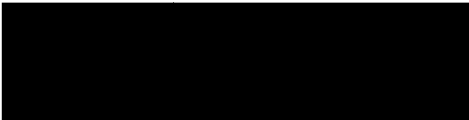


Internal Revenue Service

Department of the Treasury

District  
Director

230 South Dearborn Street  
Chicago, Illinois 60604



Employer Identification Number:

Person to Contact:

Telephone Number:

Refer Reply to:

Internal Revenue Service  
P.O. Box A-3290 DPN 22-3  
Attn: Chief, EP/EO Review Staff  
Chicago, IL 60690

CERTIFIED

2 745 024 846

Date:

JAN 12 1995

Dear Applicant:

We have considered your application for recognition of exemption from Federal income tax under Section 501(c)(3) of the Internal Revenue Code of 1986.

The information submitted discloses that you were incorporated on [redacted], under the nonprofit corporation laws of the State of [redacted].

You are controlled, managed, incorporated and organized by one person, [redacted].

The following purpose appears in your articles of Incorporation:

The infusion of philanthropic values and morals shall be the purpose of the organization. The process of learning shall be emphasized and imparted upon clients. Standards shall be made to ensure compliance with philanthropy and learning. The introduction of new or established businesses with these values shall be the main goal. Toward that goal, the process of product refinement and testing shall be infused with the spirit of philanthropy, giving, and shared knowledge. As part of the process, those individuals and concerns that meet the standards shall be given assistance in confidential and secret development of their other product toward patent application.

Confidential refinement and testing procedures will be offered to clients. This organization will assist businesses in finding funding, resources, and methods for secret and confidential product development. Businesses will be assisted in the development and marketing planning for their new product. Standards of selection of business, product, and procedures will favor those who follow philanthropic guidelines. The standards will enhance the success of businesses while providing social education in the matters of public and private product development. Research and surveys of interested parties will be done. This will provide information for changes of operations, and methods. The goals shall be to help bring businesses into the market under the legal

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protection of patent law. Individuals will benefit from their inventive labor in business. Society will benefit by increased education and practical experience with the inventive potential in business.

According to your Articles of Incorporation, your organization will engage in the following activities:

In the United States of America and elsewhere in the world, [REDACTED] shall mainly engage in the following activities, but shall not be limited to the following activities, in that similar activities with similar purposes shall also be engaged in accordance with administration and policy:

Educational or informative printed material

Formal counseling by qualified, or qualified professional people

Informal counseling by qualified, or qualified professional people

Informal counseling by semi-professional or non-professional people

Educational or informative meetings

Educational or informative lectures

Educational or informative productions, including film or television or radio productions

Educational or informative panels with the intent of some form of participation by the audience or by students

Surveys

Competitive surveys to establish an applicant pool for participation in the standards of [REDACTED]

Computer related media carrying educational or informative material, surveys, or competitive surveys

On [REDACTED], we sent you a letter in which we stated that we did not have enough information to show that you have met all legal requirements of Section 501(c)(3) of the Code. We asked you to describe the educational background of [REDACTED] and his qualifications in the area of patent law. We also asked you to submit a two year budget which estimates amounts and sources of income.

On [REDACTED], you sent us a letter in which you made the following statement:

"I will not answer questions that do not provide me or you with more understanding of my organization and which are posed to me as requirements and in fact are not requirements because these are not standardized".

Section 501(c)(3) of the Code provides for the exemption from Federal income tax of corporations organized and operated exclusively for religious, charitable, literary, scientific, and educational purposes; no part of the net earnings of which inures to any private shareholder or individual.

Section 1.501(c)(3)-1 of the Income Tax Regulations relates to the definition of the organization and operation of organizations described in Section 501(c)(3). It is quoted, in part, as follows:

"(a) Organizational and operational tests. (1) In order to be exempt as an organization described in Section 501(c)(3), an organization must be both organized and operated exclusively for one or more of the purposes specified in such section. If an organization fails to meet either the organizational test or the operational test, it is not exempt. (2) The term "exempt purpose or purposes", as used in this section, means any purpose or purposes specified in Section 501(c)(3)...."

"(c) Operational test. (1) Primary activities. An organization will be regarded as "operated exclusively" for one or more exempt purposes only if it engages primarily in activities which accomplish one or more of such exempt purposes specified in Section 501(c)(3). An organization will not be so regarded if more than an insubstantial part of its activities is not in furtherance of an exempt purpose. (2) Distribution of earnings. An organization is not operated exclusively for one or more exempt purposes if its net earnings inure in whole or in part to the benefit of private shareholders or individuals..."

We wish to call your attention to Revenue Procedure 84-46 1984-1 C.B. 542, Section 5.02, which states, in part:

Exempt status will be recognized in advance of operations if proposed operations can be described in sufficient detail to permit a conclusion that the organization will clearly meet the particular requirements of the section under which exemption is claimed. A mere restatement of purposes or a statement that proposed activities will be in furtherance of such purposes will not satisfy this requirement. The organization must fully describe the activities in which it expects to engage, including the standards, criteria, procedures, or other means adopted or planned for carrying out the activities; the anticipated sources of receipts; and the nature of contemplated expenditures. Where the organization cannot demonstrate to the satisfaction of the Service that its proposed activities will be exempt, a record of actual operations may be required before a ruling or determination letter will be issued. In those cases where an organization is unable to describe fully its purposes and activities, a refusal to issue a ruling or determination letter will be considered an initial adverse determination from which administrative appeal or protest rights will be afforded.

You have refused to provide us with a description of the educational background of [REDACTED] and his qualifications in the area of patent law. Since you claim to be an educational organization and are totally controlled by [REDACTED], we have the right to know his educational background and qualifications in the area of patent law. In addition, you have failed to submit a two year budget which estimates amounts and sources of income. Therefore, we are unable to make a determination as to your qualifications as an organization described in Section 501(c)(3).

Under the authority of the above mentioned Revenue Procedure, it is held that a record of actual operations will be required before a ruling or determination will be issued.

Accordingly, we have concluded that you are not entitled to recognition of exemption from Federal Income Tax under Section 501(c)(3) of the Code, since you are not organized and operated exclusively for charitable, religious, or other exempt purposes within the meaning of Section 501(c)(3).

You are required to file Federal Income Tax Returns.

Contributions made to you are not deductible by the donors as charitable contributions as defined in Section 170(c) of the Code.

If you do not agree with these conclusions, you may within 30 days from the date of this letter, file a brief of the facts, law and arguments (in duplicate) which clearly sets forth your position. In the event you desire an oral discussion of the issues, you should so indicate in your submission. A conference will be arranged in the Regional Office after we have had an opportunity to consider the brief and it appears that the conclusions reached are still unfavorable to you. Any submission must be signed by one of your principal officers. If the matter is to be handled by a representative, the Conference and Practice Requirements regarding the filing of a power of attorney and evidence of enrollment to practice must be met. We have enclosed Publication 892, Exempt Organization Appeal Procedures for Adverse Determinations, which explains in detail your rights and procedures.

If you do not protest this determination in a timely manner, it will be considered by the Internal Revenue Service as a failure to exhaust available administrative remedies. Section 7428(b)(2) of the Internal Revenue Code provides in part that "A declaratory judgment or decree under this section shall not be issued in any proceeding unless the Tax Court, the Court of Claims, or the District Court of the United States for the District of Columbia determines that the organization involved has exhausted administrative remedies available to it within the Internal Revenue Service".

Please keep this determination letter in your permanent records.

If you agree with this determination, please sign and return the enclosed Form 6018.

If we do not hear from you within 30 days from the date of this letter, this determination will become final. In accordance with Code Section 6104(c), we will notify the appropriate State officials of this action.

Sincerely yours,

District Director

Enclosures:  
Publication 892  
Form 6018