



## WILSON & RATLEDGE

PROFESSIONAL LIMITED LIABILITY COMPANY

ATTORNEYS AT LAW

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BOCA RATON, FL 33432  
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December 20, 2010

Mr. Doug Robinson, President  
North Carolina Woodworker, Inc.  
1012 Mauldin Circle  
Wake Forest, North Carolina 27587

Dear Mr. Robinson:

Per our conversation on Friday, I enclose a draft response to Ms. Ginger Jones' letter of November 22, 2010. Please review the response in its entirety for accuracy with respect to NC Woodworker, Inc.'s activities and membership.

Also enclosed is a draft of Articles of Amendment as required by Ms. Jones in her letter of November 22, 2010. This document, along with the Amendment to the Bylaws previously adopted by the Board of Directors, requires approval by the Members. Member approval is required before the Articles of Amendment are filed with the North Carolina Secretary of State. The filing fee for the Articles of Amendment is \$25.

Your Bylaws require at least 14 days' notice for a member vote, and Mrs. Jones has provided a deadline of December 27 for a response to her letter. As a result, although Ms. Jones' letter indicates the copy of the Articles of Amendment submitted to her must indicate processing and approval by the North Carolina Secretary of State, I recommend (as indicated in the enclosed draft) you submit to her all other requested information, along with a copy of the Articles of Amendment not yet filed, with a statement indicating the Articles have been submitted to the members for a vote, the deadline for submission of votes, the Articles will be filed promptly upon member approval, and a copy of the filed Articles of Amendment will be forthcoming immediately upon their processing.

Please advise as to when you can get the Articles of Amendment out for a member vote, and when the deadline for voting will be. With that information, and upon your general approval of the draft, I can finalize the letter for your signature on the company's letterhead and submission to Ms. Jones.

Finally, I enclose a copy of my letter to Ms. Jones, which is fairly self-explanatory. Basically, she is out of the office until January 3, however, I propose to move forward just as we discussed. Please feel free to call if you have any questions.

Sincerely yours,

WILSON & RATLEDGE, PLLC



Lesley W. Bennett

DRAFT DATED December 20, 2010

[NC WOODWORKER LETTERHEAD]

[DATE]

Ms. Ginger Jones  
Exempt Organizations Specialist  
Group # 7823  
ID# 2003152  
**VIA FACSIMILE 513-263-3695**

***Re: North Carolina Woodworker, Inc., EIN 26-3073531***

Dear Ms. Jones:

Please see below responses to your statements 1) through 8) in your letter dated November 22, 2010 regarding the above referenced applicant for exemption from income tax under Section 501(c)(3) of the Internal Revenue Code (the "Code"):

- 1) Penalty of Perjury statement signatures are included below and on attached copy of your November 22 letter.
- 2) "Royalties" are specifically exempt from Unrelated Business Income under Section 512 of the Code. NC Woodworker, Inc. ("NCW") acknowledges that, to the extent the revenues are determined not to be royalties, not substantially related to NCW's exempt purposes, and not qualified as any other exemption from Unrelated Business Income, the income could be taxable; however, NCW points out that the third-party determination of placement of advertisers is consistent with a key factor in the determination of whether or not revenues are "royalties" (i.e., that the nonprofit entity is passive in the management and administration of the program generating the revenue).
- 3) The annual demonstrations and other workshops are open to the public. The specific content of the demonstrations and workshops vary and are somewhat dependent on availability and the particular expertise of the woodworkers to conduct them. Examples of specific skills and techniques from recent demonstrations and workshops include steam-bending, pen turning, segmented turning, scroll-saw working and making bowls with a router. All demonstrations and workshops are, however, the equivalent of a course of instruction and are designed to advance the skillsets of the attendees.
- 4) "Shop crawls" are also open to the public, although, for safety reasons due to the fact that "shops" are frequently located at a person's house, a person from the general public must be "sponsored" or invited as the guest of a member. They provide courses of instruction, similar to demonstrations and workshops, except that the attendees travel to a series of existing woodworking locations, rather than demonstrating woodworkers traveling to a gathering of attendees at, for example, a park or events venue. Attendees will travel in a

single day to multiple workshops to see a series of demonstrations, one at each location. These types of demonstrations are useful where, for example, the equipment needed is large and/or heavy. In addition, the equipment and organization of workshops are topics of interest in their own right. Shop crawls, just like demonstrations and workshops, are designed to advance the attendees' skillsets.

- 5) Your letter requests that website pages you enclosed be initialed by an officer. Neither we nor our attorney received such pages with your letter. If you will please provide those, I will be happy to initial them for you.
- 6) The primary purposes of NCW, as provided in Item 4 of its Articles of Incorporation and Section 2.1 of its Bylaws, are to "promote and provide education, communication, collaboration, and other services ancillary and reasonably related to the learning and practice of the art and craft of woodworking in the state of North Carolina and surrounding areas." NCW's activities are all designed to advance the education and skillsets of its users. Corporate membership may be limited to those with certain qualifications; however, much of the content on NCW's website, as well as attendance at many of NCW's events, is open to the general public. In addition, if a user meets minimal qualifications, corporate membership is currently free. Further, while NCW is not a school, it is organized to provide "instruction or training of individuals for the purpose of improving or developing their capabilities", as stated under "Educational Organizations" in Publication 557 and its discussion of 501(c)(3) organizations. Conversely, NCW is not formed to promote social welfare or to promote general benefit to a specific community, as described in Publication 557's discussion of entities exempt under by Section 501(c)(4); nor is it formed for pleasure or recreational purposes, as described in Publication 557's discussion of social and recreation clubs exempt under Section 501(c)(7). NCW's focus is the continuing education of woodworkers in North Carolina and surrounding states. While NCW's activities may, in limited respects, overlap activities which might also be carried on by a trade association, NCW's primary purpose is not business oriented; rather, it is to provide courses of instruction for the advancement of the art, skill and craft of woodworking itself, not trade in products made by woodworkers.
- 7) NCW's Board of Directors has submitted Articles of Amendment, a copy of which is attached to this letter, for approval by the members, which is required before the document can be filed with the North Carolina Secretary of State. The deadline for submission of votes is \_\_\_\_\_. The document will be filed promptly upon approval by the members, and a copy will be provided to you promptly upon their processing by the North Carolina Secretary of State.
- 8) The language required under this Item is included in the Articles of Amendment discussed above

***Under penalties of perjury, I declare that I have examined this information, including accompanying documents, and, to the best of my knowledge and belief, the information***

Ms. Jones  
[DATE]  
Page 3 of 3

*contains all the relevant facts relating to the request for the information and such facts are true, correct, and complete.*

NC WOODWORKER, INC.

s

By: \_\_\_\_\_  
Douglas Robinson, President

RRF

**State of North Carolina**  
**Department of the Secretary of State**

**ARTICLES OF AMENDMENT**  
**NONPROFIT CORPORATION**

Pursuant to §55A-10-05 of the General Statutes of North Carolina, the undersigned corporation hereby submits the following Articles of Amendment for the purpose of amending its Articles of Incorporation.

1. The name of the corporation is NC Woodworker, Inc.
2. The text of the amendment adopted is as follows:

The third, fourth and fifth paragraphs of Article 4 are deleted and replaced in their entirety with:

The corporation may make distributions to organizations that qualify as exempt organizations under section 501(c)(3) of the Internal Revenue Code (or the corresponding provisions of any future United States Internal Revenue Law).

No part of the net earnings of the corporation shall inure to the benefit of, or be distributable to, its member(s), director(s), officers, or other private person, except that the corporation shall be authorized and empowered to pay reasonable compensation for services rendered and to make payments and distributions in furtherance of the purposes set forth in these articles of incorporation. No substantial part of the activities of the corporation shall be the carrying on of political propaganda, or otherwise attempting to influence legislation, and the corporation shall not participate in or intervene in (including the publishing or distribution of statements) any political campaign or on behalf of any candidate for public office. Notwithstanding any other provision of the articles, the corporation shall not carry on any other activities not permitted to be carried on (a) by a corporation exempt from Federal income tax under section 501(c)(3) of the Internal Revenue Code (or the corresponding provisions of any future United States Internal Revenue Law) or (b) by a corporation, contributions to which are deductible under section 170(c)(2) of the Internal Revenue Code of 1986 (or the corresponding provision of any future United States Internal Revenue Law).

Upon the dissolution of the corporation, assets shall be distributed for one or more exempt purposes within the meaning of section 501(c)(3) of the Internal Revenue Code, or the corresponding section of any future federal tax code, or shall be distributed to the federal government, or to a state or local government, for a public purpose. Any such assets not so disposed of shall be disposed of by a Court of Competent Jurisdiction of the county in which the principal office of the corporation is then located, exclusively for such purposes or to such organization or organizations, as said Court shall determine, which are organized and operated exclusively for such purposes.

3. The date of adoption of each amendment was as follows: \_\_\_\_\_
4. The amendment was approved by the members as required by Chapter 55A.
5. These articles will be effective upon filing.

This the \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_

NC Woodworker, Inc.  
Name of Corporation

\_\_\_\_\_  
Signature

Douglas Robinson, President  
Type or Print Name and Title



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FAX (561) 338-4811

December 20, 2010

VIA FACSIMILE: (513) 263-3695

Ms. Ginger Jones  
Exempt Organizations Specialist  
Group # 7823  
ID# 203152  
Internal Revenue Service

**RE: *North Carolina Woodworker, Inc.***  
***EIN: 26-3073531***

Dear Ms. Jones:

As a follow up to my telephone message to you of today regarding the above captioned entity, I write to confirm our proposal to submit a response to your letter of November 22, 2010, attached, which will be as complete as possible, by December 27, 2010, the date you previously provided as an extended deadline.

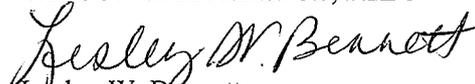
As I state in my message, the Articles of Amendment you require must be approved by the members of the corporation, and a minimum 14-day voting period is required by the corporation's bylaws. I take your voice mail greeting to indicate that, since you are now out of the office until January 3, 2010, you will accept a response by that date. Unfortunately, the combined membership voting and time for the North Carolina Secretary of State to process the Articles upon filing will not allow us to fully meet either a December 27 or January 3 deadline.

As a result, we intend to comply as fully as possible and submit to you a response by December 27. The response will include a copy of the Articles put to a member vote, and will indicate the voting deadline and that a copy will be provided as soon as they are filed and processed with the North Carolina Secretary of State.

I hope this proposal is agreeable. We appreciate your patience and consideration in this matter.

Sincerely,

WILSON & RATLEDGE, PLLC

  
Lesley W. Bennett

Cc: Douglas Robinson

Internal Revenue Service  
P. O. Box 2508 – Room 4106  
Cincinnati, OH 45201

Department of the Treasury

Date: November 22, 2010

North Carolina Woodworker Inc  
1012 Mauldin Circle  
Wake Forest, NC 27587  
Attention: Douglas Robinson

Thomas J Wilson  
Wilson & Ratledge PLLC  
4600 Marriott Drive  
Suite 400  
Raleigh, NC 27612

Employer Identification Number:  
26-3073531

Person to Contact – Group #:  
Ginger Jones - 7823  
ID# 203152

Contact Telephone Numbers:  
(513)263-4955 Phone  
(513)263-3695 Fax

Hours:  
M-F 6:45 am to 3:30 pm EST

Response Due Date:  
December 13, 2010

Dear Sir or Madam:

We need more information before we can complete our consideration of your application for exemption. Please provide the information requested on the enclosure by the response due date shown above. Your response must be signed by an authorized person or an officer whose name is listed on your application. Also, the information you submit should be accompanied by the following declaration:

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

Please attach a copy of this letter to all correspondence related to your application. This will enable us to associate the additional correspondence or documents with your application case file quickly and accurately, to facilitate processing of your application.

If we do not hear from you within that time, we will assume you no longer want us to consider your application for exemption and will close your case. As a result, the Internal Revenue Service will treat you as a taxable entity. If we receive the information after the response due date, we may ask you to send us a new application.

In addition, if you do not respond to the information request by the due date, we will conclude that you have not taken all reasonable steps to complete your application for exemption. Under Code section 7428(b)(2), you must show that you have taken all the reasonable steps to obtain your exemption letter under IRS procedures in a timely manner and exhausted your administrative remedies before you can pursue a declaratory judgment. Accordingly, if you fail to timely provide the information we need to enable us to act on your application; you may lose your rights to a declaratory judgment under Code section 7428.

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

Sincerely yours,



Ginger Jones  
Exempt Organizations Specialist

Enclosures: Information Request

TEDS Letter 1312

North Carolina Woodworker Inc  
26-3073531

Additional Information Requested:

- 1) Please read the Penalties of Perjury statement on page 1 above. Then, please sign and date below. NOTE: The Penalties of Perjury statement must be signed and dated by a board member of the organization.

\_\_\_\_\_  
Signature Name

\_\_\_\_\_  
Date

\_\_\_\_\_  
Printed Name

\_\_\_\_\_  
Title

- 2) It is stated you receive royalties. The royalties are for the advertisements placed on the website in which a for-profit organization determines who will be placed. Please acknowledge the understanding this income may be considered Unrelated Business Income and would be a taxable income.
- 3) You have stated annual woodworking demonstrations take place each year as well as other workshops. Please explain what the organization is teaching for these demonstrations. The explanation should include if this is open to the general public or members only. How are the general public made aware of these workshops?
- 4) Please explain what a shop crawl is and how it furthers an exempt purpose under section 501(c)(3) of the Internal Revenue Code.
- 5) Please have an officer, director, or trustee of the organization initial and date each page of the website that is enclosed with this letter.
- 6) According to your website, [www.ncwoodworker.net](http://www.ncwoodworker.net), your membership is limited and not open to the general public. You also promote sale of personal items on your website. You have links to for-profit organizations selling products. You also have a discount program for members only. It appears you are more of a club and not an organization under section 501(c)(3) of the Internal Revenue Code. Please explain how you are described as an organization classified under section 501(c)(3) of the Internal Revenue Code. Also review publication 557 to determine if you have applied for the correct section. You appear to be better suited for section 501(c)(4) or 501(c)(7) of the Internal Revenue Code.
- If you wish to continue under section 501(c)(3) of the Internal Revenue Code, please complete all questions in this letter as well as provide information as to why you feel you qualify for exemption under this section as well as any law to support you.
  - If you wish to continue under another section, please complete Form 1024, questions 1,2,3,4, 5, and 6, as well as an acknowledgement that donations made to such organization are normally not a tax deductible donation.
- 7) Your Articles of Incorporation state you will qualify under section 501(c). This reference is made in several areas. If you wish to apply for section 501(c)(3) this information must be amended to reflect the correct section.

North Carolina Woodworker Inc  
26-3073531

- 8) In order to meet the organizational test for exemption under section 501(c)(3), your organizational document, Articles of Incorporation, must be amended to include the following provisions:
- Upon the dissolution of the corporation, assets shall be distributed for one or more exempt purposes within the meaning of section 501(c)(3) of the Internal Revenue Code, or the corresponding section of any future federal tax code, or shall be distributed to the federal government, or to a state or local government, for a public purpose. Any such assets not so disposed of shall be disposed of by a Court of Competent Jurisdiction of the county in which the principal office of the corporation is then located, exclusively for such purposes or to such organization or organizations, as said Court shall determine, which are organized and operated exclusively for such purposes.

**PLEASE SUBMIT A COMPLETE COPY OF THIS AMENDMENT. SINCE YOU ARE INCORPORATED IN THE STATE OF NORTH CAROLINA, THE COPY YOU SUBMIT TO US MUST SHOW THAT IT HAS BEEN PROPERLY FILED AND APPROVED BY YOUR APPROPRIATE STATE AGENCY.**

**\*\*\*\*\* Important Response Submission Information \*\*\*\*\***

- Fax your response to each of the items requested above to the name and fax number shown at the top of page 1 of this letter. If not able to fax, please mail to the appropriate address below.
- Do not fax and mail your response. Faxing and mailing your response will result in unnecessary delays in processing your application. Each piece of correspondence submitted, whether fax or mail, must be processed, assigned, and reviewed by an EO Determinations specialist.
- Do not fax your response multiple times. Faxing your response multiple times will delay the processing of your application for the reasons noted above.

**IF FAXING, PLEASE DIRECT ALL CORRESPONDENCE TO:**  
(513)263-3695

**IF MAILING, PLEASE DIRECT ALL CORRESPONDENCE TO:**

US Mail:  
Internal Revenue Service  
Exempt Organizations  
P. O. Box 2508  
Cincinnati, OH 45201  
Attention: Ginger Jones  
Room: 4106  
Group: 7823

Street Address:  
Internal Revenue Service  
Exempt Organizations  
550 Main Street, Federal Bldg.  
Cincinnati, OH 45202  
Attention: Ginger Jones  
Room: 4106  
Group: 7823