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TO: Chairs and Treasurers
ASME U.S. Senior Sections, Technical Chapters and Districts

FROM: Karen Ohland, Senior Vice President, Knowledge and Communities
Michael Ireland, Managing Director, ASME Engineering Research and
Technology Development

DATE: December 20, 2012

RE: ASME Transition and Tax Filings

This communication concerns an important transition in the life of ASME. The timeline for action is relatively short, and we urge you and the other leaders of your section, technical chapter or district (your "Affiliate") to act expeditiously so that we are readily able to implement the transition.

ASME's U.S. senior sections, technical chapters and districts are important components of the organization. You should read this communication carefully to ensure that all steps are taken for your Affiliate. Contact us at the ASME Transition Hotline, a toll-free number listed below, if you have any questions. We realize that you and the members of your Affiliate are very busy, and we appreciate your prompt attention to this communication and your cooperation.

Nature of the Transition. Each of ASME's U.S. senior and student sections, technical chapters and districts currently operates as a tax-exempt, Section 501(c)(3) organization for Federal tax purposes. This structure was enabled by a "group exemption" that ASME obtained from the IRS many years ago. As the central organization of the ASME group, ASME has filed one IRS Form 990 for itself and a separate IRS Form 990 for the ASME group. The ASME Board of Governors has decided to discontinue filing a separate return on behalf of the ASME group, effective after the current tax year, which ends June 30, 2013 (FYE 2013). For future tax years, ASME will file only one IRS return, which will contain consolidated information about ASME inclusive of the senior sections, technical chapters and districts. Senior sections, technical chapters and districts that fulfill the requirements of the transition will continue to be recognized by ASME and will receive the benefits of ASME's tax-exempt status. Divisions with non-custodian accounts and student sections are also part of this transition, but they are being handled through separate processes due to operational differences.

Reasons for the Transition. In a period when both the IRS and state officials are expanding their regulatory and disclosure requirements for tax-exempt, Section 501(c)(3) organizations, this transition will enable ASME to ensure full legal compliance across all parts of the organization. The transition is centered on a new web-based "consolidated banking" structure that will improve the quality of ASME's financial and tax reporting. ASME custodian fund accounts will be used to hold funds that were raised for scholarship purposes. The new system is designed to provide many benefits for the volunteer membership. Specifically, it will enable your Affiliate to maintain a segregated bank account for its general operating funds and retain flexibility in operations. In addition, the new system should reduce the administrative burden on the members who assume a leadership role. It should streamline operations and accountability across the organization. Finally, the new system will reduce the exposure of volunteers to personal legal liability if there were to be legal violations within a given section, technical chapter or district. The transition to a new system will make ASME a stronger, more effective and more vibrant organization and will promote our shared commitment to advancing the science of engineering and improving safety and the quality of life for the benefit of humanity.

Timing of the Transition. These actions will affect ASME's tax reporting for both the current fiscal year (FYE 2013) and for the fiscal year that ended on June 30, 2012 (FYE 2012). ***As more fully described below, the transition consists of five parts, four of which must be completed during FYE 2013.*** This communication identifies specific actions and when they must be completed in order for your Affiliate to avoid negative consequences.

If your Affiliate does not complete the transition in accordance with the schedule described below, your Affiliate will lose qualification as a tax-exempt organization under the ASME "group exemption," lose eligibility for inclusion in ASME's group return, face independent tax qualification and reporting obligations, cease to qualify for the use of the ASME name or logo, and cease to qualify for any type of support from ASME. It is therefore critical that your Affiliate move expeditiously to take the required actions.

Transition Center. ASME is deeply committed to ensuring that the transition goes smoothly. We want to make sure our volunteer members are able to continue to devote the bulk of their time and effort to the good work they do for the organization. To assist with the transition, ASME has established a Transition Center consisting of:

- (a) A Transition Website (www.asme.org/transition), where you can find a "dashboard" page ASME has created for your Affiliate. The Chair and Treasurer of your Affiliate have been granted access to this dashboard using their regular ASME username and password. Currently, the dashboard contains access to the ASME Transition Statement, the ASME Group

Form 990 Checklist (FYE 2012), Frequently Asked Questions (FAQs), and the ASME Transition Website Terms of Use and Privacy Statement.

- (b) **A Transition Hotline (1-855-459-6999)**, where ASME staff are prepared to help you with the transition.

Part 1: Authentication via User name and Password. An ASME Account consisting of a unique username and password are needed in order for your Affiliate to be digitally “authenticated” by ASME to participate in the ASME Transition. Ordinarily, only the Chair and the Treasurer of your Affiliate will be approved to use the system. ASME authenticates your unique username and password against its database of approved officers. The username we have for you in our system is the email address that we have for you on file. This email address is the username you will use to access the system. There will be an opportunity to modify it later if you wish. If you have not set up a password or have forgotten it, the site will guide you through a process of creating or retrieving a password. If you have problems accessing the transition site, Please call the Transition Hotline for assistance. During the transition process, you may be asked to sign a statement digitally. This electronic signature (E-signature) is not a facsimile of your actual signature; it is a computer generated “signature” that is electronically “affixed” to a document and authenticated by the use of the unique username and password that you have established. ***The creation of the username and password for the Chair and Treasurer of your Affiliate should be established (or confirmed) immediately.***

Part 2: ASME Transition Statement. The ASME Transition Statement is a statement that your Affiliate must provide in order to opt into the ASME consolidated banking system, grant ASME permission to include your Affiliate in the FYE 2012 and FYE 2013 ASME group returns (IRS Form 990), terminate the legal existence of your Affiliate as an unincorporated association of individuals, and become a unit within ASME. Ordinarily, only the Chair of your Affiliate may approve and release the ASME Transition Statement. If the Chair is not available to do this, please call the Transition Hotline. When the Chair is ready to release the ASME Transition Statement, he or she can do so by clicking the signature button at the end of the Transition Statement. This action will release the ASME Transition Statement and affix the Chair’s authorized ASME E-Signature. It will not be possible for the Chair to complete the ASME Transition Statement or click the signature button until he or she has established an ASME Account and logged on using a unique ASME password (see above). ***The ASME Transition Statement is now available and must be completed and released no later than February 15, 2013.***

Part 3: ASME Group Form 990 Checklist (FYE 2012). The ASME Group Form 990 Checklist (FYE 2012) is a worksheet where your Affiliate will provide the data needed in order for ASME to prepare the ASME group return (IRS Form 990) for FYE 2012. It will be accessible to the Chair and Treasurer only after the Transition Statement is completed. The Checklist contains numeric fields as well as a number of

questions calling for Yes/No answers or the input of itemized information about particular activities, income or expenditures. It includes both revenue and expense sections as well as a balance sheet. Where a calculation is required within the Checklist, the Checklist will perform the calculation automatically (e.g., adding together a group of figures). At the end, there is a function for uploading June 30, 2012 account statements for all Affiliate accounts. ASME may follow up with your Affiliate depending on the information that your Affiliate inputs in its Checklist. Because ASME may have already collected some financial information from your Affiliate, the Checklist has been pre-populated with that information where possible. However, your Affiliate can change all pre-populated fields in order to correct them, so if the pre-populated information you see there is not correct, the incorrect fields should be corrected before the Checklist is finalized and released. It may take your Affiliate a few hours to complete this Checklist, so it can be saved on the ASME Transition Website while your Affiliate works on completing it. Ordinarily, only the Chair or the Treasurer of your Affiliate may fill out and release the Checklist. When the Chair or Treasurer is ready to release the ASME Group Form 990 Checklist, he or she can do so by clicking the signature button at the end of the Checklist. This action will release the Checklist and affix an authorized ASME E-Signature. It will not be possible to complete the Checklist or click the signature button until the Chair or the Treasurer has established an ASME Account and logged on using his or her unique username and password (see above). ***The ASME Group Form 990 Checklist (FYE 2012) is now available and must be completed and released no later than February 15, 2013.***

Part 4: New Accounts. After your Affiliate completes Parts 1, 2 and 3 of the ASME Transition, your Affiliate will be provided access to the ASME Consolidated Banking Portal, accessible using your unique ASME authorized username and password. Through this portal, your Affiliate will be able to access its basic bank account within the ASME consolidated banking system (the “Basic Account”) and move your Affiliate’s assets to the Basic Account. A welcome package will be sent by ASME to each Affiliate to explain the set up and services available. Your Affiliate will also receive an e-mail from JP Morgan Chase that will provide information necessary to access the Basic Account. ASME’s fiduciary controls and policies will be in place to safeguard the Basic Account. However, if your Affiliate holds assets raised for scholarship purposes and if those assets are kept in a separate, segregated scholarship account, those assets must be transferred to an ASME custodian account. ASME will work with you directly to set up a “Scholarship Account” within the custodian account system and provide instructions for transferring funds to that account. ***A Basic Account and a Scholarship Account (if one is needed) must be accessed and fully funded promptly after your Affiliate completes Parts 1, 2 and 3. At this time, no action is required. Additional information will be forthcoming.***

Part 5: ASME Group Form 990 Checklist (FYE 2013). After the completion of Parts 1 through 4, your Affiliate will be provided with access to the ASME Group Form 990 Checklist for the current fiscal year (FYE 2013). It will be similar if not identical to the checklist completed under Part 2 for FYE 2012. ***The ASME Group Form 990 Checklist (FYE 2013) must be completed and released no later than July***

31, 2013. At this time, no action is required. Additional information will be forthcoming.

This transition does not affect the timing of the distribution of your Affiliate's merit-based funding. We thank you in advance for your cooperation in this important initiative. Together, we are ensuring that ASME remains a great organization.

Sincerely,

Handwritten signature of Karen J. Ohland in black ink.

Karen Ohland, Senior Vice President, Knowledge and Communities

Handwritten signature of Michael Ireland in black ink.

Michael Ireland, Managing Director, ASME ERTD