

Application for Recognition of Exemption
Under Section 501(c)(3) of the Internal Revenue Code

OMB No. 1545-0056
 Expires 5-31-96
 If exempt status is approved, this application will be open for public inspection.

Read the instructions for each Part carefully.

A User Fee must be attached to this application.

If the required information and appropriate documents are not submitted along with Form 8718 (with payment of the appropriate user fee), the application may be returned to you.

Complete the Procedural Checklist on page 7 of the instructions.

Part I Identification of Applicant

1a Full name of organization (as shown in organizing document) Davis Community Network		2 Employer identification number (if none, see instructions.) 68 : 0345077
1b c/o Name (if applicable) Kimball J.P. Sargeant		3 Name and telephone number of person to be contacted if additional information is needed Kimball J.P. Sargeant (916) 756-3622
1c Address (number, street, and room or suite no.) 510 Fourth Street		
1d City or town, state, and ZIP code Davis, CA 95616		4 Month the annual accounting period ends June
5 Date incorporated or formed March 15, 1994	6 Activity codes (See instructions.) 123 092 404	7 Check here if applying under section: a <input type="checkbox"/> 501(e) b <input type="checkbox"/> 501(f) c <input type="checkbox"/> 501(k)
8 Did the organization previously apply for recognition of exemption under this Code section or under any other section of the Code? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No If "Yes," attach an explanation.		
9 Is the organization required to file Form 990 (or Form 990-EZ)? <input type="checkbox"/> N/A <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No If "No," attach an explanation (see instructions).		
10 Has the organization filed Federal income tax returns or exempt organization information returns? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No If "Yes," state the form numbers, years filed, and Internal Revenue office where filed.		

11 Check the box for the type of organization. BE SURE TO ATTACH A CONFORMED COPY OF THE CORRESPONDING DOCUMENTS TO THE APPLICATION BEFORE MAILING (See **Specific Instructions, Part I, Line 11.**) Get Pub. 557, **Tax-Exempt Status for Your Organization, for examples of organizational documents.**


a **Corporation**—Attach a copy of the Articles of Incorporation (including amendments and restatements) showing approval by the appropriate state official; also include a copy of the bylaws.

b **Trust**—Attach a copy of the Trust Indenture or Agreement, including all appropriate signatures and dates.

c **Association**—Attach a copy of the Articles of Association, Constitution, or other creating document, with a declaration (see instructions) or other evidence the organization was formed by adoption of the document by more than one person; also include a copy of the bylaws.

If the organization is a corporation or an unincorporated association that has not yet adopted bylaws, check here

I declare under the penalties of perjury that I am authorized to sign this application on behalf of the above organization and that I have examined this application, including the accompanying schedules and attachments, and to the best of my knowledge it is true, correct, and complete.

Please Sign Here  Vice-president 10/06/95
 (Signature) (Title or authority of signer) (Date)

Part II Activities and Operational Information

- 1 Provide a detailed narrative description of all the activities of the organization—past, present, and planned. Do not merely refer to or repeat the language in the organizational document. Describe each activity separately in the order of importance. Each description should include, as a minimum, the following: (a) a detailed description of the activity including its purpose; (b) when the activity was or will be initiated; and (c) where and by whom the activity will be conducted.

See attachment.

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- 2 What are or will be the organization's sources of financial support? List in order of size.
- Portion of subscriber account fees charged by modem service provider.
 - In-kind services from University of California, Davis, and City of Davis.
 - Grants and donations.
 - Fees for other Internet services.

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- 3 Describe the organization's fundraising program, both actual and planned, and explain to what extent it has been put into effect. Include details of fundraising activities such as selective mailings, formation of fundraising committees, use of volunteers or professional fundraisers, etc. Attach representative copies of solicitations for financial support.

See attachment.

Part II Activities and Operational Information (Continued)

4 Give the following information about the organization's governing body:

a Names, addresses, and titles of officers, directors, trustees, etc.	b Annual compensation

c Do any of the above persons serve as members of the governing body by reason of being public officials or being appointed by public officials? Yes No
 If "Yes," name those persons and explain the basis of their selection or appointment.

d Are any members of the organization's governing body "disqualified persons" with respect to the organization (other than by reason of being a member of the governing body) or do any of the members have either a business or family relationship with "disqualified persons"? (See **Specific Instructions, Part II, Line 4d**.) Yes No
 If "Yes," explain.

5 Does the organization control or is it controlled by any other organization? Yes No
 Is the organization the outgrowth of (or successor to) another organization, or does it have a special relationship with another organization by reason of interlocking directorates or other factors? Yes No
 If either of these questions is answered "Yes," explain.

6 Does or will the organization directly or indirectly engage in any of the following transactions with any political organization or other exempt organization (other than a 501(c)(3) organization): (a) grants; (b) purchases or sales of assets; (c) rental of facilities or equipment; (d) loans or loan guarantees; (e) reimbursement arrangements; (f) performance of services, membership, or fundraising solicitations; or (g) sharing of facilities, equipment, mailing lists or other assets, or paid employees? Yes No
 If "Yes," explain fully and identify the other organizations involved.

7 Is the organization financially accountable to any other organization? Yes No
 If "Yes," explain and identify the other organization. Include details concerning accountability or attach copies of reports if any have been submitted.

Part II Activities and Operational Information (Continued)

8 What assets does the organization have that are used in the performance of its exempt function? (Do not include property producing investment income.) If any assets are not fully operational, explain their status, what additional steps remain to be completed, and when such final steps will be taken. If "None," indicate "N/A."

9 Will the organization be the beneficiary of tax-exempt bond financing within the next 2 years? Yes No

10a Will any of the organization's facilities or operations be managed by another organization or individual under a contractual agreement? Yes No

b Is the organization a party to any leases? Yes No

If either of these questions is answered "Yes," attach a copy of the contracts and explain the relationship between the applicant and the other parties.

11 Is the organization a membership organization? Yes No

If "Yes," complete the following:

a Describe the organization's membership requirements, and attach a schedule of membership fees and dues.

b Describe the organization's present and proposed efforts to attract members, and attach a copy of any descriptive literature or promotional material used for this purpose.

c What benefits do (or will) the members receive in exchange for their payment of dues?

12a If the organization provides benefits, services, or products, are the recipients required, or will they be required, to pay for them? N/A Yes No

If "Yes," explain how the charges are determined, and attach a copy of the current fee schedule.

Charges are determined by informal surveys of the fees of other non-profit community networks, by marketing surveys within the community, and review of the fees of other competitors in the business of providing Internet access.

b Does or will the organization limit its benefits, services, or products to specific individuals or classes of individuals? N/A Yes No

If "Yes," explain how the recipients or beneficiaries are or will be selected.

13 Does or will the organization attempt to influence legislation? Yes No

If "Yes," explain. Also, give an estimate of the percentage of the organization's time and funds that it devotes or plans to devote to this activity.

14 Does or will the organization intervene in any way in political campaigns, including the publication or distribution of statements? Yes No

If "Yes," explain fully.

Part III Technical Requirements

1 Are you filing Form 1023 within 15 months from the end of the month in which your organization was created or formed? Yes No
If you answer "Yes," do not answer questions on lines 2 through 7.

2 If one of the exceptions to the 15-month filing requirement shown below applies, check the appropriate box and proceed to question 8.

Exceptions—You are not required to file an exemption application within 15 months if the organization:

- a Is a church, interchurch organization of local units of a church, a convention or association of churches, or an integrated auxiliary of a church (see instructions);
- b Is not a private foundation and normally has gross receipts of not more than \$5,000 in each tax year; or
- c Is a subordinate organization covered by a group exemption letter, but only if the parent or supervisory organization timely submitted a notice covering the subordinate.

3 If the organization does not meet any of the exceptions on line 2, are you filing Form 1023 within 27 months from the end of the month in which the organization was created or formed? Yes No

If "Yes," your organization qualifies under section 4.01 of Rev. Proc. 92-85, 1992-42 I.R.B. 32, for an automatic 12-month extension of the 15-month filing requirement. Do not answer questions 4 through 7.

If "No," answer question 4.

4 If you answer "No" to question 3, has the organization been contacted by the IRS regarding its failure to file Form 1023 within 27 months from the end of the month in which the organization was created or formed? Yes No

If "No," your organization qualifies for an extension of time to apply under the "reasonable action and good faith" requirements of section 5.01 of Rev. Proc. 92-85. Do not answer questions 5 through 7.

If "Yes," answer question 5.

5 If you answer "Yes" to question 4, does the organization wish to request relief from the 15-month filing requirement? Yes No

If "Yes," give the reasons for not filing this application prior to being contacted by the IRS. See Specific Instructions, Part III, Line 5, before completing this item. Do not answer questions 6 and 7.

If "No," answer question 6.

6 If you answer "No" to question 5, your organization's qualification as a section 501(c)(3) organization can be recognized only from the date this application is filed with your key District Director. Therefore, do you want us to consider the application as a request for recognition of exemption as a section 501(c)(3) organization from the date the application is received and not retroactively to the date the organization was created or formed? Yes No

7 If you answer "Yes" to the question on line 6 above and wish to request recognition of section 501(c)(4) status for the period beginning with the date the organization was formed and ending with the date the Form 1023 application was received (the effective date of the organization's section 501(c)(3) status), check here and attach a completed page 1 of Form 1024 to this application.

Part II Technical Requirements (Continued)

8 Is the organization a private foundation?

- Yes (Answer question on line 9.)
- No (Answer question on line 10 and proceed as instructed.)

9 If you answer "Yes" to the question on line 8, does the organization claim to be a private operating foundation?

- Yes (Complete Schedule E)
- No

After answering the question on this line, go to Part IV.

10 If you answer "No" to the question on line 8, indicate the public charity classification the organization is requesting by checking the box below that most appropriately applies:

THE ORGANIZATION IS NOT A PRIVATE FOUNDATION BECAUSE IT QUALIFIES:

- | | | |
|---|--|---|
| a | <input type="checkbox"/> As a church or a convention or association of churches
(CHURCHES MUST COMPLETE SCHEDULE A.) | Sections 509(a)(1)
and 170(b)(1)(A)(i) |
| b | <input type="checkbox"/> As a school (MUST COMPLETE SCHEDULE B.) | Sections 509(a)(1)
and 170(b)(1)(A)(ii) |
| c | <input type="checkbox"/> As a hospital or a cooperative hospital service organization, or a
medical research organization operated in conjunction with a
hospital (MUST COMPLETE SCHEDULE C.) | Sections 509(a)(1)
and 170(b)(1)(A)(iii) |
| d | <input type="checkbox"/> As a governmental unit described in section 170(c)(1). | Sections 509(a)(1)
and 170(b)(1)(A)(v) |
| e | <input type="checkbox"/> As being operated solely for the benefit of, or in connection with,
one or more of the organizations described in a through d, g, h, or i
(MUST COMPLETE SCHEDULE D.) | Section 509(a)(3) |
| f | <input type="checkbox"/> As being organized and operated exclusively for testing for public
safety. | Section 509(a)(4) |
| g | <input type="checkbox"/> As being operated for the benefit of a college or university that is
owned or operated by a governmental unit. | Sections 509(a)(1)
and 170(b)(1)(A)(iv) |
| h | <input type="checkbox"/> As receiving a substantial part of its support in the form of
contributions from publicly supported organizations, from a
governmental unit, or from the general public. | Sections 509(a)(1)
and 170(b)(1)(A)(vi) |
| i | <input checked="" type="checkbox"/> As normally receiving not more than one-third of its support from
gross investment income and more than one-third of its support from
contributions, membership fees, and gross receipts from activities
related to its exempt functions (subject to certain exceptions). | Section 509(a)(2) |
| j | <input type="checkbox"/> The organization is a publicly supported organization but is not sure
whether it meets the public support test of block h or block i. The
organization would like the IRS to decide the proper classification. | Sections 509(a)(1)
and 170(b)(1)(A)(vi)
or
Section 509(a)(2) |

If you checked one of the boxes a through f in question 10, go to question 15. If you checked box g in question 10, go to questions 12 and 13. If you checked box h, i, or j, go to question 11.

Part III Technical Requirements (Continued)

- 11** If you checked box h, i, or j on line 10, has the organization completed a tax year of at least 8 months?
 Yes—Indicate whether you are requesting:
 A definitive ruling (Answer questions on lines 12 through 15.)
 An advance ruling (Answer questions on lines 12 and 15 and attach two Forms 872-C completed and signed.)
 No—**You must request an advance ruling by completing and signing two Forms 872-C and attaching them to the application.**

12 If the organization received any unusual grants during any of the tax years shown in Part IV-A, attach a list for each year showing the name of the contributor; the date and the amount of the grant; and a brief description of the nature of the grant.
 N/A

- 13** If you are requesting a definitive ruling under section 170(b)(1)(A)(iv) or (vi), check here and:
a Enter 2% of line 8, column (e) of Part IV-A _____
b Attach a list showing the name and amount contributed by each person (other than a governmental unit or "publicly supported" organization) whose total gifts, grants, contributions, etc., were more than the amount entered on line 13a above.

- 14** If you are requesting a definitive ruling under section 509(a)(2), check here and:
a For each of the years included on lines 1, 2, and 9 of Part IV-A, attach a list showing the name of and amount received from each "disqualified person." (For a definition of "disqualified person," see **Specific Instructions, Part II, Line 4d.**)
b For each of the years included on line 9 of Part IV-A, attach a list showing the name of and amount received from each payer (other than a "disqualified person") whose payments to the organization were more than \$5,000. For this purpose, "payer" includes, but is not limited to, any organization described in sections 170(b)(1)(A)(i) through (vi) and any governmental agency or bureau.

15 Indicate if your organization is one of the following. If so, complete the required schedule. (Submit only those schedules that apply to your organization. Do not submit blank schedules.)	Yes	No	If "Yes," complete Schedule:
Is the organization a church?		X	A
Is the organization, or any part of it, a school?		X	B
Is the organization, or any part of it, a hospital or medical research organization?		X	C
Is the organization a section 509(a)(3) supporting organization?		X	D
Is the organization a private operating foundation?		X	E
Is the organization, or any part of it, a home for the aged or handicapped?		X	F
Is the organization, or any part of it, a child care organization?		X	G
Does the organization provide or administer any scholarship benefits, student aid, etc.?		X	H
Has the organization taken over, or will it take over, the facilities of a "for profit" institution? . . .		X	I

Part IV Financial Data

Complete the financial statements for the current year and for each of the 3 years immediately before it. If in existence less than 4 years, complete the statements for each year in existence. If in existence less than 1 year, also provide proposed budgets for the 2 years following the current year.

A. Statement of Revenue and Expenses

	Current tax year	3 prior tax years or proposed budget for 2 years			(e) TOTAL
	(a) From 7/94 to 6/95	(b) 1996	(c) 1997	(d) 19.....	
Revenue	1 Gifts, grants, and contributions received (not including unusual grants—see instructions).	410	50,000	50,000	
	2 Membership fees received	0	0	0	
	3 Gross investment income (see instructions for definition)	0	0	0	
	4 Net income from organization's unrelated business activities not included on line 3	0	0	0	
	5 Tax revenues levied for and either paid to or spent on behalf of the organization	0	0	0	
	6 Value of services or facilities furnished by a governmental unit to the organization without charge (not including the value of services or facilities generally furnished the public without charge)	2,400	16,800	16,800	
	7 Other income (not including gain or loss from sale of capital assets) (attach schedule)	0	2,400	6,000	
	8 Total (add lines 1 through 7)	2,810	69,200	72,800	
	9 Gross receipts from admissions, sales of merchandise or services, or furnishing of facilities in any activity that is not an unrelated business within the meaning of section 513	14,250	135,000	180,000	
	10 Total (add lines 8 and 9)	17,060	204,200	252,800	
	11 Gain or loss from sale of capital assets (attach schedule)	0	0	0	
	12 Unusual grants	0	0	0	
	13 Total revenue (add lines 10 through 12)	17,060	204,200	252,800	
Expenses	14 Fundraising expenses	0	2,500	6,000	
	15 Contributions, gifts, grants, and similar amounts paid (attach schedule)	0	0	0	
	16 Disbursements to or for benefit of members (attach schedule)	0	0	0	
	17 Compensation of officers, directors, and trustees (attach schedule)	0	0	0	
	18 Other salaries and wages	0	0	125,000	
	19 Interest	0	0	0	
	20 Occupancy (rent, utilities, etc.)	0	6,000	6,000	
	21 Depreciation and depletion	0	40,000	40,000	
	22 Other (attach schedule)	11,989	108,002	133,752	
	23 Total expenses (add lines 14 through 22)	11,989	156,502	310,752	
	24 Excess of revenue over expenses (line 13 minus line 23)	5,071	47,698	(57,952)	

Part IV Financial Data (Continued)

B. Balance Sheet (at the end of the period shown)		Current tax year Date <u>6/30/95</u>
Assets		
1	Cash	14,770
2	Accounts receivable, net	1,290
3	Inventories	0
4	Bonds and notes receivable (attach schedule)	0
5	Corporate stocks (attach schedule)	0
6	Mortgage loans (attach schedule)	0
7	Other investments (attach schedule)	0
8	Depreciable and depletable assets (attach schedule) computer equipment	2,280
9	Land	0
10	Other assets (attach schedule)	0
11	Total assets (add lines 1 through 10)	18,340
Liabilities		
12	Accounts payable	2,807
13	Contributions, gifts, grants, etc., payable	0
14	Mortgages and notes payable (attach schedule)	0
15	Other liabilities (attach schedule)	4,866
16	Total liabilities (add lines 12 through 15)	7,673
Fund Balances or Net Assets		
17	Total fund balances or net assets	10,667
18	Total liabilities and fund balances or net assets (add line 16 and line 17)	10,667 18,340

If there has been any substantial change in any aspect of the organization's financial activities since the end of the period shown above, check the box and attach a detailed explanation

TAX EXEMPT APPLICATION -- DAVIS COMMUNITY NETWORK

Part II, item 1:

The purpose of the Davis Community Network ("DCN") is to strengthen the community of Davis, California by providing Internet-based communication, information services and support in order to help its citizens make better personal decisions and to participate in decisions affecting their lives, and obtain the benefits of full participation in the emerging electronic community. The goal is to electronically link as many citizens as possible through a community-wide computer network as part of the Internet. The network offers public information and services, access to community resources and assistance, access to local business products and services, and a means of communicating with others in the community, including elected officials, about matters of interest. Beyond the local community, the computer network, through a gateway to the Internet, offers DCN users access to an incredibly rich variety of information and resources from all around the world.

DCN began as the product and study subject of a contract between the University of California, Davis ("UCD") and the California Department of Transportation ("CalTrans") to evaluate the effect of community-based computer networking on transportation and mobility. That study is on-going through June 1996, although the purpose and activities of DCN extend beyond the objects of the study itself. DCN is a volunteer-based organization, presently run by a volunteer Board of Directors and Executive Committee, with limited paid staff.

A principal activity of DCN has been to make contact with community organizations and public agencies to make the information and resources of those organizations available on-line and to make those entities more accessible to other members of the community. DCN has established relationships with the local City government, the Library, UCD, the Davis Joint Unified School District, the Chamber of Commerce, and the County. Specifically, DCN has entered into a Memorandum of Understanding with the City of Davis to provide Internet access, training and assistance to the City and its staff in return for support to DCN, including use of City facilities and provision of high-speed data communications connections. The City already has made certain of its public information available on-line through DCN. DCN has also provided resources and accounts to volunteer citizen committee members of the City's general-plan update committee. DCN also has given accounts to Yolo County government and has provided assistance in developing an on-line presence for the County.

DCN is also working to make the community network available to all members of the community, including those without a computer of their own. DCN is part of a group of community networking organizations which have submitted a joint grant proposal to the NTIA. If funded, the grant would establish public-access "kiosks," or computer terminals, and community computer centers with connections to DCN and the Internet. Apart from the grant, DCN has plans to establish, connect and maintain public-access "kiosks" in appropriate locations such as the public library and the County Administration Building in Woodland.

DCN also offers free Internet training to its users and the public. Utilizing

computer training labs on the UCD campus and at the City Annex, DCN instructs new subscribers on how to use the local network and the Internet. DCN also provides special on-site training to the staffs of local governmental and other non-profit organizations, as well as other local information providers.

The financial support for DCN comes from several sources. The City of Davis and the local University provide "in-kind" services, including University staff support for certain activities under the CalTrans contract, use of training facilities, loans of computers and other equipment and hardware. The University has subcontracted with another local non-profit organization, Davis Community Television, to provide other services, such as limited user support and administrative assistance to DCN in order to maintain the research testbed functionality of the community network and complete additional research on community network funding and sustainability. The University, as part of the CalTrans contract, has also subcontracted with a telecommunications company, AC&C, to provide a bank of modems and other computer hardware to allow subscribers to connect, via telephone, to the local network and the Internet. DCN is itself responsible for providing a network administrator to service and maintain the computers which act as servers on the network, and to maintain and update the complex software and programming necessary to operate the network and maintain DCN's connection to the Internet. DCN will also have to employ paid staff to manage the volunteers, to maintain user accounts and conduct account billing.

There are at present no funds available from local governments, the library, the schools, or other public agencies to operate DCN. DCN has applied for various grants and will continue to do so. However, grant funding is not, at present, a viable source for funding the operations of DCN. The revenues to pay for DCN's activities come principally from a portion of user account fees collected for AC&C modem accounts. DCN incurs or will incur expenses for technical support and administrative staff, billing, training, public-access, office expenses and marketing.

Part II, item 3:

DCN has a Finance Committee, with a Resources Subcommittee, which are together responsible for budgeting and fundraising activities. DCN has applied for several grants, primarily from the NTIA. Last year's grant application was unsuccessful. Another grant proposal is currently pending with the NTIA, in which DCN is a partner. The grant was submitted by a consortium of local community networks and related organizations in the greater Sacramento area, including the "Net at Two Rivers" in Sacramento itself. If funded, DCN would receive approximately \$10,000 for public kiosk access sites. DCN also has plans to solicit charitable contributions from local businesses and others. However, this program has yet to be implemented.

The primary source of funding for DCN is from a portion of the user account fees charged by AC&C. There are currently approximately 350 DCN subscribers who receive modem dial-up accounts to access the DCN and Internet. AC&C also has rates for other Internet services, including higher-speed ISDN connections; DCN receives a portion of those fees. DCN itself offers disk storage on its Internet

computer server for account-holder information, including World Wide Web "home pages."

DCN has entered into memoranda of understanding with the City of Davis and the University of California, Davis, which commit both entities to provide various "in-kind" services to DCN, including access to training facilities and the part-time services of a computer network systems administrator. DCN also continues to receive some administrative staff support through the Caltrans subcontract between the University and DCTV, a public access cable TV non-profit. DCTV provides a part-time user-support person and an administrative assistant, as well as the physical facility where DCN's offices are located.

Part II, item 8:

DCN has two Sun Microsystems workstations which are its servers on the Internet. The computers were donated to the University Caltrans project on behalf of DCN, and ownership will be transferred to DCN in the intermediate future. The servers together are valued at approximately \$10,000 and are fully operational. DCN recently acquired a tape backup system for its servers. The University has donated approximately 10 outdated personal computers for use by staff. These computers have a value of no more than \$150 each. DCN has acquired two up-to-date computers for use by the user-support staff, including peripheral hardware.