Mr. CORMAN. Fine.

Mr. HAYES. Since SAI is strictly and always has been an educational organization under the code it, according to my understanding, qualifies for tax exemption per se. Certainly we engage in and are basically a research and educational organization which in itself fills the requirements.

In this case we no longer pay corporation income tax, since we are a not-for-profit organization, although we did for many years.

Mr. CORMAN. How long were you a profit organization?

Mr. HAYES. Since 19— well, from 1946 to 1966, 20 years.

Mr. CORMAN. What was your net profit the last year that you were a for-profit corporation?

Mr. HAYES. I believe about $46,000.

Mr. CORMAN. What was the ownership of the corporation? Were you sole owner?

Mr. HAYES. I was the sole owner of the corporation.

Mr. CORMAN. All right. Go ahead and tell us what happened after you became a not-for-profit. Up to that year you paid taxes on your individual income from the corporation plus a tax on the balance that was left that was shown as corporate profit, right?

Mr. HAYES. Yes.

Mr. CORMAN. Then the next year what happened?

Mr. HAYES. First, we of course dissolved the old corporation, the profit corporation, and conveyed the assets, and I have the assets. I had the assets, yes.

Mr. RAY. He had them.

Mr. CORMAN. It does make a difference doesn't it, Counsel? I think that the real question is who had and who has.

Now who has the assets? Do you make a gift of the assets to the SAI not-for-profit foundation?

Mr. HAYES. No.

Mr. CORMAN. No.

Mr. HAYES. I do not.

Mr. CORMAN. You had a corporation making $46,000 a year. It must have been worth a fair amount of money. What happened at the time of the dissolution and the transfer to the not-for-profit trust.

Mr. HAYES. I conveyed the assets of the old corporation to a for-profit trust.

Mr. CORMAN. To a not-for-profit trust.

Mr. HAYES. No, to a for-profit trust.

Mr. CORMAN. Oh, to a for-profit trust. Was there any tax consequences in that transfer?

Mr. HAYES. No, no tax consequence.

Mr. CORMAN. All right, now you have got a for-profit trust.

Mr. HAYES. Correct.

Mr. RAY. A taxpaying entity.

Mr. HAYES. A taxpaying entity.

Mr. CORMAN. Is that what SAI is now?

Mr. HAYES. No.

Mr. CORMAN. Take us through the next step.

Mr. HAYES. SAI is an operating not-for-profit corporation, which conducts the business of the old SAI corporation.