

DRAFT

4 May 2016

Dear [WBCCI Trustee]

More than a decade ago, we decided to rebuild the SNU using modern association management principles. As a part of this we examined the governing documents relevant to the SNU and noted a number of issues. The outcome of that effort was a revision of the SNU Bylaws and documentation to explain to members of both the SNU and the WBCCI the requirements the SNU faced, the issues to be addressed, and resources that could be used to help find solutions. Instead of this effort being seen as concrete, substantive, and constructive suggestion, we found that the WBCCI instead chose to use this as a target over an extended period of time.

Mr. Smithson's latest interference in the internal affairs of the SNU provides a good example. The issue that seems to be his theme is his focus in a concern about maintaining the WBCCI tax exempt status. He says "*certain conditions of supervision of the chartering organization must be adhered to maintain the status.*" That's fine and the concern about maintaining a tax exempt status is indeed warranted. The problem is that the reason and purpose of the supervision is, and has been for nearly ten years, left out of the discussion. That purpose should guide the discussion and define the relevancy, scope, and nature of the supervision.

The purpose of the supervision of subordinate units is made quite clear in the IRS publication 557 on page 9. The concern of the IRS is that the purposes and activities of the organization and those participating in its group exemption is what was presented in gaining the tax exempt status. This is where the focus should be if the tax exempt status is a concern. Arbitrary supervision in the form of demands that contradict commonly accepted best practice or demand personal preferences of individuals be implemented in SNU documents are not a part of that supervision. Indeed, such interference could be construed as conflicting with the Ohio Statutes 'prudent person' principle and the requirement that the Trustees act in the best interests of their organization.

The activities and purposes concept was one addressed in the SNU bylaws. It is readily apparent that many Units are having difficulty filling officer slots much less the chairmanships of all of the activity committees they define in their bylaws as suggested by the WBCCI in policy. This presents two obvious problems. One is that the organization is not in compliance with its own governance documents and the other is that it is not in compliance with the 'activities and purposes' that their parent organization is using to include them in a group exemption letter.

The SNU solved the first problem by minimizing the call for officer and activity positions in its bylaws. The second is more difficult and depends upon how the WBCCI represented its activities and purposes to the IRS. (The representation should be available on request by anyone who asks for it but that is another serious management and regulatory issue for another time.) If that representation is as described in WBCCI Constitution and Bylaws then the SNU satisfies the IRS requirements by matter of inclusion. If the representation is a presented in policies in light of the suggested Constitution and Bylaws as suggested by the IRS, then the WBCCI should worry about the veracity of its annual filing.

That is one problem. The length of time that the IBT has allowed this matter to sit on the table is another. Either the CBL or the IBT failed to act on an important manner in timely fashion. A timely fashion is indicated in that standing committees are to report to the IBT twice yearly. The correspondence archive indicate that both the CBT and the IBT failed to perform prescribed duties.

Two years after the SNU Bylaws submission in 2007, an incoming CBL inquired as to status of the SNU Bylaws. After being informed of their submission, he wrote that he had found them misfiled. The next flare-up was in 2012 when the submission for the 5 year review was due. It should be noted that requests for this review were only valid if the bylaws had been accepted and a reasonable person would conclude that no objections over five years did imply an acceptance.

The five year review is where Mr. Smithson decided to start exercising his supervision. He did so as a Region volunteer and not as a member of the standing committee authorized to handle all matters regarding governance documents. As his demands were often unreasonable, contrary to commonly accepted guidance and advice, not accompanied by any citation to actual WBCCI requirements, displayed a lack of due diligence by no awareness of the SNU supporting documents, and provided no competent rationale or citation to warrant changes, his requests did not survive discussion in the SNU governing process.

The fact that Mr. Smithson used an IBT motion proposal to threaten each member of the SNU rather than use the procedures defined for such matters in the WBCCI Constitution, bypassed the CBL which has authority in this matter, and also the quality of his assertions only reinforce the propriety of rejecting his demands as incompetent.

For these reasons the Sierra Nevada Unit requests that the WBCCI IBT set aside motions such as that of Mr. Smithson to revoke its charter and pursue a proper response to concrete suggestions to improve its compliance with tax exempt reporting requirements.

Sincerely

SNU Executive Committee