

March 27, 2002 Employer Identification Number:
46-0458218

Case Number:
Internal Revenue Service 501332066
Department of the Treasury Contact Person:
1100 Commerce Street Todd Cole
Dallas Texas 75242 Contact Number:
214-767-0177 (phone) 214-767-3533 (fax)
Attn: Todd Cole Response Due Date:
TEGE March 27, 2002
MC 4913 DAL Automatic two week extension: April 10, 2002

Dear Mr. Cole:

This letter and the following materials are in response to your letter dated March 6, 2002, which we received on March 14, 2002.

We anticipated being able to talk to you before submitting this information; however, you were out of the office last week and this Monday and unavailable yesterday and today.

We will fax the following information to you and ask you our two most important questions below.

We attached form 872-c with the application that was filed in November 2001. Did we submit that incorrectly? We don't understand why another was needed but will certainly submit another if it is require it. Please advise us on any errors we made on the first submission so we can get it corrected.
Thank you.

Your letter stated an Automatic two week extension: April 10, 2002. Again, we were uncertain if we needed to meet the March 27, 2002 deadline or if material could still be faxed until the April 10, 2002.
Was the two-week extension added for transit time if our response is sent by post? Please advise.

If the fax has not come through properly, please advise us. If you would like copies sent by post as well, please advise us. The fax number you can use to communicate with Downtown Brookings, Inc. (Doris Roden, contact) is 605-697-6472. My email address is: jdroden@brookings.net

Downtown Brookings, Inc. is definitely interested in taking all the necessary steps to secure the determination for the 501(c)(3) status and will provide any additional information you may need to make that determination.

Sincerely,

Doris Roden
Program Manager
Downtown Brookings, Inc.
308 Fourth Street
Brookings SD 57006

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Dear Mr. Cole:

The following information is being sent per your request as stated in your letter dated March 06, 2002 and received by me on March 14, 2002.

The information on the following pages addresses the seven (7) areas that you stated in your letter as needing additional information, so you would be able to continue and complete your review of the Downtown Brookings, Inc. application and make a determination on Recognition of Exemption Under Section 501 (c) (3) of the Internal Revenue Code.

Downtown Brookings, Inc. is organized exclusively for charitable and educational purposes. Downtown Brookings, Inc. operates primarily to further the following three purposes:

1. Lessen the burdens of the government through public improvement activities;
2. Combat community deterioration by preserving the historic character of the downtown commercial area; and
3. Educate the public about the architecture and history of the area.

Section 501(c)(3) of the Code provides for the exemption from Federal income tax of organizations organized and operated exclusively for charitable or educational purposes.

Purposes #1 and 2 are based on Section 1.501(c)(3)-1(d)(2) of the Income Tax Regulations, which defines the term "charitable" as including lessening of the burdens of government and promotion of social welfare by organizations designed to combat community deterioration.

Purpose #3 is based on Section 1.501(c)(3) -1(d)(3) of the regulations which defines the term "educational" as including the instruction of the public on subjects useful to the individual and beneficial to the community.

Please note on the following pages that the activities of Downtown Brookings, Inc. have been clustered under the three purposes, as stated above, and therefore answer question d) Why should the activity be considered as educational or charitable within the meaning of Code section 501(c)(3)?

Sincerely,

Pat Fishback
President of the Board of Directors
Downtown Brookings, Inc.
308 Fourth Street
Brookings SD 57006

1. Please provide a complete list of all your activities and answer the following questions about each of the activities you list:

- a. How is/will the activity conducted? Please be specific.
- b. What percentage of your time is/will be spent on the activity?
- c. What percent of your money is/will be spent on the activity?
- d. Why should the activity be considered as educational or charitable

within the meaning of Code section 501(c)(3)?

Downtown Brookings, Inc. is organized exclusively for charitable and educational purposes.

Downtown Brookings, Inc. operates primarily to meet the following three purposes:

¥ Lessen the burdens of the government through public improvement activities;

¥ Combat community deterioration by preserving the historic character of the downtown commercial

area; and ¥ Educate the public about the architecture and history of the area.

Please note that the following activities of Downtown Brookings, Inc. have been clustered under the three purposes, as stated above, and therefore answer question d) Why should the activity be considered as educational or charitable within the meaning of Code section 501(c)(3)?

Thirty-percent (30%) of Downtown Brookings, Inc. staff and volunteer time is/will be spent on each of the above purposes. The remaining ten percent (10%) of staff and volunteer time is/will be spent on managing the DBI office and staff finances.

Lessen the burdens of the government through public improvement activities.

Twenty-four percent (24%) of Downtown Brookings, Inc. money will be spent on the following activities.

1. Identify existing city ordinances that pertain to the Central Business District and research their impact and effectiveness.

These include city ordinances that pertain to planters, tables, chairs and other items on sidewalks, parking, cleanliness, snow removal, signage.

The Design committee, consisting of seven members representing downtown business and property owners and community residents, has been meeting with the City Manager, City Engineer and Planning & Zoning Manager to identify city ordinances that pertain to the above concerns of the public, as they are related to public spaces in the Central Business District.

New ordinances are being written to address those ordinances that negatively impact the district.

Special attention is being given to use of the sidewalks and signage to make public areas more attractive

and comfortable for the public, and to protect the public from unregulated encroachment on the

sidewalk public right-of-way. Sample ordinances from other communities and National Main Street

Program materials (i.e. Sign Regulations for Small and Midsize Communities by Eric Damian Kelly

and Gary J. Raso of the American Planning Association) are being used to guide the committee's efforts.

Final ordinance approval will be given by the City Council.

2. Develop design guidelines for the central business district.

A committee of business owners, property owners, university faculty and staff, design professionals, and community residents will work with the City Manager, City Engineer's office, State Historic Preservation Office and the Brookings Historic Preservation Commission to develop design guidelines that will cover storefront, infill placement, storefront windows, entrances, doors, kickplates, upper windows, historical architectural facade decorations, masonry, window display, paint, awnings, signs, rear entrances, and energy conservation.

Materials from the National Main Street Center and sample design guidelines from other communities are being used to guide the committee's efforts.

The guidelines will be presented to the City Council in an ordinance format for approval.

Design and economic development are interdependent factors that affect quality of life for all who live, visit, or work in the area. "Quality of life" is one of the key objectives of the City of Brookings. Through key design principles and implementation strategies, this guide will help community merchants, property owners, public officials and the Downtown Brookings, Inc. organization strengthen the area's economic vitality through strategic visual and physical improvements.

3. Develop a Parking Management Plan.

A committee of ten members, representing business owners, property owners and consumers, are meeting with the City Manager, City Engineer and Chief of Police to develop a parking management plan that will include the following steps:

Step One: Getting Organized

Step Two: Gathering Data and Analyzing Demand

¥ An assessment of current conditions

¥ An analysis of current demand

¥ Projection of future demand

Step Three: Increasing the Effectiveness of Existing Parking

¥ Recommended changes & systems to increase the effectiveness of the current parking supply

Step Four: Planning and Developing New Parking Facilities

¥ A parking development strategy

¥ Recommended revisions to parking regulations that reinforce

flexibility

¥ A recommended management plan

¥ A financing system for parking development

¥ Procedures for formal review and revision

Step Five: Promoting the Parking Program

¥ Securing endorsement for the parking plan

¤Start early

¤Get support for the basics (cost, enforcement, zoning, partnerships)

¤Develop a communications strategy and stick to it

Secure formal endorsement from the city

Step Six: Managing the Parking System

Get the management operation going first

Specify how the effectiveness of the parking strategies is

to be gauged

Begin the communications strategy with an announcement of the formal adoption of the plan

Complete the necessary revisions to the comprehensive plan, the downtown specific plan,

selected land-use and zoning ordinances and the building code to reflect the conditions

established by the adopted plan

Step Seven: Putting it Together Keeping it Together

Analysis of and revision to the Parking System

Conduct an informal assessment every 12 to 18 months,

Every three or five years, conduct a thorough update

Change your communications strategy completely

Finally, submit parking plan revisions for adoption by

the city If the review warrants

it

The committee will work with Green Thumb and South Dakota State University to hire one or more parking surveyor/monitor(s) to work under the supervision of the Police Department to survey and monitor parking in the Central Business District.

4. Work with the city to implement Downtown Streetscape Improvements. Steps to accomplish improvements:

Meet with the City Manager, City department heads (Engineer, Street, Parks and Recreation)

and Utilities representatives to identify improvements needed.

Seek City and Utility funding.

File an application with U.S. Congressional office for a Community Development Block Grant funded through Housing and Urban Development.

Work with city departments, contractors and downtown businesses to implement the streetscape improvements. Improvements will include: demolition, sidewalk, curbs, traffic standards, street lighting, utilities, trees, grates, shrubs, ground cover, perennials, and signage.

5. Develop a plan for planters and flowers in the Central Business District.

Work with the City Manager, City Park, Recreation and Forestry Department Head, business

and property owners and consumers to add flowers to the downtown environment.

This will provide comfortable and aesthetically appealing public space for those who live, work and visit the Central Business District.

Funding will come from public and private contributions and volunteers will help plant and maintain the flowers.

6. Coordinate planting of flower baskets to enhance the historic downtown environment.

Business and property owners purchase 30-inch iron flower baskets that are clamp to the lightpoles in the Central Business District. Flowers are purchased from the Downtown Brookings, Inc.

budget. The City Park, Recreation and Forestry Department plant and maintain the flowers.

7. Coordinate holiday decoration of baskets to enhance the historic downtown environment.

The same flower baskets that are used in the summer for flowers, are decorated in the winter with greenery and bows. The decorations are funded by the Downtown Brookings, Inc. organization.

8. Develop a pocket park(s) in one or more of the vacant downtown lots.

The City Park, Recreation and Forestry Department, downtown property owners of vacant lots, the Horticulture, Forestry, Landscape and Parks Department at South Dakota State University, and community residents will work with Downtown Brookings, Inc. to develop pocket parks in vacant lots. These parks will provide space for shoppers, downtown residents and workers to sit, eat and enjoy the environment and will include: grass, flowers, trees, tables, benches, art, lighting, and a place to temporarily stage educational programs and entertainment.

9. Coordinate an Annual Spring Cleanup project for the Central Business District.

Downtown Brookings Inc. coordinates the cleanup project with the City Landfill, Cook's Wastepaper Service, the local newspaper and business and property owners. Commercial dumpsters are placed in the alleys of each block for collection of litter, refuse, outdated equipment and junk. In 2001, nine dumpsters of waste was taken to the City Landfill.

The project includes the continual monitoring and removal of abandoned vehicles in the alleys, which enables use of the alleys for access to businesses by consumers, for entertainment and additional parking for business employees and downtown residents so more on-street parking is available to the public.

10. Place art on the public sidewalks for the public's enjoyment and enrichment.

Downtown Brookings, Inc. will work with the Brookings Arts Council, Community Cultural Center, South Dakota Art Museum and volunteers to acquire and place works of art on the sidewalks in the Central Business District. This effort will bring the beauty of art to those who shop, live and work in the downtown area. Funding will be provided through grants and contributions. The plan includes placing as many as 12 pieces of artwork annually. Artists would be paid an honorarium to place their works of art on the sidewalk for 12 months. At the end of that time, the art pieces would be sold and/or replaced by another work of art.

Combat community deterioration by preserving the historic character of the downtown commercial area.

Twenty-seven percent (27%) of the Downtown Brookings, Inc. money will be spent on the following activities.

1. Encourage incremental restoration of the downtown historic buildings

Take an inventory of downtown buildings. This inventory will include:

- buildings and addresses
- property owners
- business owner / manager
- square footage
- land area occupied (building, parking spaces, garbage

collection)

- historic registry designation
- number of employees
- number of people housed
- photographs
- architectural features
- condition of building facade
- any recent facade improvements
- type of signage (sign, shade, back lit, raised letters,

projection, new)

- storefront rank
- window display rank
- vacant lot

Identify sources of resource materials for technical assistance.

This will include:

- design
- historic photos
- professionals
- grant sources
- building ordinances
- old newspapers ads and articles with historic photographs
- guidelines developed by the organization and approved by the

City Council

Make property and business owners aware of the available resources

Include tips and articles in the monthly newsletter

Research and/or develop resource brochures (one every

quarter). These will include:

building design,

in-store merchandising, window displays, federal income

tax credits/property tax

moratorium, etc.

Host an annual workshop for business and property owners on Federal Income Tax Credits and Property Tax

Moratorium.

Host open houses of historically and architecturally significant structures for viewing by the general public.

2. Learn about downtown's current economic condition and identify opportunities for growth.

The Market Research committee works with the South Dakota State University Economics Department and Economics students, property owners, local civic organizations and volunteers to gather information, examine it to identify weaknesses and opportunities in the market place and share the information with business owners and the other DBI committees. The committee will:

Examine the two most recent Census reports and compare demographics from the most recent reports with

those 10 years earlier.

Examine the two most recent Census of Retail Trade reports and compare retail sales from the

most recent

reports with those from five years ago.

Examine five years of data from state sales tax reports for

Brookings.

Examine the trends in the assessed value of downtown real estate.

Examine any market analyses recently conducted by chain stores or franchises that have opened in the area.

3. Monitor the economic performance of the district

The Market Research committee will continue to collect data for the Central Business District to

monitor trends and the effectiveness of the Downtown Brookings, Inc. program and activities.

Identify information needed and design a survey to gather the data

Analyze retail leakage and surpluses in the community.

Study financing needs.

Collect baseline data.

Find out the assessed values of commercial buildings in the central business district.

Keep track of monthly changes in Main Street jobs, businesses and property investment.

Measure annual performance by conducting an annual business survey to measure changes in jobs and

businesses in the CBD.

4. Strengthen existing businesses and recruit new ones for vacant buildings

The Business Assistance committee of business managers, SDSU faculty and DBI will:

Implement business assistance and expansion programs.

Recruit complementary businesses to strengthen an existing business cluster and fill vacant buildings.

Sponsor business seminars (i.e. visual merchandising, customer service, business management) that will be

open for anyone in the community to attend.

Share good business practice information with businesses via the newsletter

Share updates on market opportunities with businesses via the newsletter.

5. Develop financial incentives and capital for building rehabilitations and business development

The Financial Assistance committee consisting of local bankers, business managers, community volunteers

and SDSU staff will establish a comprehensive strategy to create positive economic change by attracting

investment to the commercial district. That strategy will include:

Identify sources of financing (i.e. grants, contributions)

Create and manage a matching-fund grant pool

Create and manage a low-interest revolving loan fund.

6. Find new economic uses for traditional downtown buildings

The Property Development committee of business and property owners and volunteers will

work with the City of Brookings Manager and Engineering Department, Brookings Historic

Preservation Commission, property and business owners, financiers, developers, Brookings Economic Development Corporation and county, state and federal agencies (i.e. Brookings County Auditor's Office, State Historic Preservation Office, South Dakota Office of Economic Development, Governor's Office, and Congressional Offices) to:

Identify any revisions of land-use regulations to allow a broad range of uses downtown.

Find space in under-used upper-floor spaces and large, white-elephant buildings.

Facilitate use of vacant space for light industries (i.e. publishing, telecommunications, small-scale assembly

operations, craft industries, and consulting firms).

Identify regulations/guidelines that apply to infill construction.

Compile a packet of information that would be useful to business developers.

Funding will be private and public contributions and grants for large "white elephant" structures that need

major renovation.

Educate the public about the architecture and history of the area.

Thirty-nine percent (39%) of the Downtown Brookings, Inc. money will be spent on the following activities.

1. Develop partnerships to fulfill DBI's Plan of Work

2. Develop and manage a volunteer base

Define their volunteer needs for the next year

Identify potential volunteers

Educate volunteers on the DBI program and their specific opportunities

Develop a method to remind volunteers of meetings and activities (postcard)

Honor investors, partners and volunteers and make a report on the program's accomplishments

Plan the annual meeting (suggested month is April)

Publicize annual meeting to investors, volunteers, partners and the public

Highlight program accomplishments at the annual meeting

3. Promote Downtown Brookings, Inc. as Brookings' Main Street program

Determine guidelines for and produce a newsletter

Develop a Speakers Bureau

Identify brochures needed to promote the DBI program

Provide an article regarding downtown historic preservation for the monthly Chamber

Newsletter

First Friday of each month

Identify parameters for a website

Write Press Releases about the program on a regular basis

4. Raise funds to support a strong downtown revitalization program

Develop a four-phase education and contribution campaign

Phase I

¥ Determine the goal (contributor/partner/volunteer contacts/dollars):

¥ Identify campaign cochairs

Phase II

¥ Establish the Case Statement: DBI Mission Statement, Vision Statement, Goals & 2002 Plan of Work

¥ Develop printed materials: Annual Report, Letter to Contributors, Survey, Contribution Form

¥ Identify prospects for campaign effort from current list of contributors, industry list, SDSU

volunteers, community partners

¥ Campaign training session for team leaders:

Phase III

¥ Investment training for campaign volunteers

Educate volunteers about downtown Brookings and the charitable and educational purposes of the

Main Street program.

¥ Distribute prospective contributor, partner information

¥ Distribute printed campaign material

¥ Complete campaign in 3 weeks (team leaders update weekly at

DBI office):

Phase IV

¥ Annual Meeting:

¥ Send invitations to contributors, partners, VIPs, press, downtown business and property owners

¥ Inform participants about the program accomplishments and future goals and honor investors,

volunteers and partners

5. Develop a positive image of downtown Brookings

Develop and implement a marketing plan to educate the public on the historic Central Business District and its products and services and to build a positive image and change misunderstood perceptions.

Utilize newspaper, shopper, radio, television, printed brochures, and all other avenues to disseminate information. List the purposes and activities of the Main Street Program on the community web site and in the Chamber newsletter

Work with the South Dakota Department of Transportation to put up historic Main Street signs along state and federal highways.

6. Highlight community heritage and industries through downtown special events that show appreciation to

community, campus and country.

¥Brookings Downtown Garden Festival

A committee of 13 volunteers work with gardening and outdoor living professionals and the Brookings

Historic Preservation Commission to plan a special Garden Festival event. The goal of the event is:

To educate participants about gardening and outdoor living.

To show the variety of gardening and outdoor products

available in the community and surrounding area.

To celebrate spring.

Brief description of the event:

Provide a venue to exchange information about gardening and outdoor living.

Highlight garden and outdoor products with an indoor display at the classroom venue.

Have displays and sale of items in stores and on sidewalks.

Give away ornamental crab apple trees (part of Brookings' history) and flowers to participants.

Celebrate Spring with street music, sidewalk art and lawn croquet

Specific Activities will include:

Classroom: A Garden wedding setup in a vacant building.

The following topics will be presented to the public at no charge:

How to Attract Birds to Your Yard

Blue Birds

Garden Stepping Stones

Irises In Bloom

New Plants & Planting Ideas

Flower Pot Planting

Water Features

N.E. Hansen (an early 20th Century SDSU professor who made numerous trips to Europe and Africa

and introduced important farming and landscaping plants to the United States)

Gardening for Beginners

Landscaping for Beginners

Heirloom Seeds

Gardening for Kids: An outdoor classroom will give children the opportunity to learn about gardening and take

home seeds they have planted.

Display of Gardening & Outdoor Living Products: in the classroom venue and downtown

storefront windows

Work boots, garden stakes, hand therapy, coffee & teas, garden architecture, outdoor furniture, garden tools

Kick-off historic signage on downtown buildings: Brookings Historic Preservation Commission

MUSIC: Music will be piped onto the streets and special groups will perform on the street corners

ENTERTAINMENT (MIMES, MAGIC, ETC):

4-H club members will coordinate the sidewalk art and helium balloons giveaway

Each child (aged from 1 to 91) would check out the chalk and be assigned a square of sidewalk.

The artwork would be signed by the child with their age and will be judged. Prizes are crab apple seedlings.

Croquet will be played on the City Park & Recreation lawn

4-H club members will sell lemonade at a old-fashioned Charlie Brown stand.

ADVERTISEMENT:

The event will be advertised through area newspapers, shopper, radio stations, cable television, giveaway

bookmarks, community organization and business newsletters, the community website, Chamber newsletter,

in elementary school classroom with posters the children draw and color and with take-home notes, through ads that businesses purchase from the media, at the Brookings Area Multiplex (convention center), and by word of mouth.

FUNDING SOURCES:

Funding sources include contributions to Downtown Brookings, Inc. and the Brookings Historic Preservation Commission. Businesses are providing in-kind donations of flowers, tree seedlings, sidewalk chalk, tents, public service announcements, use of private parking lots and so on.

¥Enhance the Farmers Market.

A committee of 14 Farmers Market vendors and community residents is working to enhance the presence

of the Farmers Market in the following ways:

Make tables and tents

Mount banners on lightpoles throughout the community that let the public know the market location

Educate the public through the newspaper, radio, community website and newsletters about the fresh

quality products available.

Invite prospective vendors to offer a taste of their products at the market

Include music during market days.

Encourage value-added farm products at the farmers market (i.e. cheese, breads, ground grains)

Funding comes from contributions to Downtown Brookings, Inc. and from the Farmers Market vendors.

¥Welcome South Dakota State University faculty, staff & students to the community with Friday Fantastic event.

A committee of 20 members, representing the university, business owners and community residents, plan

an early September event to welcome SDSU to the community with a parade, pep rally, BBQ and Dessert

On Usó from the downtown businesses.

The purpose is:

To welcome SDSU students, faculty and staff to the Brookings community

To foster a good relationship between the community and campus

To familiarize the university staff, faculty and students with the Central Business District.

Publicity includes letters of invitation to university faculty and staff, newspaper, public service

announcements on radio and cable television, word-of-mouth, posters, maildrops into SDSU student

mailboxes, and the Chamber and DBI newsletters.

Participants of the event include the SDSU President, SDSU Marching Band, SDSU Football

team and

cheerleaders, ROTC Air Force Color Guard, SDSU Central
Mailing, university and
community

organizations, Brookings High School band, Brookings Police
Department, Student
Association

Council, Brookings Parks and Recreation Department, downtown
businesses, Bash In The
Grass buses,

Brookings Economic Development Corporation, food sponsors
(Coke, Barrel O' Fun),
Dakota,

Minnesota & Eastern (DM&E) Railroad, The Depot radio station,
the Mayor of Brookings,
Student

Association President, Grand Pooba (SDSU homecoming manager),
Funding comes from contributions to Downtown Brookings, Inc., grants from
Brookings

Economic Development

Corporation and First National Bank, in-kind contributions of
staging equipment and food,
SDSU Central

Mailing, and advertising matching funds.

Freewill contributions for meal help fund an SDSU student scholarship.

¥Build on the image of downtown as the place to celebrate holidays.

Work with the city, chamber, university, convention and visitors
bureau and civic organizations
to

develop and sponsor the Fourth of July parade and celebration.

Work with the city, chamber, convention and visitors bureau,
university and civic organizations
to

develop and sponsor a Festival of Lights holiday event. The
Festival of Lights includes an
evening

parade of lighted floats, a pork barbecue with freewill
contributions going to the Domestic
Abuse

Shelter and Brookings Food Pantry.

Funding for the above two events comes from the City of Brookings,
contributions from
community

businesses, industries and individuals, and in-kind
contributions of advertisements.

¥Sponsor special event(s) that highlight the Arts in Brookings .

The Art of Chocolate Auction is cosponsored by Downtown Brookings,
Inc. and the SDSU
Visual Arts

Department. A committee of 25 university faculty, students,
downtown business owners and
community

residents coordinated an auction of edible chocolate
creations, made by 40 community
volunteers and

businesses. The committee handled the publicity, decorations
and arrangements, &
chocolate donations.

The event was funded by business inkind contributions, sale of
tickets and chocolate auction
items.

The purpose of the event was:

To benefit the SDSU Visual Arts Department Ritz Gallery, and
To Celebrate friendships and relationships and promote the
idea of purchasing chocolate
items, then

going to dinner or theater, home or intimate party to
enjoy

Publicity highlighted the Ritz Gallery on the university campus, and
the opportunity to celebrate
friendships

with chocolate purchases and enjoying dining and entertainment
in Downtown Brookings.

Over \$5,300 was raised to help fund a new entrance to the SDSU Ritz
Gallery.

2. Based on review of the application, it appears your organization will more
appropriately be
classified as an IRC 501C4 organization. Please review the enclosed revenue
rulings 68-14 and 74-587,
that evidence my position. If you disagree with this position, please state your
case AND provide legal
precedent to support it. If you agree with my position, please fill out form
1024 (can be obtained from
www.irs.gov., document section), and provide a statement requesting IRC 501C4
status.

The Downtown Brookings, Inc. Plan of Work that was enclosed in the original
application did not
thoroughly address the purposes of the organization. Both of the revenue rulings
(68-14 and 74-587)
support the purposes of Downtown Brookings, Inc.. Downtown Brookings, Inc, is
financed by grants
from foundations and by public contributions.
Other legal precedent is shown below.

As stated on the first page of this document:

Downtown Brookings, Inc. is organized exclusively for charitable and education
purposes. Downtown

Brookings, Inc. operates primarily to further the following three purposes:

1. Lessen the burdens of the government through public improvement
activities;
2. Combat community deterioration by preserving the historic character of the
downtown commercial
area; and
3. Educate the public about the architecture and history of the
area.

Section 501(c)(3) of the Code provides for the exemption from Federal income tax
of organizations

organized and operated exclusively for charitable or educational purposes.

Purposes #1 and 2 are based on Section 1.501(c)(3)-1(d)(2) of the Income Tax
Regulations, which

defines the term "charitable" as including lessening of the burdens of
government and promotion of
social welfare by organizations designed to combat community deterioration.

Purpose #3 is based on Section 1.501(c)(3) -1(d)(3) of the regulations which
defines the term

"educational" as including the instruction of the public on subjects useful to
the individual and
beneficial to the community.

Historic preservation activities combat community deterioration.

An organization that sets up a revolving loan fund to acquire and/or restore historic properties and to develop design guidelines that exclusively preserve their historic character or architectural significance serves to educate the public and operated to prevent community deterioration.

Rev. Rul. 86-49, 1986-1 C.B. 243.

Providing instruction to individuals includes the sponsorship of seminars and workshops, publications, or one-on-one technical assistance. The preparation and distribution of brochures and newsletters about a particular area or resource, or the provision of training to individuals and businesses serves educational purposes.

Rev. Rul. 68-307, 1968-1 C.B. 258 (organization that prepared, published, and distributed literature about a park was an educational organization).

Rev. Rul. 67-72, 1967-1 C.B. 125 (organization that provides an industry-wide apprentice training program is a Section 501(c)(3) educational organization).

Many activities that provide instruction to the public on matters useful to the individual and beneficial to the community also combat community deterioration. Opening historically and architecturally significant structures for viewing by the general public serves to educate the public.

Rev. Rul. 75-470, supra, note 21.

Disseminating information to members of the community and other local residents on the best use of vacant lots educate the public and combat community deterioration.

Rev. Rul. 68-15, 1968-1 C.B. 244.

There is a favorable funding and working relationship between the government and Downtown Brookings, Inc. which provides evidence that the city government considers its burdens to include the organization's activities.

Activities recognized as lessening the burdens of government include assisting municipal authorities in streetscape planning for public spaces, planting trees, engaging in community beautification activities, including cleanup of public spaces. Planning and managing public on- and off-street parking in the Central Business District served to benefit the City of Brookings, thereby lessening the burdens of government.

Monterey Public Parking Corp. v United States, 321 F. Supp. 972 (N.D. Cal. 1970) affd, 481 F.2d 175 (9th Cir. 1973).

Downtown Brookings, Inc. does not advance its charitable purposes primarily through activities that influence legislation, which distinguishes it from 501(c)(4) organizations that do allow activities that influence legislation.

The activities of Downtown Brookings, Inc. promotes the common good of the people of the

community rather than the private interests of its members or contributors.
Compare Treas. Reg. §§ 1.501(c)(3)-1d(1(ii))

Incidental benefits to private interests will not disqualify an organization so long as the primary benefits of the organization's activities flow to the general public.

Re. Rul. 70-186, 1970-1 C.B. 128 (organization created to preserve a lake as a public recreational facility exempt under Section 501(c)(3) notwithstanding the private benefit derived by lakefront property owners).

Provision of public parking is deemed charitable, notwithstanding the fact that it also benefits

businessmen whose establishments would tend to suffer if the traffic problems of the downtown were not soon resolved.

Monterey Public Parking Corp. 321 F. Supp. at 976.

As a Main Street organization, the relationship between promoting business interests and benefiting the broader public interest through various public improvement activities is a dynamic one. Careful attention to the attractiveness of public spaces, building design, and adherence to sound land use planning principles serves to help downtown businesses stay economically vital. By the same token, economic vitality is essential to preventing or ameliorating community deterioration which often accompanies downtown areas burdened with too many vacant buildings and empty lots.

3. Please sign, date and return the enclosed form 872-c.
The form has been signed and is enclosed.

4. Describe how the scholarship program is publicized to ensure that all eligible individuals are likely to be informed that scholarships are available.

Downtown Brookings, Inc. has developed a Memorandum of Agreement (MOA) establishing the Downtown Brookings, Inc. Design Scholarship in the College of Agriculture and Biological Sciences at South Dakota State University. A copy of the proposed MOA is attached. As noted, the MOA is written to establish the scholarship and serve as a guide to Downtown Brookings, Inc., to the faculty of the College of Agriculture and Biological Sciences, who shall administer the program, and to the South Dakota State University (SDSU) Foundation which shall receive, provide custody of, and disburse the funds.

The SDSU Foundation is governed by a 48-member Board of Directors that supervises the Foundation activities. One of their main responsibilities is to ensure that funds received by the SDSU Foundation are used in accordance with the donor's wishes (insomuch as the donor's wishes comply with IRS regulations).

Each scholarship fund is assigned a special account number that restricts the use of the money. The

only distributions that are allowed from these accounts are scholarship award payments to students at SDSU. The SDSU Foundation Board of Directors, along with SDSU Foundation auditors, have the responsibility of monitoring these accounts and seeing that policies and procedures are being followed.

5. Explain in detail your follow-up procedures to ensure that all scholarship funds will be used for the stated purposes.

As stated above, the SDSU Foundation will receive, provide custody of, and disburse the funds. Scholarships are widely publicized by South Dakota State University. New scholarships are mentioned in the Foundation Focus publication that is produced 3-4 times a year and mailed to nearly 20,000 people and/or organizations. SDSU Foundation produces an annual Honor Roll catalog that lists, in detail, all the scholarships available at SDSU. In addition, the Office of Admissions distributes scholarship information to hundreds of high schools in the region. Each time a scholarship award is made, press releases are sent to newspapers across the region.

6. List and describe in detail all criteria used by your selection committee in selecting recipients from those who are eligible. Please provide a statement that confirms that no relatives of the selection committee will be eligible for scholarships.

Section 3) and 4) of the Memorandum of Agreement Establishing the Downtown Brookings, Inc. Scholarship in the College of Agriculture and Biological Sciences at South Dakota State University, states:

3) The selection of the recipient is based upon the following criteria:
Applicant is a South Dakota State University student currently pursuing a major in Landscape Design.

Applicant must have an overall grade point average of 2.5 or higher.
Additional criteria: Positive Character, Community Service, Leadership, Initiative, Recommendations, and Financial Need.

4) The recipient of the Downtown Brookings, Inc. Design Scholarship shall be selected by the College of Agriculture and Biological Sciences Scholarship Committee. No member of the Board of Directors of Downtown Brookings, Inc. will serve on the Downtown Brookings, Inc. Design Scholarship Committee. No relatives of the members of the Downtown Brookings, Inc. Design Scholarship Committee will be eligible for the scholarship.

7. If your organization wishes to pursue its exemption filing under IRC 501 (c) (3), your articles of incorporation must be amended by adding specific language (which you attached).

Article 4 Purpose of the Downtown Brookings, Inc. Articles of Incorporation has been amended to read

as follows:

ARTICLE 4

Purpose

Section 1. The organization is organized exclusively for charitable, religious, and/or educational purposes within the meaning of section 501 (c) (3) of the Internal Revenue Code.

Section 2. Notwithstanding any other provision of these articles, the corporation shall not carry on any activities not permitted to be carried on (a) by a corporation exempt from Federal income tax under section 501 (c) (3) of the Internal Revenue Code of 1986 (or the corresponding provision of any future United States Internal Revenue law or (b) by a corporation contributions to which are deductible under section 170 (c) (2) of the Internal Revenue Code of 1986 (or corresponding provision of any future United States Internal Revenue law).

Section 3. The purposes for which this corporation is organized are to combat community deterioration by preserving the historic character of the downtown commercial area, lessen burdens of the government through public improvement activities, and educate the public about the architecture and history of the area.

Section 4. Further, this corporation is organized to stimulate downtown economic development in Brookings through organization (encouraging cooperation and building leadership in the business community); promotion (creating a positive image for downtown by promoting the downtown as an exciting place to live, shop and invest); design (improving the appearance of the downtown); and economic enhancement (strengthening and expanding the economic base of the downtown); and to receive, administer, and distribute funds in connection with any activities related to the above purposes. No part of the net earnings of the Program shall inure to the benefit of any of its members or any other individual; and the Program shall not take substantial efforts to influence legislation; nor participate in, or intervene in, any political campaign on behalf of any candidate for public office.

Section 5. Upon dissolution of the corporation, the residual assets of the corporation shall be distributed to a private, nonprofit corporation which is an exempt organization as described in Section 501(c)(3) of the Internal Revenue Code of 1986 or corresponding sections of any prior or future law, selection of which corporation may be designated prior to dissolution.

This amendment has been filed with the South Dakota Secretary of State and a copy of the approved amendment will be submitted to you as soon as it is received from the Secretary of State's office.