

C
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I Commonwealth Research Institute

March 22, 2000

509 15th Street
Windber, PA 15963
(814) 269 2028 (Voice)
(814) 269-2096 (FAX)

Department of the Treasury
EP/EO Group 16, Stop 4900 AUNW
Echelon Building 1
9430 Research Blvd., Suite 301
Austin, Texas 78759

Dear Mr. Warren:

This letter concerns our application for 501-3 (C) status. The ID number assigned is 75894 and our EIN is 25-1826445.

The answers to your questions, 1-12, are contained herein. If the answer requires an enclosure it will be stated as thus and enclosed.

1. The Articles of Incorporation are enclosed.
2. A copy of the contract with Science Applications International is enclosed. The nature of that work was to support ongoing activities in support of the National Guard's Weapons of Mass Destruction (WMD) initiative. The role of CRI was to participate in a regional teleconference to discuss the mission of small town civil (police, fire, EMT/EMS, and HAZMAT) response to an attack. There was suppose to be further development of a tabletop exercise to timeline the activities immediately following an attack. CRI was to assume responsibility for developing the exercise and coordinating the inclusion of the correct elements. This included research into weapons type, effect, and availability of local area support personnel. The game was to include a Geographical Information System to track the game and effects of the weapons. The exercise was curtailed due to changes in responsibility for WMD activities at a National level.
3. Mr. Anthony Sossong is the President of a coal mining and distribution company. He has extensive experience dealing with corporations and is a member of the Johnstown Educational Foundation. His is familiar with educational and research needs and is a revered member of the local community. His primary strength is in the organization and operation of corporations. Mr. Gilbert Caroff is an attorney who has dealt with many tax exempt agencies in the local area. His practice is well established and he provides our legal counsel pro bono. His experience has been invaluable in the early stages of our development. He is also a member of the Johnstown Educational Foundation and recognizes the need for a research element int his area. Mr. John Saracena is a partner in an accounting firm and is a CPA. He has extensive experience with tax exempt agencies and has been the primary author of our application. He handles the accounting chore pro-bono as we begin our

operation. His company has one partner that is a trustee to the local university. **Dr. Albert Etheridge** is the president of the local university. His background includes years of research experience followed by academic administration experience at several universities. His membership on the board provides guidance on project suitability and connections to various research cells across the country. He is a friend of the local Congressman who wants us to assist in the development of the regions technical programs. He spends much of his effort assisting in the development of contacts. **Dr. Jerry Samples** is an engineer with some experience dealing with Federal contracts and agencies. His experience includes work with the Army and other branches of the military. His expertise is in the operation of the corporation.

4. Currently, all research is conducted by consultants, most of whom are members of the faculty at the local university. To date, all of the research accomplished has been theoretical with no work being accomplished that needs equipment other than computers and internet connections. Work accomplished with the National Guard did utilize video-teleconferencing, but that was provided by the Guard. Dr.'s Etheridge and Samples work at the university, but there is no interest in the form of business connections or professional connections that are effected by the work accomplished. Faculty and staff who perform functions are doing so as consultants and for their professional development.
5. No board member has been hired, nor is there any intent to hire him or her. If a board member is involved in any research activity, it is on a non-reimbursable basis.
6. Currently, all projects are from funding agencies. It is the intent of CRI to continue this practice of seeking funded projects. It is possible that ideas will be developed that are attractive to funding agencies, and that these will lead to additional funding.
7. The funding agency generally dictates the protocol and the contractual engagements.
8. Based on our immediate assessment of the areas of research listed, the following is envisioned: **Educational Program Research and Development;** in particular is work being conducted throughout the country in the area of advanced distributive learning. The increase in internet and distance learning has produced a market for information chunks. Chunks are self-contained objective based learning modules. Integration of these modules into larger programs of instruction is possible if these chunks are prepared using standard learning systems with common protocols. The government is currently working with industry to build standard protocols that will allow chunks that are very expensive to be utilized in various training and educational programs. Research in this area is currently a hot topic and one that might be of interest to CRI. Other research in this area includes the development of sound pedagogy to support the various distance learning media. What pedagogy is necessary to support video-teleconferences is one example? Another example is the development of research protocols for WMD personnel and the development of programs that teach undergraduates to perform laboratory work safely. **Training Program Development:** The development of any product or the introduction of new tactics in combating terrorists as in the WMD program, requires the publication of training materials and the training of soldiers, police, fire and EMT personnel. Similarly, there is a need for materials to train the WMD and lab personnel and then trainers need to be supplied to bring the program together. Other training could be developed in computer security, behavioral science, psychology, and teaching. The number of opportunities to develop such programs for the good of the general public is unlimited. Many of these programs are sponsored by government agencies. **Scientific Research;** This area is currently limited to that work

which can be accomplished without laboratory facilities. Theoretical research and research to support a known product or program would be the primary goals in this area. Protocols that include human or animal research will not be entertained until there is a sufficient organization to monitor these activities. There would be a need for further board members and for a close look at the ethics of each project. **Computer and Engineering Research and Development;** Like scientific research, this area has some limitations, namely theoretical work. Computer work can be accomplished on information security, system development, network development, system proof of concept, etc. Engineering could be accomplished in the areas of data collection, simulation of systems and prediction of failure. Material analysis can be accomplished through agreements with the local university, as can be some experimental stress analysis. The availability of consultants and the magnitude of the projects limit activities.

9. The local university is a teaching college with many faculty with terminal degrees. Companies within the area and government agencies have long sought the assistance of these faculty members with little success. After careful analysis of the availability of consultants, and the needs portrayed by agencies in the area, it was determined that a research institute might assist both parties. Local political and entrepreneurial leaders supported the idea of bringing technology into the area on a small scale thus satisfying the needs of the area by utilizing the available assets. Formation of the corporation was immediately followed by the work with SAIC. Soon thereafter other opportunities became available, although some were outside the ability of CRI.
10. Currently, the existence of the corporation is made know by networking and through word of mouth.
11. Research findings will be available to the general public unless restricted by contractual agreements. One possibility would be classified work, if any classified work were accomplished. Generally, results of research are placed in the public domain via written papers and presentations at national meetings.
12. We would have to follow FAR's and have the corporation evaluated by DCAA or HHS. There are requirements for insurance, EEO and hiring regulations, control of government equipment, and patent reports. Currently, we perform sub-contractor work where we respond to the requirements of the prime as we did with SAIC.

If further information is needed, feel free to contact me at [REDACTED]

Sincerely,

[REDACTED]

Board Member

INTERNAL REVENUE SERVICE
P. O. BOX 2508
CINCINNATI, OH 45201

DEPARTMENT OF THE TREASURY

Date: 8-1-00

COMMONWEALTH RESEARCH INSTITUTE
509 15TH ST
WINDBER, PA 15963

Employer Identification Number:
25-1826445
D.I.N.:
310091202
Contact Person: MACK WARREN ID# 75894
Contact Telephone Number:
(512) 464-3150
Response Due Date:
August 22, 2000

Dear Applicant:

Thank you for the information recently submitted regarding your application for exemption. Unfortunately, we need more information before we can complete our consideration of your application.

Please furnish the information requested on the enclosure by the response due date shown above.

If you have any questions concerning this matter, or you cannot meet the response due date, please contact the person whose name and telephone number are shown in the heading of this letter.

Thank you for your cooperation.

Sincerely yours,



Exempt Organization Specialist

Enclosure:
List of data needed

Reply to:

EP/EO Group 16 Stop 4900 AUNW
Echelon Bldg 1
9430 Research Blvd., Suite 301
Austin, TX 78759

Letter 2382 (DC/PL)

COMMONWEALTH RESEARCH INSTITUTE

1. In order to meet the organizational requirements of section 501(c)(3) of the Internal Revenue Code and the regulations thereunder, it will be necessary for you to amend your Articles of Incorporation in the following manner:
 - a) Amend Article 3 to provide that you are organized exclusively for charitable, educational or scientific purposes within the meaning of section 501(c)(3) of the Code. A provision like Article Third of the enclosed sample articles is recommended.
 - b) Add to your Articles of Incorporation a provision like Article Fifth of the sample to limit your powers and activities to those allowed an organization described in section 501(c)(3).
 - c) Add to your Articles of Incorporation a provision like Article Sixth of the sample to provide that, in the event of dissolution, your assets will be distributed for charitable purposes.

After the amendment is filed with and approved by the State of Pennsylvania, submit a copy to us which bears their filed stamp.

2. According to your application, as much as 30% of your time will be devoted to providing management and technical services under contract and for a stipulated fee. An example of that may be the Science Applications International Corporation (SAIC) subcontract where you were hired as a consultant to develop an exercise for a WMD attack scenario. It appears that SAIC itself is a commercial firm. Providing consulting services for a fee is generally a commercial activity even if conducted in an area which may be thought of as scientific and even if carried on in connection with a government contract. Government agencies routinely hire commercial firms. Accordingly, we fail to see how the providing of management, technical or consulting services for a fee in the manner that you describe serves an exempt purpose exclusively.
3. Section 1.501(c)(3)-1(d)(5)(i) of the Income Tax Regulations provides that research is not synonymous with "scientific". There are many commercial firms which provide research services in varied fields for customers willing to pay the price. Consequently, merely because an organization conducts research does not mean it will qualify for exempt status. The character of the research depends on the purpose which it serves. This means that organizations whose research primarily serves business purposes or that serve substantial private interests will not qualify for exemption. The research must be carried on in the public interest.

Accordingly, scientific research does not include research of a type ordinarily carried on incidental to commercial or industrial operations, such as the design, development, inspection or testing of products or equipment for commercial sponsors. Further, research will not be considered in the public interest if findings are withheld from the public or delayed significantly. Research results must be made available to the

COMMONWEALTH RESEARCH INSTITUTE

interested public within a reasonably short time after completion of the project.

In your case, if we understand correctly, you will conduct research not of your own initiative or design, but at the request of, and under the terms of, the funding agency or other sponsor which hires your services. All projects are the projects of the funding agency and the funding agency dictates the protocol and the contractual engagement. You appear to be in the nature of a research contractor whose services are available for hire to those having need of such services. The areas of research which you envision being involved in are fairly broad. It appears that those who hire you may be contractors themselves, governmental entities or commercial firms. We do not believe the information provided thus far clearly distinguishes you from a commercial research company which makes its services available to the general marketplace. In connection with this, please provide the following:

a) In your reply to our earlier letter you indicate that you will engage in research to support a known product or program. To what extent will you engage in research to aid, facilitate or support the design, development or testing of products or equipment for the commercial marketplace? Explain how such research will serve an exclusively public interest rather than a commercial interest.

b) You indicate that research findings will not be available to the public if the contract restricts the release of the findings. Accordingly, research conducted under those terms would likely not be considered scientific research and will not support exemption. To what extent will you engage in research where the findings are restricted? Please be specific and elaborate as needed.

c) Currently, you perform subcontractor work for a fee under the direction of and under contract to prime contractors. You appear to be operated much in the nature of an ordinary commercial firm which makes its services available to the marketplace. Your consulting and research services are available for a fee to those who have need for them. Rather than designing and initiating research of your own, you enter into contracts to provide services in the research projects of others or to provide consulting services. We doubt that this manner of operation will support exemption as an organization operated exclusively for scientific purposes. In view of these observations, how would you distinguish your purposes, activities and methods of operations from those of a commercial contractor?

4. Your projections with your application list a grant from or through the Secretary of Defense for 6/30/2000. Please provide a copy of the grant or contract.

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Commonwealth Research Institute

December 3, 2000

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Windber, PA 15963
(814) 269 2028 (Voice)
(814) 269-2096 (FAX)

Department of the Treasury
EP/EO Group 16, Stop 4900 AUNW
Echelon Building 1
9430 Research Blvd., Suite 301
Austin, Texas 78759

Dear Mr. Warren:

This letter concerns our application for 501-3 (C) status. The ID number assigned is 75894 and our EIN is 25-1826445.

The answers to your questions, 1-4, are contained herein. If the answer requires an enclosure it will be stated as thus and enclosed.

1. The amended articles are at Enclosure 1. They will be forwarded to the Commonwealth of Pennsylvania and a stamped copy will be returned for your records. Forwarding will occur immediately after our Attorney finalizes the wording as necessitated by Commonwealth law.
2. At the time of our application we envisioned 30% of our time going to management and technical services. To date, over 90% of our time has been spent conducting educational research in support of the Advanced Distributive Learning Initiative sponsored by the Department of Defense. In conjunction with the Concurrent Technologies Corporation (CTC), the prime contractor for this project, we were awarded a subcontract to complete the educational research. Our selection was an integral part of the award going to CTC. The award was not directly to CRI however we are directly involved. CRI is now in the second year of this project. A copy of the current contract is attached at Enclosure 2. It is entirely probable that this trend will continue with CRI being a partner in the bidding of contracts, or at least an important contributor to the government for the purpose of providing the educational and/or specialized scientific research. The management services are to provide the management services necessary to fulfill contract requirements. These are not management services for private hire. In most cases these will be in support of contracts where a small portion of the expertise is not available within CRI.
3. Response to the research questions in three parts:
 - a) It is envisioned that the research performed will generally be in support of Government agencies such as the Department of Defense, Justice Department, National Science Foundation, or the National Institute of Health. It is probable that some product, testing procedure or piece of equipment developed as part of a Government contract could be marketed as a result of technology transfer. In this

December 3, 2000

CRI Response to 1203 Questions

- b) case it would be essential to work in the general marketplace, but only in so far as it pertains to this technology. Commercial offerings as a result of Government technology transfer are in the public interest and in the public domain.
 - c) At the time of the original application CRI was to work on a project that was classified, thus not releasable in the public domain. Some work for the Government has similar restrictions and while scientific, cannot be released. Universities conduct some amount of research in this arena all the time. In general universities conduct research that is published, a similar desire of CRI. Since those working on CRI projects are professors, CRI would like to publish every finding, however it is envisioned that some small portion (10%-20%) of the work completed will be restricted for good reason.
 - d) The startup of CRI has been slower than anticipated. This necessitated the role of subcontractor, although that which we offer is a necessary element in contracts being awarded to CTC and others. A recent contract proposal to perform research and training in the Weapons of Mass Destruction arena, referred to in your item four was awarded to CTC instead of CRI because of some research restrictions within the organization dealing with Level 4 Biological hazards. Our purpose is to provide research in support of national needs and to initiate research based on knowledge in the fields of biology, chemistry, computer science and engineering. Often, this research will be in response to Requests for Proposals but with the caveat that the research will be design by our scientists and engineer. As time proceeds, project initiation will result in requests for grants to perform research in specific scientific area. We do not intend to be for hire, rather we wish to be partners or leaders in the research needed in the future of the nation.
4. This project was not awarded to CRI as originally expected. However, a copy of the Statement of Work as amended is attached at Enclosure 3. This work was for the Department of the Army and the SOW and the proposal were joint agreements. A portion of this project was to be for specific deliverable and a portion for scientific research. This offering was in response to a congressional markup concerning undergraduate research models, something that CRI was working on before the markup.

Finally, a new copy of Form 1203 is attached.

If further information is needed, feel free to contact me at [REDACTED]

Sincerely,



Board Member

Enclosures