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UNITED STATES  
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Date 11/23/92

Signature [REDACTED]

13 OCT 1992

Employer Identification Number: [REDACTED]  
Key District Office: [REDACTED]

Dear Sir or Madam:

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)(7) of the Code.

The information submitted indicates that you were incorporated under the [REDACTED] Nonprofit Corporation Act on [REDACTED]. Your Articles of Incorporation indicate that you were formed as a social and recreational club to "manage, operate and maintain a campground in a manner designed to satisfy two primary objectives:

1. To promote social relationships among its members; and
2. To provide recreational camping opportunities for its members."

You are a membership organization. The number of memberships available is limited by your By-Laws to [REDACTED]. Membership, and the associated right to use your facilities is conditioned upon timely payment of annual dues and is subject to the provisions of your By-Laws relating to expulsion. Members have the right to a [REDACTED] undivided interest in the campground. Memberships are transferable.

Your By-Laws state that your business and affairs shall be managed by your Board of Directors. You have a five member Board of Directors which is composed of the following persons:

- 1) [REDACTED], President
- 2) [REDACTED], Vice-President
- 3) [REDACTED], Secretary
- 4) [REDACTED], Treasurer
- 5) [REDACTED], Director

[REDACTED]

Your campground is located on real property developed by [REDACTED], an [REDACTED] corporation (the "Developer"). In [REDACTED], the majority of the Developer's stock was purchased by [REDACTED], a member of your Board of Directors.

There are approximately [REDACTED] memberships left to sell in your organization. The remaining memberships belong to the Developer. Under your By-Laws, the holder of the unsold memberships has the right to vote them for positions on your Board of Directors. The ability to vote [REDACTED] memberships in one block enables the Developer to elect three of the five members on your Board.

Three of your current board members have strong ties to the Developer. These ties are described below.

[REDACTED] is the Developer's majority stockholder. In addition, [REDACTED] was the President of the Developer in [REDACTED]. He has been a member of Developer's Board during each subsequent year. [REDACTED] is also the sole-shareholder of another for-profit entity known as [REDACTED].

[REDACTED] has been the President of the Developer since [REDACTED].

[REDACTED] became the Treasurer of the Developer in [REDACTED]. In [REDACTED], he assumed the position of Secretary.

You pay the Developer \$[REDACTED] per month on a non-interest bearing loan. The Developer made this loan to you to cover your past operating expenses. You also make payments of \$[REDACTED] per month to [REDACTED] to help pay the costs of a magazine they produce.

Section 501(c)(7) of the Code provides for the exemption from federal income tax of clubs organized and operated for pleasure, recreation, and other non-profitable purposes, substantially all of the activities of which are for such purposes and no part of the net earnings of which inures to the benefit of any private shareholder or individual.

Rev. Rul. 65-219, 1965-2 C.B. 168, provides that a club which is operated as an integral part of a commercial venture for the financial benefit of private individuals is not exempt under section 501(c)(7) of the Code.

In light of the facts outlined above, we have concluded that the Developer has control over your organization, and that you are operated as integral part of the Developer's commercial ventures. These conclusions are supported by the Developer's control over your Board of Directors, and its ownership of the

[REDACTED]

unsold memberships in your organization. Additionally, the presence of a non-interest bearing loan arrangement between yourself and the Developer, as well as, your payments to [REDACTED], are indications of the ability of individuals who control your organization to direct the payment of your funds for the benefit of for-profit entities which they control.

Because you are at the present time operated as an integral part of the commercial venture for the financial benefit of private individuals you are not organized and operated for pleasure, recreation, or other nonprofitable purposes. Further, due to the apparent lack of arms-length negotiations with respect to certain payments made by you to the Developer and [REDACTED], we are unable to conclude that your earnings will not inure to the benefit of private individuals.

Accordingly, we conclude that you do not qualify for recognition of exemption from federal income tax under section 501(c)(7) of the Code.

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

You have the right to protest this ruling if you believe it is incorrect. To protest, you should submit a statement of your views, with a full explanation of your reasoning. This statement, signed by one of your officers, must be submitted within 30 days of from the date of this letter. You also have a right to a conference in this office after your statement is submitted. You must request the conference, if you want one, when you file the your protest statement. If you are to be represented by someone who is not one of your officers that person will need to file a proper power of attorney and otherwise qualify under our Conference and Practice Requirements.

If we do not hear from you within 30 days, this ruling will become final and copies will be forwarded to your key District Director. Thereafter, any questions about your federal income tax status should be addressed to that office.

[REDACTED]

When submitting additional letters with respect to this case to the Internal Revenue Service, you will expedite their receipt by placing the following address on the envelope:

Internal Revenue Service  
[REDACTED]  
1111 Constitution Ave, N.W.  
Washington, D.C. 20224.

Sincerely,

(signed) [REDACTED]

[REDACTED]  
Chief, Exempt Organizations  
Rulings Branch 3

cc: [REDACTED]

cc: [REDACTED]

[REDACTED]

[REDACTED]

9/24/92

[REDACTED]

10-7-92

[REDACTED]

10/7/92