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CC: Rob Martinrmartin@sadowskico.com

Date: 2/6/2014 11:35:46 AM

Subject: Fwd: Hoagland Whistleblower Claim - Myrtle Beach Area Chamber of Commerce;
Myrtle Beach Area Commerce Center, Inc.

Attachments: image001.jpg
ATT00001.htm
BNA - IRS Regs' @ 501C(6) (2)4-1-13.doc
ATT00002.htm
Commerce Ctr Purpose.pdf
ATT00003.htm
MYRTLE BEACH AREA COMMERCE CENTER.DOC
ATT00004.htm

Sent from iPhone excuse all typos / misspellings 80% mobile

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Begin forwarded message:

From: Rob Martin <rmartin@sadowskico.com>

Date: February 6, 2014 at 8:20:07 AM PST

To: "Wren, David" <dwren@thesunnews.com>

Cc: Skip Hoagland <skiphoagland@yahoo.com>, Gary Sadowski <gsadowski@sadowskico.com>

Subject: Hoagland Whistleblower Claim - Myrtle Beach Area Chamber of Commerce; Myrtle Beach Area Commerce Center, Inc.

David,

The basis for Skip Hoagland's IRS Whistleblower claim is that -

Myrtle Beach Area Chamber of Commerce is in violation of its non-profit status as permitted under IRC Sec. 501(c)(6) and that it formed a **for-profit** entity to try to circumvent the intent of IRS regulations. These two entities failed to pay their fair share of Federal and SC income taxes and Federal UBIT and that they have used this hybrid tax structure to avoid - taxes, transparency and public accountability.

Concerns center on the issues of:

The non-profit entity MBAC failing to avoid conflicts of interests with this hybrid corporate tax structure. There are numerous situations involving these two entities which potentially create conflicts of interests and inappropriate comingling of non-profit and for-profit resources.

These *multimillion dollar* 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 the Myrtle Beach Area Chamber of Commerce was granted tax exemption under 501(c)(6).

Questionable large and recurring accounting adjustments which first appeared in the 2009 Chamber tax return (Federal Form 990) which could indicate inappropriate expense or loss shifting between the for-profit and the non-profit.

At least annual accounting adjustments shifting expenses from one entity to the other - in the first instance (2009) a large adjustment of \$1,979,186.00.

Large reported income tax **net operating losses carried forward** (approaching or exceeding \$1M at one point) reported by the **for-profit** entity - Myrtle Beach Area Commerce Center, Inc. In order to have a million dollar net operating loss it would have to have the cash to spend. If this cash came from the non-profit entity it would mean that the non-profit entity used public funding and/or membership funds to pay for such losses. This appears inconsistent with the idea that these for-profit activities are intended to generate income to support the non-profit mission.

Mr. Hoagland believes that it is wrong that this Chamber of Commerce has used a for-profit corporation under its complete control to transform itself into a for-profit media enterprise in violation of its mission statement and Non-Profit Charter.

It is wrong and bad policy that Chamber organizations nationwide have become entitled and empowered to run commercial websites, accept large tax subsidies, as well as member dues, and to pay inflated salaries and other benefits to private individuals and the officers who run these organizations.

The below is the Chamber's explanation of their hybrid structure... just cut and pasted from their website...

Myrtle Beach Commerce Center

What is the Myrtle Beach Commerce Center and why does it show a profit?

The **Myrtle Beach Commerce Center** is a for-profit corporation which is used to report the chamber's taxable income. The commerce center is owned by the chamber, overseen by the chamber's board of directors, and all financial activity is reported under the chamber's financial umbrella.

Why is this

necessary?

The Internal Revenue Service requires nonprofit organizations to recognize unrelated business income taxes (UBIT) on a separate tax return. Any product or service offered by the chamber of commerce that does not fall within the IRS designation of "nonprofit activity" falls can be deemed to be for-profit based upon the UBIT guidelines. This usually includes those products and services that are in direct competition with for-profit entities, such as publishing a vacation guide, selling advertising on a Web site or selling sponsorships for e-mail promotion. UBIT guidelines add a substantial amount of accounting work and often cause tax liabilities, causing some organizations to ignore these guidelines altogether. We choose to adhere strictly to the law and report our UBIT revenues and expenses via a corporation known as the **Myrtle Beach Commerce Center**.

The Myrtle Beach Commerce Center has no operations, per se, and does not conduct business with any entity other than the Myrtle Beach Area Chamber of Commerce. The chamber of commerce board of directors oversee all financial decisions which impact the Myrtle Beach Commerce Center. The Myrtle Beach Commerce Center serves as a financial reporting tool to capture and report taxable revenues and related expenses, using methods designed by our external auditor and tax preparer. Its revenues and expenses are designated based upon IRS guidelines and allocated (for tax reporting purposes only) from the chamber's financial operations. For purposes of financial reporting to our stakeholders, revenues and expenses are combined with all other chamber financial information to ensure full disclosure of revenues and expenses, and accurate reporting per Generally Accepted Accounting Principles (GAAP) and also IRS guidelines.

From: Wren, David [<mailto:dwren@thesunnews.com>]

Sent: Wednesday, February 05, 2014 10:09 AM

To: Rob Martin

Subject: Re: Hoagland Whistleblower Claim

Thanks Rob.

David

On Wed, Feb 5, 2014 at 10:07 AM, Rob Martin <rmartin@sadowskico.com> wrote:

David,

Skip Hoagland has asked me to provide information regarding his Whistleblower claim filed against the non-profit entity - Myrtle Beach Area Chamber of Commerce (a SC non-profit) and its wholly owned and operated subsidiary - *Myrtle Beach Area Commerce Center, Inc.* (a SC regular for-profit Corp).

This claim is structured around large amounts of internet advertising revenues generated by the MB Chamber and deposited in bank accounts of the Myrtle Beach Area Commerce Center, Inc. and some large accounting adjustments and intercompany loan transactions between the Non-profit and the for-profit subsidiary during the years 2010-2011.

These filings are not public documents and it may not be advisable to disclose all of the details of Mr. Hoagland's entire claim. Also, the Myrtle Beach Area Commerce Center, Inc is a regular C corporation and although the MB Chamber and the Commerce center have identical Directors the for-profit subsidiary's tax returns are not public documents.

I need to get approval from our firm's managing partner before I can send details. I will try to get that for you sometime later today.

Best regards,

Rob Martin

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