

Form **1023**  
(Rev. July 1993)  
Department of the Treasury  
Internal Revenue Service

### Application for Recognition of Exemption Under Section 501(c)(3) of the Internal Revenue Code

OMB No. 1545-0056  
Expires 5-31-96  
If exempt status is approved, this application will be open for public inspection.

Read the instructions for each Part carefully.

**A User Fee must be attached to this application.**

If the required information and appropriate documents are not submitted along with Form 8718 (with payment of the appropriate user fee), the application may be returned to you.

Complete the Procedural Checklist on page 7 of the instructions.

#### Part I Identification of Applicant

<b>1a</b> Full name of organization (as shown in organizing document)  Internet Society		<b>2</b> Employer identification number (If none, see instructions.)  54 : 1650477
<b>1b</b> c/o Name (if applicable)		<b>3</b> Name and telephone number of person to be contacted if additional information is needed  Andrea L. Ireland  ( 202 ) 508-6035
<b>1c</b> Address (number, street, and room or suite no.) Reston Plaza II 12020 Sunrise Valley Drive		
<b>1d</b> City or town, state, and ZIP code  Reston, VA 22091		<b>4</b> Month the annual accounting period ends  December
<b>5</b> Date incorporated or formed 12/11/92	<b>6</b> Activity codes (See instructions.) 123   199   093	<b>7</b> Check here if applying under section: a <input type="checkbox"/> 501(e)    b <input type="checkbox"/> 501(f)    c <input type="checkbox"/> 501(k)
<b>8</b> Did the organization previously apply for recognition of exemption under this Code section or under any other section of the Code? If "Yes," attach an explanation. . . . . <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No		
<b>9</b> Is the organization required to file Form 990 (or Form 990-EZ)? If "No," attach an explanation (see instructions). . . . . <input type="checkbox"/> N/A <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No		
<b>10</b> Has the organization filed Federal income tax returns or exempt organization information returns? If "Yes," state the form numbers, years filed, and Internal Revenue office where filed. . . . . <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No		

**11** Check the box for the type of organization. BE SURE TO ATTACH A CONFORMED COPY OF THE CORRESPONDING DOCUMENTS TO THE APPLICATION BEFORE MAILING (See Specific Instructions, Part I, Line 11.) Get Pub. 557, Tax-Exempt Status for Your Organization, for examples of organizational documents.)

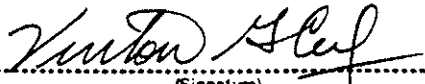
a  Corporation—Attach a copy of the Articles of Incorporation (including amendments and restatements) showing approval by the appropriate state official; also include a copy of the bylaws. See attachments A and B.

b  Trust—Attach a copy of the Trust Indenture or Agreement, including all appropriate signatures and dates.

c  Association—Attach a copy of the Articles of Association, Constitution, or other creating document, with a declaration (see instructions) or other evidence the organization was formed by adoption of the document by more than one person; also include a copy of the bylaws.

If the organization is a corporation or an unincorporated association that has not yet adopted bylaws, check here

I declare under the penalties of perjury that I am authorized to sign this application on behalf of the above organization and that I have examined this application, including the accompanying schedules and attachments, and to the best of my knowledge it is true, correct, and complete.

Please Sign Here  President 2/20/94  
(Signature) (Title or authority of signer) (Date)

**Part II** Activities and Operational Information

- 1 Provide a detailed narrative description of all the activities of the organization—past, present, and planned. Do not merely refer to or repeat the language in the organizational document. Describe each activity separately in the order of importance. Each description should include, as a minimum, the following: (a) a detailed description of the activity including its purpose; (b) when the activity was or will be initiated; and (c) where and by whom the activity will be conducted.

See Attachment C

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- 2 What are or will be the organization's sources of financial support? List in order of size.

Membership dues and contributions; fees from conferences and symposia.

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- 3 Describe the organization's fundraising program, both actual and planned, and explain to what extent it has been put into effect. Include details of fundraising activities such as selective mailings, formation of fundraising committees, use of volunteers or professional fundraisers, etc. Attach representative copies of solicitations for financial support.

See Attachment C

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**Part II** Activities and Operational Information (Continued)

**4** Give the following information about the organization's governing body:

**a** Names, addresses, and titles of officers, directors, trustees, etc.

**b** Annual compensation

See Attachment D

**c** Do any of the above persons serve as members of the governing body by reason of being public officials or being appointed by public officials? . . . . .  Yes  No  
If "Yes," name those persons and explain the basis of their selection or appointment.

**d** Are any members of the organization's governing body "disqualified persons" with respect to the organization (other than by reason of being a member of the governing body) or do any of the members have either a business or family relationship with "disqualified persons"? (See Specific Instructions, Part II, Line 4d.) . . . . .  Yes  No  
If "Yes," explain.

**5** Does the organization control or is it controlled by any other organization? . . . . .  Yes  No  
Is the organization the outgrowth of (or successor to) another organization, or does it have a special relationship with another organization by reason of interlocking directorates or other factors? . . . . .  Yes  No  
If either of these questions is answered "Yes," explain.

See Attachment C

**6** Does or will the organization directly or indirectly engage in any of the following transactions with any political organization or other exempt organization (other than a 501(c)(3) organization): (a) grants; (b) purchases or sales of assets; (c) rental of facilities or equipment; (d) loans or loan guarantees; (e) reimbursement arrangements; (f) performance of services, membership, or fundraising solicitations; or (g) sharing of facilities, equipment, mailing lists or other assets, or paid employees? . . . . .  Yes  No  
If "Yes," explain fully and identify the other organizations involved.

**7** Is the organization financially accountable to any other organization? . . . . .  Yes  No  
If "Yes," explain and identify the other organization. Include details concerning accountability or attach copies of reports if any have been submitted.

**Part II** Activities and Operational Information (Continued)

8 What assets does the organization have that are used in the performance of its exempt function? (Do not include property producing investment income.) If any assets are not fully operational, explain their status, what additional steps remain to be completed, and when such final steps will be taken. If "None," indicate "N/A."

N/A

9 Will the organization be the beneficiary of tax-exempt bond financing within the next 2 years? . . . .  Yes  No

10a Will any of the organization's facilities or operations be managed by another organization or individual under a contractual agreement? . . . . .  Yes  No

b Is the organization a party to any leases? . . . . .  Yes  No

If either of these questions is answered "Yes," attach a copy of the contracts and explain the relationship between the applicant and the other parties.

See Attachment C

11 Is the organization a membership organization? . . . . .  Yes  No  
If "Yes," complete the following:

a Describe the organization's membership requirements, and attach a schedule of membership fees and dues.

See Attachment C

b Describe the organization's present and proposed efforts to attract members, and attach a copy of any descriptive literature or promotional material used for this purpose.

See Attachment C

c What benefits do (or will) the members receive in exchange for their payment of dues?

See Attachment C

12a If the organization provides benefits, services, or products, are the recipients required, or will they be required, to pay for them? . . . . .  N/A  Yes  No  
If "Yes," explain how the charges are determined, and attach a copy of the current fee schedule.

See Attachment C

b Does or will the organization limit its benefits, services, or products to specific individuals or classes of individuals? . . . . .  N/A  Yes  No  
If "Yes," explain how the recipients or beneficiaries are or will be selected.

13 Does or will the organization attempt to influence legislation? . . . . .  Yes  No  
If "Yes," explain. Also, give an estimate of the percentage of the organization's time and funds that it devotes or plans to devote to this activity.

14 Does or will the organization intervene in any way in political campaigns, including the publication or distribution of statements? . . . . .  Yes  No  
If "Yes," explain fully.

**Part III** Technical Requirements

1 Are you filing Form 1023 within 15 months from the end of the month in which your organization was created or formed?  Yes  No  
If you answer "Yes," do not answer questions on lines 2 through 7.

2 If one of the exceptions to the 15-month filing requirement shown below applies, check the appropriate box and proceed to question 8.

Exceptions—You are not required to file an exemption application within 15 months if the organization: N/A

- a Is a church, interchurch organization of local units of a church, a convention or association of churches, or an integrated auxiliary of a church (see instructions);
- b Is not a private foundation and normally has gross receipts of not more than \$5,000 in each tax year; or
- c Is a subordinate organization covered by a group exemption letter, but only if the parent or supervisory organization timely submitted a notice covering the subordinate.

3 If the organization does not meet any of the exceptions on line 2, are you filing Form 1023 within 27 months from the end of the month in which the organization was created or formed?  Yes  No

If "Yes," your organization qualifies under section 4.01 of Rev. Proc. 92-85, 1992-42 I.R.B. 32, for an automatic 12-month extension of the 15-month filing requirement. Do not answer questions 4 through 7.

If "No," answer question 4. N/A

4 If you answer "No" to question 3, has the organization been contacted by the IRS regarding its failure to file Form 1023 within 27 months from the end of the month in which the organization was created or formed?  Yes  No

If "No," your organization qualifies for an extension of time to apply under the "reasonable action and good faith" requirements of section 5.01 of Rev. Proc. 92-85. Do not answer questions 5 through 7.

If "Yes," answer question 5. N/A

5 If you answer "Yes" to question 4, does the organization wish to request relief from the 15-month filing requirement?  Yes  No

If "Yes," give the reasons for not filing this application prior to being contacted by the IRS. See Specific Instructions, Part III, Line 5, before completing this item. Do not answer questions 6 and 7.

If "No," answer question 6. N/A

6 If you answer "No" to question 5, your organization's qualification as a section 501(c)(3) organization can be recognized only from the date this application is filed with your key District Director. Therefore, do you want us to consider the application as a request for recognition of exemption as a section 501(c)(3) organization from the date the application is received and not retroactively to the date the organization was created or formed?  Yes  No

7 If you answer "Yes" to the question on line 6 above and wish to request recognition of section 501(c)(4) status for the period beginning with the date the organization was formed and ending with the date the Form 1023 application was received (the effective date of the organization's section 501(c)(3) status), check here  and attach a completed page 1 of Form 1024 to this application. N/A

**Part III** Technical Requirements (Continued)

8 Is the organization a private foundation?

- Yes (Answer question on line 9.)  
 No (Answer question on line 10 and proceed as instructed.)

9 If you answer "Yes" to the question on line 8, does the organization claim to be a private operating foundation?

- Yes (Complete Schedule E)  
 No N/A

After answering the question on this line, go to Part IV.

10 If you answer "No" to the question on line 8, indicate the public charity classification the organization is requesting by checking the box below that most appropriately applies:

**THE ORGANIZATION IS NOT A PRIVATE FOUNDATION BECAUSE IT QUALIFIES:**

- |   |  |   |
|---|--|---|
| a | <input type="checkbox"/> As a church or a convention or association of churches<br>(CHURCHES MUST COMPLETE SCHEDULE A.)  | Sections 509(a)(1)<br>and 170(b)(1)(A)(i)                             |
| b | <input type="checkbox"/> As a school (MUST COMPLETE SCHEDULE B.)   | Sections 509(a)(1)<br>and 170(b)(1)(A)(ii)                            |
| c | <input type="checkbox"/> As a hospital or a cooperative hospital service organization, or a medical research organization operated in conjunction with a hospital (MUST COMPLETE SCHEDULE C.)  | Sections 509(a)(1)<br>and 170(b)(1)(A)(iii)                           |
| d | <input type="checkbox"/> As a governmental unit described in section 170(c)(1).  | Sections 509(a)(1)<br>and 170(b)(1)(A)(v)                             |
| e | <input type="checkbox"/> As being operated solely for the benefit of, or in connection with, one or more of the organizations described in a through d, g, h, or i (MUST COMPLETE SCHEDULE D.)   | Section 509(a)(3)   |
| f | <input type="checkbox"/> As being organized and operated exclusively for testing for public safety.  | Section 509(a)(4)   |
| g | <input type="checkbox"/> As being operated for the benefit of a college or university that is owned or operated by a governmental unit.  | Sections 509(a)(1)<br>and 170(b)(1)(A)(iv)                            |
| h | <input checked="" type="checkbox"/> As receiving a substantial part of its support in the form of contributions from publicly supported organizations, from a governmental unit, or from the general public.   | Sections 509(a)(1)<br>and 170(b)(1)(A)(vi)                            |
| i | <input type="checkbox"/> As normally receiving not more than one-third of its support from gross investment income and more than one-third of its support from contributions, membership fees, and gross receipts from activities related to its exempt functions (subject to certain exceptions). | Section 509(a)(2)   |
| j | <input type="checkbox"/> The organization is a publicly supported organization but is not sure whether it meets the public support test of block h or block i. The organization would like the IRS to decide the proper classification.  | Sections 509(a)(1)<br>and 170(b)(1)(A)(vi)<br>or<br>Section 509(a)(2) |

If you checked one of the boxes a through f in question 10, go to question 15. If you checked box g in question 10, go to questions 12 and 13. If you checked box h, i, or j, go to question 11.

**Part III** Technical Requirements (Continued)

- 11 If you checked box h, i, or j on line 10, has the organization completed a tax year of at least 8 months?  
 **Yes**—Indicate whether you are requesting:  
 A definitive ruling (Answer questions on lines 12 through 15.)  
 An advance ruling (Answer questions on lines 12 and 15 and attach two Forms 872-C completed and signed.)  
 **No**—You must request an advance ruling by completing and signing two Forms 872-C and attaching them to the application.
- 12 If the organization received any unusual grants during any of the tax years shown in Part IV-A, attach a list for each year showing the name of the contributor; the date and the amount of the grant; and a brief description of the nature of the grant.

N/A

- 13 If you are requesting a definitive ruling under section 170(b)(1)(A)(iv) or (vi), check here  and:  
 a Enter 2% of line 8, column (e) of Part IV-A 19,011  
 b Attach a list showing the name and amount contributed by each person (other than a governmental unit or "publicly supported" organization) whose total gifts, grants, contributions, etc., were more than the amount entered on line 13a above. See Attachment E

- 14 If you are requesting a definitive ruling under section 509(a)(2), check here  and:  
 a For each of the years included on lines 1, 2, and 9 of Part IV-A, attach a list showing the name of and amount received from each "disqualified person." (For a definition of "disqualified person," see Specific Instructions, Part II, Line 4d.)  
 b For each of the years included on line 9 of Part IV-A, attach a list showing the name of and amount received from each payer (other than a "disqualified person") whose payments to the organization were more than \$5,000. For this purpose, "payer" includes, but is not limited to, any organization described in sections 170(b)(1)(A)(i) through (vi) and any governmental agency or bureau.

15 Indicate if your organization is one of the following. If so, complete the required schedule. (Submit only those schedules that apply to your organization. Do not submit blank schedules.)	Yes	No	If "Yes," complete Schedule:
Is the organization a church? . . . . .		X	A
Is the organization, or any part of it, a school? . . . . .		X	B
Is the organization, or any part of it, a hospital or medical research organization? . . . . .		X	C
Is the organization a section 509(a)(3) supporting organization? . . . . .		X	D
Is the organization a private operating foundation? . . . . .		X	E
Is the organization, or any part of it, a home for the aged or handicapped? . . . . .		X	F
Is the organization, or any part of it, a child care organization? . . . . .		X	G
Does the organization provide or administer any scholarship benefits, student aid, etc.? . . . .		X	H
Has the organization taken over, or will it take over, the facilities of a "for profit" institution? . . .		X	I

**Part IV Financial Data**

Complete the financial statements for the current year and for each of the 3 years immediately before it. If in existence less than 4 years, complete the statements for each year in existence. If in existence less than 1 year, also provide proposed budgets for the 2 years following the current year.

**A. Statement of Revenue and Expenses**

	Current tax year	3 prior tax years or proposed budget for 2 years			(e) TOTAL
		(a) From 1/1/93 to 12/31/93	(b) 19.....	(c) 19.....	
Revenue	1 Gifts, grants, and contributions received (not including unusual grants—see instructions) . . .	500			500
	2 Membership fees received . . .	948,404			948,404
	3 Gross investment income (see instructions for definition) . . .	1,482			1,482
	4 Net income from organization's unrelated business activities not included on line 3 . . . . .	150			150
	5 Tax revenues levied for and either paid to or spent on behalf of the organization . . . . .				
	6 Value of services or facilities furnished by a governmental unit to the organization without charge (not including the value of services or facilities generally furnished the public without charge) . . . . .				
	7 Other income (not including gain or loss from sale of capital assets) (attach schedule) . . .				
	8 Total (add lines 1 through 7)	950,536			950,536
	9 Gross receipts from admissions, sales of merchandise or services, or furnishing of facilities in any activity that is not an unrelated business within the meaning of section 513	43,331			43,331
	10 Total (add lines 8 and 9) . . .	993,867			993,867
	11 Gain or loss from sale of capital assets (attach schedule) . . .				
	12 Unusual grants . . . . .				
	13 Total revenue (add lines 10 through 12) . . . . .	993,867			993,867
Expenses	14 Fundraising expenses . . .				
	15 Contributions, gifts, grants, and similar amounts paid (attach schedule) . . . . .	225,945			
	16 Disbursements to or for benefit of members (attach schedule) .				
	17 Compensation of officers, directors, and trustees (attach schedule) . . . . .				
	18 Other salaries and wages : .	146,149			
	19 Interest . . . . .				
	20 Occupancy (rent, utilities, etc.) .	135,777			
	21 Depreciation and depletion . .	40			
	22 Other (attach schedule) . . .	396,113			
	23 Total expenses (add lines 14 through 22) . . . . .	904,024			
	24 Excess of revenue over expenses (line 13 minus line 23)	89,843			



**Part IV** Financial Data (Continued)

B. Balance Sheet (at the end of the period shown)		Current tax year Date...12/31/93
<b>Assets</b>		
1	Cash . . . . .	371,629
2	Accounts receivable, net . . . . .	198,313
3	Inventories . . . . .	15,529
4	Bonds and notes receivable (attach schedule) . . . . .	
5	Corporate stocks (attach schedule) . . . . .	
6	Mortgage loans (attach schedule) . . . . .	
7	Other investments (attach schedule) . . . . .	
8	Depreciable and depletable assets (attach schedule) . . . . .	2,359
9	Land . . . . .	
10	Other assets (attach schedule) . . . . .	60,838
11	<b>Total assets</b> (add lines 1 through 10) . . . . .	648,668
<b>Liabilities</b>		
12	Accounts payable . . . . .	323,715
13	Contributions, gifts, grants, etc., payable . . . . .	
14	Mortgages and notes payable (attach schedule) . . . . .	
15	Other liabilities (attach schedule) . . . . .	55,110
16	<b>Total liabilities</b> (add lines 12 through 15) . . . . .	378,825
<b>Fund Balances or Net Assets</b>		
17	<b>Total fund balances or net assets</b> . . . . .	269,843*
18	<b>Total liabilities and fund balances or net assets</b> (add line 16 and line 17) . . . . .	648,668
If there has been any substantial change in any aspect of the organization's financial activities since the end of the period shown above, check the box and attach a detailed explanation . . . . . <input type="checkbox"/>		

\* Note: \$180,000 of the fund balance is a result of a fund balance transfer from the Corporation for National Research Initiatives on January 1, 1993 as discussed in Attachment C, Answer to Part II, Question 5.

[Note: page 10 is blank.-CCH.]

Schedule A. Churches

1 Provide a brief history of the development of the organization, including the reasons for its formation.

2 Does the organization have a written creed or statement of faith? . . .  Yes  No  
If "Yes," attach a copy

3 Does the organization require prospective members to renounce other religious beliefs or their membership in other churches or religious orders to become members? . . .  Yes  No

4 Does the organization have a formal code of doctrine and discipline for its members? . . .  Yes  No  
If "Yes," describe.

5 Describe the form of worship and attach a schedule of worship services.

6 Are the services open to the public? . . .  Yes  No  
If "Yes," describe how the organization publicizes its services and explain the criteria for admittance.

7 Explain how the organization attracts new members.

8 (a) How many active members are currently enrolled in the church?

(b) What is the average attendance at the worship services?

9 In addition to worship services, what other religious services (such as baptisms, weddings, funerals, etc.) does the organization conduct?

Internet Society  
 Financial Data Schedules  
 December 31, 1993

Part IV - Balance Sheet

Line 10 - Other Assets

Prepaid Expenses	\$ 308
Deposits	4,000
Organizational Costs - Net	<u>56,530</u>
Total	<u>\$ 60,838</u>

Line 15 - Other Liabilities

Deferred Revenue	\$ 54,214
Sales Tax Payable	<u>896</u>
Total	<u>\$ 55,110</u>

Part IV - Statement of Revenue and Expenses

Line 22 - Other Expenses

Postage	\$ 20,811
Printing	47,986
Telephone and Courier	9,466
Media Services	3,142
Materials and Supplies	32,244
Travel	30,513
Meetings	5,587
International Filings	2,909
Professional Services	53,771
Administration	125,332
Miscellaneous	1,436
Accounting	21,210
Amortization	13,910
Bank Fees	241
Credit Card Fees	865
Legal Fees	25,423
Merchandise Costs	<u>\$ 1,267</u>
Total	<u>\$396,113</u>

Internet Society  
Statement  
Form 1023

The Internet Society maintains its books and records on the accrual basis of accounting. The accrual basis results for January 1, 1993 through December 31, 1993 are shown in Part IV, A - Statement of Revenue and Expenses.

Presented below are the Internet Society sources of support from January 1, 1993 through December 31, 1993 on a cash basis.

Gifts, grants, and contributions	\$ 500
Membership fees received	750,469
Gross investment income	<u>1,482</u>
Total	752,451

Gross receipts from admissions or sales of merchandise in an activity that is not an unrelated business	<u>2,827</u>
Total revenue	<u><u>\$755,278</u></u>



The Internet Society  
EIN 54-1650477  
Form 1023  
Attachment C

Part II, Question 1

The Internet

The Internet is a collection of cooperating, interconnected, multiprotocol networks which supports international collaboration among thousands of organizations and millions of individuals. Originally developed in the late 1960's and early 1970's under the auspices of the U.S. Defense Advanced Research Projects Agency (now ARPA), the Internet currently includes approximately 25,000 networks in over 60 countries, serving nearly 6 million users. The U.S. National Science Foundation (NSF), the National Aeronautics and Space Administration (NASA) and the U.S. Department of Energy provide major backbone communication services for the academic and research users of the Internet in the United States; many commercial service providers of Internet serve the residential public and business users. In Europe, major international backbones such as NORDUNET, EBONE and EuropaNet provide connectivity.

Historically, major funding for the Internet has been provided by the U.S. Government (indeed, as discussed above, the Internet was originally developed as part of a federally-funded research program). The Internet is essential to the U.S. Government and university research infrastructure. During the late 1980's, however, the population of Internet users and network constituents expanded internationally and began to include commercial facilities. Today, worldwide Internet users include national, state and local government and university researchers, educational and research institutions, business and government organizations, elementary and secondary schools and private individuals. Thus, the Internet, which has long been a critical infrastructure in the research and development community, is now fulfilling its potential to become the basis for worldwide collaboration and cooperation in every field of human endeavor.

The Internet Society

The Internet Society ("ISOC") was initiated in January 1992 under the auspices of the Corporation for National Research Initiatives, a nonprofit organization whose mission is to help focus U.S. strengths in information processing technology and to engage in scientific research in the design of experimental infrastructure capable of improving the country's long-range scientific and engineering productivity ("CNRI"). The historic

and ongoing relationship between CNRI and ISOC is discussed in more detail below (see response to Part II, Question 5). ISOC was incorporated as a distinct entity in December 1992 with the specific mission to facilitate, support and promote the evolution and growth of the Internet as a global research and communications infrastructure. ISOC became operational in 1993.

The Internet Society does not operate the Internet; Internet operation continues to be a voluntary and collaborative activity in which the constituent networks participate. Rather, the Internet Society has four primary goals:

1. To facilitate and support the technical evolution of the Internet as a research and education infrastructure and to stimulate the involvement of the academic, scientific and engineering communities (among others) in the evolution of the Internet;
2. To educate the academic and scientific communities, as well as the general public, concerning the technology, use and applications of the Internet;
3. To promote scientific and educational applications of Internet technology for the benefit of educational institutions at all grade levels, industry and the general public; and
4. To provide a forum for exploration of new Internet applications and to foster collaboration among organizations in their operation and use of the Internet.

In its first year of operation, ISOC has undertaken several activities in support of these goals. In 1993, ISOC convened "INET'93" in San Francisco, a three-day program of seminars and presentations on the Internet which attracted approximately nine hundred participants from over ninety countries including the United States. In connection with INET'93, ISOC also sponsored a Developing Countries Workshop, a series of tutorials and hands-on Internet training exercises for participants from technologically-emerging countries. One hundred twenty-nine participants from sixty-nine countries participated in this workshop. Plans are currently underway for INET'94 and INET'95, both of which are expected to involve similar seminars, presentations and Developing Countries Workshops.

In addition to the INET conferences, ISOC has participated in and will continue to participate in the sponsorship of several other educational seminars and symposia, including a seminar on Asynchronous Transfer Mode network technology with the University of Maryland in November 1993; the

annual Internet Society Symposium on Network and Distributed System Security, co-sponsored with Lawrence Livermore National Laboratory in Livermore, California and others (February 1994); and the annual Maryland Workshop on Very High Speed Networks, co-sponsored with the University of Maryland (March 1994).

A second important activity of ISOC is its support for the development and evolution of the TCP/IP protocol suite<sup>1/</sup> and architectures supporting the use of multiple protocols in a networked environment. In particular, the functions of the Internet Architecture Board (IAB) and the Internet Engineering Steering Group (IESG) which manages the effort of the Internet Engineering Task Force (IETF), are supported by ISOC. IAB, IESG, and IETF are voluntary scientific groups which stimulate network protocol evolution and standardization in the Internet environment. The principal support for IAB and IETF efforts comes from U.S. Government research agencies such as NASA, the National Science Foundation (NSF), the Department of Energy (DOE) and the Advanced Research Projects Agency (ARPA). CNRI furnishes the IETF secretariat under a cooperative agreement with NSF and with additional support from ISOC.

ISOC also publishes the quarterly Internet Society News, which provides members and other interested parties with information about the growth of the Internet and the activities of Internet constituents. In addition, ISOC provides assistance to organizations responsible for maintaining certain databases crucial to the Internet function, such as the Domain Name System and other directory services. ISOC also generally assists in the development of educational materials of interest to Internet users and, where appropriate, organizes or supports activities which aid coordination among organizations operating components of the Internet.

### Part II, Question 3

ISOC raises funds from universities, other organizations, industry and individuals, usually by personal and informal solicitation by ISOC Trustees, Officers and members.

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<sup>1/</sup> The system of protocols originally developed under the ARPA research program which resulted in the Internet became known as the TCP/IP Protocol Suite, after the two initial protocols developed: Transmission Control Protocol (TCP) and Internet Protocol (IP). The present emphasis, however, is on multiprotocol interworking, including integration of the Open Systems Interconnection protocols (OSI) into the Internet architecture.



ISOC places informational materials regarding ISOC and ISOC membership in magazines and books of interest to Internet users and others interested in learning about the Internet. ISOC provides copies of informational brochures to people expressing interest in ISOC and to attendees at conferences sponsored by ISOC. All such solicitation activities are undertaken on a volunteer basis, and the only cost of such solicitation activities to ISOC is the cost of printing and distributing the brochures. A representative informational brochure is attached as Schedule 1 to this Attachment C.

ISOC uses mail and telephone solicitation but not on a mass basis; these media are used essentially to confirm oral or electronic mail agreements to join the Internet Society. ISOC does make information about ISOC, including membership application materials, available online on the Internet "Gopher" system<sup>2/</sup>. The ISOC trustees also respond to interview requests from reporters in radio, television and print media and typically mention opportunities for membership where appropriate.

#### Part II, Question 5

Prior to the incorporation of ISOC, the activities of the IAB, IESG and IETF described above were supported in part by the Corporation for National Research Initiatives under a Cooperative Agreement with the National Science Foundation. CNRI is an organization exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code of 1986, as amended (the "Code"), with the primary mission, as discussed above, of supporting the development of an information infrastructure within the United States. CNRI, which is funded by grants and cooperative agreements from the U.S. Government and the private sector, is located in Reston, Virginia. CNRI is one of the three Charter organizational members of ISOC<sup>3/</sup>. Under Article VII of

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<sup>2/</sup> The Internet "Gopher" is an online service which guides users through many of the resources available on the Internet. ISOC maintains a "Gopher Server" which, when accessed by a user of the Internet, provides a menu of items available. The user can then choose to access one or more of these items. The ISOC Gopher Server contains, among other things, general information on ISOC and membership materials and applications.

<sup>3/</sup> The other two Charter Members are EDUCOM, a U.S. organization exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code, and Reseau Associees pour la Recherche Europeenne ("RARE"), a charitable, educational and research organization, with headquarters in  
(continued...)

the ISOC Bylaws, CNRI is to furnish the Secretariat function for ISOC during ISOC's initial period of operations (ending in mid-1995) and, in connection with this function, has received and maintained ISOC dues and other ISOC funds in a segregated account used solely for ISOC purposes. Since incorporation, ISOC has established accounts distinct from CNRI-maintained ISOC accounts for receipt of dues and other ISOC income. CNRI has performed start-up and secretariat activities for ISOC since ISOC's initiation.

In connection with these start-up activities, ISOC received a fund balance transfer from CNRI in the year 1993 in the amount of \$180,000 (see Note at Part IV.B (Balance Sheet) of Form 1023). These funds represented the excess of ISOC revenues over ISOC expenses during the period of time ISOC functioned as an activity of CNRI, and were included in CNRI's 1992 financial statements.

In addition to being one of the Charter Members of ISOC and performing the Secretariat function during ISOC's initial period of operations, CNRI has housed the ISOC Secretariat staff to date. ISOC has recently completed negotiation of a lease for its own space at 12020 Sunrise Valley Drive, Reston, Virginia, and CNRI has agreed to guarantee ISOC's rental payments. In addition, CNRI and ISOC have entered into an Agreement (see Schedule 2 to this Attachment C) under which CNRI will continue to furnish the ISOC Secretariat function during ISOC's initial period of operations.

Although ISOC began as an activity of CNRI, since ISOC became operational in January of 1993, CNRI has not controlled and does not expect in the future to control the activities of ISOC.

#### Part II, Question 10

a. See answer to Part II, Question 5 above. Under the Agreement between ISOC and CNRI, it is expected that CNRI will continue to furnish the Secretariat function for ISOC until June 1995. Thereafter, the term of the Agreement may be extended by mutual agreement of the parties. A copy of the ISOC/CNRI Agreement is attached as Schedule 2 to this Attachment C.

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<sup>3/</sup>(...continued)

Amsterdam, The Netherlands. The goals and objectives of EDUCOM and RARE are similar to and compatible with those of ISOC, with respect to the utilization and continued growth of the Internet.

b. See answer to Part II, Question 5 above. ISOC has recently leased its own space, and a copy of the Lease is attached as Schedule 3 to this Attachment C.

Part II, Question 11

a. Both organizations and individuals may become members of ISOC. Membership is open to all interested parties.

Organizational Membership. Organizations joining ISOC prior to the end of 1993 were eligible to become Founding Members by paying a total of \$20,000 by the end of 1993. For nonprofit research and educational organizations and government agencies, Founding Membership was available at a cost of \$10,000 by the end of 1993. For-profit Organizational Members pay dues of \$10,000 annually; nonprofit research and educational organization or government agencies pay dues of \$5,000 per year. New companies are eligible for a reduced membership fee of \$1,000 per year only during their first three years of operation, after which they may become regular Organizational Members paying the regular for-profit or nonprofit rates.

Individual Membership. Individual membership is available to all interested individuals. In 1993, the annual individual membership fee was \$70; in order to attract a more broadly based individual membership, the ISOC Board of Trustees recently voted to reduce this fee to \$35. Student memberships are available to full-time students for an annual fee of \$25.

b. See answer to Part II, Question 3. There is no formal solicitation program beyond what is described in that response.

c. Each Founding Member has the right to appoint one representative and one alternate to the Internet Society Advisory Council, which advises the Board of Trustees. This role is purely advisory; Organizational Members are not eligible to vote for the election of Trustees or on other matters of ISOC governance. Regular Individual Members of ISOC elect the Board of Trustees and are eligible to run for election thereto.

In addition, ISOC Members receive Internet Society News and may from time to time receive discounted entrance fees to ISOC-sponsored seminars and conferences.

Part II, Question 12a

As discussed elsewhere in this Application, ISOC holds various seminars and conferences as an integral part of its exempt educational activities. All such seminars and conferences are open to the public and none are restricted to ISOC Members. Attendees are generally asked to pay a cost-based fee for all

such conferences and seminars. ISOC members may receive a discount in such fees which reflects the fact that their Membership Fees constitute part of the support for such activities. Participants in the Developing Countries Workshops held in conjunction with INET Conferences are provided with fellowship support where possible to defray their costs.

Exemption Under Section 501(c)(3)

To qualify for exemption under Section 501(c)(3) of the Code, an organization must meet the following requirements: (1) it must be organized and operated exclusively for religious, charitable, scientific, testing for public safety, literary or educational purposes, or to foster national or international amateur sports competitions, or for the prevention of cruelty to animals; (2) its net earnings may not inure to the benefit of any private shareholder or individual; (3) no substantial part of its activities may be in the conduct of propaganda or otherwise attempting to influence legislation; and (4) it may not participate in or intervene in any political campaign on behalf or in opposition to a candidate for public office. Code Section 501(c)(3); Treas. Reg. Section 1.501(c)(3)-1.

ISOC meets these requirements. ISOC's Articles of Incorporation provide that ISOC is organized solely for scientific, educational and charitable purposes and is not empowered to engage in activities which are not in furtherance of those purposes. The Articles further provide that no substantial part of ISOC's activities will be the conduct of propaganda or otherwise attempting to influence legislation; ISOC will not participate in any political campaign on behalf of or in opposition to an candidate for public office; and ISOC's net earnings will not inure to the benefit of any individual.

ISOC is being and will continue to be operated exclusively for scientific, educational and charitable purposes. ISOC's scientific purposes include the support of research regarding the development and evolution of the TCP/IP protocol suite and architectures supporting the use of multiple protocols in a networked environment. This research is designed to benefit the general public, and research results are made available to the public online on the Internet. The Service has found similar activities, when conducted for public benefit and made available to the public, to qualify as scientific activities under Code Section 501(c)(3). See Rev. Rul. 76-455, 1976-2 C.B. 150 (organization formed to conduct studies and to educate those involved in administering, furnishing and financing health care and to encourage and assist in establishing regional health data systems qualified for exemption); Rev. Rul 71-506, 1971-2 C.B. 233 (engineering society formed to engage in scientific research in the areas of heating, ventilating and air conditioning for the benefit of the general public was held exempt); Dumaine Farms v.

Commissioner, 73 T.C. 650 (1980) (Trust whose purpose was to demonstrate to local farmers and the general public the feasibility of experimental farming practices is not commercially motivated but rather educational and scientific). In addition, several Revenue Rulings and Private Letter Rulings have recently held specifically that organizations facilitating access to communications networks for researchers, librarians and the like may be exempt under Section 501(c)(3) (See, e.g., Rev. Rul. 81-29, 1981-1 C.B. 329; Rev. Rul. 74-614, 1974-2 C.B. 164; Private Ruling 9249026 (September 8, 1992); and Private Ruling 9243008 (July 9, 1992)).

ISOC's educational activities include sponsorship of conferences, seminars and workshops designed to educate the academic and scientific communities, as well as the general public, about the technology, use and applications of the Internet, the largest educational and research network in the world today; the promotion of scientific and educational applications of Internet technology for the benefit of educational institutions at all grade levels, industry and the general public; and the provision of a forum for exploration of new Internet applications. All seminars, workshops and conferences are open to the public and are educational in character and in content. In similar situations, the Service has found that such activities qualify for exemption under Code Section 501(c)(3). See, e.g. Rev. Rul. 76-455, 1976-2 C.B. 150 (organization formed to encourage and assist in establishment of regional health data systems, to conduct studies and to educate those involved in administering, furnishing and financing health care qualified for exemption); Rev. Rul. 65-60, 1965-1 C.B. 231 (organization formed for the primary purpose of developing and disseminating a body of new knowledge relating to the social sciences qualified for exemption).

#### Public Charity Status

Under Code Section 509(a)(1), an organization exempt from federal income tax under Code Section 501(c)(3) will not be a "private foundation" if it is an organization described in Code Section 170(b)(1)(A) (other than in clauses (vii) and (viii)). Clause (vi) of Code Section 170(b)(1)(A) includes all entities described in Code Section 170(c)(2) which normally receive a substantial part of their support (exclusive of income received in the performance of activities in furtherance of their exempt purposes) from a governmental unit or from direct or indirect contributions from the general public. Code Section 170(c)(2) describes, among other things, a U.S. corporation organized and operated exclusively for religious, charitable, scientific, literary, or educational purposes, no part of the net earnings of which inures to the benefit of any private shareholder or individual, and which is not disqualified for tax exemption under Section 501(c)(3) by reason of attempting to influence

legislation, and which does not participate in any political campaign on behalf of or in opposition to any candidate for public office.

As described more fully above, ISOC is a U.S. corporation which is organized and operated exclusively for scientific, educational and charitable purposes, and which meets the other criteria set forth in Code Section 170(c)(2). As shown on the chart in Part IVA, for the year 1993 (the year in which ISOC became operational), ISOC received more than 90% of its total support from membership fees and other contributions from the general public. This is true even excluding membership dues paid by Founding Members which exceed two percent (2%) of ISOC's total support for the period it has been operational (i.e., 2% of \$950,536, or \$19,011; Founding Members, as discussed above and on Attachment E, paid \$20,000 by the end of 1993). ISOC expects its funding to continue this pattern in the future. Therefore, ISOC is entitled to a ruling that it is not a private foundation under Code Section 509(a)(1).

The Internet Society  
EIN 54-1650477  
Form 1023  
Attachment C  
Schedule 1 - Brochure