

Internal Revenue Service

Department of the Treasury

Washington, DC 20224

The May Fund Corporation
56 Franklin Street
Waterbury, CT 06702

Person to Contact:

Telephone Number: David M. ...
(202) 565-4386

Refer Reply to:
OP:E:EO:R:2

Date:
SEP 27 1984

Legend:

H = St. Mary's Hospital Corporation
P = The Slocum Corporation
R = The May Fund Corporation

Dear Sir or Madam:

This is in reply to your letter of March 9, 1984, requesting rulings under sections 501(c)(3), 170(b)(1)(A), 509, 511, 512 and 513 of the Internal Revenue Code in connection with the proposed hospital reorganization described below.

H is a nonprofit hospital that is exempt from federal income tax under section 501(c)(3) of the Code and that is not a private foundation pursuant to sections 509(a)(1) and 170(b)(1)(A)(iii). H is included in a group exemption under section 501(c)(3).

P is a nonprofit corporation that will be exempt from federal income tax under section 501(c)(3) of the Code and that will not be a private foundation pursuant to section 509(a)(3). P will be included in the group exemption under section 501(c)(3).

R is a new nonprofit corporation that will be exempt from federal income tax under section 501(c)(3) of the Code and that expects not to be a private foundation pursuant to section 170(b)(1)(A)(vi). R will be included in the group exemption under section 501(c)(3).

Under the reorganization of H, P will become the sole and controlling member of H and of R. P will provide overall policy for H and R. P will hold and lease office space and residential apartments that will be transferred from H to P. P will perform long-range planning. P will conduct community health education programs. P may guarantee bonds of H.

Under the reorganization, R will raise contributions from the public for the benefit of this health care system of H, P and R. R will receive cash, liquid investments, and capital improvement funds that will be transferred from H to R.

After the reorganization, H, P and R may charge each other at cost for the use of each other's assets and/or services in connection with their operations.

Section 501(c)(3) of the Code and Revenue Ruling 69-545, 1969-2 C.B. 117, provides for the exemption from federal income tax of charitable

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The May Fund Corporation

organizations, such as hospitals, that are engaged in the promotion of the health of the public. Revenue Ruling 69-545 also indicates that fees may be charged by the exempt organization.

Section 1.501(c)(3)-1(b)(4) of the Income Tax Regulations provides that the assets of a nonprofit organization that is exempt from federal income tax under section 501(c)(3) of the Code must remain dedicated to furthering exempt purposes under section 501(c)(3).

Revenue Ruling 67-149, 1967-1 C.B. 133, indicates that an organization is operated in furtherance of exempt purposes where it provides assets to other organizations exempt under section 501(c)(3).

Revenue Ruling 78-41, 1978-1 C.B. 148, indicates that an organization is operated for exempt purposes under section 501(c)(3) of the Code where it functions as an integral part of a hospital by making payments on behalf of the hospital for whose benefit it is operated.

Section 509(a)(1) of the Code provides that a hospital under section 170(b)(1)(A)(iii) is not a private foundation.

Section 509(a)(3) of the Code provides that an organization organized and operated for the benefit of its supported exempt organization(s) under section 509(a)(1) is not a private foundation, without regard to its financial support.

Section 170(b)(1)(A) of the Code describes the donee organizations that qualify for the 50% charitable deduction. Section 170(b)(1)(A)(iii) includes hospitals, section 170(b)(1)(A)(viii) includes supporting organizations that meet section 509(a)(3), and section 170(b)(1)(A)(vi) includes financially publicly supported organizations.

Section 511(a)(1) of the Code imposes a tax on the unrelated business taxable income of any organization otherwise exempt from federal income tax pursuant to section 501(c)(3).

Section 512(b)(3) of the Code provides an exclusion from unrelated business taxable income for rents received, where section 512(b)(13) and 514 do not impose tax.

Section 512(b)(5) of the Code provides, in pertinent part, for an exclusion from unrelated business taxable income for gains or losses from the sale, exchange, or other disposition of property.

Section 513(a) of the Code excludes from the definition of unrelated business any business whose conduct is substantially related (aside from the need or use of funds) to the performance by the exempt organization of its exempt purposes under section 501(c)(3).

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The May Fund Corporation

Revenue Ruling 69-463, 1969-2 C.B. 131, holds that the leasing of office space to doctors is not an unrelated business where the leasing is substantially related to the furtherance of the lessor's exempt purposes under section 501(c)(3).

Under the facts presented, the reorganization is a separation of some of the assets and activities of H into additional exempt charitable corporations P and R, which, as in Revenue Ruling 78-41, will operate as integral parts of the one health care provider system consisting of H, P and R. Thus, all assets and activities remain dedicated to exempt purposes under section 501(c)(3) of the Code. The transactions described are related to the furtherance of exempt functions and are not unrelated business pursuant to sections 513 and 512. H will continue to be a hospital under section 170(b)(1)(A)(iii). The classification of P under sections 509(a)(3) and 170(b)(1)(A)(viii) is not affected by financial support. R is expected to be financially publicly supported under section 170(b)(1)(A)(vi). An exempt organization under section 501(c)(3) may charge reasonable fees for value provided by it, and may pay reasonable fees for value received by it.

Accordingly, we rule, as you have requested, that:

1. The reorganization and the transactions, described above, will not adversely affect the exemptions from federal income tax under section 501(c)(3) of the Code of H, P and R.
2. The reorganization and the transactions, described above, will not adversely affect the classification under section 509(a)(1) and 170(b)(1)(A)(iii) of the Code of H, the classification under section 509(a)(3) of P, and the classification under section 170(b)(1)(A)(vi) of R.
3. After the reorganization, contributions will remain deductible by donors pursuant to section 170(b)(1)(A)(iii) of the Code as to H, section 170(b)(1)(A)(viii) as to P, and section 170(b)(1)(A)(vi) as to R.
4. The reorganization and the transactions, described above, will not result in the recognition of gain or loss to H, P or R under sections 511 and 512 of the Code.
5. The fact that H, P and R will use each other's assets and/or services for reasonable charges will not result in unrelated business income under sections 511, 512 or 513 of the Code.

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The May Fund Corporation

We are sending a copy of this ruling to your key District Director. This ruling is directed only to the organization that requested it. Section 6110(j)(3) of the Code provides that it may not be used or cited as precedent.

Sincerely yours,

J. E. Griffith

J. E. Griffith
Chief, Exempt Organizations
Rulings Branch

St. Mary's Hospital
FOUNDATION INC.

58 Franklin Street, Waterbury, Connecticut 06706

(203) 574-6440

April 30, 1991

Nicholas c. DeLeo
Chief, Section B
Internal Revenue Service Center
Holtsville, NY 00501

Re: Taxpayer 22-2528400
St Mary's Hospital Foundation Inc.

Dear Sir:

Enclosed please find a copy of a determination letter for the May Fund Corporation and a copy of an amended Certificate of Incorporation for the May Fund Corporation. The name of the corporation officially changed to St. Mary's Hospital Foundation, Inc. in 1988.

We have sent this information to you in the past. Please correct your records so that this error does not continue in the future.

If there are any questions please call me at 203-597-3153 Tuesday, Wednesday or Friday between 8:30 and 5:00.

Thank you for your attention.

Sincerely,

Carol Fria
Accountant

AIE
OR RESTATING CERTIFICATE
BY ACTION OF

INCORPORATORS

BOARD OF DIRECTORS

BOARD OF DIRECTORS AND SHAREHOLDERS (Stock Corporation)

BOARD OF DIRECTORS AND MEMBERS (Nonstock Corporation)

2707

VOL 1209

STATE OF CONNECTICUT
SECRETARY OF THE STATE

For office use only
ACCOUNT NO.
INITIALS <i>BS</i>

NAME OF CORPORATION St. Mary's Hospital Foundation, Inc.	DATE May 15, 1992
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The Certificate of incorporation is A. AMENDED ONLY B. AMENDED AND RESTATED C. RESTATED ONLY by the following resolution

That paragraph #2 of the Certificate of Incorporation be stricken and the following be substituted therefore:

"To advance the purposes of St. Mary's Hospital Corporation (the "hospital"), so long as such hospital shall be entitled to exemption under the provisions of Section 501(c)(3) of the Internal Revenue Code of 1986, as amended (the "Code"), through the solicitation of funds, property, both real and personal, tangible and intangible, the retention and investment of such funds and the distribution of income and/or principle of such funds to said hospital to the extent determined by said corporation. Should the hospital be, or at any time become, no longer entitled to exemption under said provisions of the Code, then the purpose of the corporation shall be to distribute such income and/or principle of such funds to other Catholic Health Care institutions which qualify as exempt organizations within the meaning of Section 501(c)(3) Code; and

To engage in any lawful act or activity for which nonstock corporations may be formed under Chapter 600 of the General Statutes of Connecticut (Nonstock Corporation Act) in effect as of the date hereof and as the same may be hereafter amended from time to time."

(a) The above resolution merely restates and does not change the provisions of the original Certificate of Incorporation as supplemented and amended to date, except as follows: (Indicate amendments made, if any; if none, so indicate.)

(b) Other than as indicated in Par. 3(a), there is no discrepancy between the provisions of the original Certificate of Incorporation as supplemented to date, and the provisions of this Certificate Restating the Certificate of Incorporation.

4. The above resolution was adopted by vote of at least two-thirds of the incorporators before the organization meeting of the corporation, and approved in writing by all subscribers (if any) for shares of the corporation, (or if nonstock corporation, by all applicants for membership entitled to vote, if any.)

We (at least two-thirds of the incorporators) hereby declare, under the penalties of false statement that the statements made in the foregoing certificate are true.

BY ACTION OF INCORPORATORS	SIGNED	SIGNED	SIGNED
	APPROVED		
	SIGNED	SIGNED	SIGNED

(All subscribers, or, if nonstock corporation, all applicants for membership entitled to vote; if none, so indicate)

(Over)

STATE OF CONNECTICUT }
OFFICE OF THE SECRETARY OF THE STATE } SS. HARTFORD

I hereby certify that this is a true copy of record
in this Office.

In Testimony whereof, I have hereunto set my hand,
and affixed the Seal of said State, at Hartford,
this 7th day of AUGUST A.D. 1992

Pauline R. Kelly
SECRETARY OF THE STATE