

Name	Maker	2nd	Aye	Nay	Abstain
Nevins			X		
Bird		X	X		
DeLawter			X		
Buesking			X		
Cunliffe			X		
Hanavan	X		X		
Hillman			X		

Motion 20070629

Title: Amend Article 4 paragraphs 2.c and 2.d of the by-laws

Text of the motion: I propose the following amendment to the By-laws, namely to change the wording of Article 4 paragraphs 2.c and 2.d:

c. **“Honorary Friends of the Association”** are relatives (other than a spouse) of a deceased Active Member who shall be entitled to such benefits and privileges as determined by The Board, without any payment, but who shall not be members of the Association, and are not entitled to vote or serve as an Officer or Board Member.

d. **“Friends of the Association”** are those who apply to receive newsletters or other products offered by the Association under such payments or terms as The Board may set, but who shall not be members of the Association, and are not entitled to vote or serve as an Officer or Board Member.

Rationale or explanation: The law under which the IRS established 501(c)19 Veteran's Organizations as non-profit and tax-exempt entities states that "substantially all" of our members must be either current or former members of the United States Armed Forces. Since that leaves considerable latitude for interpretation, the IRS promulgated a regulation that defines things a little more closely. That regulation was further tightened between the time we originally sought status as a 501(c)19 organization and now. Due to the more stringent rules in use now, technically we may not be in compliance without some wording change to our By-Laws or a complete reorganization to include both a core organization and an "auxiliary". Of those two choices, the former is far more palatable and much easier to administer.

The basic requirements are as follows:

- 1.) No more than 25% of our membership may be spouses of eligible or deceased members. Since membership of spouses is limited to those who have been given honorary membership as a result of the death of a husband, this is not a factor for the foreseeable future.
- 2.) No more than 2.5% of our membership may fall in the category of other relatives of deceased members, veterans or current members of the militaries of other countries, or civilians. This is where we fall afoul of the current regulations.

The numbers, taken from the recent report are as follows:

USAF veteran or current: 688
Honorary Life Members (all USAF vets): 7
Other U.S. Military: 4
Honorary Associate Members (widows): 34

Honorary Friends of the Association (non-widows): 30
Foreign Military: 2
Friends of the Association (non-military): 3

Honorary (KIA): 39
Deceased: 259
Inactive: 234
Non-Members: 1028

The other roster categories of Honorary (KIA), Deceased, Inactive, and Non-Members, although they are retained in our Roster for historical purposes, are not "members".

If we take the numbers, above, at face value, we have a total membership of $688 + 7 + 4 + 34 + 30 + 2 + 3 = 768$.

Of this total, $34/768 = 4.43\%$ are widows of former members or KIA (well within the 25% limit)
However, $35/768 = 4.56\%$ fall in to the 2.5% category and this is clearly too many.

The problem is the 30 Honorary Friends of the Association. Without that 30, the total membership becomes 738 and our percentages are as follows:

Widows: $34/738 = 4.61\%$ (still we within the 25% limit)
In the 2.5% category, we now have: $5/738 = 0.68\%$ (now well within the 2.5% limit)

One of the legitimate purposes of a 501(c)19 organization, as stated in the IRS rules is:

"to carry on programs to perpetuate the memory of deceased veterans and members of the USAF and to comfort their survivors"

It would seem that by specifically stating that Honorary Friends of the Association (HFA) are **not members**, even though we accord them certain benefits such as the newsletter and invitations to reunions, we are honoring the word and spirit of the purpose of perpetuating the memory of deceased veterans and helping to comfort their survivors. This represents no effective change in status, as HFA status was not a voting status in any case. This is mostly just a clarification of the By-Laws to comply with a specific IRS requirement.

Making a similar addition to the wording of Friends Of the Association will make it absolutely clear that they are not members.

I ran the rationale on HFAs by Earl Reynolds and he agrees with the analysis. However, he also stated that all of this was cleared with the IRS when we were granted non-profit status. The key point being that the titles Honorary Friends of the

Association and Friends of the Association do not have "Member" in the title, hence they are not members. He may or may not be aware of the tightening of things done by the IRS since the initial determination.

Notwithstanding the clear and intentional omission of the word "Member" in the titles of HFA and FOA, I think it would be prudent to make the minor changes below to ensure that there is no doubt in anyone's mind, especially the historically arbitrary IRS, that HFAs and FOAs are not members.

Carried: 20070629