

Ohio MEMS Association

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September 22, 2004

Internal Revenue Service
TE/GE Division
Federal Building
550 Main Street
Cincinnati, Ohio 45202

ATTN: Mr. Gary Muthert, Group 7825
Room 4122

**RE Ohio MEMS Association, Inc.,
EIN: 27-0032259**

Dear Mr. Muthert:

I am responding to your letter of September 1, 2004 requesting additional information concerning the Application for Recognition of Exemption (the "Application"). As you are aware, we have requested an extension for our reply.

Each of your questions is set forth here in full, along with our responses. Attachment 1 provides a copy of your letter to us.

1. What are the commercialization barriers that MEMS face and why?

As noted in Part II, Item 1 of the Application, the Ohio MEMS Association, Inc. ("OMA") indicates there exist commercialization barriers for Micro-Electro-Mechanical Systems ("MEMS" or "Microsystems") technology in the State of Ohio.

For Ohio to compete effectively in national and worldwide markets, it must greatly improve the speed of commercialization of products employing the important emerging technology of Microsystems. Although our universities and research laboratories are currently developing the Microsystems technology itself, the process of transitioning the technology into products is centered on overcoming three critical commercialization barriers: (a) a lack of public awareness of the benefit of Microsystem product production, (b) inadequate workforce development programs, and (c) industry-wide research on product prototyping and process issues such as Microsystems standards.

A lack of public awareness of Microsystems products and regional economic benefits affects the willingness of entrepreneurs to start businesses that can create jobs. For instance, Cleveland recently gained fame as having the highest poverty rate of any large city in the United States and a variety of public organizations are seeking potential answers to creating high-paying manufacturing jobs. Although other regions of the country have started to realize the benefits of a Microsystems industry presence, Ohio has not. With greater public awareness of, say, success stories, a more favorable climate for business development is established.

At our recent "MEMS Economic Summit" the Undersecretary for Technology discussed the field of Microsystems as a potential path for prosperity. There appears to be cynicism in Ohio about the ability of Microsystems to generate regional economic growth and this impedes the willingness of individuals to take the risk to launch new Microsystem start-up companies. This is a public education issue OMA will address.

Another barrier to commercialization is the availability of qualified technicians and workers to support a growing Microsystems industry. It is known that regional "Clusters" of excellence require the presence of a well-trained

Microsystems technicians and designers, yet, unlike, for instance New York, there are no community college programs to teach technician and designer skills for Microsystems in Ohio. In particular, urban areas such as Cleveland MidTown have no workforce development infrastructure in Microsystems at all. The reason for this situation is that Ohio's public education system (Secondary and College) does not have the funding to support emerging technology curriculum development or the funding to subsidize specialized classes for urban students. Universities and most higher education institutions that are involved in Microsystems are focused on research issues, not the development of curricula or programs for workforce development. OMA workforce development activities lessen the burden of local and State government to develop or provide this service, resulting in a more broadly available pool of technicians and designers to support an emergent Microsystems industry.

Lastly, a circular (rather than linear) model of research is envisioned, in which academia, industry, and government collaborate to sponsor, refine, and improve the so-called "packaging" techniques, parameters, and process technologies. A significant barrier has been the lack of industry-wide standards on Microsystems application processing steps. For example, by pooling their knowledge and talents at the Microsystems Application Technology Center (MATC) participating corporations and university students could collaborate on understanding silicon-on-circuit board assembly and develop bonding standards for use industry-wide. The US Department of Commerce's NIST program is a good example of the government's interest in establishing, promoting and funding research on Microsystems assembly standards to improve manufacturing competitiveness in the United States. The Center would feature equipment that would promote the recruitment and retention of world-class researchers, students and employees to Ohio in this emerging field.

2. Please submit copies of the material you will be presenting at the conference in Cleveland, Ohio. Also include a copy of the registration application.

The conference held on September 17, 2004 involved a series of world-class leaders in Microsystems, each presenting their perspective on the business issues associated with Microsystems. We did not require the speakers provide us written copies of their presentation material in advance, but we are in the process of collecting presentations from as many speakers as possible to post on our website. Attachment 2 contains the promotional brochure and Attachment 3 a registration form.

3. What facilities are being used to house your organization? Who owns those facilities, and is the facility being rented from an officer or a relative of an officer? If so, please explain how the facility was selected and the rental amount determined to be reasonable. If there is a written rental agreement, please send a copy of it. If there is an oral agreement, explain the terms.

OMA currently has a 400 sq-ft office located on the third floor of the Midtown Innovation Center at 4415 Euclid Avenue in Cleveland, Ohio. The building is a converted five-story bathtub factory located in census tract 39035108600 which is qualified as a "HUBZone" Urban area; the building is approximately 600,000 sq-ft in size and is owned by the "4415 Euclid LLC" partnership which itself was formed by two other partnerships. One of our Board members, Frederick Lisy, (who is not an officer) has a minority equity stake in one of the 4415 Euclid LLC partnerships, therefore OMA is renting an office from a building in which a Board member is part-owner. As indicated below Mr. Lisy does not financially benefit from this relationship since the OMA office space represents such an insignificant portion of the building (less than 0.07%) of the total space and the 4415 Euclid LLC partnership donates the space more often than any rent is collected. OMA has no research facilities.

This facility was selected for three reasons. (A) The location of the building is situated in an urban location to simplify urban student access to OMA; local students can walk or take public transportation to the building. (B) As a new entity OMA did not have funds available to pay rent, so 4415 Euclid Avenue LLC has waived the payment of rent for 20 of the 24 months OMA has been located at the building. When funds are available, OMA pays \$420 per month for the rent, set by comparable rentals rates for similar offices in the Midtown area. (C) The building has a conference rooms and training rooms that are available for hourly rental on a space-available basis; OMA uses such facilities only when needed and therefore does not bear a recurring cost for access. There is no written agreement for the office rental. The handshake agreement terms are that OMA resides on a month-to-month basis and will pay the \$420/month rent on those months when funds are available; the rental amount will be evaluated on yearly basis.

- 4. We noted that your current officers will not be compensated as officers. But, will any be compensated in other ways, such as being an executive director, employee, independent contractor, consultant, and/or an instructor? If "yes", explain what duties they will perform, the number of hours per week they will work, and the amount of compensation they will receive. In addition provide a copy of any written contracts executed or drafted and explain they were selected over others. If contracts are not executed, explain the terms of the agreements in detail and provide an explanation as to why an agreement would be reached with a related party without a written agreement.**

As noted in Part II, Item 4b of the Application, OMA officers receive no compensation, including consulting fees, insurance or other expense allowances, etc. Our organizational design is that Board Member and Officer positions have volunteer roles in the organization (in the spirit of public service), not to be compromised by self-dealing or conflict of interest situations. However, the Bylaws do not preclude an officer from taking a position as, say, an interim Executive Director, to allow for unusual, interim or emergency organizational situations. In general an unacceptable situation (self-dealing or conflict of interest issues) arise if officers were routinely to receive compensation through dual roles in the organization. Under typical and normal circumstances officers will not be compensated as an executive director, employee, independent contractor, consultant, etc.

As OMA has only been recently formed and is not yet fully operational, there is no Executive Director or other staff. As an example of an interim, unusual, situation, there has been to date one event where the President of OMA needed to take a week off from his "day" job to serve as an Interim Executive Director - that role was specifically required to address curriculum development issues to keep the proposed Microsystems Academy project on schedule. In this situation a Foundation Grant in the amount of \$460 was provided to compensate the interim Executive Director for the week of work. The compensation was set at 25% of his normal "day" job salary so as not be an incentive to encourage the practice; further, to ensure no self-dealing or conflict of interest resulted, the funds were subsequently donated to OMA. In this situation there resulted no personal gain by the Interim Executive Director and our standard of conduct was upheld. We provide this detail to underscore the serious manner in which the officers understand and carry out their volunteer roles in OMA and that they not enjoy personal benefit by virtue of their role or position in the organization.

- 5. What is the relationship between the board members and what qualifications do they possess that qualifies them to operate this organization? If resumes are available, please provide a copy for review.**

A summary discussion of each board member, their relationship to other Board members and qualifications is presented in alphabetical order. We do not have resumes for the Board members at this time, but the short bios below reflect a Board representing many independent facets of the public "stakeholders" we are serving.

John R. Brandt is a well-known publisher and editor associated with publications such as "CEO Magazine" and "Ohio's Inside Business." Mr. Brandt's general knowledge of economic development and corporate practice provides the board insight and guidance on statewide issues and regional business development concerns. John Brandt has no business relationships with any of the other board members.

Colin K. Drummond currently works for the Invacare Corporation, Elyria, Ohio and brings a long history of volunteer work in the City of Cleveland to the Board. Colin has been instrumental in identifying inner city economic development issues and works with Cleveland city and Cuyahoga county officials to establish a fit for OMA programs within the community. Colin has a Ph.D in Mechanical Engineering and an MBA in the management of technology, and provides strategic technology guidance to the Board. Since resigning from iACTIV Corporation, Dr. Drummond has no business relationships with any of the other board members.

Edward W. (Ned) Hill is a Distinguished Scholar in Urban Affairs at Cleveland State University. Dr. Hill has extensive experience in advising states on technology and economic policy, and has provided guidance on manufacturing policy issues to the Governors of Pennsylvania and Ohio. Dr. Hill is a member of the Brookings Institution and has an outstanding publication record on urban affairs and brings a strong public policy strategic perspective to the board, including an understanding of economic barriers to urban development. Dr. Hill has no business relationships with any of the other board members.

David Hiscock is the Vice President of Pentalim, Inc., a MEMS and Nanotechnology technology development firm. David's 20-years of experience in managing a wide variety of semi-conductor and MEMS processing brings to the Board an industry-wide understanding of the technology commercialization issues that MEMS companies face. Mr. Hiscock has no business relationships with any of the other board members.

Dr. Michael A. Huff is Founder and Director of the MEMS Exchange in Reston, Virginia. The MEMS Exchange was established as a national-level program to provide access to MEMS implementation resources as well as to develop manufacturing techniques to help advance the technology. The MEMS Exchange continues to grow at a rapid rate and currently has over 40 foundries participating in the network and serves over 3400 customers from over 400 organizations around the country. Dr. Huff has held a variety of notable positions, from industry to academia, working to advance and mature MEMS technology for commercial applications. Prior to establishing the MEMS Exchange, Dr. Huff was on the faculty in the Department of Electrical Engineering at Case Western Reserve University (CWRU) in Cleveland, Ohio. Dr. Huff brings to the Board a better understanding of industry structural issues. He currently has no personal business relationships with any of the other board members, though in the past Orbital Research has used some of the MEMS Exchange services.

Dr. Frederick J. Lisy, is the President of Orbital Research Corporation. Dr. Lisy has extensive MEMS market technology application and design experience and has been an active volunteer in a number of civic educational projects to improve economic conditions in the City of Cleveland. Most recently Dr. Lisy co-founded the MEMS pressure transducer company ComSense Inc. Dr. Lisy is on the Board of the iACTIV Corporation and was a co-founder of the Ohio MEMS Association, Inc. As the President of Orbital Research, Dr. Lisy is the immediate supervisor of another OMA Board member, Troy Prince; other than having used MEMS exchange services in the past, Dr. Lisy has no business relationships with any other OMA Board member.

Michelle K. Mooney is with the Workforce Development Department of the Cuyahoga County Commissioners office, and provides for the OMA input on the workforce development objective of the OMA. Her extensive "hands-on" experience in community development and workforce development programs provides balance to the OMA in better understanding the "front-lines" of workforce issues on a broader "county-wide basis." Ms. Mooney has no business relationships with any of the other board members.

Troy Prince, J.D., is the Vice President of Technology for Orbital Research. As a specialist in MEMS technology applications and fabrication, Mr. Prince has a state-of-the-art understanding of MEMS production issues related to aerospace and medical applications. Mr. Prince recently earned a law degree and is working to develop expertise in Intellectual property law. Due to Mr. Prince's interest in corporate intellectual property issues, Mr. Prince is on the Board of the iACTIV Corporation and was a co-founder of the Ohio MEMS Association, Inc. Mr. Prince works directly for Dr. Lisy, but otherwise has no business relationships with any other OMA Board member.

Dr. Robert Savinell is the Dean of the College of Engineering at the Case Western Reserve University. Dr. Savinell brings to the board a solid understanding of research appropriate to aid the scientific education of college and university students. His experience as an educator in science and engineering provide diversity and balance to the OMA Board. Dean Savinell has no business relationships with any of the other board members.

6. How do you advertise your services to potential recipients?

Our recent MEMS Economic Summit was advertised in three general ways: (A) Public media through advertisements in Cleveland's "Plain Dealer" paper, radio spots on WCPN public radio, and interviews with reporters; (B) email distribution lists at Case Western Reserve University, NEOSA, GLITech, TeamCleveland and other not-for-profit policy networks and local economic development groups; and (C) website banner ads. This three-pronged strategy was to ensure the broadest reach to the general public occurred.

Our Microsystems Academy educational activity is currently focused on High School students and the advertisement of that program is done primarily through one-on-one awareness sessions at local secondary schools, vocational schools, churches, and urban development organizations. We have not developed programs at a level appropriate for local companies and therefore no advertising has been developed which is directed at commercial enterprises.

7. Submit any brochures, flyers, advertisements, etc.. that you will use to advertise your services.

Attachment 4 provides the 7 items we have produced to date.

8. Are any of the current officers in a position to financially benefit, directly, or indirectly, from your activities? If so, please explain.

No. The code of conduct for Officers does not allow for direct or indirect benefit from OMA activities.

9. What officers are employed by or own IACTIV Corporation and Orbital Research.

None. At one point in the formative period of OMA Colin K. Drummond was President of iACTIV Corporation, Inc. and also served as an officer of OMA in the role of President. Mr. Drummond left employment with iACTIV in March 2003 and now works for the Invacare Corporation, a healthcare product manufacturing company unrelated to MEMS product manufacture. As noted in the OMA bylaws attached to the Application, the officers of the corporation "shall be President, Vice-President, Secretary and Treasurer;" and there are no employees of iACTIV or Orbital Research currently serving as OMA officers.

We would like to clarify some concerns that maybe implied in Items #4, #5, and #9 regarding of Conflict of Interest. Such a situation will be deemed to exist whenever an individual is in the position to approve or influence OMA policies or actions which involve or could ultimately harm or benefit financially: (a) the individual; (b) any member of his or her immediate family (spouse, parents, children, brothers or sisters, and spouses of these individuals); or (c) any organization in which he or she or an immediate family member is a director, trustee, officer, member, partner or more than 10% shareholder.

All directors and officers shall disclose, on an annual basis, all conflicts of interest, including specific information concerning the terms of any contract or transaction with the OMA and whether the process for approval set forth in the conflicts of interest was used. The director or officer shall also disclose a conflict of interest as soon as possible after learning of the conflict, and prior to voting on or entering into a contract involving the conflict.

10. Based on information provided, it appears that IACTIV Corporation, Orbital Research and other start-up companies created this organization to educate their employees and to engage in research that could result in a commercial product. If this is incorrect, please explain in more detail why it is not.

We would like to explain why the situation described above is incorrect. First, we believe it is important to recognize that in the Spring of 2002, Dr. Lisy, Dr. Drummond, and Mr. Prince recognized a pattern of issues related to the economic development of the MEMS technology in Ohio and set in motion the process to address commercialization barriers for MEMS technology in the State of Ohio. By the Fall of 2002, the greater context of the issues in Ohio were better understood and the Ohio MEMS Association, Inc. was formed with a charitable and scientific purpose in mind, quite different from the purposes of the companies for which the co-founders were or have been employed. Then, the task was to establish a Board reflecting the public interest.

Although Messrs. Lisy, Prince, and Drummond co-founded OMA to "get the ball rolling" the evolution and design of the organization has been to serve the public charitable and scientific purposes with specific objectives to: (A) promote public awareness of MEMS technology within the state. (B) develop student education and workforce development programs that can be widely used to support awareness and interest in MEMS in inner city or underserved areas, (C) sponsor programs for business people, investors and the general public to better understand the economic development value of MEMS technology, and (D) conduct research to understand MEMS commercialization issues, exploring possible options and publicly disseminating the results.

OMA was not created to educate the employees of iACTIV Corporation or Orbital Research; by way of example we note that the Microsystems Academy has been the OMA "flagship" educational project involving Microsystems training for inner city High School students (not employees of iACTIV or Orbital).

Since the departure of Dr. Drummond, iACTIV no longer has any employees, precluding OMA to be in a position to educate iACTIV employees. Employees of Orbital Research have been volunteer instructors, not students, of this project, and are therefore donating services, not receiving services, from OMA. Thus we believe the assertion that OMA was formed to educate employees of OMA founding companies is incorrect.

We also would like to explain why we believe the statement that OMA was formed to engage in research which results in a commercial product is incorrect. If the United States is to compete effectively in worldwide markets, it must greatly improve the speed to commercialization of products employing this important emerging technology and our focus is on researching methods and processes for accelerating commercialization, not on research for the products themselves. In order to increase the speed to commercialization, the proposed microsystems research activity and facility is needed for rapid research and development of principles for new system concepts; the prototyping is to understand commercialization processes principles, not for products. There is no question, however, that some prototyping of products across a wide range of applications and industries will occur to enable validation of proposed standards, processes, and system assembly concepts.

Guidance on the nature of our proposed activities has been received from the National Science Foundation (NSF). We proposed an NSF project on the Microsystems process standards development that was rejected by the NSF since it did NOT lead to a product since the "principles" we would develop could not be considered a product itself. The opinion of the NSF was that this activity was more appropriate as Department of Commerce project activity whereby publicly available standards are developed to foster industry-wide technology commercialization.

We hope there was no concern extending from the statement in our Application that
"in the course of developing future OMA educational activities it is anticipated there may be created workforce development programs for displaced workers that provide an understanding of MEMS-related job skills by, for instance, operating test equipment on products provided to the OMA by outside companies, and that those products may be subsequently sold by the outside company."

Although a commercial product is involved in this process the primary objective of the activity is one of workforce development leading to job development and industry attraction/retention; this, in the spirit of the Third Frontier Initiative described by the Governor of Ohio. Here, resources should be viewed as centered on the critically important issue of reducing the acute shortage of a skilled workforce needed to support this high-growth technology, not on the products incidental to the process. By understanding "real world" product challenges and solutions students bridge a more elemental research perspective with that of a collaborative industrial exercise, shortening the amount of time and cost necessary for skill development.

It is our strong belief and intent that any research which does happen to support a product is incidental to the main thrust of our activity and that OMA was not formed for product research purposes. Further discussion of this subject is provided in response to question 11.h (below)..

- 11. You indicate that you will conduct research. Therefore, please provide the following information regarding your operations:**
 - a. How are the results of your research (including any patents, copyrights, processes, or formulae resulting from such research), made available to the public on a nondiscriminatory basis. If so, how?**

OMA's Board works with the officers and assumes responsibility for the implementation and maintenance of the OMA's Intellectual Property Policy in the facilities and sites where the Center will conduct its research. Patents, copyrights, processes or formulae resulting from research is considered Intellectual Property ("IP"). Of extreme significance is the fact that OMA has primarily an "open," rather than "closed," intellectual property policy and therefore results are made available to the public on a nondiscriminatory basis. Research conducted by one member will be open and its results available to all, except in very limited circumstances where the Board determines that closed research will yield significant ancillary benefits to the OMA, whether in the form of use of specialized equipment or academic talent. This "open" policy will foster the greatest possible collaboration among OMA project participants and yields results that are broadly accessible, thereby enabling OMA project participants to build upon and refine those results in developing an ever-wider array of new and improved technologies. All projects shall further, in some way, the purposes of OMA.

Open projects are open to public review and discussion, but in some cases may be restricted to a defined set of project participants best qualified in selected fields to undertake the project, taking into account each team member's resources and commitment to the OMA (both generally and with respect to the specific project). A Technology Review Board ("TRB") will identify appropriate member participants, propose the terms of the "IP" Agreement for any open project, and distinguish which of those terms (if any) differ from the OMA's IP policy guidelines.

One or more individuals or organizations may sponsor a "closed project," such that participation in the project is strictly limited to the sponsoring member(s). The participant(s) in a closed project must submit a proposed IP Agreement for that project to the TRB for review and to the OMA Board for approval. The IP Agreement for a closed project and the transmittal memorandum from the TRB to the Board must set forth the compelling reasons for the closed status of the project, such as furtherance of the broader aims of the OMA through access to restricted technology, expertise or equipment. A specific finding by the TRB must be made that the closed project is in the best interests of the OMA and is consistent with the OMA's strategic plan, which finding must also be communicated to the OMA's Board.

With respect to ownership, the OMA will own all Project Technology (including technical information and registered intellectual property rights) in all open projects, unless the context otherwise requires. For closed projects, the Project Technology may be assigned to various of the participants according to their fields of interest and expertise on such terms as shall be negotiated by the TRB and approved by the Board. The IP Agreement shall clearly designate a person or persons responsible for the identification and description of Project Technology sufficient for the TRB and Board to protect the rights of the OMA in the technology.

With respect to access, Project Technology developed by any participant will be available to the other participants in the context of the specific project. The information may be obtained in the course of work on the project and will be included in a Project Summary Report made available to the TRB and the Board. It is generally expected that research outcomes take the form of scientific report and are prepared for public dissemination through our website, conferences, etc., or for subsequent distribution to third parties for publication.

Acceptance of funds from a government agency and/or a university may result in terms relating to rights in intellectual property that are imposed by regulations or laws (e.g. the Bayh-Dole Act). Therefore, for any Project that is to be funded at least in part, by a government agency or a university, best reasonable efforts should be used to identify in the Project proposal or its associated intellectual property statement or agreement any such laws or regulations that may apply to rights in Project technology

b. Is the research performed for the United States, or any of its agencies, or for a State or political subdivision?

Yes. Based on expected funding and grant sources, the primary research performed will be for an agency of the United States such as, say, the National Science Foundation, National Institutes of Health, or the Department of Commerce.

c. Is the research carried on for the purpose of aiding the scientific education of a college or university students?

Yes.

d. Is the research carried on for the purpose of obtaining scientific information, which is published in a treatise, thesis, trade-publication, or in any other form that is available to the interested public?

Yes.

- e. **Does any of the researchers work for a commercial company that will require them to turn over their results before disseminating it to the general public or medical community? If so, please explain.**

No.

- f. **Will the organization retain copyrights? If not, why not?**

Yes. OMA will retain copyrights to information developed from activities conducted under the auspices of OMA unless dictated otherwise by imposed federal regulations or laws.

- g. **How are the results of your research (including any patents, copyrights, processes, or formulae resulting from such research), made available to the public on a nondiscriminatory basis.**

We would like to politely suggest the response to this sub-question is essentially the same as sub-question (a).

- h. **Revenue Ruling 65-1, holds that an organization that promoted the development of new machinery for a particular commercial operation and the organization had the power to sell, assign, or license the resulting patent rights does not qualify as a scientific organization under IRC 501(c)(3). Please read the enclosed revenue ruling and explain how you are different from the organization denied exemption.**

Concerns expressed about whether the research activities of the OMA advance a public purpose must be analyzed with respect to the rules on impermissible benefit to private persons or proprietary interests. The research activity of the OMA is research leading to job development and industry attraction and retention. I have reviewed revenue Ruling 65-1 regarding the issue of research in general for a Code Section 501(c)(3) entity and explain below how OMA is different from the organization denied exemption.

Section 1.501(c)(3)-1(d)(5)(iv)(a) states that an organization will **not** be organized and operated for the purpose of carrying on scientific research in the public interest, and consequently will not qualify under Code Section 501(c)(3) as a scientific organization, if it performs research only for persons who are (directly or indirectly) its creators and which are not described in section 501(c)(3). Unlike the situation described in Ruling 65-1, OMA research activities are not directed toward benefiting specific manufacturers whereby the public benefit is indirect or incidental. OMA operates for a public purpose and addresses potential self-dealing and conflict of interest issues through its Intellectual Property Policy and through the Conflict of Interest policies. OMA is also different from and will not run afoul of another aspect of 65-1 in which the ruling established that the organization (directly or indirectly) took ownership or control of more than an insubstantial portion of the patents, copyrights, processes, or formulae resulting from its research and did not make such patents, copyrights, processes, or formulae available to the public.

Although Section 1.501(c)(3)-1(d)(5)(i) provides a broad definition of what constitutes "research," Section 1.501(c)(3)-1(d)(5)(ii) narrows this a bit and notes that "scientific research does not include activities of a type ordinarily carried on as an incident to commercial or industrial operations, as, for example, the ordinary testing or inspection of materials or products or the designing or construction of equipment, buildings, etc." Unlike the situation described in Revenue Ruling 65-1, OMA will not engage in these activities. In the event that private parties lease OMA facilities they may choose to engage in such activities, but income from such leases will be reported as unrelated business income. It is expected this type of activity will constitute an insignificant amount of the OMA's income.

To expand further, OMA research activities are qualitatively different from "ordinary testing or inspection of materials or products." OMA work is highly specialized and variable work done by scientifically sophisticated researchers. OMA is not involved in the commercialization of the products or process developed as a result of its research. Rather, it only will develop a project to the point where the research principles are established.

At this point, OMA will make the principles available to project participants, other third parties, and the public (for instance, through our website). OMA also does not conduct consumer or market research, social sciences research, or ordinary testing of the type which is carried on incident to commercial operations.

Section 1.501(c)(3)-1(d)(5) contains the requirement that scientific research be performed "in the public interest" if indeed this is the basis for exemption for a charitable entity. OMA's activities clearly meet the industry prong of Section 1.501(c)(3)-1(d)(5)(iii)(c)(4), which describes "scientific research carried on for the purpose of aiding a community or geographical area or attracting new industry to the community or area or by encouraging the development of, or retention of, an industry in the community or area." This strategic thrust for OMA differentiates it from the organization denied exemption in Ruling 65-1. OMA hopes that it's efforts have an end result of attracting new industry in the field microsystems technology to the geographical area in which it is situated and encourages the development and retention of such industry throughout the State of Ohio.

Section 1.501(c)(3)-1(d)(5) states that the term "scientific" as used in Code Section 501(c)(3) includes scientific research in the public interest. This involves three essential questions: Is OMA's activity scientific? Is it research? And, is it in the public interest? For OMA all three are answered in the affirmative. Section 1.501(c)(3)-1(d)(5)(i) states that the determination of whether research is "scientific" for purposes of Section 501(c)(3) does not depend on whether such research is classified as "fundamental" or "basic," as contrasted with "applied" or "practical." OMA concentrates on practical scientific research at the highest levels in the area of "back-end" microsystem processing technology. With Ruling 65-1 in mind, OMA was not formed for the purpose of developing new machinery in which patents benefit specific manufacturers.

We trust that this answers your inquiries and look forward to your response. Thank you again for your assistance.

Very truly yours,

Colin K. Drummond
President, Ohio MEMS Association, Inc.

Attachments

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