

Form 1023 Application for Recognition of Exemption

Part I. Identification of Applicant

Item 7. Authorized Representative.

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Form 2848 is included with this application package.

Part IV. Narrative Description of Activities

The Tor Project, Inc. (the "Organization") was formed on December 22, 2006 as a Massachusetts nonprofit corporation. As stated in its Articles of Organization, provided at Exhibit B, the Organization's purposes are (a) to develop, improve and distribute free, publicly available tools and programs that promote free speech, free expression, civic engagement and privacy rights online; (b) to conduct scientific research regarding, and to promote the use of and knowledge about, such tools, programs and related issues around the world; (c) to educate the general public around the world about privacy rights and anonymity issues connected to Internet use; and (d) to carry out and conduct such other activities and programs in furtherance of the foregoing purposes as may be carried out and conducted by a corporation organized under Chapter 180 of the Massachusetts General Laws.. The By-Laws are provided at Exhibit C.

Essentially, the Organization is a research and education group devoted to researching and implementing the free distribution of programs and tools to promote free speech, free expression, civic engagement and privacy rights on the Internet. To that end, the Organization seeks to be the premiere research group for what is technically referred to as Internet "anonymity" (i.e., the Internet user's location is kept secure and hidden from casual discovery).

The need for appropriate tools and programs to provide anonymity and privacy online is evident in how quickly Internet activity is being integrated into daily life around the globe. Institutions such as government, business, law, and social networks are adjusting to these fast-moving advances in technology. At the same time, however, the ideals of freedom of speech, freedom of expression, privacy, and freedom from prosecution for political or social beliefs have not translated perfectly to the developing online world. It is important that the expectations of confidentiality and privacy be as secure online as offline.

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The Organization works to make these expectations a reality by developing and making freely available software programs and other tools that protect the privacy and allow for anonymity of Internet users while they are online. The prototype software was originally developed by a researcher at the US Naval Research Lab according to his Edison Award winning “onion routing” patent. This patent has been superceded by the fundamental “Tor” technology, which creates an elaborate routing network among volunteer Tor servers (still colloquially referred to as “onion routing”) that keeps the individual users’ locations and identities private while they are online. The more volunteers that are part of this Tor network, the more security and privacy there is for every Tor user. While the Tor technology is currently used in over 100 countries, most Tor users are individuals living in the United States, Germany and China. More information can be found on the Organization’s website, <http://tor.eff.org>.

The Organization was formed by its President, Roger Dingledine, to institutionalize the research work developing Tor technology that Mr. Dingledine began on his own. Some work has been carried out under the fiscal sponsorship of the Electronic Frontier Foundation, Inc. (“EFF”), a section 501(c)(3) public charity that advocates for online rights. The other current Officers, Mr. Mathewson and Ms. Nerad, have been working with Mr. Dingledine in connection with the unincorporated Tor program prior to forming the Organization. These three Officers will be paid staff of the Organization. See responses to Part V, Item 2.

The Organization will continue to develop and improve the Tor technology through its research and to distribute information about Tor and Internet privacy issues as widely as possible for the benefit of the general public. Mr. Dingledine will be assigning or otherwise transferring to the Organization all of the continuing research grants he carried out in connection with the unincorporated Tor program as are appropriate. The Organization’s Executive Director, working with the Board of Directors, will create a transition plan for such transfers that are in the best interest of the Organization.

The scope of the Organization’s research includes online security, privacy and anonymity, all of which will be peer-reviewed by academics working in the cutting edge of Internet security. Research results will be published in academic journals and other publications, as well as posted free of charge on the Organization’s website. Rather than profiting from its research and development, all of the Organization’s research results, programs and software will be made available under free “open source” licenses to the general public. By doing so, the Organization’s hope is that the promotion of free speech, free expression and grassroots engagement in the public sphere will flow from reliable security and privacy in all online communications.

Support for this research work has come in the past from government, private and charitable entities around the world. It is expected that such diversity of support will continue. As described in response to Part VIII, Item 4, the Organization expects its funding to come from traditional nonprofit means and also from research grants to continue to develop the Tor technology and promote its increased use around the world. The Organization will seek out and

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select only research and development grants that allow it, in its sole discretion, to continue to develop, improve and distribute the Tor technology and information about Internet privacy, anonymity and security issues. All research grants will require that the research results be made freely available to the general public as described above.

The Organization is promoted by Reporters without Borders, Global Voices Online, Human Rights Watch, and many other organizations dedicated in part to preserving the safety of journalists and human rights workers all over the world. In addition, Americorps VISTA has granted the Organization a VISTA volunteer who will help educate low-income Americans in how to engage in the civic sphere without fear that speaking out might negatively impact their standing with employers, social workers and others on whom the poor depend to maintain their fragile status. The Organization expects to develop other such programs in connection with its educational mission.

In addition to a small staff, the Organization also engages hundreds of volunteers in the U.S. and abroad who donate time (including programming, legal, research, and promotion of the Organization's charitable works) and use of equipment and facilities. The Organization also plans to establish an advisory committee to involve more formally as many interested experts as possible in its ongoing work.

The Organization hopes to become the primary research and resource center on Internet anonymity and privacy issues connected to civic engagement. In addition to the research work described above, the Organization will produce other publications, lectures and presentations that are related to its mission. These educational events and publications will all be made be freely available to the general public. Additionally, public email lists have been developed from interested people that are made freely available solely for educational purposes.

The Organization is qualified for exemption under §501(c)(3) of the Code because it will engage in educational activities, which has been considered an exempt activity for many years. *See* Treas. Regs. §1.501(c)(3)-1(d)(3)(i) defining "education" as including the instruction of the public on subjects useful to the individual and beneficial to the community.

The Foundation is also qualified for exemption as a scientific organization. It will engage in, or provide support for, scientific research carried on in the public interest in that (a) all results of its research will be made freely available to the general public on a nondiscriminatory basis; (b) the research is conducted for publication in academic journals and other publications available to the interested public; and (c) the research is directed toward benefiting the general public. *See* Treas. Regs. §1.501(c)(3)-1(d)(5).

For the above reasons, the Organization's activities should be considered charitable and exempt activities under Section 501(c)(3) of the Code.

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Exhibits to Form 1023:

- A These narrative explanations
- B Articles of Organization
- C By-Laws
- D Conflicts of Interest Policy

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Part V. Compensation and Other Financial Arrangements with Officers, Directors, Trustees, Employees and Independent Contractors

Part V, Item 1a: Directors and officers.

Name	Title	Mailing Address	Annual Compensation
Roger Dingleline	Director & President	██████████ ██████████ Cambridge, MA 02138	\$105,000*
Ian Goldberg	Director	██████████ Kitchener, ON N2M 1P4 Canada	None
Andrew Lewman	Director	██████████ Dedham, MA 02026	None
Rebecca MacKinnon	Director	Journalism & Media Studies Centre Eliot Hall University of Hong Kong Pokfulam Road Pokfulam, Hong Kong	None
Nick Mathewson	Director	██████████ Cambridge, MA 02139- 4812	\$125,000*
Shava Nerad	Treasurer & Clerk	██████████ Somerville, MA 02144	\$90,000*
Wendy Seltzer	Director	██████████ ██████████ Brooklyn, NY 11201	None
Fred von Lohmann	Director	██████████ San Francisco, CA 94114	None

*Expected compensation, including fringe benefits (health insurance, dental, etc.). Because the Organization is newly formed, the independent Directors have not yet approved the compensation of the officers. Such approval will be made in January 2007 in accordance with the Organization's Conflict of Interest Policy (Exhibit D).

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Part V, Item 2a: Business relationships among directors and officers.

As noted in response to Part IV, the Officers have been working together as part of the unincorporated Tor program prior to forming the Organization. In addition, one of the Directors, Mr. Goldberg, is a staff attorney at EFF who has advised the unincorporated Tor program from time to time.

Part V, Item 2b: Business relationships with directors and officers.

The Organization intends to hire its current officers as employees: Mr. Dingledine and Mr. Mathewson will conduct research and development projects and Ms. Nerad will serve as the Executive Director. As described in response to Part IV, Mr. Dingledine will be assigning or otherwise transferring to the Organization all of the research grants he carried out in connection with the unincorporated Tor program as are appropriate. The Organization does not currently have any business relationships with any of its other Directors or Officers. However, it is possible that the Organization may engage a Director or Officer at some point in the future to perform services if that person is the best person for the task. Such a decision would be made in accordance with the Organization's Conflict of Interest Policy (at Exhibit D). Please see response to Part V, Item 7a.

Part V, Item 3a: Qualifications of identified officers, directors, trustees, employees and independent contractors.

All of the Directors are strong advocates of privacy and anonymity on the Internet and are committed to the Organization's global mission and purpose. Many of the Directors serve, or have served in the past, on boards of unrelated nonprofit organizations, advisory boards, neighborhood associations and the like.

In addition, specific affiliations of, or qualifications for, each of the Directors include the following:

- *Roger Dingledine, President:* Mr. Dingledine has four years of research and development experience directly related to the Organization's work. He is a recognized expert in this field and is widely published.
- *Ian Goldberg:* Dr. Goldberg is Assistant Professor of Computer Science at the University of Waterloo (Waterloo, ON, Canada), where he is a member of the Cryptography, Security, and Privacy group and the Centre for Applied Cryptographic Research. He holds a PhD from the University of California, Berkeley and has over ten years' experience researching privacy-enhancing technologies, including technologies directly related to the Organization's work.
- *Andrew Lewman:* Mr. Lewman has been volunteering for the unincorporated Tor program since 2004. He is an IT manager for TechTarget, a local Boston company,

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- since 1999. He has founded several nonprofits and for-profit companies, where he has gained administrative experience.
- *Rebecca MacKinnon*: Ms. MacKinnon is a former Bureau Chief for CNN's Beijing and Tokyo offices. She is the co-founder of Global Voices Online, an international free speech organization, a Fellow at the Berkman Center for Internet, Law and Society at Harvard University, and a faculty member at the University of Hong Kong.
 - *Nick Mathewson, Vice President*: Mr. Mathewson has been engaging in research directly related to the work of the Organization for three years. He is a widely published and recognized expert in this field.
 - *Shava Nerad, Treasurer and Clerk*: Ms. Nerad has about 15 years of nonprofit management experience, including budgeting and financial oversight duties. She is also the Organization's Executive Director.
 - *Wendy Seltzer*: Dr. Seltzer is a Visiting Professor of Law at Brooklyn Law School and led the Chilling Effects Clearinghouse, which helps Internet users understand their rights in response to cease and desist threats. She is also a Fellow at the Berkman Center for Internet & Society at Harvard University.
 - *Fred von Lohmann*: Mr. von Lohmann is a senior staff attorney with the Electronic Frontier Foundation and has been widely recognized as an expert in intellectual property and Internet law. He has advised Mr. Dingedine, Mr. Mathewson and Ms. Nerad in connection with the unincorporated Tor program prior to formation of the Organization.

Every Director is expected and intends to participate actively in the oversight and governance of the Organization as is typical for a member of a governing board, in the range of at least five hours per month depending on the activity of the Organization at the time. Officers generally will be expected to dedicate more time than this estimate, on average, to overseeing the functioning of the Organization's activities. Currently, all of the Officers will also be full-time employees of the Organization and will be working 40+ hours per week in such capacity.

Part V, Item 5a - c. Conflict of Interest Policy.

The Organization's Board of Directors has adopted a conflict of interest policy by majority vote at a meeting, a copy of which is included at Exhibit D.

Part V, Item 7a. Services may be purchased from Directors.

The Organization does not currently, and has no specific plans, to purchase any goods or services from any of its Directors or Officers. There are no agreements or understandings to purchase such goods or services in place. It is possible that in order to effect the transfer of certain research grants from Mr. Dingedine to the Organization, due to restrictions in the grants, the Organization may need to sub-contract with Mr. Dingedine. No grants have been evaluated at this time and no such agreements are in place.

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It is possible that the Organization may engage its Directors in the future to perform certain functions in addition to their services as director or officer. For example, a Director may be well-suited to conduct certain research and the Director may be paid for performing such services. Any payment for any purchases of goods or services from Directors or Officers will be made in accordance with the Organization's Conflict of Interest Policy (at Exhibit D) in order to ensure arms-length negotiations. Wherever possible, an inquiry of the fair market value for comparable goods or services will be a part of the decision making process.

Part V, Item 8a. Agreements with Directors.

As described in response to Part IV, the Organization has an oral understanding with Mr. Dingleline to transfer all appropriate research grants he carried out in connection with the unincorporated Tor program to the Organization. No written agreements or contracts regarding these transfers exist at this time, and no such assignments have yet occurred. The Organization's Executive Director will work with the Officers to determine how best to effect these transfers for the benefit of the Organization. See also responses to Part V, Items 2b and 7a.

Part VI. Organizations that Receive Benefits from the Organization.

Items 1b. Provision of services to organization.

The Organization will engage in scientific research and development projects related to promoting and advancing technology and systems that protect privacy and anonymity on the Internet. As described in response to Part IV, the Organization will enter into grant agreements with entities that seek to develop new or improved aspects of this technology and subject to the limitations described in Item 2 below.

Item 2. Limitation on entities that may receive services.

The Organization will only conduct research and development projects (a) that advance the development of the Tor technology and related issues as determined solely by the Organization, and (b) for entities that agree to release the results of such research to the general public free of charge. Please see response to Part IV.

Part VIII. Specific Activities.

Part VIII, Item 4a - e. Fundraising Activity.

Fundraising activity will consist of traditional nonprofit means, including grants, corporate and individual gifts, and government support. Directors, Officers and the Executive Director will conduct all fundraising activities of the Organization for the foreseeable future. It

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is possible that the Organization may hire another person to carry out fundraising activities in the future; such person may be an employee of the Organization or a consultant. No such person or arrangement is in place or is contemplated at this time, and any compensation would be subject to the Organization's Conflict of Interest Policy (at Exhibit D). The Organization plans to conduct fundraising activity in Massachusetts, and if it solicits funds in any other state will register to do so where required.

As described in response to Parts IV and VI, the Organization will seek out and select research grants that allow it to continue to develop, improve and distribute the Tor technology and information about Internet privacy, anonymity and security issues.

Part VIII, Item 8. Joint Ventures.

The Organization is not a party to any joint ventures and has no plans or expectation to enter into any joint venture arrangements at this time. It is possible, however, that the Organization may consider entering into a joint venture relationship in the future. If the Organization enters into a joint venture arrangement, it will be in accordance with all then-applicable IRS law, rules, regulations and rulings pertaining to the type of joint venture being considered.

Part VIII, Item 10. Intellectual Property.

The Organization owns all of the content on its website unless otherwise noted there and other than the rights to marks belonging to any supporters of the Organization that may be displayed there or in materials in other forms from time to time. The Organization expects to hold all copyright interests in written materials produced by its volunteers, employees and independent contractors and to release those materials under open license arrangements, where such materials will be made freely available to the general public. Please see response to Part IV.

The only narrow exception to the above description is that the Organization may need to allow its contracted researchers to retain intellectual property rights related to the research they conduct for the Organization in keeping with industry standards (primarily in academia). However, in such cases, the Organization will require any such researcher to grant to the Organization a free and unrestricted right to use and distribute the research results any where in the world. This concept is fundamental to the Organization's mission to make the Tor technology widely used by, and freely available to, the general public.

The Organization does not currently hold any registered marks or names; however, it may decide to register its marks, name or other intellectual property with the U.S. Patent and Trademark Office. No such registration has occurred at this time. The Organization may apply for registration of any of its trademarks, trade names, service marks or copyrights, as appropriate, for its logo, tag line or other marks or works if it is determined to be advisable to do so.

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Part VIII, Item 11. Gifts of certain property.

The Organization does not expect to, but may, accept gifts of such properties in response to its fundraising efforts. There are no such agreements, arrangements or understandings with any donor at this time, nor are there any plans to solicit any of the property identified in this Item 11. If the Organization agrees to accept any such property, it will be in accordance with all then-applicable IRS law, rules, regulations and rulings pertaining to the type of property being donated to the Organization, and in accordance with any restrictions imposed by the donor.

Part VIII, Item 12. Operations in foreign countries.

At this time, there are no agreements, arrangements, understandings or any certain plans to conduct activity in any foreign country or to engage the services of any foreign person. However, it is possible, although not planned, that the Organization may at some point in the future have employees located in other countries.

In keeping with its global mission, the Organization expects that it will contract with researchers who are located in other countries to carry out specific research projects. It is expected that most of such foreign researchers will be graduate students at accredited universities. The Organization would contract with the researcher directly (or possibly with the university) to perform the research. Based on what is known at this time about the academic community engaged in this area, it is expected that the most likely countries of residence for potential foreign researchers include Canada, England, Germany, Austria, Belgium, the Netherlands and France.

The staff and, where appropriate, Directors will be involved in making decisions about which researchers to use or in what countries to focus educational outreach. All research arrangements will be solely for research projects that allow the Organization to continue to develop, improve and distribute the Tor technology and information about Internet privacy, anonymity and security issues. See responses to Parts IV and VI.

Part VIII, Item 13. Payments to organizations.

At this time, there are no agreements, arrangements, understandings or any certain plans to make any payment to any organization. The Organization may hire researchers to perform specific research projects who are graduate students at accredited universities. Please see response to Item 12 above. The Organization may similarly contract with graduate students, faculty or others individuals employed by U.S. universities or other institutions where payment for that person's work may be paid to the university or institution. Payment for performing such research would be along the lines of an independent contractor arrangement and not the making of a "grant or other distribution" as indicated in this Item 13. All such arrangements will be solely for research projects that allow the Organization to continue to develop, improve and

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distribute the Tor technology and information about Internet privacy, anonymity and security issues. See responses to Parts IV and VI.

Part VIII, Item 14. Payments to foreign organizations.

At this time, there are no agreements, arrangements, understandings or any certain plans to make any payment to any foreign organization. The Organization may hire researchers to perform specific research projects who are graduate students at accredited foreign universities. Please see response to Items 12 and 13 above. Payment for performing such research would be along the lines of an independent contractor arrangement and not the making of a “grant or other distribution” as indicated in this Item 14. All such arrangements will be solely for research projects that allow the Organization to continue to develop, improve and distribute the Tor technology and information about Internet privacy, anonymity and security issues. See responses to Parts IV and VI.

Part VIII, Item 15. Close connection with organization.

The Organization has a close connection to the Electronic Frontier Foundation, which served as the fiscal sponsor for the certain grants to develop Tor technology in connection with the unincorporated program. EFF may continue to play a similar role where needed for the Organization until its tax-exempt status is approved; such arrangement has not been discussed with EFF as of the filing of this application. Please see response to Part IV.

Part IX. Financial Data.

Part IX, Item A. Revenue and Expenses.

Line 9: The Organization plans to sell logo t-shirts and stickers that will always be accompanied by educational material about the Organization, Internet privacy and anonymity issues.

Part IX, Item B. Balance Sheet.

The Organization was recently formed (on November 22, 2006) and has not yet opened a bank account or otherwise commenced financial activity.