

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

Department of the Treasury

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Date: April 15, 2011

Employer Identification Number:

Contact Person - ID Number:

Contact Telephone Number:

LEGEND

UIL 4945.04-04

X= Company
Y= Company
Z= Company
b= amount
c= amount

Dear

We have considered your request for advance approval of your employer-related grant-making program under section 4945(g)(1) of the Internal Revenue Code, dated September 13, 2010.

Our records show you were recognized as exempt from Federal income tax under section 501(c)(3) of the Code and that you are classified as a private foundation as defined in section 509(a).

You will operate a post-secondary educational funding program for children of X, Y, and Z employees.

Scholarships are awarded to eligible individuals for one year of college, university or vocational school education and are renewable. This scholarship is intended for undergraduate study only. The terms of the scholarship and the courses of study for which scholarships are available will be consistent with a disinterested purpose of enabling program participants to obtain an education in their individual capacities only for their personal benefit. Employees have over 5,000 dependents. Close to 900 of those dependents are potentially eligible to apply for the scholarship. Scholarships awarded will be b per academic year to those attending a university and c per academic year to those attending a community college and/or trade school.

The actual number of scholarships will be increased or decreased each year by the selection committee based upon the relevant percentage criteria for employer related scholarships. The procedures shall be interpreted so as to ensure your compliance with all applicable requirements of the Internal Revenue Code including Section 4966, accompanying Treasury Regulations and guidance from the Internal Revenue Service. These procedures may be amended from time-to-time.

INDUCEMENT. You will not use the scholarship program to recruit employees or to induce employees to continue their employment or otherwise follow a course of action sought by you or X, Y, and Z.

SELECTION PROCEDURES. In connection with your scholarship program, the Chief Executive Officer or the selection committee shall contact human resources to screen X, Y, and Z's database for eligibility. They will then announce the availability and provide the application to all eligible families wishing to apply. Posters will be sent to corporate offices, regional offices, and stores to publicize the availability of the scholarships and to solicit applications. Interested candidates will be encouraged to

submit an application detailing their individual qualifications and reasons for applying for the scholarship. Candidates shall be required to submit such application forms and supporting materials as you may deem appropriate on a schedule which you will determine. The decision to grant a scholarship to a particular individual will be made by your selection committee based on the objective criteria relating to the individual's application, recommendations, transcripts, and available scholarships.

All individuals who qualify under the standards are eligible for the scholarship program except an officer, director, or contributor of yours or any family member as defined under Section 4946(a)(1)(D) of the Code. In no event will a scholarship be awarded for the benefit of any particular individual. No officer or director of yours, contributor of yours, or any person related to any of the foregoing shall be in a position to derive a private benefit directly or indirectly from such scholarship or because a certain potential scholarship recipient is selected over others. Candidates for such awards may take no part in the selection process.

SELECTION COMMITTEE. Selection of scholarship recipients will be made by a committee of individuals who are totally independent and separate from you, as well as from X, Y, and Z. The only participation they will have is for the purposes of the committee. An individual who is a former employee of yours or X, Y, and Z will not be considered independent and will not be on the selection committee. The selection committee will consist of individuals knowledgeable in the field of education and involved in the community.

SELECTION CRITERIA. The program imposes identifiable minimum requirements for scholarship eligibility. These requirements relate to the scholarship program's purpose and limit the selection committee's consideration to children of employees who meet the minimum standards for admission to an educational institution for which the scholarships are available. No persons will be considered eligible if they would not reasonably be expected to attend such an institution. Eligibility will not be related to any employment-related factors other than being a full-time employee for three years prior to submission of the application. No consideration will be given to an employee's position, services, or duties.

The application criteria for the scholarship program participants require the applicant to:

- Be a citizen of the United States of America.
- Be between the ages of 17 and 24 years of age.
- Be a dependent child of a full-time employee with at least three consecutive years of service with X, Y, or Z by the application deadline.
- Be either a high school senior graduating from an accredited high school or a student already attending an accredited post-secondary institution or vocational program.
- Be an active participant in school and community activities.
- Be academically motivated as determined by a school transcript, recommendation, and application materials.
- Supply a letter of recommendation.

No candidate will be denied consideration or selection because of race, religion, gender, nationality or ethnic origin.

The selection committee for the scholarship, through you, will make all public announcements of the awards. The awards may be announced in X, Y, or Z's company newsletter in which you will be identified clearly as the grantor.

Once the scholarship has been awarded, you will contact the recipients via mail or electronic mail to notify the recipients of the award. At that time, you will also request that the recipients: (1) acknowledge the receipt of the award and (2) provide confirming information regarding their educational institution of choice. Also, following the academic year for which the scholarship was awarded, the recipients will be required to send you a transcript, as well as a brief description of their participation in any school and/or community activities. This information will need to be provided to renew the scholarship along with a renewal request form. Prior to the start of the next academic year for which renewal is sought, the transcript and activities information will be reviewed by the selection committee and renewals will be

awarded to those students who continue to complete a minimum of credit hours each semester, are in good academic standing with the educational institution and who were active in school and community activities, participating in at least one community service activity during the school year.

Scholarship funds will be paid directly to the recipient's educational institution. You will request the institution return any unused funds to you. You will not pay any awards directly to the recipient.

EMPLOYMENT. Selection of scholarship recipients will be based only upon substantial objective standards that are completely unrelated to the employment of the recipients or their parents and X, Y, or Z line of business.

Once a scholarship has been awarded, it will not be terminated because the recipient's parent no longer works for X, Y, or Z regardless of the reason for terminating employment. If a scholarship is awarded for one academic year and the recipient must reapply for an additional scholarship or scholarships to continue studies for a later year, the recipient may not be considered ineligible for a subsequent scholarship simply because that individual or the individual's parent is no longer employed by X, Y, or Z. If a scholarship is awarded for more than one academic year, subject to renewal, renewal standards will be based only on non-employment-related factors such as need and maintenance of scholastic standards. When the scholarship is awarded or renewed, there will be no requirement, condition, or suggestion, express or implied, that the recipient or the recipient's parent is expected to perform future employment services for you or X, Y, or Z, or be available for future employment, even though the future employment is at the discretion of you or X, Y, or Z.

COURSE OF STUDY. Scholarship terms and courses of study will not include any commitments, understandings, or obligations, conditional or unconditional, suggesting that recipients undertake the studies for your benefit or the benefit of X, Y, or Z or that studies' objective is to accomplish any purpose of yours or X, Y, or Z, even though such purpose is consistent with its exempt status, other than to enable the recipients to obtain an education in their individual capacities. Courses of study for which scholarships are available will not be limited to those that would be of particular benefit to you or X, Y, or Z. If the courses of study for which the scholarships are available include one or more that would be of particular benefit, a scholarship may not be conditioned on the recipient choosing such a course of study. The recipient must have free choice to use the scholarship in the pursuit of a course of study for which the scholarship is otherwise available that is not of particular benefit to you or X, Y, or Z.

PROGRAM SUPERVISION. The program requires acknowledgments and representations by the program participants that: (1) they will adhere to all terms and conditions of the scholarship/program agreement; (2) the scholarship/program will be monitored by the independent selection committee; (3) that they will send in a transcript of studies at the end of the school year and when requesting renewal for the following year, and show that he/she meets the selection criteria.

RECORD KEEPING. In connection with the scholarship, you will obtain all records used to evaluate the potential recipients. You will retain records identifying the recipients, demonstrating that none of the recipients is an individual who is a disqualified person with respect to you within the meaning of Code Section 4946(a)(1), and specifying the scholarship awarded and the purpose and amount of each scholarship. You will retain the follow-up information regarding progress reports, any suspension of scholarships, and any investigations of possible misuse of funds for purposes other than the purpose for which the scholarship was awarded. You will keep the records pertaining to the scholarships for no less than three years after filing your annual tax return for the period in which the recipient student was attending the post-secondary institution.

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) 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.

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 employer, 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, 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 excludable from the gross income of the recipients subject to the limitations provided by section 117 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(j)(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