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DEC 23 1981

Dear Sir or Madam:

Your application for exemption from Federal income tax as an organization described in Section 501(c)(10) of the Internal Revenue Code has been given consideration.

The evidence presented disclosed that you were incorporated on [REDACTED], under the [REDACTED] Nonprofit Corporation Act. Article [REDACTED] of your Articles of Incorporation provides that the purposes for which you were formed are, in part, "to engage and participate in charitable activities."

Your activities consist of subsidizing local area high school golf teams, individual youth athletic programs, lunches and social activities for the elderly and donations to youth organizations such as the Boy Scouts.

1.501(c)(10)-1(a) of the Income Tax Regulations states, "An organization will qualify for exemption under Section 501(c)(10) if it, (1) Is a domestic fraternal beneficiary society order, or association, described in Section 501(c)(8) and the regulations thereunder except that it does not provide for the payment of life, sick, accident, or other benefits to its members, and, (2) Devotes its net earnings exclusively to religious, charitable, scientific, literary, educational, and fraternal purposes."

1.501(c)(8)-1(a) of the Income Tax Regulations states, "A fraternal beneficiary society is exempt from tax only if operated under the 'lodge system' or for the exclusive benefit of the members so operating. Operating under the lodge system means carrying on its activities under a form of organization that comprises local branches, chartered by a parent organization and largely self-governing, called lodges, chapters or the like."

Revenue Ruling 81-117, Internal Revenue Bulletin 81-15, April 13, 1981, held that an organization organized and operated for the purpose of holding real estate and other property of all kinds for the use and benefit of certain related fraternal societies exempt under Section 501(c)(10) of the Internal Revenue Code was not exempt under Section 501(c)(10) of the Code. The organization did not operate under the lodge system. The reference in Section 1.501(c)(10)-1(a) of the regulations to the description of fraternal beneficiary societies, found in Section 501(c)(8) of the Code is

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directed at the fraternal and lodge system characteristics which organizations described in Sections 501(c)(8) and 501(c)(10) have in common. The reference does not incorporate the subcategory of organizations which operate "for the exclusive benefit of the members of a fraternity itself operating under the lodge system".

Based upon information submitted in the Form 1024 it appears that you are not operating under the lodge system.

Therefore, we have concluded that you do not qualify as an organization described in Section 501(c)(10) of the Code.

You are required to file Federal income tax returns annually on Form 1120.

If you do not agree with these conclusions, you may, within 30 days from the date of this proposed adverse determination letter, appeal to the Regional Office through this Key District Office. Your appeal should contain the information described under Regional Office Appeal in the enclosed Publication 892, and should be mailed to this office. The Regional Office will let you know what action they take, and will set a date and place for any conference to be held. If a written protest is not received within the above time period this determination letter will be final.

This is a determination letter.

Sincerely yours,

Signed [REDACTED]

[REDACTED]
District Director

Enclosure