DEPARTMENT OF THE TREASURY
INTERNAL REVENUE SERVICE
WASHINGTON, D.C. 20224

TAX EXEMPT AND
GOVERNMENT ENTITIES
DIVISION

Date: MAR 2 8 2008

Number: **200825047**
Release Date: 6/20/2008

EO

UIL Nos.: 501.36-00
502.00-00

Contact Person:

Identification Number:

Contact Number:

Employer Identification Number:

Form Required To Be Filed:

Tax Years:

Dear :

This is our final determination that you do not qualify for exemption from Federal income tax as an organization described in Internal Revenue Code section 501(c)(3). We received your protest to the proposed adverse determination letter issued to you and sent your case to our Appeals Office. The Appeals Office attempted to contact you by telephone and by correspondence on several occasions to establish a mutually agreeable time and place to have a conference concerning your case, but was unsuccessful in reaching you. Given that the Appeals Office did not receive a response from you within its specified timeframe, the proposed adverse determination is now final.

Since you do not qualify for exemption as an organization described in Code section 501(c)(3), donors may not deduct contributions to you under Code section 170. You must file Federal income tax returns on the form and for the years listed above within 30 days of this letter, unless you request an extension of time to file.

We will make this letter and our proposed adverse determination letter available for public inspection under Code section 6110, after deleting certain identifying information. Please read the enclosed Notice 437, *Notice of Intention to Disclose,* and review the two attached letters that show our proposed deletions. If you disagree with our proposed deletions, you should follow the instructions in Notice 437. If you agree with our deletions, you do not need to take any further action.

In accordance with Code section 6104(c), we will notify the appropriate State officials of our determination by sending them a copy of this final letter and the proposed adverse letter. You should contact your State officials if you have any questions about how this determination may affect your State responsibilities and requirements.

If you have any questions about this letter, please contact the person whose name and telephone number are shown in the heading of this letter. If you have any questions about your Federal income tax status and responsibilities, please contact IRS Customer Service at 1-800-829-1040 or the IRS Customer Service number for businesses, 1-800-829-4933. The IRS Customer Service number for people with hearing impairments is 1-800-829-4059.

Sincerely,

Robert S. Choi
Director, Exempt Organizations
Rulings & Agreements

Enclosure
Notice 437
Redacted Proposed Adverse Determination Letter
Redacted Final Adverse Determination Letter

TAX EXEMPT AND
GOVERNMENT ENTITIES
DIVISION

DEPARTMENT OF THE TREASURY
INTERNAL REVENUE SERVICE
WASHINGTON, D.C. 20224

Date: MAY - 5 2006

Contact Person:

Identification Number:

Contact Number:

FAX Number:

Employer Identification Number:

UIL Nos.: 501.36-00
502.00-00

Dear :

We have considered your application for recognition of exemption from Federal income tax under section 501(a) of the Internal Revenue Code as an organization described in section 501(c)(3). Based on the information provided, we have concluded that you do not qualify for exemption under that section. The basis for our conclusion is set forth below.

Facts:

You were incorporated under the State Non-Profit Corporation Act in December 2004. Your Articles of Incorporation include a broad narrative description of your many and varied activities in support of your stated purpose: "to provide economic and educational tools and information to enable economically, educationally and/or otherwise challenged individuals and families to financially recover and self-direct their condition and future, while helping them make their own decisions as to what is in their best interest, according to their means and goals." As a further explanation of your purpose, your Articles also state that: "Up to now, the available resources have been limited to Consolidation of Payment options and debt settlement representation as a liaison between client families and their creditors."

In your Form 1023, you indicate that your main activity is "a debt consolidation program administered through an agreement with another organization engaged in the debt management business. You call this program a "Debt Management Plan" (DMP), and your website (attached) states that "this is the primary service offered by [you], and the most highly recommended path to debt freedom (recommended even by banks, credit card issuers, and lending institutions)." You describe your DMP as offering clients "the ability to make a single monthly payment towards reducing their total unsecured debt load, and at much more advantageous parameters." In a DMP, a debtor deposits money with you each month and you use it to make payments on his unsecured debt included in the plan. The creditors may or may not agree to lower the interest rates or waive certain fees. You further indicate that you will advise on different programs "to determine the best path for each individual client and situations". In addition, you plan to advise clients about certain loan types or other avenues for financial health and responsibility.

You advertise another program, the Debt Resolution Plan (DRP). You describe this program as a "debt management plan that is designed for consumers experiencing high, unsecured debt (usually credit card)." It appears to be a debt negotiation program. You indicate that completing the program will result in a reduction of debt by 40-60 percent. You advise the debtor to stop payments to creditors and begin depositing those payments in a separate escrow account maintained by an independent Escrow Company. Once the debtor pays your set-up fee in full, you will begin contacting the clients' creditors to negotiate a settlement of the debt for an amount less than face value. It is not clear that you advise your clients that creditors have no obligation to agree to negotiate the amount a consumer owes. In addition, it is not clear from the information you submitted whether you engage directly in settlement negotiations with the creditors or whether these negotiations are transacted by a separate company. Although you haven't described this program in full, the Federal Trade Commission (FTC), (see attached FTC Facts sheet) describes these programs as very risky.

Although you state that you will advise clients about other programs or other avenues for financial health and responsibility, you have failed to submit any documentation that you conduct any seminars, workshops, interactive on-line classes, or other educational forums on money management, consumer buying, budgeting, and financial management. Your Statement of Revenue and Expenditures submitted as part of Form 1023 does not reflect any allocated expense for educational activities or materials.

The information you submitted indicates you obtain clients through word-of-mouth advertising, promoting your website, and the procurement of leads. You hold advertising to a minimum because you've found that traditional advertising does not yield a return sufficient to pass on such a burden to your clients. Instead, your primary source of advertising is your website. You have contracted with a marketing and promotion company to help increase "hits" on the site. You also buy "leads" through various for-profit lead generation companies. The leads vary in price, and you pay "$12-$25 per lead". You also purchased "unsold leads from other organizations" but ended this practice because it has not been cost effective. You have decided to "continue to sustain slow, steady growth, and proceed with [y]our current lead-gathering agenda."

You state in your February 16, 2006 letter that you "will speak with the client as much as is necessary to determine whether there is a <u>true benefit</u> to the Debt Management Program (DMP). On average, three conversations of approximately 10-15 minutes each are generally sufficient to answer all questions and determine suitability of the program." Your initial interview includes a budgeting exercise to determine the funds available for debt repayment. The exercise consists of a Monthly Budget Worksheet where customers are asked to provide information on their income, assets, liabilities, and expenses to the extent necessary to determine whether they will qualify for a DMP. Total income and expenditures are added and subtracted on a sheet with a resulting monthly surplus figure. The Basic Analysis spreadsheet is used to calculate the minimum payment necessary to reduce the client's debt; and "a determination is then made as to whether the client has sufficient funds to benefit from the program".

You represent that you will not limit your services to a particular class of people, such as minorities, low-income, or elderly, etc.... There are no limitations of your services, "except with respect to those individuals and their families who would clearly benefit from those services." You advertise that a debtor need not be seriously delinquent to utilize the Debt Consolidation plan. You state that you "welcome all those who seek and are capable of appreciating [y]our financial expertise". In your February 16th letter, you confirmed that you qualify clients "through the DMP Basic Analysis Process." The information you submitted and the information on your website (attached) indicates that "the only client who doesn't 'qualify' for [y]our program would be those who cannot make the minimum monthly payments" or those who have debts that "do not provide benefits under the program (secured loans such as mortgages or car loans)." Specifically, you indicate that you service an individual's unsecured debt only and that you "cannot work with home mortgages or automobile loans." This is confirmed on the FAQs page of your website in response to "What if I am behind on my mortgage?" Your response - "[you] do[es] not work with secured loans or mortgages. Your best solution is to contact the lender directly."

You further indicate that a "client that can make the minimum payment and has qualified debt (unsecured debt) either sees the many benefits of the program or they don't." If the individual who is called does not want to participate in a structured unsecured debt management program or does not meet your parameters for unsecured debt management, then "we simply shake hands and part friends".

When asked as to whether there were any additional limitations to the availability of your services, you stated that "there is no qualification schedule to enroll, except that a minimum of $4,000 of unsecured debt should exist to ensure that the program carries true benefit, and that the person or family must have income to support the monthly payments, and the client must be experiencing some sort of financial stress (difficulty in making on-time, monthly, direct payments)."

You have entered into a contract with an entity that also provides debt management services to handle all processing services related to your DMP. These services include "the initial setup of debt management clients, normal management of the clients' funds including ACH services and creditors paid, negotiations with creditors, and customer service for clients." Additional services include "proposal management, missed payment letters, warning and drop letters, notification of drops to creditors, operation of the [for profit on-line bill payment company] system, and resending and reallocation of partial creditor checks due to errors in account number or name." You have described your relationship with the processor as a joint venture.

Your operations appear to be limited to procuring potential clients and delivering those qualified clients to your processor through the purchase of leads and the operation of a call center to contact those leads. You do not directly negotiate with creditors on behalf of your clients to achieve reductions in monthly payment amounts, or reduction or elimination of interest rates and penalties. You do not directly arrange to forward payment on the debtors' behalf at mutually accepted times. You do not negotiate with creditors on behalf of the debtors by submitting repayment proposals, but rather contract for these services with your processor for a fee. You are operating solely as an intake office to secure qualified DMP clients for your joint venture partner.

You state that your "work is performed exclusively over the phone from home offices, although, when prudent and appropriate [you] may visit clients in their homes or a mutually agreed-upon venue." You anticipate staffing consisting of Debt/Credit Counselors. This position will require a high school diploma with sufficient experience as a phone engagement representative, financial analyst, banking, accounting, finance, or previous debt/credit counseling experience. Your employees must complete a training course "including professional teleselling skills." Callers work on an hourly basis, telephoning and fielding multiple calls daily.

Although you state that you are "NOT a telemarketer", the training manual that you have provided is entitled "Professional Teleselling Skills Opening a Call." The manual trains the sales caller on issues from providing sensitive listening skills and probing for information to dealing with customer resistance and communicating the product's benefits.

In return for your operation of the front-end call center on behalf of your processor, you will receive a share of the fees generated from the DMP. On a monthly basis, the processor will determine the number of unique active clients processed. A $13.00 fee will be transferred to the processor's operating account, and all remaining funds will be shared between you (95 percent) and the processor (5 percent). In addition, any fair share contribution the processor receives from the creditors in relation to clients you refer to them will be shared with you.

It is not clear whether these fees are in lieu of or in addition to the fees you initially charge your clients. The fees are detailed in your contract and are limited to a $75 enrollment fee and a monthly fee of $39. You add that at no time do you request any "voluntary contributions" from debtors. You also added that there is never a charge for educational material to the debtor. It is not clear; however, whether you provide any material to callers who do not sign up for your DMP.

In response to questions asking whether your employees will be compensated on a percentage/commission basis, you indicated that no compensation arrangements have been made with anyone other than the principals of the organization. You state that "there are specific plans to compensate beyond regularly scheduled payment...the nature of [y]our business is predicated on percentage-based compensation if sales people or sales consultants are ever employed." You did not provide any further information regarding any bonus structures or non-fixed compensation arrangements for either your employees or your directors and officers. However, you have indicated that bonus payments may be made to officers, directors, highly compensation employees or independent contractors if certain pre-determined revenue goals are reached.

Although you indicated in your submission that you will undertake fundraising mail solicitations, personal solicitations, foundation grant solicitations, and government grant solicitations, there is no evidence that you have applied for, requested or received any public support. Your Statement of Revenue and Expenses shows that your income from January 15, through February 21, has consisted solely of gross receipts from the fees received from clients and creditors.

Your board of directors consists of 4 persons, two of whom are related. One director is an accountant and another director is a bankruptcy attorney. You indicate that you received start-up and operating capital from the members of your board of directors. You did not detail these financial arrangements nor indicate whether any of these individual have for-profit business endeavors that may benefit from your operations.

<u>Law:</u>

Section 501(c)(3) of the Code exempts from federal income tax corporations organized and operated exclusively for charitable, educational, and other purposes, provided that no part of its net earnings inures to the benefit of any private shareholder or individual.

Section 1.501(c)(3)-1(b)(iii) of the regulations provides that an organization is not organized exclusively for one or more exempt purposes if its articles expressly empower it to carry on, otherwise than as an insubstantial part of its activities, activities which are not in furtherance of one or more exempt purposes, even though such organization is, by the terms of such articles, created for a purpose that is no broader than the purposes specified in section 501(c)(3).

Section 1.501(c)(3)-1(c)(1) of the regulations provides that an organization will be regarded as "operated exclusively" for one or more exempt purposes only if it engages primarily in activities that 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.

Section 1.501(c)(3)-1(d)(2) of the regulations provides that the term "charitable" is used in section 501(c)(3) of the Code in its generally accepted legal sense and includes relief of the poor and distressed or of the underprivileged as well as the advancement of education.

Section 1.501(c)(3)-1(d)(3) of the regulations provides that the term "educational" refers to:

(a) The instruction or training of the individual for the purpose of improving or developing his capabilities; or

(b) The instruction of the public on subjects useful to the individual and beneficial to the community.

Section 1.501(c)(3)-1(e)(1) of the regulations provides that an organization may meet the requirements of section 501(c)(3) although it operates a trade or business as a substantial part of its activities, if the operation of such trade or business is in furtherance of the organization's exempt purpose or purposes and if the organization is not organized or operated for the primary purposes of carrying on an unrelated trade or business.

In Better Business Bureau of Washington D.C., Inc. v. United States, 326 U.S. 279 (1945), the Supreme Court held that the presence of a single non-exempt purpose, if substantial in nature, will destroy the exemption regardless of the number or importance of truly exempt purposes. The Court found that the trade association had an "underlying commercial motive" that distinguished its educational program from that carried out by a university.

In American Institute for Economic Research v. United States, 302 F. 2d 934 (Ct. Cl. 1962), the Court considered an organization that provided analyses of securities and industries and of the economic climate in general. It sold subscriptions to various periodicals and services providing advice for purchases of individual securities. The court noted that education is a broad concept, and assumed arguendo that the organization had an educational purpose. However, the totality of the organization's activities, which included the sale of many publications as well as the sale of advice for a fee to individuals, was indicative of a business. Therefore, the court held that the organization had a significant non-exempt commercial purpose that was not incidental to the educational purpose, and was not entitled to be regarded as exempt.

In Consumer Credit Counseling Service of Alabama, Inc. v. United States, 78-2 U.S. Tax Cas. 9660 (D.D.C. 1978), the court held an organization that provided free information on budgeting, buying practices, and the sound use of consumer credit qualified for exemption from income tax because its activities were charitable and educational.

The Consumer Credit Counseling Service, which had been recognized as exempt under section 501(c)(3) in a group ruling, is an umbrella organization made up of numerous credit counseling service agencies. In this case, these agencies provided information to the general public through the use of speakers, films, and publications on the subjects of budgeting, buying practices, and the sound use of consumer credit. They also provided counseling on budgeting and the appropriate use of consumer credit to debt-distressed individuals and families. The professional counselors used only 12 percent of their time for debt management programs. They did not limit these services to low-income individuals and families, but they provided their services free of charge. The court found that the law did not require that an organization must perform its exempt functions solely for the benefit of low-income individuals to qualify under section 501(c)(3). Nonetheless, these agencies did not charge a fee for the programs that constituted their principal activities. A nominal fee was charged for the debt management services but was waived when payment would work a financial hardship.

The agencies received the bulk of their support from government and private foundation grants, contributions, and assistance from labor agencies and the United Way. An incidental amount of their revenue was from fees. Thus, the court concluded that "each of the plaintiff consumer credit counseling agencies was an organization described in section 501(c)(3) as a charitable and educational organization." See also, Credit Counseling Centers of Oklahoma, Inc. v. United States, 79-2 U.S. Tax Cas. 9468 (D.D.C. 1979), in which the facts were virtually identical and the law was identical to those in Consumer Credit Counseling Centers of Alabama, Inc. v. United States, discussed immediately above.

In Rev. Rul. 69-441, 1969-2 C.B. 115, the Service found that a nonprofit organization formed to help reduce personal bankruptcy by informing the public on personal money management and aiding low-income individuals and families with financial problems was exempt under section

501(c)(3) of the Code. Its board of directors was comprised of representatives from religious organizations, civic groups, labor unions, business groups, and educational institutions.

The organization provided information to the public on budgeting, buying practices, and the sound use of consumer credit through the use of films, speakers, and publications. It aided low-income individuals and families who have financial problems by providing them with individual counseling, and if necessary, by establishing budget plans. Under the budget plan, the debtor voluntarily made fixed payments to the organization, which held the funds in a trust account and disbursed the funds on a partial payment basis to the creditors. The organization did not charge fees for counseling services or proration services. The debtor received full credit against his debts for all amounts paid. The organization did not make loans to debtors or negotiate loans on their behalf. Finally, the organization relied upon voluntary contributions, primarily from the creditors participating in the organization's budget plans, for its support.

The Service found that, by aiding low-income individuals and families who have financial problems and by providing, without charge, counseling and a means for the orderly discharge of indebtedness, the organization was relieving the poor and distressed. Moreover, by providing the public with information on budgeting, buying practices, and the sound use of consumer credit, the organization was instructing the public on subjects useful to the individual and beneficial to the community. Thus, the organization was exempt from federal income tax under section 501(c)(3) of the Code.

For an organization claiming the benefits of section 501(c)(3), "exemption is a privilege, a matter of grace rather than right." Christian Echoes National Ministry, Inc. v. United States, 470 F.2d 849, 857 (10th Cir. 1972), cert. denied, 414 U.S. 864 (1973). The applicant for tax exempt status under section 501(c)(3) has the burden of showing it "comes squarely within the terms of the law conferring the benefit sought." Nelson v. Commissioner, 30 T.C. 1151, 1154 (1958).

The Tax Court has stated that an application for tax-exempt status "calls for open and candid disclosure of all facts bearing upon [an Applicant's] organization, operations, and finances to assure [that there is not] abuse of the revenue laws. If such disclosure is not made, the logical inference is that the facts, if disclosed, would show that the [Applicant] fails to meet the requirements of section 501(c)(3)." Bubbling Well Church of Universal Love, Inc. v. Commissioner, 74 T.C. 531 (1980). See also, Founding Church of Scientology v. United States, 188 Ct. Cl. 490, 498, 412 F.2d 1197, 1201 (1969), cert. denied, 397 U.S. 1009 (1970). Furthermore, the courts have repeatedly upheld the Service's determination that an organization has failed to establish exemption when the organization fails to provide requested information. "[Applicant] has, for the most part, provided only generalizations in response to repeated requests by [the Service] for more detail on prospective activities....Such generalizations do not satisfy us that [applicant] qualifies for the exemption." Peoples Prize v. Commissioner, T.C. Memo 2004-12 (2004).

Section 5.02 of Rev. Proc. 90-27, 1990-1 C.B. 514, provides that 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. An organization that cannot demonstrate to the satisfaction of the Service the proposed activities will be exempt may be required to provide a record of actual operations for the Service to issue a ruling or determination letter.

Rationale and Conclusion:

Our analysis of the information you submitted does not allow us to conclude that you meet the organizational requirements necessary to show that you are organized exclusively for charitable and educational purposes. Moreover, you do not satisfy the operational requirements to be recognized as exempt under section 501(c)(3) of the Code. There is no evidence that your primary purpose is to provide financial education to individuals or to the general public in that you do not have a tailored educational program with a structured educational methodology in place. In fact, the administrative record demonstrates that you operate for the substantial non-exempt purpose of selling DMP and debt settlement services to the general public. In addition, you have not shown that you operate for exclusively charitable and educational purposes rather than for purely private purposes.

Your Articles of Incorporation state purposes that are both broad and vague. Your purposes include consolidation of payment options and debt settlement representation. These are purposes that are not inherently charitable and are often achieved in a commercial manner. Therefore, you have not established that you are organized exclusively for exempt purposes within the meaning of section 501(c)(3). (See section 1.501(c)(3)-1(b)(1)(iii) of the regulations).

Based on the information you submitted, you have not established that you operate for educational purposes within the meaning of section 501(c)(3). Training an individual to develop his capabilities or instructing the public on subjects useful to the individual and beneficial to the community are both educational purposes recognized as exempt. See section 1.501(c)(3)-1(d)(3) of the regulations. Financial counseling could be carried out as an educational activity. Consumer Credit Counseling Service of Alabama, Inc. v. United States, and Rev. Rul. 69-441, supra. While education is a broad concept, the Service and the Courts require an organization to have a substantial educational program not a non-educational program with some random educational features.

The information you have submitted provides no basis for us to conclude that you offer either education to the public on subjects useful to the individual and beneficial to the community or training to the individual. You failed to substantiate that you follow an educational methodology in operating either your DMP or DRP. You failed to provide any evidence that either your DMP or DRP is an incidental adjunct to a substantial and substantive program of public education and individual counseling. Your discussion with clients does not appear to include any educational material or counseling component. You have not demonstrated that you conduct seminars, workshops, interactive on-line classes, or other educational forums on money management, consumer buying, budgeting, and financial management. You have provided no evidence that you provide individual counseling or additional educational activities after you sell a DMP. In fact, your contract with your processor seems to preclude ongoing educational activities upon completing the sale. Your Statement of Revenue and Expenses reflects no expenditures related to educational activities. Your primary focus is the "sale" of your DMP and DRP, rather than the provision of substantial education to your clients. The activities you have described are completely different from those found to be providing community education and individual training by the court in Consumer Credit Counseling Service of Alabama, Inc. v. United States, supra.

You are also unlike the organization described in Rev. Rul. 69-441, supra. That organization aided low-income individuals and families by providing them with individual counseling, and if necessary, by establishing budget plans. You represent that you will not limit your services to a particular class of people, such as minorities, low-income, or elderly, etc... You state that you welcome all those who seek and are capable of appreciating your financial expertise and can pay your fees.

In addition, the information your submitted is insufficient to establish that you are not operated for a substantial non-exempt commercial purpose. This is reflected in the fact that your revenue will come exclusively from fees charged to clients and creditors for enrollment in DMPs and DRPs. You pay a commercial company to market and promote your website to increase hits on the site. You purchase leads through several for-profit lead generating companies. You limit your responsibility for managing your DMPs and DRPs to that of merely selling the products, while you have contracted out all other processing and customer service responsibilities to another company for a percentage of the fees generated. You will train your employees in the art of "teleselling" and plan to compensate them and your upper management based on a percentage of the business they generate.

Your financial structure does not resemble that of a typical charity. Although you state that part of your funding will come from donations from foundations, private corporations and individual contributions, you have failed to provide evidence that you received such donations or that you have a substantive plan to solicit these types of donations. Your funding comes entirely from fees from the sale of DMPs and DRPs (both client fees and creditor fees). The presence of a single non-exempt purpose, if substantial in nature, will destroy the exemption regardless of the number or importance of truly exempt purposes. (See, Better Business Bureau of Washington D.C., Inc. v. United States, supra.) You appear to have a substantial non-exempt commercial purpose.

Lastly, rather than being representative of a broad cross-section of the community, your board of directors is controlled by four directors, two of whom are related to each other and at least one director who appears to have a related business interest. You have received financial assistance from family members who are related to insiders to the corporation. You indicated that you plan to compensate these individuals on a commission basis as is customary in the debt management business. The composition of your board presents an obvious and inherent conflict of interest. Your board members will have ultimate control over all decisions related to compensation and other financial matters that will affect their financial interests. Thus, you have failed to establish that you serve a public rather than a private interest and that your income will not inure to the benefit of private individuals. (See section 1.501(c)(3)-1(d)(1)(ii) of the regulations.)

Because much of the information you provided is nonspecific and vague, it does not meet the burden of showing that your activities and operations are such that you are entitled to recognition of exemption under section 501(c)(3). See Christian Echoes National Ministry, Inc., Nelson and Rev. Proc. 90-27, *supra*. You have failed to describe your operations in sufficient detail to show that you are furthering an exclusively educational purpose. You failed to provide any documentation to establish that you engage in a substantial educational program and failed to clearly and fully explain how your operating a telephone call center to procure DMP clients for your "joint venture" processor furthers charitable purposes. You have not provided sufficient information and documentation to clearly establish that you will be operated for public rather than private purposes. Lastly, you failed to provide adequate documentation of the financial transactions, including compensation between you and members of your board of directors to permit us to conclude that you are not operated for the private benefit of private individuals and that your income will not inure to private individuals.

Accordingly, we conclude that you are not organized or operated exclusively for exempt purposes within the meaning of section 501(c)(3) of the Code and you do not qualify for exemption under that section.

You must file federal income tax returns.

Contributions to you are not deductible under section 170 of the Code.

You have the right to file a protest if you believe this determination is incorrect. To protest, you must submit a statement of your views and fully explain your reasoning. You must submit the statement, signed by one of your officers, within 30 days from the date of this letter. We will consider your statement and decide if the information affects our determination. If your statement does not provide a basis to reconsider our determination, we will forward your case to our Appeals Office. You can find more information about the role of the Appeals Office in Publication 892, *Exempt Organization Appeal Procedures for Unagreed Issues.*

If an organization's representative submits the appeal, a substitute declaration must be included stating that the representative prepared the appeal and accompanying documents; and whether the representative knows personally that the statements of facts contained in the appeal and accompanying documents are true and correct.

An attorney, certified public accountant, or an individual enrolled to practice before the Internal Revenue Service may represent you during the appeal process. If you want representation during the appeal process, you must file a proper power of attorney, Form 2848, *Power of Attorney and Declaration of Representative*, if you have not already done so. You can find more information about representation in Publication 947, *Practice Before the IRS and Power of Attorney*. All forms and publications mentioned in this letter can be found at www.irs.gov, Forms and Publications.

If you do not file a protest within 30 days, you will not be able to file a suit for a declaratory judgment in court because the Internal Revenue Service (IRS) will consider the failure to appeal as a failure to exhaust available administrative remedies. Section 7428(b)(2) of the 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 United States Court of Federal 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 IRS.

If you do not intend to protest this determination, you do not need to take any further action. If we do not hear from you within 30 days, we will issue a final adverse determination letter. That letter will provide information about filing returns and other matters.

Please send your protest statement, Form 2848, and any supporting documents to the applicable address:

Mail to:
Internal Revenue Service
Exempt Organizations
P.O. Box 2508
Cincinnati, OH 45202

Deliver to:
Internal Revenue Service
Exempt Organizations
550 Main Street
Cincinnati, OH 45202

You may also fax your statement using the fax number shown in the heading of this letter. If you fax your statement, please call the person identified in the heading of this letter to confirm that he or she received your fax.

If you have any questions, please contact the person whose name and telephone number are shown in the heading of this letter.

Sincerely,

Lois Lerner
Director, Exempt Organizations
Rulings & Agreements

Enclosures:
Attachment "A" website address:
FTC Facts for Consumers, December 2005