



October 1, 1990

Internal Revenue Service
P. O. Box 2350 Room 5127 Attn: E.O.
Los Angeles, CA 900532350

RE: Chili Appreciation Society International
Case No. 950226047
EIA: 74-2330479

Attn: Carol Mochizuki

Dear Ms. Mochizuki:

In response to your letters dated September 4 and September 17, 1990 in which you request clarification of certain items on our application for exempt status, the following explanations and documents are provided:

1. The local chapters or "pods" are not subordinate organizations to CASI in a formal sense. They are called "affiliated pods" and as such must support the main purpose of the CASI organization to remain affiliated as stated in Article 13 of the by-laws (A-1). They are not affiliated financially and maintain their own treasuries. Their president or "great pepper" is a voting delegate at the annual business meeting. As such, these delegates elect the board of directors annually. The pods are accountable to the main organization as to certain criteria to remain affiliated (A-1). The official rule book also states Article 13's required criteria (B12). All officers of each pod must also be members of CASI. (See A-2 through 5 for documentation on the pods' charitable activities). The local cookoffs can be covered under CASI's blanket insurance policy by paying an additional fee to the insurer.

2. The pods are not required to pay for the use of the CASI name or logo. There is no fee to have a cookoff sanctioned, but there are several criteria for the promoters to follow in order for their cookoff to be sanctioned (B5-6). The local pods do not actually run the cookoffs except for the required pod championship (B12). Instead, they serve as a membership organization for the chili cooks and to assist promoters with their cookoffs as well as an informational source at the local level. Each promoter is required to send \$1 per registered cook to CASI for each cookoff to help defray the costs of keeping the official points tally for the national competition at Terlingua each year.



Bennett, Kildow & Co.

CERTIFIED PUBLIC ACCOUNTANTS

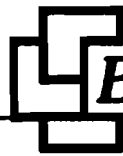
A PROFESSIONAL SERVICE CORPORATION

3. We have registered the CASI chili pepper as our official trademark with the State of Texas (B12-13) and with the United States Patent office (B12a-15). The words CASI and Chili Appreciation Society International are also registered. Copies are attached for your review.

4. There is no formal written agreement between the local pods and CASI to raise money for charity except for article 13 which covers the affiliation rules. The pods do not hold the cookoffs except for their required annual pod championship. They are an organizational group to provide the cooks, referees and sometimes the judges. It is the promoter who is responsible for raising the money for the charity. Many of the local pods have their own constitutions. Enclosed is a copy of the constitution of the Puget Pod (B16) which states that their main purpose is to raise money for charity which matches the purpose of the main organization. Through Article 13 of the by-laws each pod is required to promote chili through CASI only which automatically requires them to support the main purpose of the national organization.

5. The organization is educational in that through the activities of chili cookoffs contacts are made. People are educated in the uses of chili peppers, related spices and the importance of chili as an agricultural product in the country. Many personal discussions are held at each cookoff. From the publicity of the cookoffs, many authors, chefs, hotels, etc. contact our Executive Director or board members for information relating to chiles. The organization serves as a national contact point for people to access information. I have enclosed many articles and copies of pages from various journals to demonstrate the amount of contact we have with various members of the public (B17-30). These are only a small sample of the articles and contacts made each year by our officers, pod members and winners. Frequently, officers and members are called upon to teach classes such as the one at the Lake Washington VochTech Institute taught by our board member, Bob Whitefield (B21). Our chili experts have addressed many groups across the nation in the uses of chili, handling of peppers and the art of cooking a good bowl of chili as well as the history of chili in the United States and the development of the peppers in various areas.





6. The role of the promoter is explained in a copy of the promoter instructions enclosed (B8-B11). The promoter is the person who makes the cookoff happen. He is the one who contacts our group for instructions and sanctioning rules. He selects a charity, or if he can't decide we make suggestions. Our group provides assistance, cooks and mailing lists. The promoter is responsible for making the cookoff a financial success and getting additional involvement from the community to support additional activities held during the cookoff. He is responsible for the advertising, media contact and execution of the cookoff. He also handles the funds received at the cookoff and for paying the expenses.

7. The income received from McCormick Schilling Spice Co. and Marion Laboratories (Gaviscon) are monies to support the annual championship held at Terlingua each year. Since there are no cash prizes paid to winners, and most of the money raised goes to charity, the group needs additional funds to conduct the Terlingua Championship. This event costs in excess of \$15,000 each year. The gate proceeds are usually donated to a charity. The past several years the recipient has been the Terlingua Medics to support the only emergency ambulance service in that part of Texas. Other sponsors provide monies at local events to pay the costs of holding local cookoffs.

If there are additional questions, please do not hesitate to contact me.

Sincerely,

Marleen Bennett, CPA
Encls (36)

✓ cc: CASI & B. Whitefield
w/ Encls.