

**Organization Exempt Under Section 501(c)(3)**

(Except Private Foundation) and Section 501(e), 501(f), 501(k),  
501(n), or Section 4947(a)(1) Nonexempt Charitable Trust

**1998**

Department of the Treasury  
Internal Revenue Service

**Supplementary Information**

See separate instructions.

▶ **Must be completed by the above organizations and attached to their Form 990 or 990-EZ.**

Name of the organization: **NAUTILUS OF AMERICA, INC.** Employer identification number: **95: 3608292**

**Part I Compensation of the Five Highest Paid Employees Other Than Officers, Directors, and Trustees**  
(See instructions on page 1. List each one. If there are none, enter "None.")

(a) Name and address of each employee paid more than \$50,000	(b) Title and average hours per week devoted to position	(c) Compensation	(d) Contributions to employee benefit plans & deferred compensation	(e) Expense account and other allowances
Steve Freedkin 1831 Second Street Berkeley, CA 94710-1902 USA	Operations and Finance Director 40	\$ 55,082	\$ 5,117	-0-
Dr. Wade Huntley 1831 Second Street Berkeley, CA 94710-1902 USA	Security Program Director 40	51,330	5,973	-0-
Total number of other employees paid over \$50,000 . . . . . ▶	-0-			

**Part II Compensation of the Five Highest Paid Independent Contractors for Professional Services**  
(See instructions on page 1. List each one (whether individuals or firms). If there are none, enter "None.")

(a) Name and address of each independent contractor paid more than \$50,000	(b) Type of service	(c) Compensation
Center for Global Communications (GLOCOM) 1F, 6-15-21 Roppongi, Minato-ku, Tokyo 106 Japan	Commissioned author-ship of papers; trans-late English <-> Japanese	\$91,737
Total number of others receiving over \$50,000 for professional services . . . . . ▶	-0-	

**Part III Statements About Activities**

	Yes	No
<b>1</b> During the year, has the organization attempted to influence national, state, or local legislation, including any attempt to influence public opinion on a legislative matter or referendum? If "Yes," enter the total expenses paid or incurred in connection with the lobbying activities ► \$ <u>-0-</u> Organizations that made an election under section 501(h) by filing Form 5768 must complete Part VI-A. Other organizations checking "Yes," must complete Part VI-B AND attach a statement giving a detailed description of the lobbying activities.		X
<b>2</b> During the year, has the organization, either directly or indirectly, engaged in any of the following acts with any of its trustees, directors, officers, creators, key employees, or members of their families, or with any taxable organization with which any such person is affiliated as an officer, director, trustee, majority owner, or principal beneficiary:		
<b>a</b> Sale, exchange, or leasing of property?		X
<b>b</b> Lending of money or other extension of credit?		X
<b>c</b> Furnishing of goods, services, or facilities?		X
<b>d</b> Payment of compensation (or payment or reimbursement of expenses if more than \$1,000)?	X	
<b>e</b> Transfer of any part of its income or assets? If the answer to any question is "Yes," attach a detailed statement explaining the transactions.		X
<b>3</b> Does the organization make grants for scholarships, fellowships, student loans, etc.?		X
<b>4a</b> Do you have a section 403(b) annuity plan for your employees?	X	
<b>b</b> Attach a statement to explain how the organization determines that individuals or organizations receiving grants or loans from it in furtherance of its charitable programs qualify to receive payments. (See instructions on page 2.)	N/A	

**Part IV Reason for Non-Private Foundation Status** (See instructions on pages 2 through 4.)

The organization is not a private foundation because it is: (Please check only **ONE** applicable box.)

- 5**  A church, convention of churches, or association of churches. Section 170(b)(1)(A)(i).
- 6**  A school. Section 170(b)(1)(A)(ii). (Also complete Part V, page 4.)
- 7**  A hospital or a cooperative hospital service organization. Section 170(b)(1)(A)(iii).
- 8**  A Federal, state, or local government or governmental unit. Section 170(b)(1)(A)(v).
- 9**  A medical research organization operated in conjunction with a hospital. Section 170(b)(1)(A)(iii). **Enter the hospital's name, city, and state** ► .....
- 10**  An organization operated for the benefit of a college or university owned or operated by a governmental unit. Section 170(b)(1)(A)(iv). (Also complete the **Support Schedule** in Part IV-A.)
- 11a**  An organization that normally receives a substantial part of its support from a governmental unit or from the general public. Section 170(b)(1)(A)(vi). (Also complete the **Support Schedule** in Part IV-A.)
- 11b**  A community trust. Section 170(b)(1)(A)(vi). (Also complete the **Support Schedule** in Part IV-A.)
- 12**  An organization that normally receives: **(1) more than 33 1/3%** of its support from contributions, membership fees, and gross receipts from activities related to its charitable, etc., functions—subject to certain exceptions, and **(2) no more than 33 1/3%** of its support from gross investment income and unrelated business taxable income (less section 511 tax) from businesses acquired by the organization after June 30, 1975. See section 509(a)(2). (Also complete the **Support Schedule** in Part IV-A.)
- 13**  An organization that is not controlled by any disqualified persons (other than foundation managers) and supports organizations described in: **(1)** lines 5 through 12 above; or **(2)** section 501(c)(4), (5), or (6), if they meet the test of section 509(a)(2). (See section 509(a)(3).)

Provide the following information about the supported organizations. (See instructions on page 4.)

(a) Name(s) of supported organization(s)	(b) Line number from above
NONE.	

- 14**  An organization organized and operated to test for public safety. Section 509(a)(4). (See instructions on page 4.)

**Part IV-A Support Schedule** (Complete only if you checked a box on line 10, 11, or 12.) *Use cash method of accounting.*

**Note:** You may use the worksheet in the instructions for converting from the accrual to the cash method of accounting.

Calendar year (or fiscal year beginning in) ▶	(a) 1997	(b) 1996	(c) 1995	(d) 1994	(e) Total
<b>15</b> Gifts, grants, and contributions received. (Do not include unusual grants. See line 28.) . . . . .	\$1,362,515	\$789,933	\$671,000	\$264,508	\$3,087,956
<b>16</b> Membership fees received . . . . .	-0-	-0-	-0-	-0-	-0-
<b>17</b> Gross receipts from admissions, merchandise sold or services performed, or furnishing of facilities in any activity that is not a business unrelated to the organization's charitable, etc., purpose . . . . .	58,133	74,517	16,369	80,516	229,535
<b>18</b> Gross income from interest, dividends, amounts received from payments on securities loans (section 512(a)(5)), rents, royalties, and unrelated business taxable income (less section 511 taxes) from businesses acquired by the organization after June 30, 1975 . . . . .	23,315	13,473	8,113	6,885	51,786
<b>19</b> Net income from unrelated business activities not included in line 18 . . . . .	-0-	-0-	-0-	-0-	-0-
<b>20</b> Tax revenues levied for the organization's benefit and either paid to it or expended on its behalf. . . . .	-0-	-0-	-0-	-0-	-0-
<b>21</b> The value of services or facilities furnished to the organization by a governmental unit without charge. Do not include the value of services or facilities generally furnished to the public without charge. . . . .	-0-	-0-	-0-	-0-	-0-
<b>22</b> Other income. Attach a schedule. Do not include gain or (loss) from sale of capital assets . . . . .	2,205	-0-	-0-	-0-	2,205
<b>23</b> Total of lines 15 through 22. . . . .	1,446,168	877,923	695,482	351,909	3,371,482
<b>24</b> Line 23 minus line 17. . . . .	1,388,035	803,406	679,113	271,393	3,141,947
<b>25</b> Enter 1% of line 23 . . . . .	14,462	8,779	6,955	3,519	
<b>26 Organizations described on lines 10 or 11:</b> <b>a</b> Enter 2% of amount in column (e), line 24. . . . ▶					<b>26a</b> 62,839
<b>b</b> Attach a list (which is not open to public inspection) showing the name of and amount contributed by each person (other than a governmental unit or publicly supported organization) whose total gifts for 1994 through 1997 exceeded the amount shown in line 26a. Enter the sum of all these excess amounts. . . . ▶					<b>26b</b> 2,381,380
<b>c</b> Total support for section 509(a)(1) test: Enter line 24, column (e) . . . . . ▶					<b>26c</b> 3,141,947
<b>d</b> Add: Amounts from column (e) for lines: 18 <u>51,786</u> 19 <u>-0-</u> 22 <u>2,205</u> 26b <u>2,381,380</u> . . . . . ▶					<b>26d</b> 2,435,371
<b>e</b> Public support (line 26c minus line 26d total) . . . . . ▶					<b>26e</b> 706,576
<b>f</b> Public support percentage (line 26e (numerator) divided by line 26c (denominator)) . . . . ▶					<b>26f</b> 22%
<b>27 Organizations described on line 12:</b> <b>a</b> For amounts included in lines 15, 16, and 17 that were received from a "disqualified person," attach a list to show the name of, and total amounts received in each year from, each "disqualified person." Enter the sum of such amounts for each year: (1997) _____ (1996) _____ (1995) _____ (1994) _____	N/A				
<b>b</b> For any amount included in line 17 that was received from a nondisqualified person, attach a list to show the name of, and amount received for each year, that was more than the <b>larger</b> of (1) the amount on line 25 for the year or (2) \$5,000. (Include in the list organizations described in lines 5 through 11, as well as individuals.) After computing the difference between the amount received and the larger amount described in (1) or (2), enter the sum of these differences (the excess amounts) for each year: (1997) _____ (1996) _____ (1995) _____ (1994) _____					
<b>c</b> Add: Amounts from column (e) for lines: 15 _____ 16 _____ 17 _____ 20 _____ 21 _____ . . . . . ▶					<b>27c</b> N/A
<b>d</b> Add: Line 27a total _____ and line 27b total _____ . . . . . ▶					<b>27d</b> N/A
<b>e</b> Public support (line 27c total minus line 27d total). . . . . ▶					<b>27e</b> N/A
<b>f</b> Total support for section 509(a)(2) test: Enter amount on line 23, column (e) . . . ▶					<b>27f</b>
<b>g</b> Public support percentage (line 27e (numerator) divided by line 27f (denominator)). . . . . ▶					<b>27g</b> N/A %
<b>h</b> Investment income percentage (line 18, column (e) (numerator) divided by line 27f (denominator)). ▶					<b>27h</b> N/A %

**28 Unusual Grants:** For an organization described in line 10, 11, or 12 that received any unusual grants during 1994 through 1997, attach a list (which is not open to public inspection) for each year showing the name of the contributor, the date and amount of the grant, and a brief description of the nature of the grant. Do not include these grants in line 15. (See instructions on page 4.) NONE.

**Part V Private School Questionnaire** (See instructions on page 4.)  
**(To be completed ONLY by schools that checked the box on line 6 in Part IV)**

N/A

		Yes	No
<b>29</b>	Does the organization have a racially nondiscriminatory policy toward students by statement in its charter, bylaws, other governing instrument, or in a resolution of its governing body? . . . . .		
<b>30</b>	Does the organization include a statement of its racially nondiscriminatory policy toward students in all its brochures, catalogues, and other written communications with the public dealing with student admissions, programs, and scholarships? . . . . .		
<b>31</b>	Has the organization publicized its racially nondiscriminatory policy through newspaper or broadcast media during the period of solicitation for students, or during the registration period if it has no solicitation program, in a way that makes the policy known to all parts of the general community it serves? . . . . . If "Yes," please describe; if "No," please explain. (If you need more space, attach a separate statement.)		
<b>32</b>	Does the organization maintain the following:		
<b>a</b>	Records indicating the racial composition of the student body, faculty, and administrative staff? . . . . .		
<b>b</b>	Records documenting that scholarships and other financial assistance are awarded on a racially nondiscriminatory basis? . . . . .		
<b>c</b>	Copies of all catalogues, brochures, announcements, and other written communications to the public dealing with student admissions, programs, and scholarships? . . . . .		
<b>d</b>	Copies of all material used by the organization or on its behalf to solicit contributions? . . . . .		
	If you answered "No" to any of the above, please explain. (If you need more space, attach a separate statement.) ..... .....		
<b>33</b>	Does the organization discriminate by race in any way with respect to:		
<b>a</b>	Students' rights or privileges? . . . . .		
<b>b</b>	Admissions policies? . . . . .		
<b>c</b>	Employment of faculty or administrative staff? . . . . .		
<b>d</b>	Scholarships or other financial assistance? . . . . .		
<b>e</b>	Educational policies? . . . . .		
<b>f</b>	Use of facilities? . . . . .		
<b>g</b>	Athletic programs? . . . . .		
<b>h</b>	Other extracurricular activities? . . . . .		
	If you answered "Yes" to any of the above, please explain. (If you need more space, attach a separate statement.) ..... .....		
<b>34a</b>	Does the organization receive any financial aid or assistance from a governmental agency? . . . . .		
<b>b</b>	Has the organization's right to such aid ever been revoked or suspended? . . . . . If you answered "Yes" to either 34a or b, please explain using an attached statement.		
<b>35</b>	Does the organization certify that it has complied with the applicable requirements of sections 4.01 through 4.05 of Rev. Proc. 75-50, 1975-2 C.B. 587, covering racial nondiscrimination? If "No," attach an explanation . . . . .		

**Part VI-A Lobbying Expenditures by Electing Public Charities** (See instructions on page 6.)  
 (To be completed **ONLY** by an eligible organization that filed Form 5768)

N/A

Check here **a**  if the organization belongs to an affiliated group.  
 Check here **b**  if you checked "a" above and "limited control" provisions apply.

<b>Limits on Lobbying Expenditures</b>		(a) Affiliated group totals	(b) To be completed for ALL electing organizations
(The term "expenditures" means amounts paid or incurred.)			
36	Total lobbying expenditures to influence public opinion (grassroots lobbying) . . . . .	<b>36</b>	
37	Total lobbying expenditures to influence a legislative body (direct lobbying) . . . . .	<b>37</b>	
38	Total lobbying expenditures (add lines 36 and 37) . . . . .	<b>38</b>	
39	Other exempt purpose expenditures . . . . .	<b>39</b>	
40	Total exempt purpose expenditures (add lines 38 and 39). . . . .	<b>40</b>	
41	Lobbying nontaxable amount. Enter the amount from the following table—		
	<b>If the amount on line 40 is—</b> <b>The lobbying nontaxable amount is—</b>		
	Not over \$500,000 . . . . . 20% of the amount on line 40. . . . .	<b>41</b>	
	Over \$500,000 but not over \$1,000,000 . . \$100,000 plus 15% of the excess over \$500,000		
	Over \$1,000,000 but not over \$1,500,000 . \$175,000 plus 10% of the excess over \$1,000,000		
	Over \$1,500,000 but not over \$17,000,000 . \$225,000 plus 5% of the excess over \$1,500,000		
	Over \$17,000,000 . . . . . \$1,000,000 . . . . .		
42	Grassroots nontaxable amount (enter 25% of line 41) . . . . .	<b>42</b>	
43	Subtract line 42 from line 36. Enter -0- if line 42 is more than line 36 . . . . .	<b>43</b>	
44	Subtract line 41 from line 38. Enter -0- if line 41 is more than line 38 . . . . .	<b>44</b>	

**Caution:** If there is an amount on either line 43 or line 44, you must file Form 4720.

**4-Year Averaging Period Under Section 501(h)**

(Some organizations that made a section 501(h) election do not have to complete all of the five columns below.  
 See the instructions for lines 45 through 50 on page 7.)

Calendar year (or fiscal year beginning in) ▶	Lobbying Expenditures During 4-Year Averaging Period				
	(a) 1998	(b) 1997	(c) 1996	(d) 1995	(e) Total
45	Lobbying nontaxable amount. . . . .				
46	Lobbying ceiling amount (150% of line 45(e)).				
47	Total lobbying expenditures . . . . .				
48	Grassroots nontaxable amount . . . . .				
49	Grassroots ceiling amount (150% of line 48(e))				
50	Grassroots lobbying expenditures . . . . .				

**Part VI-B Lobbying Activity by Nonelecting Public Charities**

(For reporting only by organizations that did not complete Part VI-A) (See instructions on page 8.)

During the year, did the organization attempt to influence national, state or local legislation, including any attempt to influence public opinion on a legislative matter or referendum	Yes	No	Amount
a Volunteers. . . . .	X		
b Paid staff or management (Include compensation in expenses reported on lines c through h.) . . . . .	X		
c Media advertisements . . . . .	X		-0-
d Mailings to members, legislators, or the public . . . . .	X		-0-
e Publications, or published or broadcast statements . . . . .	X		-0-
f Grants to other organizations for lobbying purposes . . . . .	X		-0-
g Direct contact with legislators, their staffs, government officials, or a legislative body . . . . .	X		-0-
h Rallies, demonstrations, seminars, conventions, speeches, lectures, or any other means . . . . .	X		-0-
i Total lobbying expenditures (add lines c through h). . . . .			-0-

If "Yes" to any of the above, also attach a statement giving a detailed description of the lobbying activities.

**Part VII Information Regarding Transfers To and Transactions and Relationships With Noncharitable Exempt Organizations**

**51** Did the reporting organization directly or indirectly engage in any of the following with any other organization described in section 501(c) of the Code (other than section 501(c)(3) organizations) or in section 527, relating to political organizations?

	Yes	No
<b>a</b> Transfers from the reporting organization to a noncharitable exempt organization of:		
<b>(i)</b> Cash . . . . .	51a(i)	X
<b>(ii)</b> Other assets . . . . .	a(ii)	X
<b>b</b> Other transactions:		
<b>(i)</b> Sales of assets to a noncharitable exempt organization . . . . .	b(i)	X
<b>(ii)</b> Purchases of assets from a noncharitable exempt organization . . . . .	b(ii)	X
<b>(iii)</b> Rental of facilities or equipment . . . . .	b(iii)	X
<b>(iv)</b> Reimbursement arrangements . . . . .	b(iv)	X
<b>(v)</b> Loans or loan guarantees . . . . .	b(v)	X
<b>(vi)</b> Performance of services or membership or fundraising solicitations . . . . .	b(vi)	X
<b>c</b> Sharing of facilities, equipment, mailing lists, other assets, or paid employees . . . . .	c	X

**d** If the answer to any of the above is "Yes," complete the following schedule. Column (b) should always show the fair market value of the goods, other assets, or services given by the reporting organization. If the organization received less than fair market value in any transaction or sharing arrangement, show in column (d) the value of the goods, other assets, or services received:

(a) Line no.	(b) Amount involved	(c) Name of noncharitable exempt organization	(d) Description of transfers, transactions, and sharing arrangements
NONE.			

**52a** Is the organization directly or indirectly affiliated with, or related to, one or more tax-exempt organizations described in section 501(c) of the Code (other than section 501(c)(3)) or in section 527?  Yes  No  
**b** If "Yes," complete the following schedule:

(a) Name of organization	(b) Type of organization	(c) Description of relationship
NONE.		



**Form 990, Schedule A**

**1998**

Nautilus of America, Inc.

EIN 95-3608292

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**Part IV-A, Line 22 - Other Income**

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\$2,205

Increase in cash value on life insurance policy on  
Executive Directors

Nautilus of America, Inc.  
 Employer ID # 95-3608292  
**Form 990 — FY 1998**

**Attachment to Schedule A, Line 26(b)**  
 Amounts contributed by each person whose total gifts for 1994-1997  
 exceeded the amount shown in Line 26(a): \$62,839

Contributor	FY 1997	FY 1996	FY 1995	FY 1994	TOTAL	Excess
Ford Foundation	\$ 100,000	\$ 135,000	\$ 100,000		\$ 335,000	\$ 272,161
John Merck Fund	\$ 30,000	\$ 30,000	\$ 30,000	\$ 50,000	\$ 140,000	\$ 77,161
Rockefeller Brothers Fund	\$ -	\$ 75,000	\$ 113,000		\$ 188,000	\$ 125,161
Rockefeller Foundation*	\$ 160,500	\$ 150,000	\$ 185,000	\$ 200,000	\$ 695,500	\$ 632,661
United States-Japan Foundation	\$ 129,345	\$ 188,408			\$ 317,753	\$ 254,914
W. Alton Jones Foundation	\$ 545,000	\$ 240,000	\$ 165,000	\$ 120,000	\$ 1,070,000	\$ 1,007,161
Winston Foundation	\$ -	\$ 25,000	\$ 25,000	\$ 25,000	\$ 75,000	\$ 12,161
<b>Totals</b>	<b>\$ 964,845</b>	<b>\$ 843,408</b>	<b>\$ 618,000</b>	<b>\$ 395,000</b>	<b>\$ 2,821,253</b>	<b>\$ 2,381,380</b>

**Facts and Circumstances**

The Nautilus Institute is supported by a wide range of foundations which have no representation on our Board of Directors or our staff. As a rule, project descriptions and grant applications are originated by Nautilus, which then seeks funding from prospects identified by Nautilus. Control of Nautilus rests with its Board of Directors and staff.

The Nautilus Institute has worked diligently to broaden its funding base. Public support grew markedly in FYs 1997 and 1998: **our Form 990, Schedule A for FY 1999 will show approximately 37% public support.** Further broadening of the organization's funding base is being actively pursued in FY 1999.

\*Rockefeller Foundation includes \$500 honorarium and \$160,000 in grants.