

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

Department of the Treasury

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Date: **February 1, 2012**

Employer Identification Number:

**Contact Person - ID Number:
Contact Telephone Number:**

LEGEND

UIL 4945.04-04

C= Scholarship administrator
D= Program
E= Employer
x dollars = \$ amount
y dollars = \$ 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 November 18, 2010.

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

The information submitted indicates that grants funded by you will be administered, supervised, and paid out by C. C is exempt from federal income tax under section 501(c)(3) of the Internal Revenue Code and has been classified as a publicly supported organization. The name of your scholarship program is D.

Under the terms of an agreement, you will make annual contributions to C to fund scholarships for the children of the employees of E. C will prepare and furnish application forms, receive all applications, determine the recipients and amount to be awarded, notify the recipients of the award, confirm enrollment in an educational institution, make payment of the award, and supervise and investigate the use of the grant funds by the recipients in their educational programs. Recipients are determined solely by C utilizing selection criteria you provided whereby each candidate is evaluated based on the following: past academic record and future potential, demonstrated leadership and participation in school and community activities, honors, work experience, statement of goals and educational aspirations and goals, unusual personal

or family circumstances, and an outside appraisal. Financial need will not be considered. Recipients will be selected from a pool of qualified applicants.

As D conducts business in foreign countries, the pool of eligible applicants will include foreign individuals. You will comply with the Office of Foreign Assets Control (OFAC) procedures by:

- (a) Verifying that any recipient of any scholarship grant and the employee parent are not on OFAC's list of Specially Designated Nationals and Blocked Persons and
- (b) Verifying that the educational institution attended by the scholarship grant recipient is not located in a country considered to be a state sponsor of terrorism by OFAC.

The authorized distributions for new awards will be x dollars. If an individual is selected for an award, the award will be y dollars each year for each remaining year of undergraduate, full-time study at an accredited four-year college or university as of the time of the individual's application, up to four years maximum or, if earlier, until a bachelor's degree is earned.

Awards are renewable. However, in order to receive an award for any subsequent year, the student must maintain a cumulative GPA of at least 3.0 on a 4.0 scale (or its equivalent) for all prior years of undergraduate study. Awards are for undergraduate study only.

C will issue the following reports to you:

- Program Summary (number of awards, size of awards, and final fees)
- Recipient Form (student names, institution going to)
- Location Summary (towns recipients came from)
- Statistical Report (complete breakdown by demographics of recipients)
- Program History (will not be produced until the second year of participation)

The number of new awards in any year will not exceed 25 percent (after applying the rounding convention of the IRS Rev. Proc. 94-78) of the number of employees' children who: (i) were eligible; (ii) were applicants for such grants; and (iii) were considered by the selection committee in selecting the recipients of grants in that year.

The scholarships will not be used as a means of inducement to recruit employees for E nor will a grant be terminated if the employee leaves E. Scholarships will only be awarded to students that plan to 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/her course of study. C will supply 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 percentage tests under section 4.08 of Rev. Proc. 76-47 in the aggregate with respect to your other scholarship programs available to the same individuals.

Selection of grant recipients will be made by a committee of individuals, chosen and directly solely by C, who are knowledgeable in the education field and who have the background and knowledge to properly evaluate the potential of applicants. The selection committee will be totally independent and separate from E.

Selection of recipients will be forwarded by C to you solely to verify the recipients' eligibility requirements and the selection criteria followed by the committee in considering the candidates and in making selections. Public announcement of the grants will be made either by C selection committee or by you.

You impose minimum requirements for grant eligibility. These requirements are related to the your purpose and act to limit the selection committee's consideration to those children of employees who both meet the minimum standards for admission to an educational institution for which grants are available and would be reasonably be expected to attend such institution. The following requirements are placed on applicants:

- a. Applicants must be children of employees of E who have a minimum of one year of employment with the company as of the application deadline date. Eligibility is not related to any other employment related factors.
- b. Applicants must be high school seniors who plan to enroll for the first time or students who are already enrolled in a "full-time" undergraduate course of study at an accredited four-year college or university.

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.

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

Enclosure: Notice 437
A redacted copy of this letter