



TAX EXEMPT AND
GOVERNMENT ENTITIES
DIVISION

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

Number: **201036025**
Release Date: 9/10/2010

Date: June 15, 2010

501.03-00
509.01-01

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). Recently, we sent you a letter in response to your application that proposed an adverse determination. The letter explained the facts, law and rationale, and gave you 30 days to file a protest. Since we did not receive a protest within the requisite 30 days, the proposed adverse determination is now final.

Because 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. File the returns in accordance with their instructions, and do not send them to this office. Failure to file the returns timely may result in a penalty.

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, 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 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: April 24, 2007

Contact Person:

Identification Number:

Contact Number:

FAX Number:

Employer Identification Number:

Uniform Issue List:

501.03-00

509.01-01

Legend:

A =

M =

N =

O =

P =

R =

S =

W =

X =

Y =

m =

n =

o =

p =

q =

r =

s =

t =

u =

v =

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) of the Code. Based on the information submitted, we have concluded that you do not qualify for exemption under that section. The basis for our conclusion is set forth below.

You were formed on u by a declaration of trust pursuant to the laws of the state in which you are located.

In your application, you indicate that you were formed to provide financial support to the publicly supported organizations identified in your Trust Agreement. You are requesting classification as an organization described in section 509(a)(3) of the Code based on your relationship with A. A is an organization recognized as exempt from federal income tax under section 501(c)(3) and is classified as a publicly supported organization. Schedule A of the Trust Agreement specifies additional publicly supported organizations you may support.

Initially, you were governed by five trustees. Your founders, M and N, served as two of your trustees. Two of your trustees were appointed by A. The fifth trustee was appointed by your founders and the trustees appointed by A.

M and N, are disqualified persons with respect to you. O, M's business partner, also served as an initial trustee. The two remaining trustees had no familial or business relationship with your founders. We have considered the structure of your governing body both before and after the change on y for purposes of this ruling.

Section 1.05 of your Trust Agreement provides that upon dissolution your assets shall be distributed to an organization or organizations described in section 501(c)(3) of the Code.

Section 2.2 of your Trust Agreement identifies A as your primary charity and states that A is entitled to % of your gross investment income.

Section 4.02(h) of your Trust Agreement authorizes you to loan money to any person at such times and upon such terms you consider advisable.

You are funded by contributions from your founders, M and N, along with investment income. Based on the information you furnished in a document labeled "Funding Deposits", your total support from 20 through 20 was m.

In each of 2002, 2004 and 2005, you distributed at least % of your net income to the publicly supported organizations identified in your Trust Agreement. You distributed at least 33 1/3% of your income in each of those years to A. A total of n was distributed to

the publicly supported organizations specified in your Trust Agreement. No distributions to the publicly supported organizations were made in 20 .

In your letter dated November 4, 20 , you represent that the support you provide to A constitutes less than % of its overall support. In your letter dated January 19, 20 , you indicate that your funds are used for the general purposes of A and that you do not support a specific activity of A.

During 20 , 20 , and 20 , you made loans to W totaling o. You provided conflicting information regarding the total amount of the loans. We used your breakdown of the individual loans to arrive at o. M holds a % ownership interest with respect to W. O holds a % ownership interest in W. Your attorney, S, holds a % interest in W. The portion of the loan attributable to M's ownership interest was secured by a deed of trust between you and N Revocable Living Trust. M holds no ownership interest in the assets of N Revocable Living Trust. If the Trust is revoked prior to repayment of the loan, all of the assets will be distributed to someone other than M, leaving you with a note that is without value. The portion of the loan attributable to S's ownership interest was secured by a deed of trust between you and R Revocable Living Trust. S holds no ownership interest in the assets of R Revocable Living Trust. If the Trust is revoked prior to repayment of the loan, all of the assets will be distributed to someone other than S, leaving you with a note that is without value.

In 20 , you made a loan of p to X. X is owned by P, M's business partner with respect to Y. The loan is secured by a deed of trust with respect to property owned by P. You did not provide an appraisal verifying that the property used as collateral has a value that is at least equal to the amount of the loan.

In 20 and 20 , you made loans totaling q to Y. Y is owned by M and his business partners. M owns a % ownership interest in Y. The portion of the loan attributable to his ownership interest was secured by a deed of trust between you and N Revocable Living Trust. M holds no ownership interest in the assets of N Revocable Living Trust. If the Trust is revoked prior to repayment of the loan, all of the assets will be distributed to someone other than M, leaving you with a note that is without value.

In 20 , you made a loan of r to N. This loan, which has been repaid, was unsecured.

Each of the unpaid loans described above require interest only payments until the due date. All loans, except the loan to N, have a ten year term. The interest rate on these loans is in the % range.

In the year 20 , you made no distributions to the publicly supported organizations. You distributed a total of \$ in loans during that year.

In the years 20 – 20 , your distributions to charity constituted % of your total distributions. The remaining % of your distributions were made as loans to N, M, and his business partners.

501(c)(3):

Law

Section 501(a) of the Code provides, in part, that organizations described in section 501(c) are exempt from federal income tax. Section 501(c)(3) provides in pertinent part, that an organization must be organized and operated exclusively for religious, charitable, or educational purposes and no part of its net earnings may inure to the benefit of any private shareholder or individual.

Section 1.501(c)(3)-1(a)(1) of the Income Tax Regulations provides that in order for an organization to be exempt under section 501(c)(3) of the Code it 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 or operational test, it is not exempt.

Section 1.501(c)(3)-1(b)(4) of the regulations provides that an organization is not organized exclusively for one or more exempt purposes unless its assets are dedicated to an exempt purpose. Further, it provides that an organization does not meet the organizational test if its articles or the law of the State in which it was created provide that its assets would, upon dissolution, be distributed to its members or shareholders.

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 which accomplish one or more such exempt purposes specified in section 501(c)(3) of the Code. 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(c)(2) of the regulations provides that 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. Section 1.501(a)-1(c) defines the words "private shareholder or individual" in section 501 to refer to persons having a personal and private interest in the activities of the organization.

Section 1.501(c)(3)-1(d)(1)(ii) of the regulations provides that an organization must be organized and operated to serve a public rather than a private interest and specifically

that it is not organized or operated for the benefit of private interests such as designated individuals, the creator or his family, shareholders of the organization, or persons controlled directly or indirectly, by such private interests.

Section 4946 of the Code provides, in pertinent part, that for purposes of this subchapter, the term "disqualified person" means, with respect to a private foundation, a person who is —

- (A) a substantial contributor to the foundation,
- (B) a foundation manager (within the meaning of subsection (b)(1)),
- (C) an owner of more than 20 percent of —
 - (i) the total combined voting power of a corporation,
 - (ii) the profits interest of a partnership, or
 - (iii) the beneficial interest of a trust or unincorporated enterprise, which is a substantial contributor to the foundation,
- (D) a member of the family (as defined in subsection (d)) of any individual described in subparagraph (A), (B), or (C), and
- (E) a corporation of which persons described in subparagraph (A), (B), (C), or (D) own more than 35 percent of the total combined voting power.

In Rev. Rul. 67-5, 1967-1 C.B. 123, the Service found that an organization controlled by the creator's family was operated to enable the creator and his family to engage in financial activities that were beneficial to them, but detrimental to the organization. The organization owned common stock of a corporation controlled by the organization's creator and his family. The corporation paid no dividends. The Service held that the foundation was operated for a substantial non-exempt purpose and served the private interest of the creator and therefore, was not entitled to exemption under section 501(c)(3) of the Code.

The "not more than an insubstantial part of its activities" standard of section 1.501(c)(3)-1(c)(1) of the regulations can be understood by reference to Better Business Bureau v. United States, 316 U.S. 279 (1945) which held that an organization which engaged in some educational activity but pursued nonprofit goals outside the scope of the statute was not exempt under section 501(c)(3) of the Code. The Court stated that an organization is not operated exclusively for charitable purposes if it has a single noncharitable purpose that is substantial in nature. This is true regardless of the number or importance of the organization's charitable purposes. Thus, the operational test standard prohibiting a substantial nonexempt purpose is broad enough to include inurement, private benefit, and operations which further goals outside the scope of section 501(c)(3).

In Best Lock Corporation v. Commissioner, 31 T.C. 620 (1959), the court upheld the denial of recognition of section 501(c)(3) status of an organization that loaned funds to members of the founder's family, even though the loans were repaid. The court determined that loans to family members and unsecured loans to friends of the founder and his family promoted private rather than charitable purposes.

In Founding Church of Scientology v. United States, 412 F.2d 1197 (Ct. Cl. 1969) and in Church in Boston v. Commissioner, 71 T.C. 102 (1978), the courts found that the very existence of a private source of loan credit from an organization's earnings may itself amount to inurement.

Rationale

In 20 , 20 , and 20 , you loaned a total of o to W. M holds a % ownership in W and Q holds a % ownership interest in W.

In 20 , you made a loan of p to X. X is owned by P, M's business partner with respect to Y.

In 20 and 20 , you made loans totaling r to Y. Y is owned by M and his business partners.

During the period the loans were made, M, N, and Q served as three of your five initial trustees. M and N, disqualified persons with respect to you, were in a position to influence Q since he was a business partner of M's. Since they held three of the five positions on your governing body, they controlled your operations, including the decision to make loans.

All of the loans you made to corporations were made solely to corporations in which one or more of M and Q or their business partners held a financial interest. The sole loan to an individual was made to N. The loans to W were not secured by adequate collateral. A total of % of the collateral provided with respect to that loan was held by the N Revocable Living Trust and the R Revocable Living Trust. If the trusts are revoked, the assets will be distributed to N and R, respectively, leaving you with promissory notes that are without value. You have not submitted documents evidencing that the property used as collateral in the loan to X, which is owned by P, has a value equal to that of the loan. None of these loans can be said to have been made at arm's length. This is evidenced by the fact that loans were made solely to disqualified persons and their business partners; the decision to make the loans were made by M, N, and Q, each of whom benefited by at least one of the loans; and, inadequate collateral was provided

with respect to two of the loans. Accordingly, the loans resulted in private benefit and inurement to M, N, and O, and private benefit to W, X, and Y.

During the period 20 through 20 , you made loans totaling t, % of your total distributions during that period. You have failed to establish that making the loans described above furthers an exempt purpose.

Like the organization described in Rev. Rul. 67-5, supra, through their control over your operations, M, N and O caused you to engage in financial activities that were beneficial to them and their business partners but detrimental to you. See also Best Lock Corporation, supra, loans to family members might be considered made for personal purposes regardless of whether they are repaid; Founding Church of Scientology v. United States, supra, and Church in Boston v. Commissioner, supra, the very existence of a private source of loan credit from an organization's earnings may itself amount to inurement.

An organization must establish that it operates exclusively for charitable purposes, and thus will not qualify for exemption under section 501(c)(3) if it has a single non-charitable purpose that is substantial in nature. An organization is not operated exclusively for exempt purposes if its net earnings inure in whole or in part to the benefit of private individuals. See Better Business Bureau v. United States, supra.

You were formed to operate for the benefit of M, N, O, and W, X, and Y, businesses owned by either M, O, or their business partners. Thus, your primary purpose results in private benefit and inurement to M, N, and O and private benefit to W, X, and Y. Accordingly, you serve a private rather than public purpose.

Based on the information provided in your Form 1023 and supporting documentation, we conclude that you are not operated exclusively for purposes described in section 501(c)(3) of the Code. You have not shown that your assets do not inure to any private individual. In fact, your application demonstrates you operate for the benefit of M, N, O, W, X, and Y.

Section 509(a)(3):

Law

Section 509(a) of the Code defines the term "private foundation" as an organization described in section 501(c)(3) other than organizations described in section 509(a)(1),

(2), (3), or (4). Section 509(a)(3) provides that the term "private foundation" does not include an organization that:

(A) is organized and operated exclusively for the benefit of, to perform the function of, or to carry out the purposes of one or more organizations described in section 509(a)(1) or (2);

(B) is operated, supervised or controlled by, or in connection with, one or more organizations described in section 509(a)(1) or (2);

(C) is not be controlled, directly or indirectly, by one or more persons who would be disqualified persons as defined in section 4946 if the organization were a private foundation, other than foundation managers as defined in section 4946(a)(1)(B) and organizations described in section 509(a)(1) and (2).

Section 1.509(a)-4(c)(1) of the regulations provides that an organization is organized exclusively for one or more purposes specified in section 509(a)(3)(A) of the Code only if its articles of organizations: (i) limit the purposes of such organization to one or more of the purposes set forth in section 509(a)(3)(A); (ii) do not expressly empower the organization to engage in activities which are not in furtherance of purposes set forth in section 509(a)(3)(A); (iii) state the specified publicly supported organizations; and (iv) do not expressly empower the organization to operate to support or benefit any organization other than the specified publicly supported organizations stated in its articles of organization.

Section 1.509(a)-4(e)(1) of the regulations provides that a supporting organization must engage solely in activities that support or benefit the specified publicly supported organizations. These activities may include making payments to or for the use of, providing services or facilities for, individual members of a charitable class benefited by the publicly supported organizations. With respect to permissible beneficiaries, that section of the regulations provides, in pertinent part, that an organization will be regarded as "operated exclusively" to support or benefit one or more specified publicly supported organizations even if it supports or benefits an organization, other than a

private foundation, which is described in section 501(c)(3) and is operated, supervised, or controlled directly by or in connection with such publicly supported organizations.

Section 1.509(a)-4(j)(1) of the regulations provides that an organization will be considered "controlled," for purposes of section 509(a)(3), if the disqualified persons, by aggregating their votes or positions of authority, may require such organization to perform any act which significantly affects its operations or may prevent such organization from performing such act. This includes, but is not limited to, the right of a substantial contributor or his spouse to designate annually the recipients, from among the publicly supported organizations of the income attributable to his contribution to the supporting organization. Thus, if the governing body of a foundation is composed of five trustees, none of whom has veto power over the actions of the foundation, and no more than two trustees are at any time disqualified persons, such foundation will not be considered controlled, directly or indirectly, by one or more disqualified persons by reason of this fact alone. However, all pertinent facts and circumstances including the nature, diversity, and income yield of an organization's holdings, the length of time particular stocks, securities, or other assets are retained, and its manner of exercising its voting right with respect to stocks in which members of the governing body also have some interest, will be taken into consideration in determining whether a disqualified person does in fact indirectly control an organization.

Rev. Rul. 80-207, 1980-2 C.B. 193, held that an organization with a 4-person-board consisting of a substantial contributor and two employees of a corporation owned (over 35 percent) by the substantial contributor was indirectly controlled by disqualified persons and was not a supporting organization under section 509(a)(3) of the Code. The Service stated that because one of the organization's directors was a disqualified person and neither the disqualified person nor any other director had a veto power over the organization's actions, the organization was not directly controlled by a disqualified person under section 1.509(a)-4(j) of the regulations. However, in determining whether an organization is indirectly controlled by one or more disqualified persons, one circumstance to be considered is whether a disqualified person is in a position to influence the decisions of members of the organization's governing body who are not themselves disqualified persons.

Quarrie Charitable Fund v. Commissioner, 603 F.2d 1274 (7th Circuit, August 15, 1979), affirming the Tax Court at 70 T.C. 182 (May 8, 1978), holding that the organizational test was not satisfied where the trustee had the power to substitute beneficiaries when, in the judgment of the trustee, the uses of the named beneficiaries became unnecessary, undesirable, impracticable, impossible or no longer adapted to the needs of the public.

Rationale:

ORGANIZATIONAL TEST

You are not organized to benefit one or more specified publicly supported organizations. Pursuant to sections 1.509(a)-4(c)(1)(iii) and (iv), an organization's governing instrument must state the specified publicly supported organization(s) on whose behalf the organization is to be operated and cannot expressly empower the organization to support or benefit any organizations other than the specified publicly supported organization(s).

Section 1.05 of your Trust Agreement provides that upon dissolution your assets may be distributed to organizations other than the supported organization identified in your Trust Agreement. Thus, you do not satisfy the requirements of section 1.509(a)-4(c)(1)(iv) of the regulations. See also, Quarrie Charitable Fund v. Commissioner, 603 F.2d 1274 (7th Cir. 1979) (holding that the organizational test was not satisfied where the trustee had the power to substitute beneficiaries when, in the judgment of the trustee, the uses of the named beneficiaries became unnecessary, undesirable, impracticable, impossible or no longer adapted to the needs of the public).

Accordingly, you do not meet the organizational test.

OPERATIONAL TEST

Your Trust Agreement permits you to operate for other than permissible beneficiaries. It allows you to support organizations other than those specified in the Trust Agreement. The organizations are not required to be other than private foundations which are operated, supervised, or controlled directly by or in connection with the specified publicly supported organizations.

You have expended % of your assets to satisfy M, N, O, X, W, and Y's need for loans. You did not meet the operational test in the years 20 , 20 and 20 since you did not engage solely in activities that support or benefit A or the other specified publicly supported organizations. In 20 , you failed to meet the operational test since you have not established that distributions were made to any of the specified publicly supported organizations in those years.

Thus, you failed to meet the operational test. See section 1.509(a)-4(e)(1) and (2) of the regulations.

OPERATED IN CONNECTION WITH TEST

Section 1.509(a)-4(f)(2) of the regulations provides that in order to qualify under section 509(a)(3)(B), an organization must be (i) operated, supervised, or controlled by, (ii) supervised or controlled in connection with, or (iii) operated in connection with, one or

more publicly supported organizations. The requirements for "operated in connection" type relationship are set forth in section 1.509(a)-4(i).

Prior to v, you did not meet either the operated, supervised, or controlled by, or the supervised or controlled in connection with test. Only two of your five trustees were appointed by A. Although A had one of two votes with respect to your fifth trustee, A did not control selection of that trustee since your grantor trustees had veto power. Accordingly, prior to v, the only relationship that was available to you was the operated in connection relationship.

Section 1.509(a)-4(i)(1)(i) of the regulations provides that an organization must meet both the "responsiveness test" of section 1.509(a)-4(i)(2) and the "integral part test" of section 1.509(a)-4(i)(3) to be operated in connection with one or more specified publicly supported organizations.

Section 1.509(a)-4(i)(3)(i) of the regulations provides that the "integral part test" is considered to have been satisfied if the supporting organization maintains a significant involvement in the operations or one or more publicly supported organizations and the publicly supported organizations are in turn dependent upon the supporting organization for the type of support which it provides. In order to meet the integral part test, either section 1.509-4(i)(3)(ii) or (iii) must be satisfied.

Section 1.509(a)-4(i)(3)(ii) of the regulations provides that the activities engaged in for or on behalf of the publicly supported organizations must be activities to perform the functions of, or to carry out the purposes of, such organizations and, but for, the involvement of the supporting organization, would normally be engaged in by the publicly supported organizations themselves.

Section 1.509(a)-4(i)(3)(iii)(a) of the regulations provides that a supporting organization coming under the "operated in connection with" status must make payments of substantially all of its income to or for the use of one or more publicly supported

organizations, and the amount of support received by one or more of such publicly supported organizations must be sufficient to assure the attentiveness of such organizations to the operations of the supporting organization. In addition, a substantial amount of the total support of the supporting organization must go to those publicly supported organizations that meet the attentiveness requirement of this subdivision with respect to such supporting organization. Except as provided in (b) of this subdivision, the amount of support received by a publicly supported organization must represent a sufficient part of the organization's total support so as to assure such attentiveness.

Section 1.509(a)-4(i)(3)(iii)(b) of the regulations provides that even where the amount of support received by a publicly supported beneficiary organization does not represent a sufficient part of the beneficiary's total support, the amount of support received from a supporting organization may be sufficient to meet the requirements of this subdivision if it can be demonstrated that in order to avoid the interruption of the carrying on a particular function or activity, the beneficiary organization will be sufficiently attentive to the operations of the supporting organization. This may be the case where either the supporting organization or the beneficiary organization earmarks support received from the supporting organization for a particular program or activity, even if such program or activity is not the beneficiary organization's primary program or activity so long as such program or activity is a substantial one.

Rev. Rul. 76-208, 1976-1, C.B. 161, provides that although the term "substantially all" is not defined in the regulations under section 509 of the Code, it is defined in the Foundation Excise Tax Regulations issued under sections of the Code which were promulgated under the Tax Reform Act of 1969 as was section 509. Section 53.4942(b)-1(c) of the regulations provides that for the purposes of section 4942(j)(3)(A) of the Code (relating to qualifying distributions by private operating foundations) the term "substantially all" shall mean 85 percent or more. For purposes of the integral part test, the term "substantially all" is considered to have the same meaning that it has in section 53.4942(b)-1(c) of the regulations.

During the year 20 , you made no distributions to your publicly supported organizations. Thus, you do not meet the integral part test. Accordingly, you are not operated in connection with A or any of the organizations listed at Schedule A.

CONTROL TEST

Prior to y, M, N, and O served as your initial trustees. M and N are disqualified persons as described in section 4946 of the Code. O is a foundation manager and thus, is not

considered to be a disqualified person with purposes of section 1.509(a)-4(j)(1) of the regulations. That section of the regulations provides that under the provisions of section 509(a)(3)(C) a supporting organization may not be controlled directly or indirectly by one or more disqualified persons (as defined in section 4946) other than foundation managers and other than one or more publicly supported organizations. While you were not directly controlled by M and N at the time you were formed, you were indirectly controlled by M and N since M had substantial influence over O through their business relationship. Accordingly, M and N indirectly controlled you. See Rev. Rul. 80-207 regarding the disqualified person's ability to influence the decisions of members of the governing board who are not disqualified persons.

From your creation in December, 20 , to the present you have been effectively "controlled" by M by virtue of the loans you have made to his business interests or to his wife, N, also a disqualified person. We deem the loans to his business interests as direct evidence of M's control of you within the meaning of section 1.509(a)-4(j) of the regulations. Any exempt charity operating at arm's length is not going to make 22 loans to businesses or investments in which the creator and donor has a substantial interest or to such persons' wife, unless they are controlled by the donor/creator. Due to the large number of loans, the lack of meaningful collateral, the period for which the loans were outstanding, and the disruption or interruption such loans caused to the carrying out of your charitable purpose all constitute convincing evidence of M's control of you. We note in this regard that the total loans made represent % of your total distributions. Accordingly, we hold that you are controlled by M.

Conclusion:

Based on the above analysis of the information provided in your Form 1023 and supporting documentation, we conclude that you are not a supporting organization. You have not established that you meet the requirements of section 509(a)(3). You have not established that you are organized and operated exclusively for the benefit of specified publicly supported organizations. You have failed to establish that you have a sufficient relationship with specified publicly supported organizations. Finally, you have not established that disqualified persons do not control you.

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.

Your protest statement should be accompanied by the following declaration:

Under penalties of perjury, I declare that I have examined this protest statement, including accompanying documents, and, to the best of my knowledge and belief, the statement contains all the relevant facts, and such facts are true, correct, and complete.

You also have a right to request a conference to discuss your protest. This request should be made when you file your protest statement. An attorney, certified public accountant, or an individual enrolled to practice before the Internal Revenue Service may represent you. If you want representation during the conference procedures, you must file a proper power of attorney, Form 2848, *Power of Attorney and Declaration of Representative*, if you have not already done so. For more information about representation, see 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 declaratory judgment in court because the Internal Revenue Service (IRS) will consider the failure to protest as a failure to exhaust available administrative remedies. Code section 7428(b)(2) provides, in part, that a declaratory judgment or decree 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 all of the 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 tax returns and other matters.

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

Internal Revenue Service
TE/GE (SE:T:EO:RA:T:3)
Liz Ardoin, 3P8, PE
1111 Constitution Ave, N.W.
Washington, DC 20224

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,

Robert Choi
Director, Exempt Organizations
Rulings & Agreements