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Date:
December 05, 2016

Entity A:

Entity B:

City A:

City B:

Director A:

Director B:

a:

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This letter responds to a letter from your authorized representative dated June 8, 2016, as well as subsequent correspondence, submitted on behalf of Entity A, requesting

various rulings under sections 511, 512, 513, 4941, 4942, 4943, and 4945 of the Internal Revenue Code (Code). Entity A represents the facts as follows.

FACTS

Entity A is a non-stock, non-profit corporation recognized as exempt from federal income taxation under § 501(a) of the Code as an organization described in § 501(c)(3). It is classified as a private operating foundation within the meaning of § 4942(j)(3).

Entity A's purpose is to devote its funds, assets, and resources to the active conduct of religious, charitable, scientific, literary, or educational purposes within the meaning of § 501(c)(3). It has been organized to engage directly in the active conduct of charitable, educational and similar activities as opposed to indirectly carrying out these activities by providing grants to individuals or other organizations. In addition, Entity A has been organized specifically to initiate, establish, operate, sponsor and manage programs that provide educational services and resources to the general public.

Entity A will construct, own, operate, and maintain a community cultural center (the Center) in City A that will display traveling cultural and educational exhibits, and will house a museum containing historical artifacts owned by the City A Historical Society (a 501(c)(3) organization). It also will offer a number of multi-purpose spaces that will accommodate music, theater, and art performances and exhibits. The Center will house an archive, a library, and an atrium that will include a special memorial area for reflection and contemplation. The Center will be open to the general public and admission will be free. All decisions relating to the construction, operation, and maintenance of the Center and Entity A's programs will be made by Entity A's board of directors.

As part of the Center, Entity A plans to construct, own, operate and maintain a gift shop and a coffee shop (the "Shops") for use by the Center's staff, employees, and visitors. The Shops will be housed in the Center and will be accessible to their intended patrons through the Center's atrium and doors located on the exterior of the Center's building

The gift shop will sell gift items affiliated with the Center – with its exhibits, with artifacts housed in the Center, and/or with performances that will take place in the Center's multi-purpose spaces. Exact product offerings have not yet been determined, but the gift shop anticipates selling such items as t-shirts, book bags, coffee mugs, books, documentary videos, toys, posters, postcards, and cards containing reproductions of artwork and other artifacts exhibited at the Center. The items to be sold by the gift shop will be obtained from separate and unrelated suppliers

Entity A's board will evaluate multiple potential product suppliers for the gift shop, review the quality of their products, and ensure that purchase costs and any supplier-imposed restrictions are fair and reasonable and similar to those charged to, or imposed

on, comparable non-profit organizations. All contracts between Entity A and a third-party supplier will be negotiated at arm's length.

The coffee shop will sell food and drink obtained either from separate and unrelated suppliers or from a national chain of coffee shops. If coffee shop products are obtained from independent (non-chain) suppliers, Entity A will evaluate them in the same manner as it will the gift shop suppliers to ensure that product quality is good and that contract terms are fair and reasonable.

If coffee shop products are supplied by a national chain, Entity A employees, rather than employees of the chain, will run the coffee shop. The terms of any relationship with a chain will be negotiated at arm's length. Entity A will ensure that its directors and officers, as well as members of the Center's staff or affiliates, or any other persons having personal and private interests in the Center's activities, will have no financial interests in the chain or receive from the chain anything of value, such as fees, commissions, or ownership interests, as a result of Entity A entering into any contracts or agreements with the chain.

If a licensing agreement is required by a chain to use its products and supplies, it is anticipated that the agreement, in addition to requiring Entity A to purchase products and supplies from the chain, might also require payment for mandatory employee training and uniforms, the purchase of promotional materials, a licensing fee based on a percentage of coffee shop sales, royalty and advertising fees, and design and fabrication fees. It is not anticipated that Entity A will be restricted from selling other, comparable products. In any event, Entity A's legal counsel will review all contracts, including any licensing agreement, to ensure that it conforms to market standards and does not impose unreasonable restrictions, costs, and conditions upon Entity A.

The coffee shop will be accessible through the Center's atrium, as noted above, but will not have an exterior door allowing direct access from the parking lot. Coffee shop signs will be posted inside the Center, including the shop itself, but there will be no such signs outside the Center to solicit the patronage of the general public. The Center's website and other marketing materials might refer to the availability of the chain's products at the Center. It is envisioned that the Center's atrium area containing local historical exhibits and/or artifacts and the coffee shop will be open to the general public from 6 am to 10 pm daily. Pamphlets available at the coffee shop register, as well as signs and posters on display inside and outside of the coffee shop, will advertise and promote the Center's programs and exhibits, encouraging those visitors to return to the Center when all of its facilities are open. The remainder of the Center, housing the traveling exhibits, other local historical artifacts, the gift shop, and multi-purpose spaces, will be open to the general public from 9 am to 5 pm daily, except for Mondays and major holidays. The Shops' profits, if any, will be dedicated to Entity A's exempt purposes.

Entity A has eleven initial directors. Two of the directors (Directors A and B) are husband and wife. One of the directors is a self-employed lawyer and accountant who provides various legal, administrative, tax, and accounting services to the married directors, for which he is compensated by an hourly fee. There are no other family or business relationships among the directors. Entity A is managed and controlled by its directors.

Entity B is a non-profit corporation recognized as exempt from federal income tax under § 501(a) as an organization described in § 501(c)(3). It is classified as a private non-operating foundation within the meaning of § 509(a). Entity B received its assets from contributions by Directors A and B.

Entity B is to use its funds exclusively for religious, charitable, scientific, literary, or educational purposes within the meaning of § 501(c)(3). Entity B has three directors, two of whom are Directors A and B. It is managed and controlled by its directors.

For the early years of Entity A's existence, it is anticipated that the majority of its support will be from grants by Entity B, and from larger local businesses in and around Cities A and B that sponsor special exhibits at the Center. Entity A will receive a one-time donation of land from City A. Entity B's board proposes to make grants to Entity A of approximately a in the first year, b in the second year, c in the third year, and up to d for each of the following 5-10 years.

Entity A currently has no plans for set-asides. It is anticipated that Entity A's expenditures will match Entity B's transfers. If Entity A has to set aside funds received from Entity B for any reason – for example, a delay in construction because of inclement weather or postponed building code inspections – it will take the steps necessary at the time of the set-aside to establish to the satisfaction of the Internal Revenue Service (the Service) that the amount set aside will be paid for the specific project within 5 years, and that the project is one which can be accomplished better by the set-aside than by the immediate payment of funds.

ISSUES, LAW, AND ANALYSIS

Issue 1: Whether Entity A's operation of the coffee shop will constitute an unrelated trade or business under § 513 of the Code, resulting in income tax under § 511.

Issue 2: Whether the income Entity A will receive from sales of food and drink at the coffee shop to staff, employees, and visitors will be substantially related to the performance of Entity A's exempt purpose and will, therefore, not constitute unrelated business taxable income under § 512.

Section 511(a) imposes a tax on the unrelated business taxable income of certain organizations exempt from income tax under § 501(a).

Section 512(a)(1) provides that the term "unrelated business taxable income" means the gross income derived by any organization from any unrelated trade or business regularly carried on by it, less the allowable deductions which are directly connected with carrying on such trade or business, both computed with the modifications in subsection (b).

Section 513 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 income from the business) to the organization's performance of its charitable, educational, or other purpose constituting the basis for its exemption under § 501.

According to Treas. Reg. § 1.513-1(b), for purposes of § 513, the term "trade or business" has the same meaning as it has in § 162, and generally includes any activity intended to produce income from the sale of goods or the performance of services. The term "trade or business" is not limited to integrated aggregates of assets, activities, and good will that constitute businesses under some other Code provisions. An activity of producing or distributing goods or performing services from which an organization derives gross income does not lose its identity as a trade or business merely because it is carried on within a larger aggregate of similar activities or within a larger complex of other endeavors which might be related to the exempt purposes of the organization.

According to Treas. Reg. § 1.513-1(c)(1), the business activities of an exempt organization ordinarily will be deemed to be "regularly carried on" if they manifest a frequency and continuity, and are pursued in a manner, generally similar to comparable commercial activities of nonexempt organizations.

Treas. Reg. § 1.513-1(d)(2) provides that a trade or business is "related" to exempt purposes only where the business has a causal relationship to the organization's exempt purposes (other than through the production of income); and that it is "substantially related", for purposes of § 513, only if the causal relationship is a substantial one. Thus, for a trade or business to be substantially related to purposes for which exemption is granted, the production or distribution of goods or the performance of services must contribute importantly to the accomplishment of those purposes. Whether activities producing gross income contribute importantly to the accomplishment of any purpose for which an organization is granted exemption depends on the facts and circumstances involved.

In determining whether activities contribute importantly to an exempt purpose, Treas. Reg. § 1.513-1(d)(3) provides that one must consider the size and extent of the activities in relation to the nature and extent of the exempt purpose they purport to

serve. Thus, where an exempt organization receives income from activities related in part to its exempt functions, but which are conducted on a scale larger than reasonably necessary for those functions, the gross income from the portion of the activities exceeding the needs of the exempt functions is gross income from an unrelated trade or business.

In Rev. Rul. 74-399, 1974-2 C.B. 172, an art museum, exempt as an organization described in § 501(c)(3), operated a dining room, cafeteria, and snack bar for the convenience of its staff, employees, and members of the visiting public. The eating facilities were accessible from the museum's galleries and other public areas, but not directly from the street. The eating facilities did not solicit the patronage of the general public, nor were they designed to serve as public restaurants. The ruling observed that the operation of eating facilities on the premises attracted visitors to the museum and allowed them to spend more time touring the exhibits by providing an alternative to eating away from the museum. Having onsite eating facilities also allowed museum staff and employees to remain on the premises during the workday, thus promoting the efficient operation of the museum itself. The ruling concluded that the operation of the eating facilities contributed importantly to the accomplishment of the museum's exempt purposes. Accordingly, the IRS ruled that the operation of the eating facilities by the museum was substantially related to the museum's exempt purposes and was not an unrelated trade or business within the meaning of § 513.

As an activity intended to produce income from the sale of goods and performance of services, and one to be conducted essentially on a daily basis, Entity A's operation of the coffee shop will be a trade or business regularly carried on. The question, then, is whether this trade or business will be substantially related to Entity A's exempt purposes, aside from its need for income.

As discussed in Rev. Rul. 74-399, the sale of food and drink at the coffee shop will help attract visitors to the Center. Having a coffee shop onsite will relieve the need for visitors to seek food and drink outside the Center, thus allowing them to spend more time viewing the Center's exhibits and historical artifacts and utilizing the Center's atrium, archive, library, and multi-purpose spaces. Having an onsite coffee shop also will benefit the Center's staff and employees, allowing them to remain in the Center throughout the day, and contributing to the Center's efficient operation. Entity A's operation of the coffee shop as proposed is similar to that of the organization in Rev. Rul. 74-399. Patronage of the coffee shop by the general public will not be solicited, directly or indirectly. The coffee shop as proposed is not designed to be a public eating establishment but, rather, is intended to be a convenient eating place for visitors, staff, and employees of the Center. Thus, the operation of the coffee shop in this manner will be a service that contributes importantly to the achievement of Entity A's exempt educational purposes. Consequently, Entity A's operation of the coffee shop will not be an unrelated trade or business under § 513, and Entity A's income from the shop will not be unrelated business taxable income under § 512.

We are not ruling on, and express no opinion regarding, whether the gift shop or specific items sold in the gift shop will result in unrelated business taxable income under § 512.

Issue 3: Whether the proposed transfers from Entity B to Entity A will be self-dealing transactions, subjecting Entity A and its managers to excise tax under § 4941.

Section 4941(a) imposes a tax with respect to any act of self-dealing between a disqualified person and a private foundation.

Section 4941(d)(1)(E) provides that the term “self-dealing” includes direct or indirect transfer to, or use by or for the benefit of, a disqualified person of the income or assets of a private foundation.

Section 4946(a)(1) provides that the term “disqualified person” with respect to a private foundation includes, among others, a person who is a substantial contributor or a foundation manager.

Treas. Reg. § 53.4946-1(a)(8) provides that, for purposes of § 4941 only, the term “disqualified person” does not include any organization which is described in § 501(c)(3) (other than an organization described in § 509(a)(4)).

Entities A and B are organizations described in § 501(c)(3). As such, neither foundation will be treated as a disqualified person for purposes of § 4941 as long as they remain qualified under § 501(c)(3) at the time of each transfer. Thus, subject to the proviso just stated, the proposed transfers from Entity B to Entity A will not be self-dealing transactions, and will not subject Entity A and its managers to excise tax under § 4941.

Issue 4: Whether expenditures by Entity A for the construction, operation, and maintenance of the Shops will be qualifying distributions under § 4942(g)(1).

Section 4942(a) imposes a tax on the undistributed income of a private foundation. Section 4942(a)(1) provides that the tax imposed by § 4942(a) shall not apply to the undistributed income of a private foundation for any taxable year for which it is an operating foundation, as defined in § 4942(j)(3).

Section 4942(j)(3) provides that, for purposes of § 4942, the term “operating foundation” means any organization (A) which makes qualifying distributions (within the meaning of § 4942(g)(1) or (2)) directly for the active conduct of activities constituting its charitable, educational, or similar exempt purpose in specified amounts, and (B) satisfies either the assets test, endowment test, or support test.

Section 4942(g)(1) provides in general that, for purposes of § 4942, the term "qualifying distribution" means –

(A) any amount (including that portion of reasonable and necessary administrative expenses) paid to accomplish a purpose described in § 170(c)(2)(B), or

(B) any amount paid to acquire an asset used (or held for use) directly in carrying out one or more purposes described in § 170(c)(2)(B).

Section 170(c)(2)(B) refers to certain entities organized and operated exclusively for, *inter alia*, religious, charitable, scientific, literary, or educational purposes.

Treas. Reg. § 53.4942(a)-2(c)(3)(i) provides in general that an asset is "used (or held for use) directly in carrying out the foundation's exempt purpose" only if the asset is actually used by the foundation in carrying out the charitable, educational, or other similar purpose giving rise to its exempt status, or if the foundation owns the asset and establishes to the satisfaction of the Commissioner that its immediate use for such exempt purpose is not practical (based on the facts and circumstances of the particular case) and that definite plans exist to commence such use within a reasonable period of time. Consequently, assets held for the production of income or for investment are not being used (or held for use) directly in carrying out the foundation's exempt purpose, even though the income from these assets is used to carry out the exempt purpose. Whether an asset is held for the production of income or for investment rather than used (or held for use) directly by the foundation to carry out its exempt purpose is a question of fact.

By way of illustration, Treas. Reg. § 53.4942(a)-2(c)(3)(ii)(d) provides that assets "used (or held for use) directly in carrying out the foundation's exempt purpose" include any interest in a functionally-related business.

Treas. Reg. § 53.4942(a)-2(c)(3)(iii)(a) defines the term "functionally related business" to include (1) a trade or business which is not an unrelated trade or business (as defined in § 513), or (2) an activity which is carried on within a larger aggregate of similar activities or within a larger complex of other endeavors which is related (aside from the need of the organization for income or funds or the use it makes of the profits derived) to the charitable, educational, or other similar exempt purpose of the organization.

Example (2) of Treas. Reg. § 53.4942(a)-2(c)(3)(iii)(b) provides an illustration of § Treas. Reg. 53.4942(a)-2(c)(3)(iii)(a)(2). A private foundation, as part of its § 501(c)(3) medical research program, publishes a medical journal in carrying out its exempt purpose. Space in the journal is sold for commercial advertising. This advertising activity, whether or not it is subject to tax under § 511, is part of a larger

complex of endeavors that makes developments in medical research available to the scientific community and to the general public and is, therefore, a functionally related business.

Section 4942(g)(2)(A) provides in general that, subject to any terms and conditions as may be prescribed by the Commissioner, an amount set aside for a specific project and for a purpose described in § 170(c)(2)(B) may be treated as a qualifying distribution if it meets the requirements of § 4942(g)(2)(B).

Treas. Reg. § 4942(g)(2)(B) provides in part that an amount set aside for a specific project meets the requirements of this subparagraph if at the time of the set-aside the foundation establishes to the satisfaction of the Commissioner that the amount will be paid for the specific project within 5 years, and that the project is one which can be accomplished better by the set-aside than by the immediate payment of funds (the suitability test under § 53.4942(a)-3(b)(2)).

According to Treas. Reg. § 53.4942(a)-3(b)(2), specific projects than can be accomplished better by the use of a set-aside include projects in which relatively long-term grants or expenditures must be made in order to assure the continuity of particular charitable projects or program-related investments (as defined in § 4944(c)). An example of such a project would be the construction of a building to house the direct charitable, educational, or other similar exempt activity of the private foundation (such as a museum building in which paintings are to be exhibited), even though the exact location and architectural plans have not been finalized.

Entity A represents that it has been classified as an operating foundation, an issue on which we are not ruling in this letter. As an operating foundation, Entity A is not subject to the tax imposed by § 4942 on the undistributed income of a private foundation. However, it still must meet the requirements of § 4942(j)(3), one of which is to make qualifying distributions.

As determined above (see Issues 1 and 2), the operation of the coffee shop will contribute importantly to the achievement of Entity A's exempt educational purposes. Consequently, funds expended by Entity A to construct, operate, and maintain the coffee shop will be qualifying expenditures under § 4942(g)(1)(A).

Whether the gift shop or specific items sold in the gift shop will contribute importantly to the achievement of Entity A's exempt purpose is not among the issues addressed in this letter ruling. However, whether or not it will be subject to tax under § 511, we conclude that the gift shop as proposed is an activity carried on as part of the overall activities as they relate to the Center's exempt educational purpose. Thus, as long as it is actually operated as a functional part of the Center's larger aggregate of other activities which are related to the Center's exempt educational purpose, the gift shop will be a functionally related business, so that Entity A's expenditures for the construction,

operation, and maintenance of the gift shop will be for the acquisition of assets used (or held for use) directly in carrying out a purpose described in § 170(c)(2)(B). As such, the relevant expenditures will be qualifying distributions under § 4942(g)(1)(B).

Entity A has represented that it has no plans for set-asides, so the issue of whether any set-asides would constitute qualified expenditures under § 4942(g)(2) is not addressed in this letter ruling. However, we do confirm that § 4942(g)(2)(A) and (B) (cited by Entity A in its request for rulings), as well as Treas. Reg. § 53.4942(a)-3(b)(2), are the provisions that would apply if Entity A has to set aside any of the funds received from Entity B for the Center.

Issue 5: Whether the Shops will constitute excess business holdings under § 4943, subjecting Entity A to excise tax under § 4943.

Section 4943(a)(1) imposes a tax on a private foundation's excess business holdings.

With respect to the holdings of any private foundation in any business enterprise, § 4943(c)(1) defines the term "excess business holdings" as the amount of stock or other interest in the enterprise which the foundation would have to dispose of to someone other than a disqualified person so that the remaining holdings would be permitted holdings.

Section 4943(d)(3)(A) provides that the term "business enterprise" does not include a functionally related business (as defined in § 4942(j)(4)).

Section 4942(j)(4) defines the term "functionally related business" as –

(A) a trade or business which is not an unrelated trade or business (as defined in § 513), or

(B) an activity which is carried on within a larger aggregate of similar activities or within a larger complex of other endeavors which is related (aside from the need of the organization for income or funds or the use it makes of the profits derived) to the exempt purposes of the organization.

As determined above (see Issues 1 and 2, in which the coffee shop is recognized as a trade or business that is not unrelated to the Center's exempt function), the coffee shop will be a functionally related business under § 4942(j)(4)(A). In addition, as determined above (see Issue 4), the gift shop will be a functionally related business under § 4942(j)(4)(B). Thus, the Shops will not constitute excess business holdings under § 4943, and will not generate excise tax for Entity A under that provision.

We are not ruling on, and express no opinion regarding, whether the gift shop or specific items sold in the gift shop will result in unrelated business taxable income under § 512.

Issue 6: Whether expenditures by Entity A for the construction, operation, and maintenance of the Shops will be taxable expenditures under § 4945(d)(5), subjecting Entity A and its managers to excise tax under § 4945.

Section 4945(a) imposes a tax with respect to a private foundation's taxable expenditures (as defined in § 4945(d)).

According to § 4945(d)(5), for purposes of § 4945, the term "taxable expenditure" means, *inter alia*, any amount paid or incurred by a private foundation for any purpose other than one specified in § 170(c)(2)(B).

Section 170(c)(2)(B) refers to certain entities organized and operated exclusively for, *inter alia*, religious, charitable, scientific, literary, or educational purposes.

Treas. Reg. § 53.4945-6(b)(1)(v) provides that any payment constituting a qualifying distribution under § 4942(g) ordinarily will not be a taxable expenditure under § 4945(d)(5).

As determined above (see Issue 4), funds expended by Entity A to construct, operate, and maintain the Shops will be qualifying expenditures under § 4942(g)(1). As qualifying expenditures, these expenditures will not be taxable expenditures under § 4945(d)(5), and will not subject Entity A to excise tax under § 4945.

Issue 7: Whether Entity A's legal, accounting, and other expenses related to this ruling request, if reasonable in amount, will be qualifying distributions for purposes of § 4942(g)(1)(A) and not taxable expenditures for purposes of § 4945.

Section 4942(g)(1)(A) defines the term "qualifying distribution" to include any amount, including reasonable and necessary administrative expenses, paid to accomplish one or more purposes described in § 170(c)(2)(B).

Section 170(c)(2)(B) refers to certain entities organized and operated exclusively for, *inter alia*, religious, charitable, scientific, literary, or educational purposes. These same purposes are described in § 501(c)(3).

Reasonable and necessary administrative expenses are those for which a foundation can demonstrate a good faith belief that the expenses were reasonable and that the payment or incurrence of the expenses in such amounts was consistent with ordinary business care and prudence. See Treas. Reg. § 53.4945-6(b)(2).

Assuming that Entity A's legal, accounting, and other expenses incurred in connection with this ruling request will be reasonable and consistent with ordinary business care and prudence and paid to accomplish one or more purposes described in § 170(c)(2)(B), such expenses will be considered qualifying distributions under § 4942.

Section 4945(a) imposes a tax on each "taxable expenditure" of a private foundation.

Section 4945(d)(5) provides that the term "taxable expenditure" includes any amount paid or incurred by a private foundation for any purpose other than one specified in § 170(c)(2)(B).

Treas. Reg. § 53.4945-6(b)(2) provides that legal, administrative, and other expenses incurred by a private foundation are not taxable expenditures if the foundation can demonstrate that such expenses were paid or incurred in good faith belief they were reasonable and the payment or incurrence of such expenses in such amounts was consistent with ordinary business care and prudence. The determination whether an expenditure is reasonable depends upon the facts and circumstances of a particular case.

Thus, Entity A's payment of reasonable legal, accounting, and other expenses related to this request for rulings, assuming Entity A can demonstrate ordinary business care and prudence, will not constitute taxable expenditures under § 4945.

RULINGS

Based solely on the facts and representations submitted by Entity A, we rule as follows.

1. Entity A's operation of the coffee shop will not be an unrelated trade or business under § 513, and will not result in the imposition of tax to Entity A under § 511.
2. As a consequence of Ruling 1, Entity A's income from sales of food and drink by the coffee shop to staff, employees, and visitors will not be unrelated business taxable income under § 512.
3. The proposed transfers from Entity B to Entity A will not be self-dealing transactions with respect to Entity A and will not subject Entity A and its managers to excise tax under § 4941.
4. Entity A's expenditures for the construction, operation, and maintenance of the Shops will be qualifying distributions under § 4942.
5. The Shops will not constitute excess business holdings under § 4943, and therefore will not result in tax liability under § 4943(a)(1).

6. Entity A's expenditures for the construction, operation, and maintenance of the Shops will not be taxable expenditures under § 4945, and will not result in tax liability for Entity A under § 4945.

7. Entity A's legal, accounting, and other expenses related to this ruling request will be qualifying distributions under § 4942, and will not be taxable expenditures under § 4945, provided that Entity A can demonstrate a good faith belief that the expenses were reasonable and that the payment or incurrence of the expenses in such amounts was consistent with ordinary business care and prudence.

The rulings contained in this letter are based upon information and representations submitted by the taxpayer and accompanied by a penalty of perjury statement executed by an appropriate party, as specified in Rev. Proc. 2016-1, 2016-1 I.R.B. 1, § 7.01(15)(b).

This office has not verified any of the material submitted in support of the request for ruling, and such material is subject to verification on examination. The Associate office will revoke or modify a letter ruling and apply the revocation retroactively if there has been a misstatement or omission of controlling facts; the facts at the time of the transaction are materially different from the controlling facts on which the ruling was based; or, in the case of a transaction involving a continuing action or series of actions, the controlling facts change during the course of the transaction. See Rev. Proc. 2016-1, § 11.05.

No ruling is granted as to whether Entity A qualifies as an organization described in § 501(c) or § 509(a), or whether Entity A is or continues to be an "operating foundation" described in § 4942(j)(3), and, except as expressly provided above, no opinion is expressed or implied concerning the federal income tax consequences of any other aspects of any transaction or item of income described in this letter ruling.

Because it could help resolve questions concerning your federal income tax status, this ruling should be kept in your permanent records.

This ruling will be made available for public inspection under § 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, showing the deletions that we intend to make on the version that will be made available to the public, is attached to Notice 437. If you disagree with our proposed deletions, you should follow the instructions in Notice 437.

In accordance with the Power of Attorney on file with this office, we are sending copies of this letter to your authorized representatives.

This ruling is directed only to the taxpayer who requested it. According to § 6110(k)(3), this ruling may not be used or cited as precedent.

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.

Sincerely,

Mary J. Salins
Acting Branch Chief
Exempt Organizations Branch 1
(Tax Exempt & Government Entities)

enclosure: copy for 6110 purposes