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Internal Revenue Service

Department of the Treasury

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Person to Contact:

Telephone Number:

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Date:

December 15, 1999

Legend

Target =

Acquiring =

State X =

Business P =

Date 1 =

Date 2 =

Dear :

We respond to your letter dated March 31, 1999, requesting that we rule on a significant subissue in a proposed transaction. See section 3.01(24) of Rev. Proc. 99-3, 1999-1 I.R.B. 106. Additional information was submitted in a letter dated July 14, 1999 and November 15, 1999. The information submitted is summarized as follows:

Target is a non-profit non-stock Type A corporation organized under the laws of State X. Under State X's non-profit corporation law, a Type A corporation is a privately funded corporation organized for any lawful nonbusiness purpose whose income or

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assets may be distributed to its members upon liquidation or otherwise. However, Target was originally incorporated on Date 1 as a Type B corporation. Under State X's non-profit corporation law, a Type B corporation is a publicly funded corporation organized for the benefit of the public whose income or assets must be distributed to another Type B corporation upon liquidation. Since its inception, Target has been engaged in Business P which has evolved into a substantial business with a degree of financial success that has been subject to federal income taxation.

On Date 2, the members of Target converted Target from a Type B to a Type A non-profit corporation by submitting a restated articles of incorporation to State X's attorney general. As required under State X's non-profit corporation law, the attorney general made a preliminary examination and approved the restated articles of incorporation allowing for the conversion. If the attorney general had found a public interest in Target, it would have transferred the assets of Target to a trust for the benefit of the public. However, the attorney general's preliminary examination and approval did not result in the creation of a trust for the benefit of the public. Thereafter, also as required under State X's non-profit corporation law, the restated articles of incorporation were approved by a State X judge and thereupon became effective.

Acquiring is a for-profit stock corporation organized under the laws of State X by the members of Target. Currently, Acquiring is not engaged in any business activity.

The members of Target will cause Target to merge into Acquiring under the laws of State X (the "Merger"). In the Merger, the members of Target will exchange their membership interest in Target for stock in Acquiring.

The following representations have been made in connection with the Merger:

- 1) To the best knowledge of the taxpayer and the taxpayer's representative's, the Merger qualifies as a reorganization for federal income tax purposes pursuant to § 368(a)(1)(A) of the Code provided the Merger satisfies the continuity of interest requirement of § 1.368-1(e).
- 2) There is no plan or intention for Acquiring (the issuing corporation as defined in § 1.368-1(b)) or any person related (as defined in § 1.368-1(e)(3)) to Acquiring, to acquire, during the five year period beginning on the date of the Merger, with consideration other than Acquiring stock, Acquiring stock furnished in exchange for a proprietary interest in Target in the Merger, either directly or through any transaction, agreement, or arrangement with any other person.
- 3) During the five year period ending on the date of the Merger:

(i) neither Acquiring, nor any person related (as defined in § 1.368-1(e)(3)) to Acquiring, will have acquired Target equity interest with consideration other than Acquiring stock;

(ii) neither Target, nor any person related (as defined in § 1.368-1(e)(3) determined without regard to § 1.368-1(e)(3)(i)(A)) to Target, will have acquired Target equity interest with consideration other than Acquiring stock or Target equity interest; and

(iii) no distributions will have been made with respect to Target equity interest, either directly or through any transaction, agreement, or arrangement with any other person.

Based solely on the facts submitted and the representations made above, we rule as follows:

The Merger will satisfy the continuity of interest requirement of § 1.368-1(e).

We express no opinion about the tax treatment of the Merger under other provisions of the Code and regulations or about the tax treatment of any conditions existing at the time of, or effects resulting from, the Merger that is not specifically covered by the above rulings.

The ruling in this letter is based on the facts and representations submitted under penalties of perjury in support of the request for a ruling. Verification of that information may be required as part of the audit process.

This ruling letter should be attached to your federal income tax return for the taxable year in which the Merger occurs.

In accordance with the powers of attorney currently on file with this office, copies of this ruling are being sent to your authorized representatives.

Sincerely Yours,
Assistant Chief Counsel (Corporate)

BY: _____
Mark S. Jennings
Acting Chief, Branch 1