



**Department of the Treasury
Internal Revenue Service
Tax Exempt and Government Entities**

Date:
10/16/2025
Employer ID number:

Form you must file:

Tax years:

Person to contact:
Name:
ID number:
Telephone:

Release Number: 202602003
Release Date: 1/9/2026
UIL Code: 501.03-08, 501.03-30, 501.33-00

Dear :

This letter is our final determination that you don't qualify for exemption from federal income tax under Internal Revenue Code (IRC) Section 501(a) as an organization described in IRC Section 501(c)(3). Recently, we sent you a proposed adverse determination in response to your application. The proposed adverse determination explained the facts, law, and basis for our conclusion, and it gave you 30 days to file a protest. Because we didn't receive a protest within the required 30 days, the proposed determination is now final.

Because you don't qualify as a tax-exempt organization under IRC Section 501(c)(3), donors generally can't deduct contributions to you under IRC Section 170.

We may notify the appropriate state officials of our determination, as required by IRC Section 6104(c), by sending them a copy of this final letter along with the proposed determination letter.

You must file the federal income tax forms for the tax years shown above within **30 days** from the date of this letter unless you request an extension of time to file. For further instructions, forms, and information, visit www.irs.gov.

We'll make this final adverse determination letter and the proposed adverse determination letter available for public inspection after deleting certain identifying information, as required by IRC Section 6110. Read the enclosed Letter 437, Notice of Intention to Disclose - Rulings, and review the two attached letters that show our proposed deletions. If you disagree with our proposed deletions, follow the instructions in the Letter 437 on how to notify us. If you agree with our deletions, you don't need to take any further action.

If you have questions about this letter, you can call the contact person shown above. If you have questions about your federal income tax status and responsibilities, call our customer service number at 800-829-1040 (TTY 800-829-4933 for deaf or hard of hearing) or customer service for businesses at 800-829-4933.

Sincerely,

Stephen A. Martin
Director, Exempt Organizations
Rulings and Agreements

Enclosures:

Letter 437

Redacted Letter 4034

Redacted Letter 4038



**Department of the Treasury
Internal Revenue Service**

Date:
08/26/2025
Employer ID number:

Person to contact:
Name:
ID number:
Telephone:
Fax:

Legend:

B = State
C = Date
D = Date
E = Date
F = Identifier
G = Entity
H = State
J = Number

UIL:
501.03-08
501.03-30
501.33-00

Dear :

We considered your application for recognition of exemption from federal income tax under Internal Revenue Code (IRC) Section 501(a). We determined that you don't qualify for exemption under IRC Section 501(c)(3). This letter explains the reasons for our conclusion. Please keep it for your records.

Issues

Do you qualify for exemption under IRC Section 501(c)(3)? No, for the reasons stated below.

Facts

You were formed in the state of B on C. You previously received exemption under IRC Section 501(c)(3) on D, effective back to your date of formation, C. Your tax-exempt status was automatically revoked due to failure to file three consecutive Form 990 series returns on E.

Your Articles of Incorporation state that your purpose is promoting community welfare, elimination of the effects of historical and current racial prejudice and discrimination and combating the deterioration of minority communities in the United States. Upon dissolution your assets will be distributed for one or more exempt purposes within the meaning of IRC Section 501(c)(3).

Your Articles of Incorporation further state that you will accomplish your purpose by 1) supporting the formation and development of F owned banks, in order to improve the economic conditions and advancement of disadvantaged minority groups primarily in economically depressed areas, 2) conducting educational programs for employees of F banks and other interested members of the public to increase their business and

professional capabilities in service of the foregoing purpose, 3) educating the general public regarding the need for local banks that are rooted in disadvantaged minority communities and the critical role such banks have in the development of new businesses and other socially beneficial enterprises by member of those communities, including the reduction of systemic poverty, and 4) engaging in further activities in furtherance of the foregoing purpose by all other lawful means.

You have a Memorandum of Understanding (MOU) with G that allows you to join them as a strategic partner. Through this MOU you are invited to attend G meetings and contribute to collaborative efforts that will support F banks. You will work together to identify special projects and opportunities with the potential to have a holistic impact on the communities that F banks service. You may also use this MOU to jointly pursue grant dollars to support these special projects. You will assist G with cost negotiation for solution-based services and technology and market awareness. You will also share any research reports with G prior to publishing.

You maintain a working relationship with the heads of all F banks in the United States. You will support F banks through leveraging collective partnerships among F banks across your footprint. These F banks will pool resources to support a singular deal structure which allows for increase of revenue and deposits at the individual bank levels and affords competition for larger deal structures with major banks. In doing so, banks in marginalized communities have larger loan portfolios, more competitive loan rates, enhanced banking products and features, and are more sustainable local branches that serve the disadvantaged minority community. This is accomplished through Health and Welfare Grants, Syndicated Transactions, and educational programs.

Health and Welfare Grants

You received a grant to advance the health and welfare and financial literacy of disadvantaged minority groups in H. Through this grant, F banks in H will:

- Conduct a needs assessment within the F communities of banks to understand their specific financial challenges, aspirations, and knowledge gaps.
- Design a culturally sensitive and tailored curriculum that covers fundamental financial literacy topics such as budgeting, saving, investing, credit, management, homeownership, retirement planning, and entrepreneurship.
- Organize interactive workshops, seminars, and webinars withing the F bank community, delivered by financial experts and healthcare professionals.
- Conduct outreach events in collaboration with local community centers, churches, schools, and other gathering spaces.
- Offer financial literacy sessions and distribute educational materials to a broader audience and encourage active participation.
- Collaborate with healthcare professionals to integrate health and wellness components into financial education programs.
- Educate participants on how financial decisions impact their overall health and wellbeing.
- Assist participants in establishing or improving their credit scores, understanding bank products, and accessing banking services.
- Offer low-cost or no-cost banking options for program participants.

Syndicated Transactions

Some real estate development projects require millions of dollars in financing. Large banks typically finance these large deals because of their sheer size. Smaller banks are not able to finance these deals alone since banks have limitations on how much of their reserves they can lend. F banks do not have the capabilities to do these deals alone but can pool resources by each providing part of the financing in a syndicated transaction. This model pools resources to support a singular deal structure which allows for revenue deposits at the individual bank levels and affords competition for larger deal structures with major banks. This also allows F banks to grow to have capital to lend to disadvantaged communities and improve economic conditions.

You facilitate these transactions on behalf of the F banks and maintain a syndication desk. You organize all F banks and provide a single point of contact that notifies all F banks of potential deals that they may be interested in and eligible to participate in. You use national registry information to analyze the strengths and weaknesses of the F banks and select the most appropriate banks to partake in the syndicated transaction. There are only J banks in the United States that are considered F banks.

Educational Programs

You also plan to serve as a conduit to support small and local minority owned banks to build financial literacy and other support programs to educate their communities regarding best practices and building important banking relationships that fuel their lending opportunities. You take the banks existing financial literacy content and craft it into a literacy programs for either purchasing homes, building businesses, or accessing capital. You also educate bank employees on the need to improve economic conditions in disadvantages areas, and how the financial literacy materials can assist with this. These programs are open to the general public on a first-come first-served basis if they live in the banks operating area.

You also act as a repository to the public through your assimilation of information available from the banking industry, and your leadership's relationships with industry research organizations. You also educate the public, including large corporate enterprises, big banks, businesses, and financially stable individuals on the benefits of banking F and investing in local banks. You plan to form relationships with these entities to develop strategic partnerships and create awareness of your cause.

You are funded entirely from donations and grants. Your expenses include fundraising expenses, professional fees, salaries and wages, and occupancy expense.

Law

IRC Section 501(c)(3) provides for the recognition of exemption of organizations that are organized and operated exclusively for educational, religious, charitable or other purposes as specified in the statute. No part of the net earnings may inure to the benefit of any private shareholder or individual.

Treasury Regulation Section 1.501(c)(3)-1(a)(1) provides that, in order to be exempt as an organization described in IRC Section 501(c)(3) of the Code, an organization 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 test or the operational test, it is not exempt.

Treas. Reg. Section 1.501(c)(3)-1(b)(1)(i) provides that an organization is organized exclusively for one or more exempt purposes only if its articles of organization:

- (a) Limit the purposes of such organization to one or more exempt purposes; and
- (b) Do not expressly empower the organization to engage, otherwise than as an insubstantial part of its activities, in activities that in themselves are not in furtherance of one or more exempt purposes.

Treas. Reg. Section 1.501(c)(3)-1(b)(1)(iv) provides that in no case shall an organization be considered to be organized exclusively for one or more exempt purposes, if, by the terms of its articles, the purposes for which such organization is created are broader than the purposes specified in IRC Section 501(c)(3).

Treas. Reg. 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 that accomplish one or more of such exempt purposes specified in IRC 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.

Treas. Reg. Section 1.501(c)(3)-1(d)(1)(ii) provides that an organization is not organized or operated exclusively for exempt purposes unless it serves a public rather than a private interest. To meet this requirement, it is necessary for an organization to establish that it is not organized or operated for the benefit of private interests.

Treas. Reg. Section 1.501(c)(3)-1(d)(3)(i) provides that the term “educational”, as used in IRC Section 501(c)(3), relates to:

- (a) The instruction or training of the individual for the purpose of improving or developing his capabilities; or
- (b) The instruction of the public on subjects useful to the individual and beneficial to the community.

Revenue Ruling 68-504, 1968-2 C.B. 211, described a nonprofit organization formed and operated to conduct an educational program for bank employees. The organization was found to be furthering educational purposes and qualified for exemption under Section 501(c)(3).

Rev. Rul. 71-395, 1971-2 C.B. 228, a cooperative art gallery was formed and operated by a group of artists for the purpose of exhibiting and selling their works and did not qualify for exemption under Section 501(c)(3) of the Code. It served the private purposes of its members, even though the exhibition and sale of paintings may be an educational activity in other respects.

Rev. Rul 80-287, held that a nonprofit lawyer referral service that arranges for appointments between a lawyer from a pre-approved list, and a requesting member of the general public, is not exempt under IRC Section 501(c)(3).

In Better Business Bureau of Washington, D.C., Inc. v. United States, 326 U.S. 279, 66 S. Ct. 112, 90 L. Ed. 67, 1945 C.B. 375 (1945), the Supreme Court stated that the presence of a single nonexempt purpose, if substantial in nature, will preclude exemption under IRC Section 501(c)(3), regardless of the number or importance of statutorily exempt purposes. Thus, the operational test standard prohibiting a substantial non-exempt purpose is broad enough to include inurement, private benefit, and operations that further nonprofit goals outside of the scope of IRC Section 501(c)(3).

In Ginsberg v. Commissioner, 46 T.C. 47 (1966), the court considered a collective organization created to dredge waterways. The majority of the funds for this activity came from owners of property adjacent to the waterways. The court found that the primary beneficiaries were the adjacent property owners. Any benefit to the general public because these dredged waterways would be a safe harbor for boats during a storm was secondary. Therefore, the organization was not exempt because of the significant private benefit provided.

In Fraternal Medical Specialist Services, Inc. v. Commissioner, 49 T.C.M. (CCH) 289 (T.C. 1984), the court considered the status of an organization engaged in various activities to promote health, including the publication of a newsletter, sponsorship of a health fair, arranging for speakers to discuss health-related matters with community groups, and the operation of a medical and dental referral services. The court concluded that the organizations operations did not further substantial commercial purposes and do not serve private interests. Accordingly, the organization is operated exclusively for charitable purposes and is held to be tax-exempt under Section 501(c)(3).

Application of law

IRC Section 501(c)(3) and Treas. Reg. Section 1.501(c)(3)-1(a)(1) set forth two main tests for an organization to be recognized as exempt. An organization must be both organized and operated exclusively for purposes described in IRC Section 501(c)(3). Based on the information you provided in your application and supporting documentation, we conclude that you fail both tests.

Your Articles of Incorporation do not include a purpose clause that limits your purposes to one or more exempt purposes. The purposes for which you were created are broader than the purposes specified in IRC Section 501(c)(3), including supporting formation and development of banks; and increasing their business and professional capabilities in service. Accordingly, you do not satisfy the organizational test required by Treas. Reg. Section 1.501(c)(3)-1(b)(1)(i) and Treas. Reg. Section 1.501(c)(3)-(b)(1)(iv), and you are not organized for exclusively exempt purposes.

Treas. Reg. Section 1.501(c)(3)-1(d)(1)(ii) and Treas. Reg. Section 1.501(c)(3)-1(c)(1) provide that a public charity must be operated exclusively for a public purpose. You facilitate syndicated transactions on behalf of a select group of banks. You are serving the private interests of these F banks rather than the interests of the public.

Similar to the organization described in Rev. Rul. 71-395, you are facilitating syndicated transactions on behalf of a select group of banks. These transactions are meant to increase the individual banks' lending power, and to allow them to grow. By facilitating these transactions you are a vehicle for increasing the business of these F banks. While assisting the growth of these banks may provide some benefit to the general public, this benefit is insubstantial compared to the benefit provided to these select few banks and their owners.

The organization described in Rev. Rul. 68-504 is providing educational programming for bank employees as well as insubstantial non-exempt social activities. Similar to that organization, you provide educational programs described in Treas. Reg. Section 1.501(c)(3)-1(d)(3)(i) for bank employees and the general public. Unlike that organization, your non-exempt syndicated transaction activities are substantial in nature and would preclude exemption as described in Better Business Bureau.

Like the organization described in Ginsberg, you provide benefits to both the general public and to a select group of banks. Your educational programming and your health and wellness activities provide a direct benefit

to the general public. Your syndicated transactions are conducted with the primary purpose of benefiting these banks and may incidentally benefit the general public.

Similar to the organization described in Rev. Rul. 80-287, you are facilitating syndicated transactions on behalf of a select group of banks. These banks are pre-selected, maintained in a registry, and are reviewed and selected for participation as these syndicated transaction opportunities arise. As described in Rev. Rul. 80-287, providing services is not regarded as conferring a charitable benefit to the community unless the service directly accomplishes an established charitable purpose. Your facilitation of syndicated transactions does not directly accomplish an established charitable purpose. Although these transactions may provide some benefit to the public, a substantial purpose of this program is to grow the select few banks you work with.

Fraternal Medical Specialist Services describes an organization engaged in various activities to promote health, including the publication of a newsletter, sponsorship of a health fair, arranging for speakers to discuss health-related matters with community groups, and the operation of a medical and dental referral services. The court found that the referral service operated by the organization furthered the exempt purpose of promoting health. The court further found that the referral service was not serving the private interests of the service providers because the service providers did not receive more than a nominal number of referrals annually. Unlike the organization described in Fraternal Medical Specialist Services, your syndicated transaction program does not further an exempt purpose and provides more than a nominal number of transactions annually. Your program is not open to all banks in a geographic area, but only F banks across the United States. This program is a substantial part of your activities and is operated primarily to benefit the banks you have selected to include in the program. As such your syndicated transaction program is a substantial non-exempt purpose that precludes exemption.

Conclusion

Based on the information submitted, you fail the organizational and operational test under IRC Section 501(c)(3). While some of your activities provide a public benefit, you also facilitate syndicated transactions on behalf of F banks. By operating this program you are operated for the substantial non-exempt purpose of serving the private interests of the banks that you have selected to participate in this program. Accordingly, you do not qualify for exemption under Section 501(c)(3).

If you agree

If agree with our proposed adverse determination, you don't need to do anything. If we don't hear from you within 30 days, we'll issue a final adverse determination letter. That letter will provide information on your income tax filing requirements.

If you don't agree

You have a right to protest if you don't agree with our proposed adverse determination. To do so, send us a protest within 30 days of the date of this letter. You must include:

- Your name, address, employer identification number (EIN), and a daytime phone number
- A statement of the facts, law, and arguments supporting your position
- A statement indicating whether you are requesting an Appeals Office conference
- The signature of an officer, director, trustee, or other official who is authorized to sign for the organization or your authorized representative
- The following declaration:

For an officer, director, trustee, or other official who is authorized to sign for the organization:
Under penalties of perjury, I declare that I have examined this request, or this modification to the request, including accompanying documents, and to the best of my knowledge and belief, the request or the modification contains all relevant facts relating to the request, and such facts are true, correct, and complete.

Your representative (attorney, certified public accountant, or other individual enrolled to practice before the IRS) must file a Form 2848, Power of Attorney and Declaration of Representative, with us if they haven't already done so. You can find more information about representation in Publication 947, Practice Before the IRS and Power of Attorney.

We'll review your protest statement and decide if you gave us a basis to reconsider our determination. If so, we'll continue to process your case considering the information you provided. If you haven't given us a basis for reconsideration, we'll send your case to the Appeals Office and notify you. You can find more information in Publication 892, How to Appeal an IRS Determination on Tax-Exempt Status.

If you don't file a protest within 30 days, you can't seek a declaratory judgment in court later because the law requires that you use the IRC administrative process first (IRC Section 7428(b)(2)).

Where to send your protest

Send your protest, Form 2848, if applicable, and any supporting documents to the applicable address:

U.S. mail:

Internal Revenue Service
EO Determinations Quality Assurance
Mail Stop 6403
PO Box 2508
Cincinnati, OH 45201

Street address for delivery service:

Internal Revenue Service
EO Determinations Quality Assurance
550 Main Street, Mail Stop 6403
Cincinnati, OH 45202

You can also fax your protest and supporting documents to the fax number listed at the top of this letter. If you fax your statement, please contact the person listed at the top of this letter to confirm that they received it.

You can get the forms and publications mentioned in this letter by visiting our website at www.irs.gov/forms-pubs or by calling 800-TAX-FORM (800-829-3676). If you have questions, you can contact the person listed at the top of this letter.

Contacting the Taxpayer Advocate Service

The Taxpayer Advocate Service (TAS) is an independent organization within the IRS that can help protect your taxpayer rights. TAS can offer you help if your tax problem is causing a hardship, or if you've tried but haven't been able to resolve your problem with the IRS. If you qualify for TAS assistance, which is always free, TAS will do everything possible to help you. Visit www.taxpayeradvocate.irs.gov or call 877-777-4778.

Sincerely,

Stephen A. Martin
Director, Exempt Organizations
Rulings and Agreements