

**DEPARTMENT OF THE TREASURY
INTERNAL REVENUE SERVICE
WASHINGTON, D.C 20224**

WHISTLEBLOWER OFFICE

- **CLAIM NUMBER 2012-008270 (Hilton Head Island - Bluffton Chamber of Commerce)**

Attachment to Form 211

Statement of the Facts:

We have made repeated demands to William (Bill) Miles (President) to have access to the books and records of this entity but have been repeatedly denied.

Calvin Hoagland (the Whistleblower) is the owner of many URL domain names and competes directly with the HHBC for internet advertising revenues.

This entity holds some unique on-line competitive advantages in the internet advertising market. Non-profit entities receive preferences from Google and the HHBC has become a major competitor for internet advertising dollars. They have employed website advertising personnel and have paid consultants - yet they report no revenues from internet advertising sales.

- Based on our knowledge of the HHBC website and our knowledge of their ad pricing, we estimate that unrelated (taxable) revenues earned in excess of \$2,000,000 have gone unreported over the previous (3) years.
- According to 990's filed, the HHBC reportedly earned \$689,982 in gross revenues from selling advertising in its paper brochures. But the 990's report that the HHBC earned "0" gross earnings from internet advertising sales.
- This Chamber's (990's) also reflect that they have reported total revenues in excess of \$23,000,000 in the prior (4) years. They have paid no income taxes. We believe that a substantial portion of these revenues should be re-classified as unrelated (See Treas. Regs. section 1.512(a)-1(f), Rev. Rul. 64-315, 1964-2 C.B. 147, and Rev. Rul. 65-14, 1965-1 C.B. 236). Also, see Orlando 990.. (See www.hiltonheadisland.org).
- These internet marketing and advertising activities constitute (1) a trade or business; (2) are regularly carried on; and (3) are not substantially related to the purposes for which this association was granted tax exemption under 501(c)(6)
- Further, as disclosed in the attached returns, the President (William Miles) and his only additional paid Officer have compensated themselves in excess of \$1,500,000 during this period. We understand that *the long serving "chairperson" of the entity's "Compensation Committee" is also the Godmother of Bill Miles children.*
- Also, there are disturbing rumors regarding lucrative and inappropriate "insider" real estate dealings involving William Miles, his relatives and HHBC money in excess of \$1,000,000. And of lavish and extravagant travel (China recently, etc.), paid country club memberships, etc. Appears to be in reckless violation of the

prohibition in the Regulations relating to "inurement" of benefit of the association's net earnings to any private shareholder or individual.

Of continued concern are the following:

- New Board members are nominated by current Board members with zero voting rights given to regular members
- No budget information is ever presented to members for vote or approval
- The CEO's (Bill Miles) compensation is set by a *secret* executive board headed by the godmother of Bill Miles children.
- Inappropriate allocation of overhead and expenses to UBTI (no oversight regarding classifications or appropriateness of expenses).
- Non-accountability (to anyone) and refusal to provide financial information to members

In addition, upon completion of an IRS audit of this entity we are confident that the Internal Revenue Service, in the interests of our government, would choose to extend it's audit selections to make these types entities a priority.

There has been a transformation in these types of organizations to full blown "for-profit" business models. These chamber of commerce and VCB/CVB entities have changed in recent years. The internet has accelerated this state of affairs tremendously and there has been a transformation with Chamber of Commerce and Convention and Visitors Bureau's (CVB's) nationwide.

Explosive increases in internet sales and marketing has accelerated abuses dramatically. *Visit some of the attached presumably not for profit online sites.* These entities have changed course in recent years in recognition of these profit making opportunities and are leveraging their *unique online competitive advantages* to make money for themselves.

Entitled and empowered to run commercial websites, receive tax subsidies, as well as member dues, to pay inflated salaries and benefits to private individuals - the officers who run these organizations. Many Chambers of Commerce and CVB entities nationwide have transformed into for-profit media entities in violation of their mission statements and Non-Profit Charters.

We believe that this entity is in violation of it's non-profit status as permitted under IRC Sec. 501(c)(6) and also have failed to pay it's fair share of UBIT.

We believe that an audit of Hilton Head Island – Bluffton Chamber of Commerce could be used to develop a highly efficient audit program model that could generate tens of millions of dollars in tax revenues over the next several years through additional audits of selected Chambers and CVB'S nationwide. I am also convinced that with the specific information learned through this audit that the IRS could launch a very effective nationwide campaign for these entities to voluntarily come forward, pay their taxes or face the threat of severe consequences.