

# LINCOLN FOUNDATION, INC.

*Founded by John C. Lincoln in 1947.*

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June 6, 1991

Stanley M. Sapiro, Esq.  
1566 Monte Viento Drive  
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Dear Mr. Sapiro:

In addition to your letter to me of May 12, 1991, I have also received and carefully reviewed copies of your letters of January 3, 1991, to Mr. Benjamin Chinitz, former Director of Research of Lincoln Institute of Land Policy, and February 18, 1991, to Dr. Ronald L. Smith, Vice President and Executive Director of Lincoln Institute. While I understand and, indeed, am personally quite sympathetic with what I believe is your strong commitment to the single land tax idea propounded by Henry George, I must also make clear that I do not share your legal conclusions concerning the permissible operations of Lincoln Foundation, Inc. or of one of its designated beneficiary organizations, Lincoln Institute of Land Policy, Inc., of Cambridge, Massachusetts.

Your letter to me indicates a possibility of embarrassing further action unless "this matter," as you put it, can be negotiated. As far as I can tell, however, there is nothing for us to negotiate. Nevertheless, I do feel you are entitled to know why I do not share your legal conclusions about the Lincoln Foundation. Let me be very specific.

1. The second paragraph of your May 12 letter contains the following sentence:

"...I further noted that Mr. Smith had stated that the Lincoln Foundation's activities 'do not and legally cannot propagate or advocate the principles of Henry George's land policy.'"

This statement is not accurate. This is what Dr. Smith's letter actually stated:

"It is true that LILP's curriculum and related research activities and publications do not (and legally cannot) 'propagate' or 'advocate' the principles of Henry George's land tax policy....."

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LILP is NOT the Lincoln Foundation. LILP is Lincoln Institute, a separate Connecticut nonprofit corporation. LILP is a tax-exempt school, so classified by the Internal Revenue Service by ruling letter dated September 10, 1974. Lincoln Institute's purpose clause requires that it be organized and operated exclusively as a school-type nonprofit educational organization ".....which provides instruction to impart and develop knowledge of land economics and taxation, including emphasis on land value taxation and related subjects, and provides training in the practical application of such knowledge....." The LILP purpose clause also requires that the Institute at all times operate within the tax definition of a tax-exempt "school". To my knowledge, LILP has always so operated. If LILP were exclusively to "propagate" or "advocate" in any significant way and on a continuing basis the principles of Henry George's land policy (or, for that matter, exclusively any other economic theory), a case could easily be made that it would no longer be a tax-exempt school under the applicable Federal regulations. I am certain this is why Dr. Smith put the words "propagate" and "advocate" in quotation marks in his January 31, 1991, letter to you. The Lincoln Institute can and does include in its curriculum and related educational activities, on a continuing basis, a full and fair exposure of the ideas of Henry George as set forth in his book "Progress and Poverty". It does not, and should not, "propagate" or "advocate" any one or more of those ideas.

Lincoln Foundation, Inc. is a legally separate and distinct entity from LILP. Lincoln Foundation, an Arizona nonprofit corporation, makes grants to specified beneficiaries. LILP is currently one of the two specifically designated beneficiary organizations of Lincoln Foundation. Lincoln Foundation's Articles do not authorize it to make grants to its specified beneficiary organizations to propagate or advocate the principles of Henry George's land policy. Rather, grants can be made "....to teach and expound the ideas of Henry George as set forth in his book 'Progress and Poverty'....." This Lincoln Foundation, Inc. has done and intends to continue doing in the future.

2. The third paragraph of your May 12 letter to me takes the following position with respect to Section III B of the Lincoln Foundation, Inc. Articles:

"As you know, Section III B of the Articles of Incorporation of the Lincoln Foundation specifically mandates that all gifts, grants, bequests, devises and payment of funds of the Lincoln Foundation must be made 'to teach and expound the ideas of Henry George as set forth in his book Progress and Poverty'."

The work "all" does not appear in Section III B of the Lincoln Foundation, Inc. Articles. Furthermore, when the Articles were amended in December of 1969, to permit the Foundation to avoid the burdens of private foundation



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status otherwise imposed by the Revenue Act of 1969, four significant restrictions--not mentioned by you in your letter--(three in Article III and one in Article XIII) were imposed on the authority contained in the purpose clause to pay out corporate funds to teach and expound the ideas of Henry George. The restrictions are as follows:

(a) The primary purpose of Lincoln Foundation since 1969 has been set forth in Section III A. That primary purpose is that Lincoln Foundation operate for the benefit of and in connection with those tax-exempt schools specifically named as beneficiaries in Section III A. Any grants concerning the ideas of Henry George, made pursuant to Section III B, must be "...for the educational purposes...." of those specified schools. The first clause of Section III B of the Lincoln Foundation Articles so states in unambiguous terms. The educational purposes of Claremont and Lincoln Institute do not include "propagating" or "advocating" the principles of Henry George's land policy.

(b) Any grants by Lincoln Foundation to specified beneficiary organizations which concern the ideas of Henry George must be conducted exclusively for charitable, scientific or educational purposes. The language of Section III B so states. It is the judgment of the Lincoln Foundation directors that Foundation grants to "propagate" or "advocate" such ideas would not be permitted by this restriction.

(c) Grants by Lincoln Foundation must not be activities that could endanger the Foundation's federal tax-exempt status. Grants designed to propagate or advocate any particular position could violate this restriction.

(d) Article XIII places an overall limitation on all powers and activities of the corporation which would endanger or be inconsistent with tax-exempt public charity status under federal tax laws. The same Foundation policy described above applies here, too.

It is clear that the 1969 amendments to the Articles placed great importance on the tax-exempt public charity status of Lincoln Foundation and limited Foundation grant-making authority accordingly. I am advised both by general counsel for the Foundation as well as by special legal counsel for the Foundation here in Arizona that the members/directors of Lincoln Foundation, Inc. had full authority under Arizona law and acted properly in making the 1969 amendments to the corporation's Articles of Incorporation.

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3. The fourth paragraph of your May 12 letter makes reference to an incident "...when the Lincoln Foundation representative attacked the proposal of a Georgist that New Hampshire adopt land value taxation, and proposed a state sales tax instead...." Lincoln Foundation, Inc. has very few representatives who are authorized to speak for the Foundation. I personally know all of them. I do not believe any would knowingly and intentionally attack such a proposal of a Georgist.

4. Your letter of May 12 seems to equate ".....the ideas of Henry George as set forth in his book 'Progress and Poverty'....." with the single land value tax. As important as that idea is, we need to keep in mind that Henry George expressed many other ideas in "Progress and Poverty" that had little or nothing to do with land value taxation.

I hope we can soon put "this matter" behind us and get on about the Lincoln Foundation's business of supporting education. If the ideas of Henry George are allowed a full and fair expose in an open forum, I am satisfied they will compete well and that eventually an informed public will freely choose the merits of land value taxation. This is the way the marketplace of ideas should work. I am certain that my father and other members of my family would concur in this judgment. I am also certain that any comments and recommendations you may have and wish to discuss with the Foundation or either of its designated beneficiaries about specific applications of one or more of the ideas of Henry George would be welcomed and given careful consideration. I am available for this type of discussion with you at any convenient time and location. Please let me know if this is of interest to you.

Sincerely,



David C. Lincoln

cc: All Directors of Lincoln Foundation, Inc.  
All Directors of Lincoln Institute of Land Policy  
Dr. Ronald L. Smith  
Jon S. Cohen, Esq.  
David R. Fullmer, Esq.