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TAX EXEMPT AND
GOVERNMENT ENTITIES
DIVISION

DEPARTMENT OF THE TREASURY
INTERNAL REVENUE SERVICE
WASHINGTON, D.C. 20224

Date: FEB 18 2004

Contact Person:

Identification Number:

Telephone Number:

Employer Identification Number:

Legend:

B=

x=

y=

Dear Sir or Madam:

This is in reference to your letter of August 21, 2003, requesting advance approval of your grant procedures under section 4945(g) of the Internal Revenue Code.

The information submitted indicates that you are exempt from Federal income tax under section 501(c)(3) of the Code and have been classified as a private foundation under section 509(a).

In furtherance of your purpose, you propose to administer a scholarship program to benefit the eligible children of the employees of B. You will award scholarships to the dependent children of employees of B who have excelled academically and need financial assistance to pursue a college education. Specifically, you will provide three different types of scholarships. There will be an annual award of x per recipient for eligible students who have demonstrated outstanding service to their school, place of worship and/or community based on overall academic record. Additionally, there will be an annual award of x per recipient for eligible students based upon ACT or SAT scores and overall academic record. Finally, you will award annual scholarships of up to y per recipient, based upon overall academic record and financial need.

To be eligible for consideration for a scholarship, an applicant must be under the age of 22 (or under the age of 26 if the applicant has been in active military service), be an unmarried child of an employee of B, plan on attending as a full-time student an accredited two or four-year

college, university, community college or junior college located in the United States or its territories and have at least a B average. In addition, the applicant must be living with the parent employed by B or must be a dependent as defined by Internal Revenue Service guidelines and regulations and receiving his or her primary support from the parent employed by B. The parent must have been an employee of B for a least two years by January 1st of the year of the application for the scholarship. The scholarship awards are renewable on an annual basis. To renew a scholarship for a subsequent year, a student must maintain full-time enrollment status and have a minimum B average, as defined by an overall grade point average of at least 1.75 on a 3.0 scale or a 2.75 on a 4.0 scale. Additionally, the recipient must continue to satisfy the age and dependency requirements.

Your selection committee will consist of individuals who are totally independent and separate from you, your trustees, and B. Employees or former employees of you or B will be ineligible to serve on the committee. Each member of the selection committee will be knowledgeable in the educational field and will be qualified to evaluate the potential of the applicants. The selection committee members will review applications, conduct interviews, make any necessary assessment of financial need in the case of the scholarships and select the recipients.

The scholarship funds for each recipient will be sent directly to the education institution in which he or she enrolls, and the funds will be used by such institution to defray the recipient's expenses only if the recipient is enrolled at such educational institution and his or her standing at such institution is consistent with the purpose and conditions of the scholarship. The number of scholarships to be awarded may vary from year to year, but will not exceed twenty-five percent of the number of employees' children who are eligible, were applicants for such scholarships, and were given consideration in the selection process for that year.

The scholarships will not be used as a means of inducement to recruit employees for B nor will a grant be terminated if the employee leaves B. Scholarships will only be awarded to students who enroll in an institution that meets the requirements of section 170(b)(1)(A)(ii) of the Code. The recipient will not be restricted in his or her course of study. You will compile statistical information on applications received and grants made, which will enable you to maintain the records required by Rev. Proc. 76-47, 1976-2 C.B. 670. You will ensure compliance with the twenty-five percent test under section 4.08 of Rev. Proc. 76-47 in the aggregate with respect to your other scholarship programs available to the same individuals.

Section 4945 of the Code provides for the imposition of taxes on each taxable expenditure of 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 section 4945(g).

Section 4945(g)(1) of the Code provides that section 4945(d)(3) shall not apply to an individual grant awarded on an objective and nondiscriminatory basis pursuant to a procedure

approved in advance by the Secretary, if it is demonstrated to the satisfaction of the Secretary that the grant constitutes a scholarship or fellowship grant which is subject to the provisions of section 117(a) and is to be used for study at an educational institution described in section 170(b)(1)(A)(ii).

Rev. Proc. 76-47, 1976-2 C.B. 670, sets forth guidelines for a private foundation conducting an employer related grant program to obtain advance approval of its procedures for conducting such a program under section 4945(g) of the Code. Sections 4.01 through 4.07 set forth seven conditions which a private foundation must meet in order to obtain advance approval of its procedures under section 4945(g) of the Code. Section 4.08 provides that a private foundation which makes scholarship awards to children of employees of a company, or to the employees themselves will meet this test if it limits these grants to 25% of all eligible applicants or 10% of all those shown to be eligible in any given year. Renewals of grants awarded in prior years will not be considered in determining the number of grants awarded in a current year.

Based upon the information submitted, and assuming your program will be conducted as proposed, with a view to providing objectivity and nondiscrimination in the awarding of scholarship grants, we rule that your grants to B for the awarding of scholarship grants comply with the requirements of section 4945(g)(1) of the Code. Expenditures made in accordance with these procedures will not constitute "taxable expenditures" within the meaning of section 4945(d)(3) of the Code, and as such are eligible for the exclusion from income provided for in section 117(a) of the Code to the extent that such grants are actually used for qualified tuition and related expenses within the meaning of section 117(b)(2) of the Code.

This ruling is conditioned on the understanding that there will be no material changes in the facts upon which it is based. It is further conditioned on the understanding that no grants will be awarded to your organization's creators, officers, directors, trustees, or members of the selection committee, or for a purpose inconsistent with the purposes described in section 170(c)(2)(B) of the Code.

The approval of your grant-making procedures is a one-time approval of your system of standards and procedures for selecting recipients of grants that meet the requirements of section 4945(g)(1) of the Code. Thus, approval will apply to succeeding 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.

We are informing the Ohio office of this action. Please keep a copy of this ruling with your organization's permanent records.

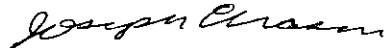
This ruling is directed only to the organization that requested it. Section 6110(k)(3) of the Code provides that it may not be used or cited as precedent.

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If you have any questions about this ruling, please contact the person whose name and telephone number are shown in the heading of this letter.

Sincerely,



Joseph Chasin
Acting Manager, Exempt
Organizations Technical Group 4