

Internal Revenue Service
P.O. Box 2508
Cincinnati, OH 45201

Department of the Treasury

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Employer Identification Number:

Contact Person - ID Number:

Contact Telephone Number:

Date: January 11, 2012

UIL 4945.04-04

LEGEND

B = Scholarship Fund Trust
C = City Name
D = Last Will and Trust
H = Company
J = School
K = Date of Determination Letter
L = City Name
M = City Name

Dear :

We have considered your request for the advance approval of the amendment of your employer-related grant-making program under section 4945(g)(1) of the Internal Revenue Code, dated March 2, 2011 .

Our records indicate that you are recognized as exempt from federal income tax under section 501(c)(3) of the Code, effective K, and that you are classified as a private foundation as defined in section 509(a).

You were established by D in furtherance of the vocational/technical education- undergraduate or graduate- of graduates of J, or any high school into which J may be merged or consolidated.

Your grant-making procedures under Section 4945(g) of the Code were approved based on continued compliance with the requirements of Revenue Procedure 76-47, 1976-2 C.B. 670. In addition to complying with Revenue Procedure 76-47, you were also required to ensure that a questionnaire be circulated once a year to H employees requesting information using the following language:

Do you have children who have graduated from high school who are continuing, or are considering the continuation of their education and plan or intend to further their vocational/technical education at the graduate or undergraduate level?

Upon receipt of the completed questionnaires, the Trustees were also required to tabulate the information, record the net number of children eligible for scholarships and keep a record of the total number of H employees' children who were eligible for grants in that year.

You have continually complied with the above described notice and record-keeping requirements to comply with Revenue Procedure 76-47, even though Revenue Procedure 76-47 was modified by Revenue Procedure 85-51, 1985-2 C.B. 717 stating that the 25% and the 10% tests are alternative tests, and that no notice to H employees is required for compliance with either test.

According to the will of D, which created the trust, it was the intention of the grantor to provide scholarships to graduates of J because of the long and intimate connection of the H family and business with the town of C. When the will was executed in 1979, you were concerned that all the graduates of J would be children of the employees of H.

H has grown dramatically in the past thirty years and employees now reside throughout the United States and abroad. Since you have been required to ensure that a questionnaire is circulated annually to H employees no matter where the employees reside, B now receives scholarship applications from those who are not graduates of J.

Your primary purpose for requesting advance approval is to obtain authorization to stop sending annual notice of the scholarship to H employees and return to the grantor's original intent to provide scholarships to the graduates of J. Although it was the grantor's desire that preference to the extent permissible and in the discretion of the Trustees be given to children of long-term employees (5 years or more) of H, this language is not an eligibility requirement. Therefore, you are requesting advance approval of the amended scholarship procedures. You will operate your grant-making activity as follows:

You will establish an independent Scholarship Selection Committee (Committee) selected by the Trustees of B who will review all scholarship applications. To the extent possible, the Committee will include individuals knowledgeable in the vocational/technical education field, preferably individuals of the regional school unit which includes J. The Committee will consist of no less than three individuals and no more than ten individuals. The Committee members will be completely unrelated to B and H, and neither B or H will be involved in the process of selecting recipients. Each member of the Committee will review the applications and the additional materials submitted. Each member of the Committee will be obligated to disclose any personal knowledge of and relationship with any applicant and to refrain from participation in the award process in a circumstance where he or she would derive, directly or indirectly, a private benefit if any applicant is selected over others. No scholarships are to be awarded to any children or grandchildren of the Trustees of B or shareholders of H, or any children or grandchildren of the Committee members.

You will provide notice of the availability of the Scholarship by posting such notice on the bulletin boards of J, providing copies of the Scholarship Application form to the Guidance Office of J and such other means as the Committee determines appropriate.

In order to be eligible for a scholarship, the applicant must be a graduate of J and be a resident of C. The applicant must intend to pursue a program in a vocational/technical institute as well as any other academic program in which the educational training is

designed to prepare students for services in industry or commerce; and pursue a two year degree leading to an associate's degree. (However, in any year in which the Trustees are unable to expend the entire income of the trust, plus any accumulations, for the benefit of students proposing a two year associates degree, the Trustees may also award scholarship grants to other students proposing a four year baccalaureate degree.)

D's Will requires each scholarship recipient to be a graduate of J. The student population of J includes students residing in C, L and M. Eligibility for the scholarship is further limited to students who reside in C, unless the student at J resides in L or M and has a parent working at H.

You will not award scholarship grants in any year to more than 25 percent of the number of children of H employees who are eligible to apply for such grants and are considered by the Committee in selecting the recipients of grants. The Committee will maintain records of the number of children of employees of H that (i) are eligible, (ii) apply for such grants, and (iii) are considered by the Committee in selecting the recipients of the grant in any year. In the alternative, you will not award scholarship grants in any year to more than 10 percent of the total number of H employees' children who were eligible, regardless of whether they submitted applications. Determination of the number of children that are eligible for a scholarship grant under the 10 percent test will be made as described in Revenue Procedure 85-51, 1985-2 C.B. 717.

You will require that applicants submit a Scholarship Application and supporting documentation as you may deem appropriate on a schedule to be determined by you. The process of selecting grant recipients is completely objective and non-biased. There is no restriction limitation in the selection process based on race, color, religion, or national or ethnic origin. The Committee will use a point system based on academic performance, honors and awards, extracurricular activities, financial need, letters of recommendation and other criteria deemed appropriate by the Committee.

All scholarship grants awarded by you will be awarded solely in the order recommended by the Committee, and the number of grants to be awarded will not be increased from the number recommended by the Committee. Your Committee will publically announce the grant recipients.

The scholarship grants will not be used by H or you to recruit or induce employees to continue their employment or otherwise follow a course of action sought by H.

Eligibility for a scholarship grant is in no way related to any employment related facts such as an employee's position, services, or duties with H.

If a scholarship grant is awarded to a child of an H employee, the award will not be terminated because the child's parent terminates employment with H, regardless of the reason for such termination.

Except as provided above, there is no limit on a grant recipient's selected course of study, and therefore, H does not benefit from the program or the recipient's education. Scholarship grants are paid directly to the educational institution. Except as provided above, the grant recipient will have a free choice to use the grant to pursue any course of study at an educational institution as defined by Section 170(b) (1) (a) (ii) attended by the grantee.

All grantees, as a condition to receiving their grants, will sign a consent form which authorizes the educational institution they attend to provide you with reports of their academic performance at least once a year for the year or years for which the scholarship grant is awarded. This report is to consist of a copy of the grades received and courses taken, if available. If no grades are available, then the grantee will consent to having his faculty advisor or other appropriate school official report to the Committee concerning the grantee's performance.

Grants will be made only under Section 4945(g) (1), of the Code for study at educational institutions described under Section 170(b) (1) (a) (ii) of the Code. All grants will be scholarships under Section 117(a) of the Code. All grants will be paid directly to the educational institution, as defined by Section 170(b) (1) (a) (ii) of the Code, attended by the grantee in direct payment of tuition and related charges to defray the grantee's expenses only while the grantee is enrolled at such educational institution and the grantee's standing is consistent with the purposes and conditions of the grant and explained in the following paragraph.

You will examine the reports received concerning the grantee's progress in the grantee's course of study at such educational institution. When the reports indicate that the grantee is not performing satisfactorily, you will withhold additional payments to the educational institution attended by the grantee. You will then determine if any part of the grant can be recovered, and, if possible, recover it. If the grant has been used for improper purposes, the grant will automatically terminate. You will then request that the educational institution attended by the grantee refund any monies available. If at any time the grantee ceases study prior to the completion of the grantee's course of study, the grantee will, if you so recommend, be required to refund the total amount of the grantee's grant. All grantees, as a condition to receiving their grants, shall be required to file an agreement requiring them to refund to you any portion of a grant used for improper purposes and any portions of the grant which you recommend be refunded pursuant to the provisions of the preceding sentence.

You will maintain a file for each scholarship applicant for each year applications are received. This file shall include a completed application form, all information used to evaluate the qualifications of the applicant, a record of the action taken by you on the application including the amount and purpose of the grant and the follow-up information which is obtained in compliance with Treasury Regulations 53-53956-4(c)(2)-(4). All files will be maintained by you. The reports received by you on the progress of each grantee will be added to the grantee's file.

Sections 4945(a) and (b) of the Code impose certain excise taxes on "taxable expenditures" made by a private foundation.

Section 4945(d)(3) of the Code provides that the term "taxable expenditure" means any amount paid or incurred by a private foundation as a grant to an individual for travel, study, or other similar purposes by such individual, unless such grant satisfies the requirements of subsection (g).

Section 4945(g) of the Code provides that section 4945(d)(3) shall not apply to individual grants awarded on an objective and nondiscriminatory basis pursuant to a procedure approved in advance if it is demonstrated that:

- (1) The grant constitutes a scholarship or fellowship grant which is subject to the provisions of section 117(a) (as in effect on the day before the date of the enactment of the Tax Reform Act of 1986) and is to be used for study at an educational organization described in section 170(b) (1) (A) (ii);
- (2) The grant constitutes a prize or award which is subject to the provisions of section 74(b), if the recipient of such prize or award is selected from the general public, or
- (3) The purpose of the grant is to achieve a specific objective, produce a report or similar product, or improve or enhance a literary, artistic, musical, scientific, teaching or other similar capacity, skill, or talent of the grantee.

Section 53.4945-4(c) (1) of the Regulations provides that to secure approval, a private foundation must demonstrate that:

- (i) Its grant procedure includes an objective and nondiscriminatory selection process;
- (ii) Such procedure is reasonably calculated to result in performance by grantees of the activities that the grants are intended to finance; and
- (iii) The foundation plans to obtain reports to determine whether the grantees performed activities that the grants are intended to finance.

Based on the information submitted and assuming your award programs will be conducted as proposed, with a view to providing objectivity and nondiscrimination in making the awards, we have determined that your procedures for granting the awards comply with the requirements contained in section 4945(g) (1) of the Code and that awards granted in accordance with such procedures will not constitute "taxable expenditures" within the meaning of section 4945(d) (3).

Revenue Procedure 76-47, 1976-2 C.B. 670, sets forth guidelines to be used in determining whether a grant made by a private foundation under an employer-related program to a child of an employee of the particular employer to which the program relates is a scholarship grant that meets the provisions of section 117(a) of the Code (as that section read before the Tax Reform Act of 1986). If a private foundation's program satisfies the seven conditions set forth in Sections 4.01 through 4.07 of Rev. Proc. 76-47 and meets the percentage test described in Section 4.08, the Service will assume the grants meet the provisions of section 117(a), as that section read before the Tax Reform Act of 1986.

You have agreed that procedures in awarding grants under your program will be in compliance with Sections 4.01 through 4.07 of Rev. Proc. 76-47 (without regard to the amendments to section 117(a) made by the Tax Reform Act of 1986). In particular, the selection of individual grant recipients will be made by a selection committee the members of which are totally independent and separate from the private foundation, the foundation's creator, and the relevant employer. The grants will not be used as a

means of inducement to recruit employees nor will a grant be terminated if the employee leaves the employer. The recipient will not be restricted in a course of study that would be of particular benefit to the relevant employer or to the foundation.

Section 4.08 of Rev. Proc 76-47 provides a percentage test guideline. It states in the case of a program that awards grants to children of employees of a particular employee, the program meets the percentage test if either of the following tests are met: the number of grants awarded under that program in any year to such children do not exceed 25 percent of the number of employees' children who were eligible, were applicants for such grants, and were considered by the selection committee in selecting the recipients of grants in that year, or the number of grants awarded under the program in any year to such children does not exceed 10 percent of the number of employees' children who can be shown to be eligible for grants (whether or not they submitted an application) in that year.

You have agreed that your program will meet the requirements of either the 25 percent or 10 percent percentage test of Section 4.08 applicable to a program that awards grants to children of employees of a particular employer. Records should be maintained to show that you meet the applicable percentage test of Section 4.08

This determination is issued with the understanding that in applying the 10 percent test applicable to employees' children set forth in Rev. Proc. 76-47, you will include as eligible only those children who meet the eligibility standards described in Rev. Proc. 85-51, 1985-2 C.B. 717.

This determination will remain in effect as long as the procedures in awarding grants under your program remain in compliance with Sections 4.01 through 4.08 of Rev. Proc. 76-47 (without regard to the amendments to section 117(a) made by the Tax Reform Act of 1986). If you enter into any other program covering the same individuals, the percentage test of Rev. Proc. 76-47 must be met in the aggregate.

Based on the information submitted and assuming your award programs will be conducted as proposed, with a view to providing objectivity and nondiscrimination in making the awards, we have determined that your procedures for granting the awards comply with the requirements contained in section 4945(g) (1) of the Code and that awards granted in accordance with such procedures will not constitute "taxable expenditures" within the meaning of section 4945(d) (3).

In addition, we have determined that awards made under your procedures are 'scholarship or fellowship' grants within the meaning of section 117 of the Code, and are excludable from the gross income of the recipients subject to the limitations provided in section 117(b) of the Code, including to the extent that such grants are used for qualified tuition and related expenses within the meaning of section 117(b) (2) of the Code.

This determination is conditioned on the understanding that there will be no material change in the facts upon which it is based. It is further conditioned on the premise that no grants will be awarded to foundation managers, or members of the selection committee, or for a purpose that is inconsistent with the purpose described in section 170(c)(2)(B) of the Code.

The approval of your employer-related grant-making program is a one-time approval. This determination only covers the grant programs described above. Thus, approval shall apply to subsequent grant programs only as long as the standards and procedures under which they are conducted do not differ materially from those described in your request.

Any funds you distribute to individuals must be made on a true charitable basis in furtherance of the purposes for which you are organized. Therefore, you should maintain adequate records and histories so that any or all grant distributions can be substantiated upon request by the Internal Revenue Service.

This determination is directed only to the organization that requested it. Section 6110(k) (3) of the Code provides that it may not be used or cited as a precedent.

You must report any future changes in your grant making procedures. Please keep a copy of this letter in your permanent records.

We have sent a copy of this letter to your representative as indicated in your power of attorney.

If you have any questions, please contact the person whose name and telephone number are shown above.

Sincerely yours,

Lois G. Lerner
Director, Exempt Organizations