

The Next BIG Idea

A Massive New Partnering Strategy for Seeding
Less Developed Country Markets With American
Products And Services Utilizing The Existing
“Special Rule” Tax Provision for Contributions of
USA Manufactured Inventory and Equipment

FEEDBACK FROM CURRENT EFFORTS AND OTHER QUOTES

“Mr. Cooper: Thank you for your recent letters about Project 76’s efforts to obtain new IRS guidance on your ‘Inventory-Intermediary Operating Model’ for implementing tax code Section 170(e)(3)...about the issues you discussed in your letter, I think it might be worthwhile for us to bring it up with the relevant policy committee...Please contact...NAM’s vice president for tax policy...to set up a convenient time to meet with her. Thank you for contacting us on this important issue...I wish you the best of luck in your effort.” From a letter received from Gov. John Engler, President and CEO, **National Association of Manufacturers**

“Mr. Cooper: Ambassador Portman asked me to respond to your letters ... which outline your efforts on behalf of Project 76 ... to secure an ... IRS ruling that you believe would prompt increased corporate charitable donations...your interest in this subject ...is particularly relevant in light of the devastation Hurricane Katrina...has caused...In reading your letters I noted your view that a favorable IRS ruling would not be inconsistent with U.S. trade obligations. To ensure that the Department of the Treasury is aware of your recommendations, I have transmitted your letters ... for reply...A copy of my letter to [the] Secretary [of the Treasury] is enclosed...(emphasis added)” James E. Mendenhall, Acting General Counsel, Executive Office of the President, **Office of United States Trade Representative.**

“You scratch the surface of most industries that are successfully developing export capacity anywhere in the world, and you will invariably find a combination of market forces and government forces at play.” Dani Rodrik, a **trade economist** at the John F. Kennedy School of Government at **Harvard**. *“The consensus until recently was that trade was not a major cause of earnings inequality in this country. That consensus is now being revised.”* David H. Autor, economist at the **Massachusetts Institute of Technology**. Both quoted from a *New York Times* article- *“Economist Wants Business and Social Aims to be in Sync”*

A New Free American Global-Non-Profit Sector and Emergency Services Supply Channel for Donated American Inventory

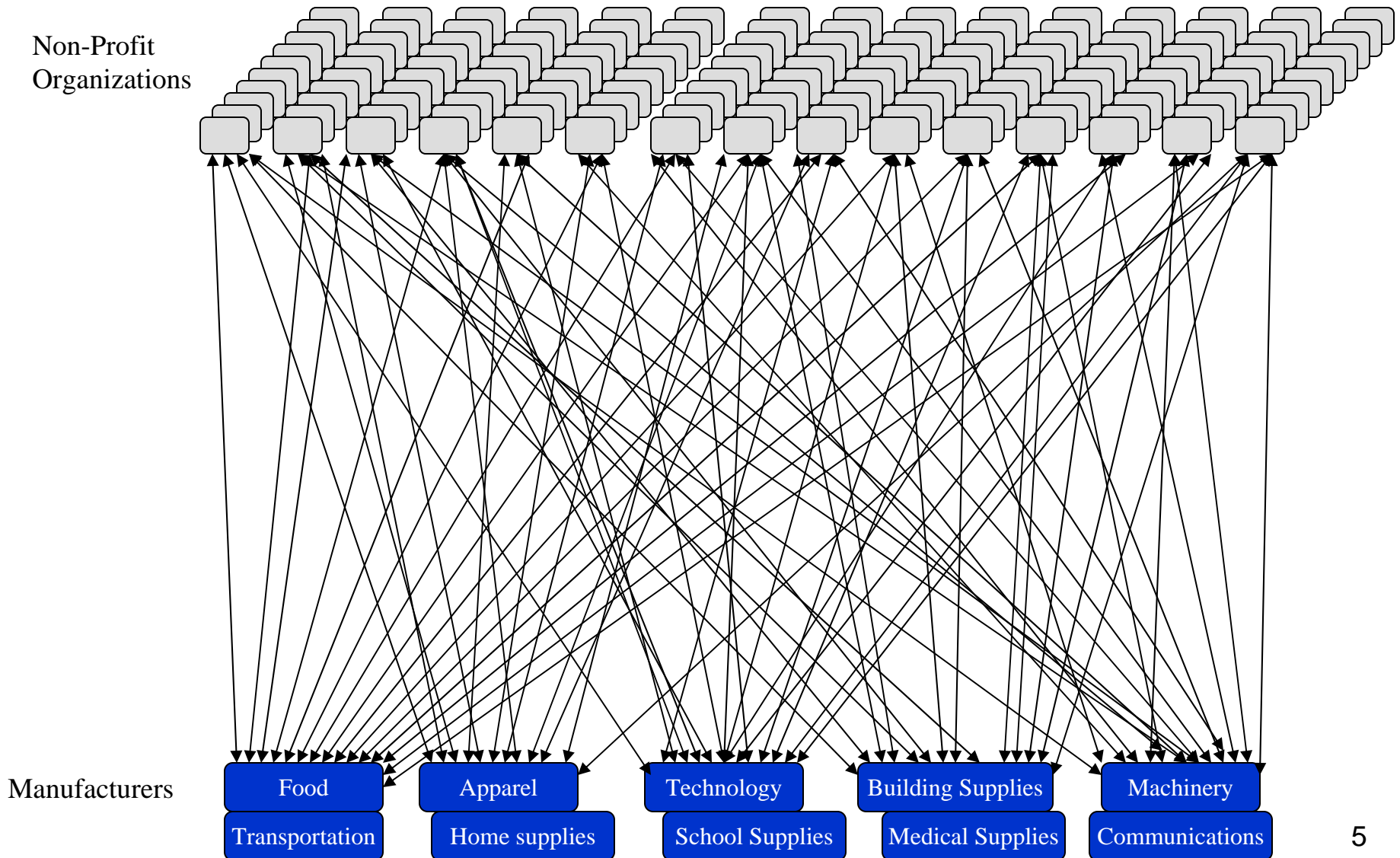
- Clearly a new, private sector resource of this nature would reduce non-profit-sector operating costs, increase efficiency and extend the global reach of American charities. It would also open new and insatiable foreign markets for our products and preserve good-paying manufacturing jobs for middle-class voters *here* at home.
- That said – and with *children, the sick and the needy* dying all over the world because *available* resources do not reach them in time - being able to get what is needed to the millions at home (Katrina) and abroad whose lives depend on it requires a new entrepreneurial undertaking of the American, not-for-profit variety.
- And adding this exciting new topic to the national conversation we are having leading up to our elections in 2008 will clearly demonstrate to the international community that Americans remain inspired to *further* associate our Country with the good being done, wherever good is being done, anywhere in the World.

The Existing “Special Rule” Federal Income-Tax Provision For Manufacturer Donated Inventor And Equipment

Under US Tax Code Section 170, as Amended by “The Jobs Creation Act of 2004,” American manufacturers who contribute “special rule” inventory and equipment to qualified non-profits may deduct, for Federal income-tax purposes, their full costs, plus up to 50% of fair market appreciation.

Beneficiary non-profit organizations pay warehousing, shipping and handling costs that are prohibitive for almost all charities.

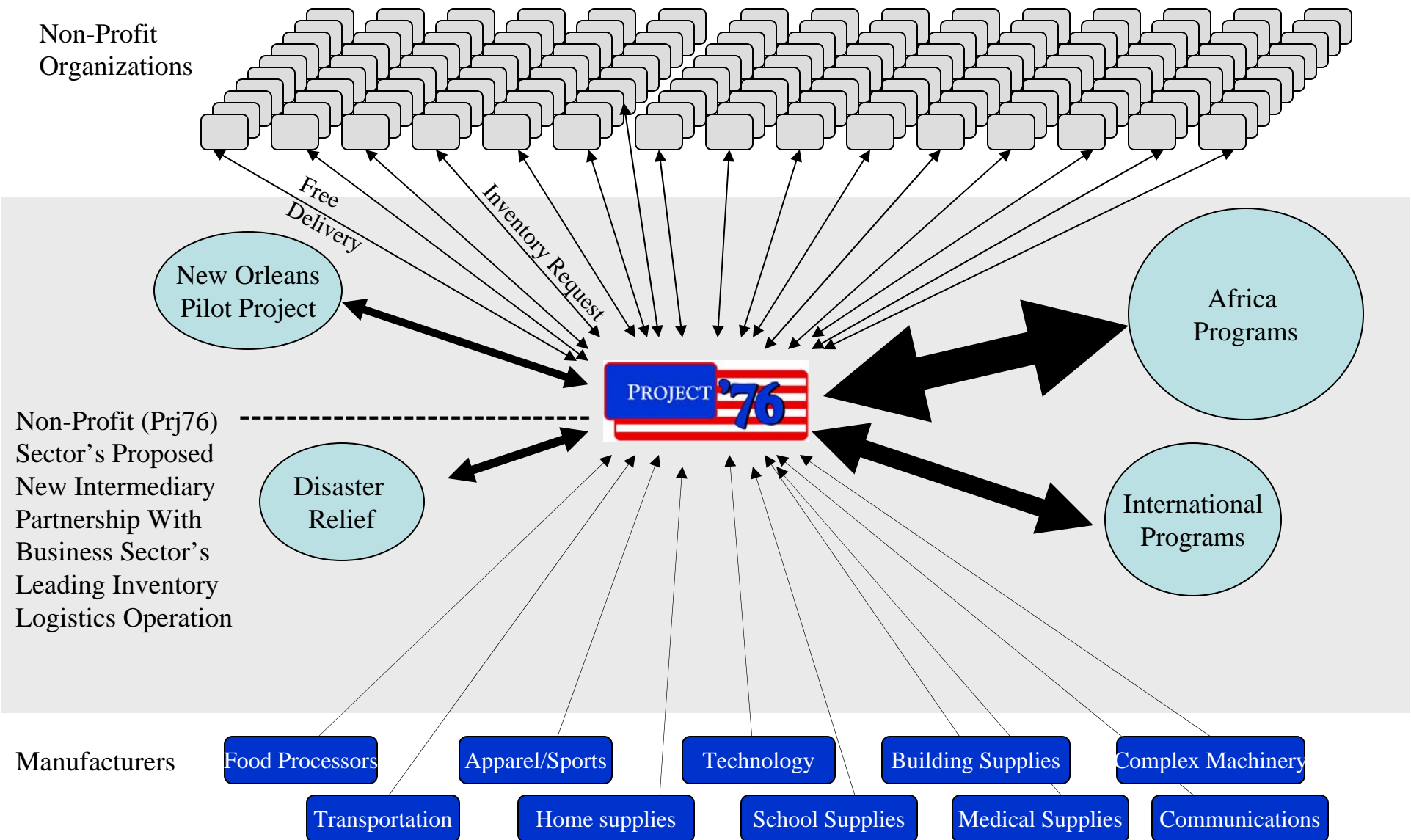
Current Operating Model — Slow, Complex, Inefficient and Costly



Current Disincentives Limiting Use of Tax Provision

- Poor charities can't pay warehousing, shipping and handling costs;
- Manufacturers cannot book tax benefit until charities take delivery;
- Current mix of non-profit initiatives do not allow “economies of scale;”
- Opportunities for seeding new *export* markets are much too limited;
- Only the poorest and smallest of non-profits are interested in discontinued models, seconds, buy backs, returns and excess inventory; and
- Multiple request points create too much paperwork, take up too much time and are simply too much of a bother when there is so little likelihood of any significant favorable impact on the busy manufacturer's bottom line.

New Operating Model - Simple, Large Scale, Efficient And Free



How The New Operating Model Benefits Non-Profits

The new “Inventory Intermediary Operating Model” will benefit the global **non-profit** sector:

- By paying non-deductible warehousing, shipping and handling costs; by
- Bridging international gaps in non-profit sector logistics infrastructure; by
- Creating, underwriting and maintaining a global, free, Internet catalog; by
- Regularly surveying the inventory requirements of “global public goods;” by
- Securing all inventory and equipment from *American* manufacturers; and
- By making inventory available free, including via distributors and retailers.

How The New Non-Profit Sector Inventory-Intermediary Operating Model Benefits American Manufacturers

The new inventory intermediary operating model will benefit American **manufacturers**:

- By bridging international gaps in non-profit-sector logistics infrastructure; by
- Integrating existing non-profit logistics infrastructure with that of business; by
- Taking instant possession of donated inventory still at plants for tax purposes; by
- Verifying for manufacturers the eligibility of all non-profit sector beneficiary charities;
- By underwriting non-profit training expenses not covered by tax deductions; and
- By allowing “economies of scale” for participating American business partners by designing and managing massive, international projects and charitable programs. 9

Steps Taken And Planned For The Launch Of The New Model And Its New Orleans Redevelopment Pilot Project

Steps taken or planned for moving forward with new non-profit inventory model include:

- Invited to meet with and provided preliminary briefing to senior staffer at the National Association of Manufacturers;
- Recommended new inventory model to the Executive Office of the President and asked the Office of United States Trade Representative to assure that the Treasury Secretary is aware of our Intention to seek formal IRS guidance for all American manufacturers and non-profits concerning our new model (EOP letters attached);
- Selected New Orleans “Katrina” disaster relief to be the “prototype” large-scale program initiative for staff training and for the development of operating manuals and check lists, while conducting global survey of *international* opportunities;
- Selecting a business sector partner for our model, as well as for organizing a nationwide survey of American manufacturers and other stakeholders; and
- Informed a top financial-services industry player of our coming logistics infrastructure capital requirement, of our prior issuance of taxable collateralized securities and, pending activation, that our plan is to have all related securities *registered*, to have all transactions *originate* with securities brokers and bankers, and to have all such transactions be *facilitated* in and by branch banks, exclusively.

Action Request

We would welcome the call for *more* business sector/non-profit sector partnerships becoming an important component of the National conversation leading up to the 2008 general elections.

Thank you very much for your time and consideration.

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