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

TAX EXEMPT AND
GOVERNMENT ENTITIES
DIVISION

APR 30 2003

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Attention: **********
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Legend:

Church A = **********

Congregation S = **********
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Mission M = **********

Corporation A = **********
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Hospital H = **********

Foundation F = **********

Corporation B = **********
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Corporation C = **********

Corporation D = **********

Corporation E = **********
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Directory D = **********

State N = ******

Plan X = **********
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Ladies and Gentlemen:

This is in response to a letter dated September 30, 2002, as supplemented by letters dated December 30, 2002, February 28, 2003, March 11, 2003, and March 21, 2003, in which your authorized representative requested a ruling as to whether the qualified status of Plan X as a church plan within the meaning of section 414(e) of the Internal Revenue Code (the "Code") would be affected if the employees of three related for-profit entities (Corporation C, Corporation D and Corporation E) participate in Plan X.

Congregation S is the sole owner and member of Mission M. Mission M is the sole owner and member of Corporation A. Congregation S and Mission M are listed in Directory D.

Corporation A is a State N corporation founded in 1981. The Bylaws of Corporation A provide that the sponsoring congregation of the corporation is Congregation S, and Corporation A's activities are to be conducted in accordance with the traditions, teachings and cannon law of Church A. Corporation A operates its facilities pursuant to the ethical and religious directives for Church A health care services promulgated by the National Church A Conference of Church A Bishops.

Corporation A is the sole corporate member and owner of Hospital H. Hospital H's activities are conducted in accordance with the traditions, teachings and canon law of Church A. Hospital H operates its facilities pursuant to the ethical and religious directives for Church A health services promulgated by the National Church A Conference of Bishops.

Foundation F was incorporated under the laws of State N as a Church A health care related corporation sponsored by Congregation S in accordance with and subject to the traditions, teachings and cannon law of Church A and ethical and religious directives for Church A health care facilities as promulgated by the National Church A Conference of Bishops. The specific and primary purpose of Foundation F is to solicit, receive and maintain gifts of funds and property of every kind and to distribute funds and property to Hospital H and other controlled

corporations. The governing body of Foundation F is the Board of Trustees and the first Trustees were members of Congregation S.

Corporation A, Hospital H and Foundation F are organizations described in section 501(c)(3) of the Code and are listed in Directory D. Directory D is the official directory, which lists all of the organizations of Church A that are exempt from taxation under section 501(c)(3) of the Code.

Corporation E operates a laser vision correction center, which is a for-profit limited liability corporation that is owned 80 percent by Hospital H, and 20 percent by other members. Corporation E operates its facilities pursuant to the ethical and religious directives of Church A health care services. Hospital H serves as the managing member at all times since the formation of the limited liability company and exercises effective control of Corporation E through its majority interest.

Corporation B is a for-profit corporation organized and operated under the laws of State N. Corporation B has no employees. Corporation A is the sole and only shareholder of Corporation B. The restated Bylaws of Corporation B provide that its activities shall be carried on subject to the moral and ethical principles of Church A. Under Article IV of the Bylaws, the Directors are chosen by a majority of the stockholders' votes at either the annual meeting, or by a special meeting called for the purpose of electing Directors.

Corporation B owns all of the outstanding stock of Corporation C. Corporation C is a for-profit State N corporation organized for the purpose of engaging in the operation of a health maintenance organization. Corporation C is operated in accordance with the moral and ethical principles of Church A, and its facilities are operated in compliance with the ethical and religious directives for Church A's health care services. As sole stockholder and owner, Corporation B effectively controls Corporation C.

Corporation D is a State N for-profit corporation. According to the organization chart submitted, Corporation B owns the stock of Corporation D. The ethical principles of Corporation D are consistent with the moral and ethical principles of Church A. As stockholder, Corporation B elects the Board of Directors of Corporation D and effectively controls Corporation D.

Hospital H adopted Plan X effective December 1, 1972 to provide retirement benefits for its employees. Plan X has been amended from time to time and was most recently restated effective January 1, 1999. It is represented that Plan X satisfies the qualification requirements of section 401(a) of the Code and its

related trust is exempt from tax under section 501(a). The most recent determination letter request for Plan X was filed with the Internal Revenue Service on February 26, 2002.

Plan X is administered by Hospital H's Compensation Committee whose primary purpose is to administer Plan X. The Compensation Committee consists of at least two members of Hospital H's Board of Trustees in addition to several member of Hospital H's management team. The members are nominated by the Chair of the Board of Trustees and may be removed at any time with or without cause in accordance with the Bylaws of Hospital H.

On February 23, 2000, the Service issued a ruling to Hospital H concluding that Plan X qualifies as a church plan within the meaning of section 414(e) of the Code. In is represented that the facts stated in the February 23, 2000, ruling are still accurate.

Hospital H seeks to extend the privilege of participation in Plan X to the employees of Corporation C, Corporation D and Corporation E without jeopardizing Plan X's church plan status.

By letter dated February 28, 2003, your authorized representative stated that all of the employees listed on the organization chart are currently eligible to participate in Plan X. Of the nonprofit organizations Corporation A has no employees, Hospital H has 2315 employees and Foundation F has 11 employees. Of the for-profit organizations, Corporation B has no employees, Corporation C has 95 employees, Corporation D has 49 employees and Corporation E has 4 employees.

Based on the foregoing facts and representations, a ruling is requested that the eligibility of employees of Corporation C, Corporation D and Corporation E to participate in Plan X will not adversely affect the qualified status of Plan X as a church plan within the meaning of section 414(e) of the Code.

Section 414(e)(1) of the Code generally defines a church plan as a plan established and maintained for its employees (or their beneficiaries) by a church or by a convention or association of churches, which is exempt from taxation under section 501 of the Code.

Section 414(e)(2)(B) of the Code provides, in pertinent part, that the term "church plan" does not include a plan if less than substantially all of the individuals included in the plan are individuals described in section 414(e)(1) or section 414(e)(3)(B), or their beneficiaries.

Section 414(e)(3)(A) of the Code provides that a plan established and maintained for its employees by an employer which is not itself a church or a convention or association of churches but is associated with a church or a convention or association of churches will be treated as a church plan if it is maintained by an organization, whether a civil law corporation or otherwise, the principal purpose or function of which is the administration or funding of a plan or program for the provision of retirement benefits or welfare benefits, or both, for the employees of a church or a convention or association of churches, if such organization is controlled by or associated with a church or a convention or association of churches.

In pertinent part, section 414(e)(3)(B) of the Code provides that an "employee" of a church or a convention or association of churches shall include an employee of an organization, whether a civil law corporation or otherwise, which is exempt from tax under section 501 of the Code, and which is controlled by or associated with a church or a convention or association of churches.

Section 414(e)(3)(C) of the Code provides that a church or a convention or association of churches which is exempt from tax under section 501 shall be deemed the employer of any individual included as an employee under subparagraph (B) of section 414(e)(3).

Section 414(e)(3)(D) of the Code provides that an organization, whether a civil law corporation or otherwise, is "associated" with a church or convention or association of churches if the organization shares common religious bonds and convictions with that church or convention or association of churches.

In order for an organization to have a church plan under section 414(e) of the Code, it must establish that its employees are employees or deemed employees of the church or convention or association of churches under section 414(e)(3)(B) of the Code by virtue of the organization's affiliation with a church or a convention or association of churches. In addition, in the case of a plan established by an organization that is not itself a church or convention or association of churches the plan must be established and maintained for its employees by an organization described in section 414(e)(3)(A) of the Code.

Congregation S, Mission M, Corporation A, Hospital H, and Foundation F are all listed in Directory D, which is the official directory of Church A. The Internal Revenue Service has determined that any organization listed in Directory D is an organization described in section 501(c)(3) of the Code that is exempt from tax under section 501(a). Also, any organization that is listed in Directory D shares

common religious bonds and convictions with Church A and is deemed associated with Church A within the meaning of section 414(e)(3)(D).

Hospital H and Foundation F are exempt from taxation under Code section 501(a) and is also associated with Church A. Therefore, pursuant to section 414(e)(3)(B) and (C) of the Code, employees of Hospital H and Foundation F are deemed to be employees of Church A and Church A is deemed to be the employer of such employees for purposes of the church plan rules.

In addition, Congregation S controls Corporation A thru Mission M. Corporation A controls Corporation C and Corporation D thru Corporation B. Similarly, Corporation A thru Hospital H controls Corporation E. It is represented that the number of employees of taxable corporations (Corporation C, Corporation D and Corporation E) who participate in Plan X was less than 6 percent of the total number of participants in Plan X. Therefore, pursuant to section 414(e)(2)(B) of the Code, substantially all of the individuals included in Plan X were individuals described in section 414(e)(1) of section 414(e)(3)(B) of the Code.

Hospital H controls the members of the Compensation Committee. These members are selected by the Chairperson of Hospital H and approved by the Board of Trustees of Hospital H. Since Hospital H controls the Compensation Committee, it is also associated with Church A. Further, as represented above, the principal purpose of the Compensation Committee is the administration of Plan X, and the Compensation Committee constitutes an organization described in section 414(e)(3)(A).

Accordingly, we conclude that Plan X qualifies as a church plan within the meaning of section 414(e) of the Code. Furthermore, we conclude that the eligibility of employees of Corporation C, Corporation D and Corporation E to participate in Plan X will not adversely affect the qualified status of Plan X as a church plan within the meaning of section 414(e) of the Code.

This letter expresses no opinion whether Plan X is a qualified plan under section 401(a) of the Code. The determination as to whether a plan is qualified under section 401(a) is within the jurisdiction of the appropriate office of the Internal Revenue Service.

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

A copy of this letter has been sent to your authorized representative in accordance with the power of attorney on file in this office.

If you have any questions please contact

Sincerely yours,

/s/ Ada Perry
for Alan C. Pipkin, Manager
Employee Plans Technical Group 4
Tax Exempt & Government Entities Division