subject to tax on unrelated business taxable income pursuant to section 511 of the Code.

6. As to I:

6.1 The proposed amendments to the Articles and Bylaws of A and I, the carrying out of the transactions set forth in this ruling request and I's participation in the system will not, either alone or collectively, adversely affect I's status as exempt from federal income tax under section 501(a) of the Code as an entity organized and operated as described in section 501(c)(3) of the Code.

6.2 The proposed amendments to the Articles and Bylaws of A and I, the carrying out of the transactions set forth in this ruling request and I's participation in the system will not, either alone

or collectively, adversely affect the status of I as other than private foundation under sections 509(a)(2) of the Code.

6.3 That any transfers of assets, personnel and/or resources to I from A or any other participating entity, or from I to A and/or other participating entities, which transfers are in furtherance of the exempt purposes of I and the system, will not constitute an unrelated trade or business within the meaning of section 513 of the Code with respect to I and will not result in it being subject to tax on unrelated business taxable income pursuant to section 511 of the Code.

7. As to J:

7.1 The proposed amendments to the Articles and Bylaws of A and J, the carrying out of the transactions set forth in this ruling request and J's participation in the system will not, either alone or collectively, adversely affect J's status as exempt from federal income tax under section 501(a) of the Code as an entity organized and operated as described in section 501(c)(3) of the Code.

7.2 The proposed amendments to the Articles and Bylaws of A and J, the carrying out of the transactions set forth in this ruling request and J's participation in the system will not, either alone or collectively, adversely affect the status of J as other than private foundation under sections 509(a)(1) and 170(b)(1)(A)(vi) of the Code.

7.3 That any transfers of assets, personnel and/or resources to J from A or any other participating entity, or from J to A and/or other participating entities, which transfers are in furtherance of the exempt purposes of J and the system, will not constitute an unrelated trade or business within the meaning of section 513 of the Code with respect to J and will not result in it being subject to tax on unrelated business taxable income pursuant to section 511 of the Code.

Your ruling requests concerning sections 141(c) and 145(a) of the Code will be the subject of a separate letter.

These rulings are based on the understanding that there will be no material changes in the facts upon which they are based.

These rulings are directed only to the organizations that requested them. Section 6110(j)(3) of the Code provides that they may not be used or cited by others as precedent.

These rulings do not address the applicability of any section of the Code or regulations to the facts submitted other than with respect to the sections described.

We are informing your key District Director of this action. Please keep a copy of these rulings in your permanent records.

Sincerely,

(signed) Marvin Friedlander

Marvin Friedlander
Manager, Exempt Organizations
Technical Group 1

230