DEPARTMENT OF THE TREASURY
INTERNAL REVENUE SERVICE
TE/GE: EO Examinations
625 Fulton Street, Room 503
Brooklyn, NY 11201

501.03-00

TAX EXEMPT AND
GOVERNMENT ENTITIES
DIVISION

July 13, 2010

Number: **201040022**
Release Date: 10/8/2010

LEGEND
ORG = Organization name XX = Date Address = address FDN-1, FDN-2 & FDN-3 = 1ST, 2ND & 3RD FND

ORG
ADDRESS

Taxpayer Identification Number:
Person to Contact:
Identification Number:
Contact Telephone Number:

CERTIFIED MAIL

Dear :

This is a final adverse determination regarding your exempt status under section 501(c)(3) of the Internal Revenue Code (the Code). Our favorable determination letter to you dated January 20XX is hereby revoked and you are no longer exempt under section 501(a) of the Code effective January 1, 19XX.

The revocation of your exempt status was made for the following reason(s):

You are not operating exclusively for any charitable purpose, educational purpose, or any other exempt purpose. Our examination reveals that you are not engaged primarily in activities which accomplish charitable, educational or other exempt purposes as required by Treas. Reg. 1.501(c)(3)-1(c)(1). Your activities, including your financial transactions, more than insubstantially furthered non-exempt purposes. Moreover, you failed to establish that you were not operated for the benefit of private interest of your founders, FDN-1 and FDN-2, trustee FDN-3, their family and related business entities as required for continued recognition of exemption pursuant to Treas. Reg. 1.501(c)(3)-1(d)(1)(ii). Your income inured to the benefit of private shareholders and individuals.

Contributions to your organization are no longer deductible under IRC §170 after January 1, 19XX.

You are required to file income tax returns on Form 1041. These returns should be filed with the appropriate Service Center for the tax year ended December 31, 20XX and for all tax years thereafter in accordance with the instructions of the return.

Processing of income tax returns and assessments of any taxes due will not be delayed should a petition for declaratory judgment be filed under section 7428 of the Internal Revenue Code.

If you decide to contest this determination under the declaratory judgment provisions of section 7428 of the Code, a petition to the United States Tax Court, the United States Claims Court, or the district court of the United States for the District of Columbia must be filed before the 91st Day after the date this determination was mailed to you. Please contact the clerk of the appropriate court for rules regarding filing petitions for declaratory judgments by referring to the enclosed Publication 892. You may write to these courts at the following addresses:

You also have the right to contact the Office of the Taxpayer Advocate. Taxpayer Advocate assistance is not a substitute for established IRS procedures, such as the formal Appeals process. The Taxpayer Advocate cannot reverse a legally correct tax determination, or extend the time fixed by law that you have to file a petition in a United States court. The Taxpayer Advocate can, however, see that a tax matter that may not have been resolved through normal channels gets prompt and proper handling. You may call toll-free, 1-877-777-4778, and ask for Taxpayer Advocate Assistance. If you prefer, you may contact your local Taxpayer Advocate at:

We will notify the appropriate State Officials of this action, as required by Code section 6104(c). You should contact your State officials if you have any questions about how this final determination may affect your State responsibilities and requirements.

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

Sincerely,

Nanette M. Downing
Director, EO Examinations

Enclosure:
Publication 892

TAX EXEMPT AND
GOVERNMENT ENTITIES
DIVISION

DEPARTMENT OF THE TREASURY
Internal Revenue Service
1616 Capital Av Ste 450 Stop 4710OMA
Omaha, NE 68102-4923

July 14, 2009

ORG
ADDRESS

Taxpayer Identification Number:

Form:

Tax Year(s) Ended:

Person to Contact/ID Number:

Contact Numbers:
Telephone:
Fax:

Certified Mail - Return Receipt Requested

Dear

We have enclosed a copy of our report of examination explaining why we believe revocation of your exempt status under section 501(c)(3) of the Internal Revenue Code (Code) is necessary.

If you accept our findings, take no further action. We will issue a final revocation letter.

If you do not agree with our proposed revocation, you must submit to us a written request for Appeals Office consideration within 30 days from the date of this letter to protest our decision. Your protest should include a statement of the facts, the applicable law, and arguments in support of your position.

An Appeals officer will review your case. The Appeals office is independent of the Director, EO Examinations. The Appeals Office resolves most disputes informally and promptly. The enclosed Publication 3498, *The Examination Process*, and Publication 892, *Exempt Organizations Appeal Procedures for Unagreed Issues*, explain how to appeal an Internal Revenue Service (IRS) decision. Publication 3498 also includes information on your rights as a taxpayer and the IRS collection process.

You may also request that we refer this matter for technical advice as explained in Publication 892. If we issue a determination letter to you based on technical advice, no further administrative appeal is available to you within the IRS regarding the issue that was the subject of the technical advice.

If we do not hear from you within 30 days from the date of this letter, we will process your case based on the recommendations shown in the report of examination. If you do not protest this proposed determination within 30 days from the date of this letter, the IRS will consider it to be a failure to exhaust your available administrative remedies. Section 7428(b)(2) of the Code provides, in part: "A declaratory judgment or decree under this section shall not be issued in any proceeding unless the Tax Court, the Claims Court, or the District Court of the United States for the District of Columbia determines that the organization involved has exhausted its administrative remedies within the Internal Revenue Service." We will then issue a final revocation letter. We will also notify the appropriate state officials of the revocation in accordance with section 6104(c) of the Code.

You have the right to contact the office of the Taxpayer Advocate. Taxpayer Advocate assistance is not a substitute for established IRS procedures, such as the formal appeals process. The Taxpayer Advocate cannot reverse a legally correct tax determination, or extend the time fixed by law that you have to file a petition in a United States court. The Taxpayer Advocate can, however, see that a tax matter that may not have been resolved through normal channels gets prompt and proper handling. You may call toll-free 1-877-777-4778 and ask for Taxpayer Advocate Assistance. If you prefer, you may contact your local Taxpayer Advocate at:

If you have any questions, please call the contact person at the telephone number shown in the heading of this letter. If you write, please provide a telephone number and the most convenient time to call if we need to contact you.

Thank you for your cooperation.

Sincerely,

Sunita Lough
Director, EO Examinations

Enclosures:
Publication 892
Publication 3498
Report of Examination

ORG = Organization name XX = Date ORG-1 = 1st ORG State = state City = city FDN-1, FDN-2 & FDN-3 = 1ST, 2ND & 3RD FOUNDERS DIR-1 & DIR-2 = 1ST & 2ND DIRECTORS BM-1 & BM-2 = 1ST & 2ND BM RA-1, RA-2, RA-3, RA-4, RA-5, RA-6 & RA-7 1ST, 2ND, 3RD, 4TH, 5TH, 6TH, & 7TH RA CO-1 THRU CO-22 = 1ST THRU 22ND COMPANIES

ISSUE: Whether the IRC § 501(c)(3) tax exempt status of ORG should be revoked because it is not operated exclusively for tax exempt purposes?

FACTS:

ORG (the "Organization") was created with a Declaration of Trust (the "Declaration") by FDN-1 and FDN-2 (each being a "Founder") and FDN-1 ("Trustee") on May 18, 19XX. The Declaration provides that the trust was created for the purpose of establishing an organization which is described in IRC § 501(c)(3) and IRC § 509(a)(3). The Declaration provides that the Founders renounce any power to determine or control, by alteration, amendment, revocation, termination or otherwise, the income or principal of the trust estate and that the Founders renounce any interest, either vested or contingent, including any reversionary interest or possibility of reverter, in the income or principal of the trust estate.

The Declaration further requires that each year the Trustee shall distribute 35% of the net income of the trust to the CO-1, the named Primary Charity. In addition to this distribution, each year the Trustee shall distribute a total of 50% of the net income to one or more organizations listed on Schedule A. If the Organization's board of directors (the "Board") has not directed the Trustee as to which organizations should receive grants within 7 days prior to April 30 of the year after the income is earned, the Trustee shall determine the grant recipients.

There are 86 organizations listed on Schedule A and some of them state "and affiliated organizations," such as "CO-7 and affiliated organizations."

The Declaration provides that the Board shall be the governing body of the trust and that the members of the Board shall be determined as follows:

- One Board member shall be appointed by the CO-1 or its designated agent
- Two Board members shall be from the class consisting of FDN-1, FDN-2 and FDN-3 and the descendants of FDN-3
- The other members of the Board shall be appointed by a majority vote of the Board. The initial Board members under this category shall be BM-1 and BM-2.

On June 24, 19XX, the Declaration was amended to add the following organizations to Schedule A: CO-2, CO-3, CO-4 and CO-5. Moreover, on December 1, 20XX, the Declaration was again amended to change the name of the Organization from ORG-1 to ORG.

The Declaration provides that upon winding up and dissolution of the trust, the assets shall be distributed to a non-profit fund, foundation or corporation, which is organized and operated exclusively for charitable, educational, religious, and/or scientific purposes, and which has established its tax exempt status under section 501(c)(3). The Declaration also provides that if the Trustee determines the trust fund is too small to economically administer, the Trustee shall distribute the trust fund in its entirety outright and free of trust to such organizations described in section 170(c)(2) as the Trustee shall determine. The Declaration further states that in the event that the trust does not obtain tax exempt status under sections 501(c)(3) and 509(a)(3) of the Internal Revenue Code, the assets of the trust shall go to the Ferrin family, as a contingent remainder.

By letter dated January 28, 20XX, the Organization was recognized by the Internal Revenue Service (the "Service") as exempt from Federal income tax under section 501(a) as an organization described in section 501(c)(3), and classified as a supporting organization described in section 509(a)(3). The Service's determination letter was based on the Organization's representations concerning its proposed operation and the supporting documents it submitted during the application process. However, the Organization did not disclose during the application process that it had, or intended in the future to, lend virtually all of its assets to the Founders, members of their family and related business entities.

Income and grants

The following income and grants were reported on the Organization's Forms 990.

	20XX	20XX	20XX	20XX
Income				
Interest				
Contributions	0	0	0	0
Total				

	20XX	20XX	20XX	20XX
Grants				
CO-6				
CO-7				
CO-4				
CO-2				
CO-7				
CO-8				
CO-3				

CO-10		
CO-11		
CO-13		
CO-12		
CO-14		
CO-15		
CO-16	0	0
Total		

It is noted that no grants were made to the Primary Charity during any of these years.

Balance Sheet (end of year)

The following are the Organization's assets per its Forms 990.

	20XX	20XX	20XX	20XX
Cash	$$	$	$	$
Other notes and Loans receivable	$$	$$	$$	$$

Loans

The Organization made 11 loans to the Founders, their family and/or related business entities from inception through the time of examination. The Organization's Forms 990 reported all the loans. Per the Forms 990, the Organization made the following six loans, all of which are evidenced by promissory notes:

1) A loan, dated 4-2-XX, to FDN-1 and FDN-2, Trustees of the CO-17, in the amount of $$. This note was secured by land and filed with CO-18 in State. The terms called for monthly interest payments of $$, commencing 5-2-XX and on the 2nd day of each month thereafter until April 2, 20XX, at which time all unpaid principal and interest is to be paid in full. The interest rate was 6.5%. The prime rate of interest (the "Prime Rate") was 7.75 at the time the loan was made. This loan was paid off prior to 20XX.

2) A loan, dated 5-8-XX, to RA-1 in the amount of $$ at 6% interest. This loan was due 6-8-19XX and was secured by his 19XX Jeep Cherokee. At the time the loan was made, the Prime Rate was 7.75%. The loan was paid off in 20XX. RA-1 is FDN-1's brother.

3) A loan, dated 10-18-XX, to RA-2 and RA-3 in the amount of $$ at 10% interest. Monthly

principal and interest of $$ were to be made commencing 11-1-XX and on the first day of the month until paid in full, for a term of approximately 3 years. The loan was secured by land and filed in City, State. The Prime Rate when the loan was made was 8.25%. The loan was paid off in 20XX. RA-2 is the FDN-1 nephew.

4) A loan, dated 8-15-XX, to RA-4 and RA-5 in the amount of $$ at 7.5% interest. This loan was due 9-15-XX. The note was secured by the borrowers' 19XX Audi Quattro 200 vehicle. When the loan was made, the Prime Rate was 9.50%. The loan was paid off prior to 20XX. RA-5 is the FDN-1 daughter.

5) A loan, dated 12-7-XX, to RA-6 and RA-7 in the amount of $$ at 8%. The loan was due 12-7-20XX. This loan was guaranteed by FDN-1. At the time the loan was made, the Prime Rate was 9.50%. The loan was paid off in 20XX. RA-6 and RA-7 are FDN-1's parents.

6) A loan, dated 12-30-XX, to CO-19 in the amount of $$ at 6% interest. This note is secured by a 20% interest in CO-20, a proposed ski resort. The loan is due by 12-28-XX. The balance at the end of 20XX was $$. The Prime Rate was 4.84% when this loan was made.

The Organization also made the following undocumented loans, which are reported on the Organization's Forms 990.

7) A loan sometime in 19XX to CO-21 ("CO-21") in the amount of $. FDN-1, DIR-1 and DIR-2 are listed as the directors of CO-21. These same individuals are (or have been) on the Board of the Organization. The average Prime Rate in 19XX was 7.99%. This loan was written off in 20XX. According to correspondence provided by the Organization, dated July 20, 20XX, CO-21 ceased to exist in 20XX and the investment could not be repaid.

8) A loan sometime in 20XX to FDN-1 Associates in the amount of $$. The Organization's Form 990 for 20XX shows an ending balance of $$ for this loan. The average Prime Rate in 20XX was 9.23%.

9) A loan sometime in 20XX to FDN-1 and FDN-2 in the amount of $$. The Organization also lent FDN-1 and FDN-2 another $$ in 20XX. The Organization's Form 990 for 20XX shows an ending balance of $$ for this loan, of which $$ was apparently accrued interest. The average Prime Rate in 20XX was 6.92%.

10) A loan sometime in 20XX to CO-22 in the amount of $$, which was still the amount owed at the end of 20XX according to the Organization's Form 990 for 20XX. CO-22' Registered Agent is FDN-1.

11) A loan sometime in 20XX to RA-2 and RA-3 in the amount of $$. This loan was paid off

in 20XX. RA-2 is the FDN-1 nephew.

As indicated above, all of these eleven loans were made by the Organization between 19XX and 20XX. At least four of these loans were made prior to the Service issuing the Organization the January 28, 20XX determination letter that recognized it as an exempt organization. Moreover, the loans were all made to the Organization's Founders, members of their family and/or related business entities.

Five of the loans at issue were not memorialized in any written documentation, other than the Organization's Forms 990. Of those five undocumented loans, three were outstanding at the end of 20XX and one was written off. Out of the remaining six loans that are supported by promissory notes, the largest of these loans had an outstanding balance of $$ at the end of 20XX. According to the Organization, no payments have been made on any of these outstanding loans since December 31, 20XX.

Because there is no promissory note for three of the unpaid loans, their maturity dates and other relevant loan factors are unknown. The total of all the outstanding loans as of December 31, 20XX is $$. These unpaid loans were made to the Founders, their family and entities that they control. The Organization has not taken any enforcement actions with regard to these loans.

The only asset listed on the Organization's Form 1023, Application for Recognition of Exemption, was cash. Although at least four of the loans at issue were made prior to the issuance of the Organization's determination letter, the Organization did not disclose any of these loans to the Service. Moreover, the Organization's Form 1023 also fails to disclose the Founders' intentions of making other loans to themselves, their family and related business entities.

Minutes

The Organization provided the Service with copies of its minutes. The minutes for 20XX and 20XX state that the Board reviewed the outstanding loans, payment history and the financial status of the Organization. Moreover, all of the minutes indicate that they were agreed to unanimously by the Board. However, the minutes do not tell who was present at the meetings and they are signed only by FDN-1.

LAW:

IRC § 501(c)(3) exempts from Federal income tax: corporations, and any community chest, fund, or foundation, organized and operated exclusively for religious, charitable, scientific, testing for public safety, literary, or educational purposes, or for the prevention of cruelty to children or animals, no part of the net earnings of which inures to the benefit of any private shareholder or individual, no substantial part of the activities of which is carrying on propaganda, or otherwise attempting to influence legislation and which does not participate in, or intervene in (including the publishing or distributing of statements), any political campaign on behalf of any candidate for public office.

Regulation section 1.501(c)(3)-1(c)(1) 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 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.

Regulation section 1.501(c)(3)-1(c)(2) 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. The term "private shareholder or individual" is defined in Regulation section 1.501(a)-1(c) as persons having a personal and private interest in the activities of an organization.

Regulation section 1.501(c)(3)-1(d)(1)(ii) provides an organization is not organized or operated exclusively for one or more exempt purposes unless it serves a public rather than a private interest. Thus, to meet the requirement of this subdivision, it is necessary for an organization to establish that it is not organized or operated for the benefit of private interests such as the creator or his family, shareholders of the organization, or persons controlled, directly or indirectly, by such private interests.

In Revenue Ruling 67-5, 1967-1 C.B. 123, it was held that a foundation controlled by the creator's family was operated to enable the creator and his family to engage in financial activities which were beneficial to them, but detrimental to the foundation. It was further held that the foundation was operated for a substantial non-exempt purpose and served the private interests of the creator and his family. Therefore, the foundation was not entitled to exemption from Federal income tax under section 501(c)(3).

In Better Business Bureau v. United States, 326 U.S. 279 (1945), the United States Supreme Court held that regardless of the number of truly exempt purposes, the presence of a single substantial non-exempt purpose will preclude exemption under section 501(c)(3).

In Founding Church of Scientology v. U.S., 412 F. 2d 1197 (Ct. Cl. 1969), the court stated that loans to an organization's founder or substantial contributor can constitute inurement that is prohibited under section 501(c)(3). In that case, the church made loans to its founder and his family and failed to produce documentation that demonstrated that the loans were advantageous to the church. The church also failed to produce documentation to show that the loans were repaid. Significantly, the court stated that "the very existence of private source of loan credit from an organization's earnings may itself amount to inurement of benefit."

Facts that show a charity's investments are decided in part by the needs of private interests indicate the charity may not be operated exclusively for exempt purposes. Western Catholic Church v. Commissioner, 73 T.C. 196, 214 (1979) .

The very presence of a private source of loan credit may amount to inurement. Founding Church of Scientology v. United States, 412 F.2d 1197 (Ct. Cl. 1969); Church in Boston v. Commissioner, 71 T.C. 102 (1978).

Loans to disqualified persons promote private rather than charitable purposes. Best Lock Corporation v. Commissioner, 31 T.C. 1217, 1235-37 (1959).

GOVERNMENT'S POSITION:

The IRC § 501(c)(3) tax exempt status of ORG (the "Organization") should be revoked because it is not operated exclusively for tax exempt charitable purposes. More than an insubstantial purpose of the Organization is to serve the financial needs of its founders, FDN-1 and FDN-2 (the "Founders"), their family and related business entities. Additionally, the net earnings of the Organization have inured to the benefit of these insiders.

FDN-1 has operated the Organization for the benefit of his and his family's personal and business interests. There is no indication that the terms of the loans at issue were reviewed by anyone acting in the interests of Organization. There is no evidence that the Organization made any attempts at collection after payments stopped on the loans by December 31, 20XX. In addition, there is no evidence that the board of directors (the "Board") attempted in any manner to ensure that the Organization received repayment of the loans.

Based on the information provided, it appears that the Organization entered into a business investment with CO-20 that was not viable, and that the Organization was left with investment dollars that were then converted into the December 30, 20XX loan to CO-19. According to the Organization's power of attorney, the investment was negatively effected after the terrorist attacks of September 11, 20XX.

The Organization is controlled by FDN-1 and his wife, FDN-2. The Form 1023 filed with the Internal Revenue Service indicated that FDN-1 and FDN-2 may be disqualified persons since they may be substantial contributors. As indicated by the following chart, most of the assets of the Organization are receivables from business interests of FDN-1 and FDN-2 and members of their family.

	20XX	20XX	20XX	20XX
Loans at Issue	$	$	$	$
Total assets				
Loans as a percent of assets				

	20XX	20XX	20XX	20XX
Charitable grants				
Charitable grants as a percent of assets				

The Organization, which is controlled by FDN-1 as the trustee (the "Trustee"), has been primarily operated to enable him, his wife, his family and their business interests, to engage in financial activities beneficial to them and/or entities with whom they are transacting business, but detrimental to the Organization. While the Organization has distributed $$ to charitable organizations during the years 20XX through 20XX, none of which was contributed to the Primary Charity listed in its Declaration of Trust, the Organization lent over $$ of its funds to its Founders, their family, and/or to entities they control. Many of these loans were not repaid and the loan terms were not complied with. Accordingly, the Organization is operated for a substantial non-exempt purpose. See Revenue Ruling 67-5.

The facts show that FDN-1 and FDN-2, their family and related business entities are able to use the Organization's funds as if the funds were their own, borrowing from the Organization and repaying without observing the terms of the loans. Accordingly, the Organization's net earnings have inured to the benefit of these insiders.

An organization is described in section 501(c)(3) only if no part of its net earnings inures to the benefit of any private shareholder. The inurement prohibition is designed to insure that charitable assets are dedicated to exclusively furthering public purposes. An organization is not operated exclusively for exempt purposes if its net earnings inure to the benefit of private shareholders or individuals.

In addition, a charity's assets are required to be irrevocably dedicated to charitable purposes. Treas. Reg. § 1.501(c)(3)-1(b)(4). The inurement prohibition serves to prevent the individuals who operate the charity from siphoning off any of a charity's income or assets for personal use. By lending its assets back to the Founders, their family and related business entities as loans that do not require payments for a substantial period of time and/or loans the terms of which are not enforced, the Organization breached the dedication requirement and its net earnings have inured to the benefit of these private individuals/persons.

Although the inurement prohibition is stated in terms of net earnings, it applies to any of a charity's assets that serve the interests of its private shareholders. Harding Hospital, Inc. v. United States, 505 F.2d 1068, 1072 (6th Cir. 1974). The transfer of funds directly to an organization's insiders and/or to their businesses serves the financial interests of the insiders and/or their businesses. Facts that show a charity's investments are decided in part by the needs of private interests indicate the charity may not be operated exclusively for exempt purposes. Western Catholic Church v. Commissioner, 73 T.C. 196, 214 (1979), aff'd 631 F.2d 736 (7th Cir. 1980). Even if the transaction is characterized as an investment, when a charity's investments are decided in part by the needs of private interests, the charity is not operating exclusively for exempt purposes. Western Catholic Church v. Commissioner, 73 T.C. 196, 214 (1979), aff'd 631 F.2d 736 (7th Cir. 1980).

Inurement can take the form of questionable transactions that have no causal relationship to the organization's exempt purposes but result in some benefit to an insider. The insider is in a position to exercise control over the organization's net earnings as if the earnings were his/her own by using the earnings at will rather than within the limitations of a fiduciary capacity. In effect, the insider is using the public's "net earnings" for his/her own benefit.

The Organization's net earnings have inured to the benefit of the Founders, their family and related business enterprises. Treas. Reg. § 1.501(a)-1(c); Ginsburg v. Commissioner, 46 T.C. 47 (1966). The very presence of a private source of loan credit may amount to inurement. Founding Church of Scientology v. United States, 412 F.2d 1197 (Ct. Cl. 1969); Church in Boston v. Commissioner, 71 T.C. 102 (1978). Loans to such insider persons promote private rather than charitable purposes. Best Lock Corporation v. Commissioner, 31 T.C. 1217, 1235-37 (1959).

Accordingly, the Organization's status as an organization described in section 501(c)(3) should be revoked, effective January 1, 19XX, because it did not operated exclusively for exempt purposes and its Form 1023 omitted any information regarding the four loans made during or prior to the time its application for exemption was pending.

TAXPAYER'S POSITION:

Taxpayer has indicated to the agent who conducted this examination that it is in agreement with the Government's Position.

CONCLUSION:

Form 886A	Department of the Treasury - Internal Revenue Service **Explanation of Items**	Schedule No. or Exhibit
Name of Taxpayer **ORG** **EIN: EIN**		**Year/Period Ended** December 31, 20XX December 31, 20XX December 31, 20XX

The status of ORG (the "Organization") as an organization described under section 501(c)(3) should be revoked, effective January 1, 19XX, because it did not operate exclusively for exempt purposes. Its assets have inured to, and it served the private interests of, its creators and other related persons. The Organization transferred most of its assets to its founders, FDN-1 and FDN-2, starting on April 2, 19XX. Therefore, the Organization failed to operate exclusively for exempt purposes when its net earnings inured to the benefit of these insiders beginning in 19XX. In addition, the Organization's operations were materially different from the representations that it made in its application for exemption because its application omitted material facts concerning loans to its founders, their family and related business entities.

Form 1041 U.S. Income Tax Return for Estates and Trusts should be filed for tax years ending December 31, 20XX, 20XX, 20XX, 20XX, and 20XX. Subsequent returns are due no later than the 15th day of the 4th month following the close of the Organization's accounting period. Returns for the periods ending December 31, 20XX, 20XX, 20XX, 20XX, and 20XX should be sent to the following mailing address: