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

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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.

This request involves the effects of the integration of the entities, assets and operations owned or controlled by C, D, E, F, and G into a single consolidated group of health services organizations under the common ownership, management and governance of A. You have stated that the parties to the transaction have determined that the proposed transaction (1) is consistent with and in furtherance of their respective charitable purposes and strategic plans; (2) will establish an integrated health services organization with the capability of providing quality, affordable health services; (3) will benefit the communities served by the new health system in the areas of preserving consumer choice, improving access to health care, emphasizing cost efficiency and enhancing quality; (4) will minimize administrative and overhead expenses and maximize use of existing personnel; (5) will preserve and enhance existing religious and church affiliations, missions, visions, values, heritages, names and the community based non-profit status of affiliated entities; (6) will enable the development and implementation of a market-based strategy for affiliated entities, in conjunction with physicians and other regional providers, and will assist the affiliated entities in meeting the health care needs of their communities; (7) will advance delivery, financing and management strategies which will optimize attractiveness of the provider network to payors, employers, other purchasers and patients, and enhance quality and the physician-patient relationship; and (8) will maintain and enhance patient care, medical research, education and community service.

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 being granted exemption from federal income tax under section 501(c)(3) of the Code and nonprivate foundation status under section 509(a)(3) by letter of even date.

B will serve as the governing body of the hospitals and other health care delivery organizations that will be part of the consolidated group. B's employees will assume responsibility for providing hospital and other health care delivery organization management services, clinical integration, and shared support services (including business office, quality improvement, risk management, human resources, communications, physician relations, managed care contracting, and finance services) to all affiliates of the consolidated group. B is being granted exemption from federal income tax under section 501(c)(3) of the Code and nonprivate foundation status under section 509(a)(3) by letter of even date.

C was formed to plan, develop, coordinate and direct the health care activities of AF and the other tax-exempt hospitals and health care delivery organizations affiliated with C and to carry out a ministry of healing within humanitarian, charitable, and religious aims and ideals of C's affiliated denomination. C 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).

D was formed to plan, develop, coordinate and direct the health care activities of T and the other tax-exempt hospitals and health care delivery organizations affiliated with D and to carry out a

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ministry of healing within humanitarian, charitable, and religious aims and ideals of D's affiliated denomination. D 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).

E was formed to plan, develop, coordinate and direct the health care activities of AD and the other tax-exempt hospitals and health care delivery organizations affiliated with E and to carry out a mission of healing within humanitarian, charitable, and religious aims and ideals of E's affiliated denomination. E 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).

After the integration of the entities, C, D, and E will serve as the founding sponsors of A and will have the power to nominate individuals to be appointed to the Board of Directors of both A and B. C, D and E, as founding sponsors of A, will have reserve powers over the operations of both A and B. For example, unanimous approval will be required to (1) amend, restate or repeal A's Bylaws in a manner that would alter the rights of a sponsoring member; (2) amend, restate or repeal A's Articles of Incorporation or Bylaws; (3) change the system-wide mission, vision or values of A; (4) add a member of A; (5) dissolve A; (6) make any gift or donation by A, B or an affiliated organization to a founding sponsor; (7) sell, exchange, lease or transfer all or substantially all of A's assets to an unrelated entity; or (8) merge or consolidate A with an unrelated entity. Specific approval of the affected founding sponsor is required to (1) take any action that would alter the religious or church affiliation of an affiliate of the founding sponsor which existed prior to the effective date of the integration; (2) amend, restate, or repeal B's Articles of Incorporation or Bylaws in a manner that would alter the rights of a founding sponsor with respect to B; (3) take any action that would alter the rights of a founding sponsor with respect to its affiliates; (4) amend, restate, or repeal the Articles of Incorporation or Bylaws of a founding sponsor's affiliate in a manner that would alter the rights of a founding sponsor with respect to the affiliate; (5) amend, restate, or repeal A's approval matrix in a manner which would alter the rights of a founding sponsor; or (6) dissolve an affiliate of a founding sponsor.

F operates an acute care hospital. F will also be a sponsor of A. It 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).

G was originally formed to accomplish the consolidation of D, E and F. After the integration, G will operate as a fundraising foundation for the benefit of affiliates of D and E. 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).

H operates a long-term restorative care facility. It 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's primary activities are to solicit and receive, maintain and preserve gifts, devises, and bequests which are intended to benefit one or more public charities that are affiliated with C. It is exempt from federal income tax under section 501(c)(3) and is a nonprivate foundation under section 509(a)(3).

J operates a freestanding ambulatory surgery center, a psoriasis treatment clinic and a comprehensive home care business. It is exempt from federal income tax under section 501(c)(3)

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of the Internal Revenue Code and is a nonprivate foundation under sections 509(a)(1) and 170(b)(1)(A)(iii).

K operates a rehabilitation hospital. It 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).

L operates an acute care hospital. It 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).

M operates an acute care hospital. It 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).

N operates an acute care hospital. It 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).

O operates an acute care hospital. It 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).

P is a medical research organization that is directly engaged in the continuous active conduct of medical research in conjunction with AF. It 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).

R operates three long-term care hospitals. It 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).

S operates an acute care hospital. It 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).

T operates an acute care hospital. It 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).

U, through both employed and contracted physicians, provides physician medical services to uninsured and unassigned patients who require inpatient or outpatient care at T. It is exempt from federal income tax under section 501(c)(3) and is a nonprivate foundation under section 509(a)(3).

V's primary activities are to solicit and receive, maintain and preserve gifts, devises, and bequests which are intended to benefit one or more public charities that are affiliated with D. It is exempt from federal income tax under section 501(c)(3) and is a nonprivate foundation under section 509(a)(3).

W operates an acute care hospital. It 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).

X operates an acute care hospital. It 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).

Y operates an acute care hospital. It 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).

Z employs physicians who provide primary care and specialty care services (including internal medicine, pediatrics and family practice) to the public through hospital based and community based clinics. It 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).

AA's primary activities are to solicit and receive, maintain and preserve gifts, devises, and bequests which are intended to benefit one or more public charities that are affiliated with E. It is exempt from federal income tax under section 501(c)(3) and is a nonprivate foundation under section 509(a)(3).

AB operates an acute care hospital. It 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).

AC is a medical research organization that is directly engaged in the continuous active conduct of medical research in conjunction with AD. It 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).

AD operates five acute care hospitals, a residential housing facility, a long-term nursing care facility, an Alzheimer's special care center and an adult day care center. It 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).

AE operates an acute care hospital. It 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).

AF operates an acute care hospital. It 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).

You have stated that you propose to effectuate the integration in the following manner: (1) A has been incorporated to serve as the governing body of the consolidated group with overall policy and administrative responsibility. C, D, and E will be the founding sponsors of A and F will be a sponsor. (2) B has been incorporated to serve as the governing body of the hospitals and other tax-exempt and taxable affiliates of the consolidated group. B will provide significant administrative

and management services to these affiliates. (3) In accordance with the terms of the integration agreement, on the effective date, specified assets, liabilities and obligations, currently under the control of C and G will be transferred to A, B or other designated affiliates. Additionally, existing C and G management functions and related personnel will be transferred to and assumed by A and B. (4) In accordance with the terms of the integration agreement, effective as of the effective date, the Articles of Incorporation and the Bylaws of the tax-exempt affiliates of the consolidated group will be amended to provide that B will directly or indirectly become the controlling member of the affiliates and to reflect the governance provisions specified in the integration agreement. (5) As of the effective date, the Articles of Incorporation and Bylaws of G will be amended to convert the activities of G from a parent holding and management company to a fundraising foundation dedicated to the support of the hospital affiliates of D and E that were previously associated with G.

A will undertake certain of the supervision, oversight, and coordination activities that were previously the primary responsibilities of either the individual Boards of the affiliate hospitals or other health care delivery organizations or of C or G. A will ensure that the activities of the consolidated group's individual hospitals and other health care delivery organizations are planned, managed, and coordinated to maximize opportunities to deliver cost-effective, quality medical care to residents of A's service area in fulfillment of A's mission. In addition to oversight responsibilities, A's employees will assume the 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 affiliates.

B will undertake certain of the supervision, oversight, and coordination activities that were previously the primary responsibilities of either the individual Boards of the affiliate hospitals or other health care delivery organizations or of C or G. B will ensure that the activities of the consolidated group's individual hospitals and other health care delivery organizations are planned, managed, and coordinated to maximize opportunities to deliver cost-effective, quality medical care to residents of B's service area in fulfillment of the system's mission. B's employees will assume the responsibility for providing hospital and other delivery organization management services, clinical integration, and shared support services (including business office, quality improvement, risk management, human resources, communications, physician relations, managed care contracting, and finance services) to affiliates.

A's and B's fee to the affiliates of the system will be based upon various allocation methodologies taking into consideration each affiliate's actual use of such assets and services. Any surplus revenues generated will be devoted exclusively to the activities of one or more of the tax-exempt affiliates of the system. Following the initial transfer of personnel and assets from C and G to A, B or another affiliate of the system, it is anticipated that additional transfers of assets and personnel, including the transfer of cash or the making of loans to provide working capital, may occur from time to time among the affiliates of the system.

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

1. The proposed integration will not adversely impact the tax-exempt status of C, D, E, F, G, H, I, J, K, L, M, N, O, P, R, S, T, U, V, W, X, Y, Z, AA, AB, AC, AD, AE or AF under section 501(c)(3) of the Code.

2. The proposed integration will not adversely impact the public charity status of F, H, K, L, M, N, O, R, S, T, W, X, Y, AB, AD, AE and AF under section 509(a)(1) because each is a hospital described in section 170(b)(1)(A)(iii).

3. The proposed integration will not adversely impact the public charity status of P and AC under section 509(a)(1) because each is a medical research organization described in section 170(b)(1)(A)(iii).

4. The proposed integration will not adversely impact the public charity status of Z under section 509(a)(1) because it is a hospital described in section 170(b)(1)(A)(iii).

5. The proposed integration will not adversely impact the public charity status of J under section 509(a)(1) because it is a hospital described in section 170(b)(1)(A)(iii).

6. The proposed integration will not adversely impact the public charity status of C, D, E, G, I, U, V and AA under section 509(a)(3).

7. The transfer of personnel and assets among and between tax-exempt entities of the consolidated group, C, D, E, G, I, V, and AA in the proposed integration will not result in unrelated business taxable income to any tax-exempt affiliate in the proposed integration within the meaning of sections 511 through 514 of the Code.

8. The sharing of assets and services and the allocation of the costs of providing such assets and services among the tax-exempt entities of the consolidated group, C, D, E, G, I, V, and/or AA will not result in unrelated business taxable income to any tax-exempt affiliate, C, D, E, G, I, V, or AA within the meaning of sections 511 through 514 of the Code.

9. The transfer of assets, personnel and/or resources among and between tax-exempt affiliates of the consolidated group, C, D, E, G, I, V, and/or AA will not result in unrelated business taxable income to any tax-exempt affiliate, C, D, E, G, I, V, or AA within the meaning of sections 511 through 514 of the Code.

10. Any insubstantial transfers of assets, personnel, and/or resources among and between the tax-exempt and taxable affiliates of the consolidated group, C, D, E, G, I, V, and/or AA will not adversely affect the tax-exempt status or the public charity status of any tax-exempt affiliate, C, D, E, G, I, V, or AA.

11. The insubstantial sharing of assets and services among the tax-exempt and taxable affiliates of the consolidated group, C, D, E, G, I, V, and/or AA will not adversely effect the tax-exempt status or public charity status of any tax-exempt entity of the system, C, D, E, G, I, V, or AA.

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.

An agreement to form a consolidated group 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 agreement to form a consolidated group 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 agreement to form a consolidated group effectively binds the participating affiliates under the common control of A. Although all of the facts and circumstances are relevant to this conclusion, importantly, the participating affiliates have ceded authority to A's governing body to approve and remove the directors of B; develop or change as needed the system's strategic vision, plans and goals; approve three to five year strategic plans; approve one to two year capital plans and budgets; approve designated B matters; establish and approve the system's compensation philosophy and executive compensation program; appoint and evaluate the performance of A's CEO; approve asset transfers, sales or acquisitions greater than $100,000,000; approve articles of incorporation and/or bylaws changes of A, B, and in designated cases other system affiliates; establish board committees; propose actions requiring founding sponsor approval; recommend approval of new sponsoring members, and approve quality targets and plans. 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. The proposed integration will not adversely impact the tax-exempt status of C, D, E, F, G, H, I, J, K, L, M, N, O, P, R, S, T, U, V, W, X, Y, Z, AA, AB, AC, AD, AE or AF under section 501(c)(3) of the Code.

2. The proposed integration will not adversely impact the public charity status of F, H, K, L, M, N, O, R, S, T, W, X, Y, AB, AD, AE and AF under section 509(a)(1) because each is a hospital described in section 170(b)(1)(A)(iii).

3. The proposed integration will not adversely impact the public charity status of P and AC under

section 509(a)(1) because each is a medical research organization described in section 170(b)(1)(A)(iii).

4. The proposed integration will not adversely impact the public charity status of Z under section 509(a)(1) because it is a hospital described in section 170(b)(1)(A)(iii).

5. The proposed integration will not adversely impact the public charity status of J under section 509(a)(1) because it is a hospital described in section 170(b)(1)(A)(iii).

6. The proposed integration will not adversely impact the public charity status of C, D, E, G, I, U, V and AA under section 509(a)(3).

7. The transfer of personnel and assets among and between tax-exempt entities of the consolidated group, C, D, E, G, I, V, and AA in the proposed integration will not result in unrelated business taxable income to any tax-exempt affiliate in the proposed integration within the meaning of sections 511 through 514 of the Code.

8. The sharing of assets and services and the allocation of the costs of providing such assets and services among the tax-exempt entities of the consolidated group, C, D, E, G, I, V, and/or AA will not result in unrelated business taxable income to any tax-exempt affiliate, C, D, E, G, I, V, or AA within the meaning of sections 511 through 514 of the Code.

9. The transfer of assets, personnel and/or resources among and between tax-exempt affiliates of the consolidated group, C, D, E, G, I, V, and/or AA will not result in unrelated business taxable income to any tax-exempt affiliate, C, D, E, G, I, V, or AA within the meaning of sections 511 through 514 of the Code.

10. Any insubstantial transfers of assets, personnel, and/or resources among and between the tax-exempt and taxable affiliates of the consolidated group, C, D, E, G, I, V, and/or AA will not adversely affect the tax-exempt status or the public charity status of any tax-exempt affiliate, C, D, E, G, I, V, or AA.

11. The insubstantial sharing of assets and services among the tax-exempt and taxable affiliates of the consolidated group, C, D, E, G, I, V, and/or AA will not adversely effect the tax-exempt status or public charity status of any tax-exempt entity of the system, C, D, E, G, I, V, or AA.

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,

Marvin Friedlander

Marvin Friedlander
Chief, Exempt Organizations
Technical Branch 1