

Under penalties of perjury, I declare that I examined this protest statement, including accompanying documents, and to the best of my knowledge and belief, the statement contains all relevant facts and such facts are true, correct, and complete.

This letter is in response to the IRS ruling that Combolisk Organization does not qualify as a non profit organization under 501(c)3. The letter indicates there are three primary reasons the organization does not qualify. First the organization must not be to the benefit of the founder, Michael L. Macgowan Jr. and the one percent fee has no limit. Second is the dissolution of the organization is too narrowly divided. Third the organization operates too closely to a commercial billboard operation and so does not qualify as an exempt organization and is not narrowly defined. This letter shall address each of those concerns and the entirety of the denial letter.

#### Individual Benefit issue

The Combolisk Organization is not organized to benefit Michael L. Macgowan Jr. above what is accepted in the industry for services performed. The Combolisk Organization is based on a business model. This model is the intellectual property of Macgowan. If as an entrepreneur, a patent for the business method were filed, the inventor could expect one hundred percent of the revenue from the business method for the term of the patent. US patent US 20040267634 A1 describes a business method in the nature as an example of similar intellectual property in the industry. Thus as a single divisible whole unit, one percent represents the smallest division alone that could be attributed to the intellectual property offered by the Combolisk Organization for the right to the intellectual property.

In addition to the intellectual property, the contract for services represents a fair market for similar services in the industry. The tax records for Michael L. Macgowan Jr. reveal that he sold his modest billboard operation to Lamar Outdoor Advertising in 2000, receiving one hundred percent compensation. Until the one percent reaches a payment in eight figures, the value of the experience in the industry alone is commensurate with the anticipated work provided and ninety-nine percent retained by the organization. This would be without any additional compensation for the intellectual property.

In the event that Combolisk Organization generates revenues of hundreds of millions or billions of dollars in broadcast revenue, the board has asked for a cap of the amount of compensation made upon receipt of the IRS review. The revenue would be capped at not more than the average compensation for leaders in a similar role in the top ten nonprofits of the United States. The exception would be in the event Combolisk Organization becomes one of the top ten revenue generating organizations in the United

States, at which time, the one percent payment would not be greater than one standard deviation above the average of the top ten compensations for leaders of the top ten revenue generating organizations in the United States.

## Dissolution

In response to the issue of dissolution, the review indicated the Combolisk Organization may be too narrow in focus. As a result, the board has met to address the issue. The board has unanimously voted to amend the dissolution with a new resolution which is attached as exhibit. The resolution amends the dissolution to provide for assets to be distributed to an exempt 501(c)3 organization of the board's choice after all expenses have been paid for

## Operation

The review of the Combolisk Organization yielded a descriptive narrative of the intended business plan to ensure a viable system for the outdoor broadcast industry. The review failed to recognize the proposed achievements of the system or make an accurate assessment of the goals given the variables.

A narrative on the history and trend of public service announcements in the industry would help to justify the percentage of gross revenue, percentage of free broadcast space and conversion of existing billboard space to nonprofit use to recognize the value of a system which obligates members of the organization to minimum amounts as indicated in the review.

Traditional outdoor advertising consists of painted bulletins, which used to be painted on site or rotated by moving faces from one location to another. Cranes and a crew were required to move the faces between locations. With the newer vinyl technologies and large format printers, the lighter vinyl faces could be moved with a crew, ladder and pickup truck, significantly reducing the cost of creating and rotating broadcast media. In contrast, posters are generally a smaller asset and are moved by replacing existing faces by pasting new copy over old like wallpaper.

Billboard inventory may not be sold twelve months out of the year, and due to issues with leaving outdated copy on out of home assets, operators have to make a decision of what to do with unsold broadcast space. Skilled labor to post or rotate, along with production costs, are important as well as

potentially short lived down times waiting for contracted start dates, operators may utilize free public service announcements as cover copy. The nonprofit Ad Council is an organization that creates large volumes of posters and ships them to operators in advance hoping to take advantage of said decisions for cover copy.

The issue with the public service announcement model is that the newer technologies and evolving competition for business and profit negate the availability of open space for free display. Rather than send a paint crew on site to paint or post a free ad, an operator can produce vinyl with self-promotion copy and save that copy for future use on open space.

Digital advertising is newest on the market and creates even more barriers for providing opportunities to donate free space. Self-promotion advertisements cost nothing to produce and can be installed with the click of a mouse. One successful sales call from a self-promotion ad negates the use of the same space for free copy.

In addition to the pressure to create one hundred percent occupancy at any rate, economic pressure from Wall Street is working against the public service model. The quest for profitability drives decisions, as there is no requirement to donate free space. Unlike other formats, like radio or tv where there is limited expense to broadcast public service announcements, the expense to travel to and post an out of home asset is a real expense. From self-promotion to quickly sell unused space to the durability of materials allowing displays to last longer, public service opportunities are under challenge. Operators are also faced with loss of locations and rising land lease costs as a result of the legislation from local, municipal, regional, state and federal restrictions further reducing opportunities. All of these may be to the detriment of the right to free speech. In short, any preservation of broadcast space for the public is a significant benefit to the public.

When comparing industries, the Combolisk Organization 's amount of preserved space for nonprofit use is significant and exceeds or beats other nonprofit industries. This is especially true given the out of home industry faces no mandate to provide any free space, unlike traditional radio and television licenses, which have requirements see <https://publicfiles.fcc.gov/>.

The Combolisk Organization derives nonprofit use for other nonprofits by design and through the rules of membership. It centers on the digital display system. The system is modeled at a tenth of broadcast space to be preserved for the public at not cost. Since the drive time and distance for viewing a display dictates the number of views feasible for digital displays, five sponsors were chosen to offset the large cost of operating a each unit in a digital network. The nonprofit is displayed and then the paid sponsors are rotated twice before another nonprofit is broadcast. An eleventh is thus the smallest whole unit that

meets the technology requirements while providing minimum standards for broadcast in the outdoor digital market for the paid sponsors. Added to this is the percentage of gross sales revenue that is retained by each location, and the system rounds to a tenth of the entire digital broadcast market if businesses and operators join the system and abide by the rules of the organization.

Compare this to the industry of religion. A tithe is considered ten percent of members' income. Operating expenses for the institution of religion are taken out of the tithe. The rest goes to programs and services offered to the public as nonprofit. The Combolisk Organization system performs within an acceptable proximity to the industry of religion. Considering that it requires compliance from members, it is actually more effective in design than religion.

The review indicated the Combolisk Organization too closely resembles the for profit business of outdoor advertising. There is no requirement that outdoor operators provide any broadcast space at no cost or that operators donate any profit or services to the public. Any percentage forced through membership would yield a significant advantage in the industry and counter the trend described above.

Ten percent of the market in an organized system which can coordinate broadcasts at the local, regional, state, and national levels with a single application by nonprofits and political candidates is more than significant for an industry that promises nothing. The review indicated that this is insignificant, but this would negate the nonprofit status of all religious exemptions by equal protection under the law.

While the broadcast space is sufficient to justify the Combolisk system alone, the organization does this at no cost to the public as the funds for operation are also received by the percentage of gross revenue retained by each Combolisk in the system. If the organization were for profit, it could use this revenue to return profits as dividends. In the Combolisk system, the excess revenues are directed toward other nonprofits.

The review failed to realize the goal of utilizing excess funding of Combolisk Organization to fund other nonprofits. Combolisk Organization thus serves like the United Way model. The United Way model is a one hundred percent revenue model for an overseeing organization which funds other nonprofits. To conclude that Combolisk Organization fails to meet the definition of nonprofit negates the United Way model completely. To do so would be unconstitutional by failing to provide equal protection under the law.

The system is designed to develop the potential broadcast space as a function of population rather than by zoning. The review acknowledged Supreme Court precedents that could expand and distribute the broadcast network but failed to recognize that a distributed network based on population and self-governance of the industry provides value to the public. If the industry restricts itself to the rules of membership then it voluntarily limits its own free speech. The alternative is that the industry realizes it can develop the same model without the rules. In this case, the industry is expanded at the expense of the public.

The review failed to recognize the gestalt of a collective digital network with the ability to broadcast an organized broadcast of messages coordinated across regional, state, and national networks. A nonprofit or political candidate will have the opportunity to reach entire target populations by utilizing a single system. The premise of our free enterprise and self-governed republic is that the rule of the people rather than a political party, special interest, money or foreign investor should prevail. The Combolisk system has the opportunity to provide the largest blank slate to the interest of the people that has ever existed in the free world. As interests become divided and time is split between an ever increasing choice of entertainment and electronic venues for people, traffic and the need to physically commute along established thoroughfares is perhaps the last single greatest avenue for the public to ensure the public is made aware of public issues. The Combolisk system ensures that a significant amount of this traffic is preserved for the use of the public.

Our final argument is to stress the need for a nonprofit model to challenge the Highway Beautification Act. The Combolisk Organization describes the steps taken to showcase the steps in providing a model for the industry based on the nonprofit model. The goal of the organization is to create an industry standard and to expand into territories where free speech has been hindered by authorities that have acted in tyranny against the most precious of the assets of the United States. This is why the founding fathers guaranteed it under the U.S. Constitution. They made the Freedom of Speech the First Amendment and guaranteed it first in the Bill of Rights.

The Combolisk Organization system will systematically challenge the foundations of sign ordinances and the Highway Beautification Act itself. The digital age changes everything. In one sense, every person driving a car with a cell phone violates the Highway Beautification Act if it is turned on. Our system will look at whether digitally signs can be installed and challenge the Act, especially since justice Kagan wrote in *Reed v. Gilbert*, "Given the Court's analysis, many sign ordinances of that kind are now in jeopardy." We wrote to the governors of all fifty states and found that none have done any research validating beautification as a necessary interest of the states suggesting that the whole country may be at odds with the intention of the founding fathers. Our nation is at risk. Any attempt to challenge illegal law must be given a high level of latitude for functioning as a nonprofit in order to preserve the core of the

nation. To dismiss it is to invite tyranny and the very nature of attitudes and systematic loss of inherent human rights which led to the foundation of this country.

## Conclusion

In conclusion, we have chosen a specific model for fulfilling our simple goal of preserving ten percent of the digital broadcast space for nonprofit use. In order to fulfill that goal we have outlined a specific yet evolving path. It begins with creating a cash flow source to specifically challenge the highway beautification act which may be unconstitutional and may have led to a countrywide loss of free speech. This most likely has been extended by local authorities that have used an illegal base to create even more restrictions to free speech. Thus the challenge is to use the support of the outdoor broadcast industry to provide a challenge and precedent to create opportunities based on public need and population rather than by zoning restriction. This is in contrast to an all nonprofit broadcast model, which would fail as witnessed by example as reported <http://www.ktvb.com/news/local/scripture-verses-to-be-displayed-on-i-84-billboard/251506730>. The structure identified in the article sat in disrepair for over a decade. Two of the three managers of the project could not find enough donations to keep the nonprofit broadcasts going even without the additional expense of a digital display. Thus our model may include pieces and a process with multiple pieces to build on and gain industrywide support. In the end the public will benefit from an organized assembly that may rival all other forms of communication on the planet in terms of number of view, least restrictions to entry for nonprofit, single web site delivery for a nationwide network and without cost to the nonprofit sector.

As we are in our infancy, we respectfully and currently have no funding, we reserve the right to ask for subpoenas and reserve access to all case law in these matters if this organization's future is forced to resolve the issue of exempt status with the court system once our administrative options are exhausted.

Respectfully submitted this eleventh day of November 2017 less than thirty days from receipt of the review.

Sincerely,

Michael L. Macgowan Jr.

# Exhibits

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On November 4<sup>th</sup>, 2017 the Executive Board of Combolisk.org, Inc. voted unanimously to amend the bylaws of the corporation as follows:

## *Article XIII - Dissolution*

In the event of dissolution of the CORPORATION, all of the remaining assets of the CORPORATION should be distributed by the Executive Board, so long as said organization is qualified under Section 501(c)(3) and, in any event, such assets shall be distributed for use only for nonprofit and educational purposes, which qualifies for exemption from Federal Income Tax under provisions of S501(c)(3) of the Internal Revenue Code. Dissolution may be accomplished by a majority vote of the board.

On November 4<sup>th</sup>, 2017 the Executive Board of Combolisk.org, Inc. voted to amend the compensation of Michael L. Macgowan Jr. as follows with Michael L. Macgowan Jr. abstaining:

Michael L. Macgowan Jr. shall receive one percent of the gross income from Combolisk Corporation for the intellectual property, web site, and interest in the Combolisk Organization. Michael L. Macgowan Jr. has agreed to limit the one percent to a maximum received not more than the average of the top ten nonprofit compensation for officers in similar capacity performing similar functions of the top ten grossing nonprofits in the United States. If Combolisk Corporation becomes one of said top ten performing gross nonprofits in the United States then the one percent shall not exceed one standard deviation above the average of the top ten average indicated above.