



TAX EXEMPT AND
GOVERNMENT ENTITIES
DIVISION

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

Number: **201136027**
Release Date: 9/9/2011

Date: June 14, 2011

UIL: 501.05-01

Contact Person:

Identification Number:

Telephone Number:

Employer Identification Number:

Legend:

M =
Commodity =
State =

Dear :

This letter is in response to the letter dated April 20, 2010, from your authorized representative, as supplemented by the letter dated July 9, 2010, requesting a ruling concerning your proposed dissolution and transfer of all or substantially all of your assets to another organization.

Facts:

You were chartered in 1999 as a nonprofit corporation and received a ruling from the Internal Revenue Service (Service) recognizing you as exempt from federal income tax as an organization described in section 501(c)(5) of the Internal Revenue Code (Code) by letter dated October 13, 2004. You are managed by a Board of Directors, and do not have members.

You were organized to invest in certain agricultural processing facilities and allied enterprises. Specifically, you were organized to help finish equity drives for farmer-owned agricultural processing facilities, and then sell the shares back to producers.

Due to a variety of market and economic reasons, the construction of such farmer-owned processing plants has stopped. Because these plants are no longer being built, you are no longer able to carry out your exempt purpose. Accordingly, your Board of Directors desires to dissolve the corporation, and distribute all or substantially all of your assets to M.

M is a corporation which has been recognized by the Service as exempt from federal income tax under section 501(c)(5) of the Code by letter dated September 3, 2009. M was organized to improve the condition of Commodity producers in State through the preservation and improvement of existing farm practices, through development of methods for improving agricultural efficiency, and to otherwise improve the economic condition of its member farmers.

Your Amended Articles of Incorporation provide that upon dissolution your assets shall be distributed for one or more exempt purposes within the meaning of section 501(c) of the Internal Revenue Code. Your Board has determined that your assets upon dissolution should be distributed to M because M's purposes are substantially similar to yours, future markets in need of development involve the green technologies that M pursues, and M will increase the demand for Commodity and help preserve and improve farm practices.

You have stated that no compensation is being paid to any director or officer of either you or M in connection with your proposed dissolution and distribution of assets. Certain of your officers and officers of M own shares or units in some of the assets being distributed, but these shares or units were purchased or subscribed to prior to your subscription or acquisition of such investments. You state that none of your officers or directors were granted any special treatment, preference or other favorable terms for their prior investments in the assets to be distributed. No increase in value is expected of any such share, unit or other financial interest owned by an officer or director, as a result of or at the time of the proposed dissolution and distribution of assets.

You have stated that all relevant statutes of State dealing with the liquidation of nonprofit corporations will have been complied with, assuming the grant of a favorable ruling from the Service, and that the permission of the State attorney general to dissolve and distribute your assets is not required by the relevant statutes. You have also stated that no documents are required to be filed with any other agency of State, other than the filing of the dissolution documents with the Secretary of State.

You have also produced copies of the resolutions of your Board and the Board of M approving the dissolution and transfer and acceptance of the dissolution assets, together with a plan of complete liquidation and the Articles of Dissolution, both contingent on receipt of a favorable Service ruling.

Ruling Requested:

Specifically, you have requested a ruling that, upon dissolution, you may distribute all or substantially all of your assets to another section 501(c)(5) organization in compliance with your Articles of Incorporation.

Law:

Section 501(c)(5) of the Code provides, in relevant part, for the exemption from federal income taxation of agricultural organizations.

Section 1.501(c)(5)-1 of the Income Tax Regulations provides that the organizations contemplated by section 501(c)(5) of the Code as entitled to exemption from income taxation are those which:

- (1) Have no net earnings inuring to the benefit of any member, and

(2) Have as their objects the betterment of the conditions of those engaged in such pursuits, the improvement of the grade of their products, and the development of a higher degree of efficiency in their respective occupations.

Analysis:

Agricultural organizations exempt under section 501(c)(5) of the Code are those that have as their principle purpose the betterment of the conditions of those engaged in agriculture, the improvement of their products, and their occupational efficiency.

You were formed by persons engaged in agricultural activities to serve as an investment vehicle for financing certain agricultural processing plants. For several years, your activities were successful and you acquired stock and other investment assets in several entities owning Commodity processing plants. However, economic conditions drastically changed and there is no further need for the financing of such processing companies.

Accordingly, you have resolved to dissolve and transfer your assets to another organization recognized as exempt under section 501(c)(5) of the Code that is engaged in research and technology that will assist the agricultural community. You have represented that your officers and directors, and the officers and directors of M, the recipient organization exempt under section 501(c)(5) of the Code, will receive no compensation connected with the dissolution and distribution of your assets. Although officers of both companies own some stock or other investment units in the assets being transferred, you have represented that all of such investments were purchased or subscribed to prior to the acquisition or subscription of you to the investment, and that it is not contemplated that the value of such assets will increase as a result of the transfer.

Ruling:

Accordingly, based on the facts and circumstances as presented, we rule that, upon dissolution, you may distribute all or substantially all of your assets to M, another organization recognized as exempt under section 501(c)(5) of the Code, in compliance with your Articles of Incorporation.

This ruling will be made available for public inspection under section 6110 of the Code after certain deletions of identifying information are made. For details, see enclosed Notice 437, *Notice of Intention to Disclose*. A copy of this ruling with deletions that we intend to make available for public inspection is attached to Notice 437. If you disagree with our proposed deletions, you should follow the instructions in Notice 437.

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

This ruling is based on the understanding there will be no material changes in the facts upon which it is based. Any changes that may have a bearing upon your tax status should be

reported to the Service. This ruling does not address the applicability of any section of the Code or regulations to the facts submitted other than with respect to the sections described.

Because this letter could help resolve any future questions about tax consequences of your activities, you should keep a copy of this ruling in your permanent records.

If you have any questions about this ruling, please contact the person whose name and telephone number are shown in the heading of this letter. In accordance with the Power of Attorney and Declaration of Representative currently on file with the Service, we are sending a copy of this letter to your authorized representative.

Sincerely yours,

Ronald J. Shoemaker
Manager, Exempt Organizations
Technical Group 2

Enclosure:
Notice 437

cc: