Department of the Treasury
Internal Revenue Service
Tax Exempt and Government Entities
IRS

Date:
05/05/2026
Employer ID number:

Form you must file:

Tax years:

Person to contact:
Name:
ID number:
Telephone:

Release Number: 202631012
Release Date: 7/31/26
UIL Code: 501.06-00, 501.06-01, 501.06-02

Dear :

This letter is our final determination that you don't qualify for exemption from federal income tax under Internal Revenue Code (IRC) Section 501(a) as an organization described in IRC Section 501(c)(6). Recently, we sent you a proposed adverse determination in response to your application. The proposed adverse determination explained the facts, law, and basis for our conclusion, and it gave you 30 days to file a protest. Because we didn't receive a protest within the required 30 days, the proposed determination is now final.

You must file the federal income tax forms for the tax years shown above within **30 days** from the date of this letter unless you request an extension of time to file. For further instructions, forms, and information, visit www.irs.gov.

We'll make this final adverse determination letter and the proposed adverse determination letter available for public inspection after deleting certain identifying information, as required by IRC Section 6110. Read the enclosed Letter 437, Notice of Intention to Disclose - Rulings, and review the two attached letters that show our proposed deletions. If you disagree with our proposed deletions, follow the instructions in the Letter 437 on how to notify us. If you agree with our deletions, you don't need to take any further action.

If you have questions about this letter, you can call the contact person shown above. If you have questions about your federal income tax status and responsibilities, call our customer service number at 800-829-1040 (TTY 800-829-4933 for deaf or hard of hearing) or customer service for businesses at 800-829-4933.

Sincerely,

Stephen A. Martin
Director, Exempt Organizations
Rulings and Agreements

Enclosures:
Letter 437
Redacted Letter 4034
Redacted Letter 4038

Department of the Treasury
Internal Revenue Service

IRS

Date:
03/17/2026

Employer ID number:

Person to contact:
Name:
ID number:
Telephone:
Fax:

UIL:
501.06-00
501.06-01
501.06-02

Legend:
B = Date
C = State
D = Number
e dollars = Dollars
F = Number
G = Region
H = Number
J = Range
K = Entity
L = Range
m dollars = Dollars
n dollars = Dollar Range
P = Range

Q = City
R = Date
x dollars = Dollars
y dollars = Dollars
T = Number

Dear :

We considered your application for recognition of exemption from federal income tax under Internal Revenue Code (IRC) Section 501(a). We determined that you don't qualify for exemption under IRC Section 501(c)(6). This letter explains the reasons for our conclusion. Please keep it for your records.

Issues

Do you qualify for exemption under IRC Section 501(c)(6)? No, for the reasons stated below.

Facts

You incorporated as a Mutual Benefit Corporation on B in the state of C. Your purpose, as stated on your Articles of Incorporation, is:

- To constitute a private club of accredited investors who share an interest in making private investments in emerging technology and other promising companies,
- To hold regular meetings among members, companies seeking funding, and other investors, organizations, and individuals with similar interests to pursue those interests and related networking and education,
- To charge and collect:
    - Dues from members,
    - Fees from presenting companies to cover costs of presentation and review and dissemination of business plans and similar materials, and
    - Sponsorship fees from other organizations and firms interested in the development of an investment community,
- Provided, however, that you will not take any action that would disqualify you from tax exemption pursuant to IRC Section 501(c)(7).

Your bylaws state that you intend to be tax exempt under IRC Section 501(c)(7). They further state that you are formed to facilitate education, networking, personal connection, fellowship, and support of angel investors. Your membership is open to investor members and strategic members. Investor members are limited to D members, must be accredited investors as defined by the Securities and Exchange Commission (SEC), and are expected to invest a minimum of e dollars over a two-year period, although individual investment decisions are entirely those of the individual investor. Strategic members are limited to F members and are selected as representatives of other organizations whose activities are strategically related to your purpose. Your current dues are m dollars per member, plus occasional spot charges for additional attendees to cover the meal served at the meeting.

You state that you are a membership-based angel investing group consisting of accredited investors, including experienced entrepreneurs, CEOs, industry executives, lawyers, and venture capitalists, who focus on investing in and supporting early-stage companies, primarily in G. Your past and present members have invested in over H companies across diverse industries.

You are membership driven and solely funded through membership annual dues. Your sole purpose is to screen startup applications and host screening dinners where selected companies pitch their investment request. You meet J times annually to review pitches from pre-screened startup applications received through K. You select two companies from this pool based on how compelling the business and related investment opportunity is for your groups overall membership. You also host L screening dinners per year at a known restaurant or golf course where you invite these selected companies, two per dinner, to present their investment opportunity, followed by an interactive Q&A and immediate feedback. Interested members may then proceed with investing in the selected companies individually, or through your LLC which aggregates member funds to simplify transactions and enhance deal influence.

Along with financial backing, your member investors offer a comprehensive support system that includes mentorship, strategic guidance, due diligence, structural advantage, credibility, and network strength. Your members also mentor and speak at local events, supporting the local ecosystem. You are not compensated for any public speaking engagements; members are sourced and volunteer their time to share wisdom and experience with the corporate startup ecosystem.

You are funded almost exclusively through membership fees, with minor supplemental income from dinner and initiation fees. Your expenses include dinner expenses, professional fees, Gala dinner expenses, portfolio management fees, credit card fees, insurance, professional memberships, internet, taxes, membership development, public relations, office supplies, postage, and licenses/permits.

Law

IRC Section 501(c)(6) provides for exemption from federal income tax for business leagues, chambers of commerce, real-estate boards, boards of trade, or professional football leagues, not organized for profit and no part of the net earnings of which inures to the benefit of any private shareholder or individual.

Treasury Regulation Section 1.501(c)(6)-1 states that a business league is an association of persons having some common business interests, the purpose of which is to promote such common interest and not to engage in a regular business other kind ordinarily carried on for profit. It is an organization of the same general class as a chamber of commerce or board of trade. Thus, its activities should be directed to the improvement of business conditions of one or more lines of business as distinguished from the performance of particular services for individual persons. An organization whose purpose is to engage in a regular business of a kind ordinarily carried on for profit, even though the business is conducted on a cooperative basis or produces only sufficient income to be self-sustaining, is not a business league. An association engaged in furnishing information to prospective investors, to enable them to make sound investments, is not a business league, since its activities do not further any common business interest, even though all of its income is devoted to the purpose stated.

Rev. Rul. 59-391, 1959-2 C.B. 151, held that an organization composed of individuals, firms, associations and corporations, each representing a different trade, business, occupation or profession whose purpose is to exchange information on business prospects has no common business interest other than a mutual desire to increase their individual sales. The activities are not directed to the improvement of one or more lines of business, but rather to the promotion of the private interests of its members and is not exempt under IRC section 501(c)(6).

In Rev. Rul. 70-244, 1970-1 C.B. 132, the organization's membership consists of business and professional persons in the community. Its articles of incorporation state it was formed to bring together members and their guests to exchange ideas for improving business conditions within the community. It does not have any specific program directed to the improvement of business conditions in the community. Since this organization has no program designed to improve business conditions of one or more lines of business, it is held that the organization is not exempt from federal income tax under IRC Section 501(c)(6).

Northwestern Municipal Association, Inc. v. United States, 99 F.2d 460 (8th Cir. 1938), the Eighth Circuit held that an organization of investment brokers, whose purpose was to represent the interests of municipal bondholders, and which was formed to perform services members would have been required to perform themselves in making bond investments, was not exempt under IRC Section 501(c)(6) because the organization's primary activities were found to constitute the performance of particular services for individual persons. The enterprise was undertaken as a cooperative endeavor to render services which the separate members might have been required to furnish, and its main purpose was to benefit bondholders. The court concluded "if its [the organization's] main purpose is to benefit its shareholders or individuals it is not exempt". The organization engaged in activities of a type ordinarily carried on for profit, and proceeds from these activities subsidized the services it furnished its members. The court found that the organization was organized to regularly conduct a business ordinarily carried on for profit, and since in the course of its business its net earnings inured to the benefit of individuals, it was not exempt from tax. The court observed that: "... it must be kept in mind that the term 'net earnings' may include more than the term net profits as shown by the books of the organization or than the difference between the gross receipts and disbursements in dollars. Profit may inure to the benefit of shareholders in other ways than in dividends."

Engineers Club of San Francisco v. United States, 791 F.2d 686 (9th Cir. 1986), stated that in order to qualify as a business league, each and every requirement of Treas. Reg. Section 1.501(c)(6)-1 must be met.

Bluetooth SIG Inc. v. United States, 611 F.3d 617 (9th Cit. 2010) held that Treas. Reg. Section 1.501(c)(6) requires a business league to be an association that:

(1) Must be an association of persons having a common business interest,
(2) Its purpose must be to promote that common business interest,
(3) Must not be organized for profit,
(4) Should not be engaged in a regular business of a kind ordinarily conducted for a profit,
(5) Its activities should be directed toward the improvement of business conditions of one or more lines of business as opposed to the performance of particular services for individual persons, and
(6) Is of the same general class as a chamber of commerce or board of trade.

In ABA Retirement Funds v. United States, No1:2009cv06993, (N.D. Ill. Apr. 25, 2013), aff'd, 759 F.3d 718 (7th Cir. 2014), the court held that providing information to enable prospective investors as described in Treas. Reg. Section 1.501(c)(6)-1 covers a substantially broader range of activity than providing specific advice about particular investments.

Application of law

You are not described in IRC Section 501(c)(6) because you do not meet five of the six points described in Treas. Reg. Section 1.501(c)(6)-1 and Bluetooth SIG, as described below. Failing any one of the six points destroys the claim for exemption under Section 501(c)(6), as described in Engineers Club.

You are not an association of persons with a common business interest

Your membership consists of SEC accredited investors and a select few strategic members. Your members are individuals who share the common interest in making sound investments. Similar to the organization described in Rev. Rul. 59-391, you are an organization composed of individuals whose purpose is to exchange information on business prospects. This shows that you have no common business interest other than a mutual desire to increase your members' individual investment returns.

Your purpose is not to promote your members' common business interest

Your purpose is to screen startups and present them to your member investors. By pre-screening these startups, and presenting them to your members, you are providing information to your members with the intent of assisting them in making sound investments. Treas. Reg. Section 1.501(c)(6)-1 expressly states "[a]n association engaged in furnishing information to prospective investors, to enable them to make sound investments, is not a business league, since its activities do not further any common business interest." While some of the businesses that your members invest in may receive some educational benefit, this is an insignificant part of your activities and is subsidiary to your primary purpose of providing investment information to your members, for their benefit. The provision of investment information does not promote a common business interest and instead promotes your members' mutual desire to increase their investment returns.

<u>You are engaged in a regular business of a kind ordinarily conducted for a profit</u>
Your activities are similar to those of a for-profit investment firm. Your purpose is to create a collective of investors, screen potential investments, and present these investments to your investors. Your members are investing in these startups with the primary goal of making a return on their investment. By providing investing information to your members, you are providing a service similar to one provided by a for-profit investment firm. You maintain a related LLC that facilitates deals on behalf of your members to simplify transactions and enhance deal influence. As described in Treas. Reg. Section 1.501(c)(6)-1, engaging in a regular business of a kind ordinarily conducted for a profit, even though the business is conducted on a cooperative basis or produces only sufficient income to be self-sustaining, is not a business league

<u>Your activities constitute the performance of particular services for individual persons, and are not directed toward the improvement of business conditions of one or more lines of business</u>
Similar to the organization described in <u>Northwestern Municipal Association</u>, your activities alleviate your members of a burden they would traditionally bear themselves. The screening of startups is an activity that your members themselves would ordinarily undertake individually. By screening these startups, providing selected investment recommendations, and facilitating deals through your LLC, you are providing investment advice and services to your members, which serves the private interests of your members, rather than improving business conditions of one or more lines of business.

Similar to the organization described in Rev. Rul. 70-244, you are an organization composed of individuals whose purpose is to exchange information on business prospects. Exchanging investment information provides a direct benefit to your members and does not extend to improving business conditions in any line or lines of business.

<u>You are not of the same general class as a chamber of commerce or board of trade</u>
Similar to the organization described in <u>ABA Retirement</u>, your investment screening and presenting program is provided exclusively to your members and only promotes the economic interests of your members. You do not provide general information to the investing industry as a whole or otherwise act in a manner consistent with a chamber of commerce or board of trade.

Conclusion
Based on the information provided, we conclude that you are not operated as a business league described in IRC Section 501(c)(6). You do not meet five of the six points described in Treas. Reg. Section 1.501(c)(6)-1. Because you fail to meet even one of these points, you do not meet the requirements for exemption under Section 501(c)(6).

If you agree
If you agree with our proposed adverse determination, you don't need to do anything. If we don't hear from you within 30 days, we'll issue a final adverse determination letter. That letter will provide information on your income tax filing requirements.

If you don't agree
You have a right to protest if you don't agree with our proposed adverse determination. To do so, send us a protest within 30 days of the date of this letter. You must include:

- Your name, address, employer identification number (EIN), and a daytime phone number

- A statement of the facts, law, and arguments supporting your position
- A statement indicating whether you are requesting an Appeals Office conference
- The signature of an officer, director, trustee, or other official who is authorized to sign for the organization or your authorized representative
- The following declaration:

  For an officer, director, trustee, or other official who is authorized to sign for the organization: Under penalties of perjury, I declare that I have examined this request, or this modification to the request, including accompanying documents, and to the best of my knowledge and belief, the request or the modification contains all relevant facts relating to the request, and such facts are true, correct, and complete.

Your representative (attorney, certified public accountant, or other individual enrolled to practice before the IRS) must file a Form 2848, Power of Attorney and Declaration of Representative, with us if they haven't already done so. You can find more information about representation in Publication 947, Practice Before the IRS and Power of Attorney.

We'll review your protest statement and decide if you gave us a basis to reconsider our determination. If so, we'll continue to process your case considering the information you provided. If you haven't given us a basis for reconsideration, we'll send your case to the Appeals Office and notify you. You can find more information in Publication 892, How to Appeal an IRS Determination on Tax-Exempt Status.

If you don't file a protest within 30 days, you can't seek a declaratory judgment in court later because the law requires that you use the IRC administrative process first (IRC Section 7428(b)(2)).

Where to send your protest
Send your protest, Form 2848, if applicable, and any supporting documents to the applicable address:

<u>U.S. mail:</u>

Internal Revenue Service
EO Determinations Quality Assurance
Mail Stop 6403
PO Box 2508
Cincinnati, OH 45201

<u>Street address for delivery service:</u>

Internal Revenue Service
EO Determinations Quality Assurance
550 Main Street, Mail Stop 6403
Cincinnati, OH 45202

You can also fax your protest and supporting documents to the fax number listed at the top of this letter. If you fax your statement, please contact the person listed at the top of this letter to confirm that they received it.

You can get the forms and publications mentioned in this letter by visiting our website at www.irs.gov/forms-pubs or by calling 800-TAX-FORM (800-829-3676). If you have questions, you can contact the person listed at the top of this letter.

Contacting the Taxpayer Advocate Service
The Taxpayer Advocate Service (TAS) is an independent organization within the IRS that can help protect your taxpayer rights. TAS can offer you help if your tax problem is causing a hardship, or if you've tried but haven't

been able to resolve your problem with the IRS. If you qualify for TAS assistance, which is always free, TAS will do everything possible to help you. Visit www.taxpayeradvocate.irs.gov or call 877-777-4778.

Sincerely,

Stephen A. Martin
Director, Exempt Organizations
Rulings and Agreements