

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

Department of the Treasury

Number: **201618012**
Release Date: 04/29/2016

Date: February 5, 2016

Employer Identification Number:

Contact person - ID number:

Contact telephone number:

LEGEND:

B = corporation
C = public act
D = state
E = philosophy
F = channel
G = region
H = university
K = corporation
l dollars = dollar amount
m dollars = dollar amount
n dollars = dollar amount
X = scholarship name

UIL:

4945.04-04

Dear _____ :

You asked for advance approval of your scholarship grant procedures under Internal Revenue Code section 4945(g). This approval is required because you are a private foundation that is exempt from federal income tax. You requested approval of your scholarship program to fund the education of certain qualifying students.

Our determination

We approved your procedures for awarding scholarships. Based on the information you submitted, and assuming you will conduct your program as proposed, we determined that your procedures for awarding scholarships meet the requirements of Code section 4945(g)(1). As a result, expenditures you make under these procedures won't be taxable.

Also, awards made under these procedures are scholarship or fellowship grants and are not taxable to the recipients if they use them for qualified tuition and related expenses (subject to the limitations provide in Code section 117(b)).

Description of your request

You will operate X, to award merit-based academic scholarships to full-time students, enrolled in one of the following undergraduate or vocational mining-related programs:

Approved Baccalaureate Degrees

- Civil Engineering
- Electrical Engineering
- Environmental Science
- Geology/Environmental Geology/Geological Sciences
- Geophysical Engineering
- Geological Engineering
- Mechanical Engineering
- Metallurgical Engineering/Metallurgical & Materials Engineering
- Mining Engineering

Vocational/Technical Programs

- Diesel/Heavy Equipment Technology
- Electrician
- Heavy Equipment Mechanic/Industrial Mechanic
- Heavy Equipment Operator
- Millwright/Industrial Mine Maintenance/Millwright Maintenance
- Process Technology/Process Technician
- Welding/Combination Welding

Part-time enrollment is allowed for summer classes only. Summer students must apply for the summer scholarship independent of the fall award.

All recipients must be a B shareholder, or a dependent or descendant of a shareholder. B is a C corporation. B's mission is to improve the quality of life for D native people by maximizing economic growth, protecting and enhancing their lands, and promoting healthy communities with decisions, actions, and behaviors inspired by the E values and core principles.

X is publicized on your website, on the F scanner, in the local G Borough schools, H offices, and in presentations.

Trustees may change the scholarship award amounts, from time to time, depending upon how many qualified applicants request funding. A student may receive funding for a maximum of five years.

Amounts awarded depend on the student's year, degree program and grade point average. Amounts for undergraduate full time students range from l dollars to m dollars, based on the recipient's GPA.

Vocational Students are awarded n dollars per term/course of study. Courses less than four weeks long will not be funded.

Eligibility requirements are as follows:

1. The student is a B shareholder, a descendant of a B shareholder, or a dependent of a B shareholder or their descendants;
2. The student is a high-school graduate or has a completed GED.
3. The student is attending or has been accepted to an undergraduate or vocational education institution that maintains a regular faculty and established curriculum, and has an organized body of students in attendance.
4. You receive the student's completed application with necessary attachments, including two letters of reference, in a timely manner.
5. The student must have a declared major in one of the science fields listed above and be a full-time student.
6. The student must maintain a minimum grade point average.

Scholarships are awarded on an objective and nondiscriminatory basis. To this end, the Selection Committee will review blind applications (in which the name and identity information has been redacted).

The Selection Committee will determine scholarship recipients based on a points system based on the applicant's major, statement of purpose, reference letters and grade point average. Trustees may modify the point system from time to time. The current point system is as follows:

Applicant's Major: between 2-10 points
 Statement of Purpose/References: between 1-3 points
 GPA: between 0-10 points

Prior X recipients have priority. Returning applicants will receive 10 points.

To be eligible for renewal, a recipient must have completed the prior year with a grade point average of at least 2.25 (or 2.0 for vocational students) and maintained good-standing in school. Further, the recipient must timely submit grade transcripts of each semester or quarter prior to receiving further funding. A scholarship will be renewed only if you have no information indicating the original scholarship was used for any purpose other than that for which it was made, and all reports due at the time of the renewal decision have been submitted.

The Selection Committee will award the maximum number of scholarships possible considering the quality of the applicants and reasonable budgeting for scholarships for returning applicants. The Selection Committee, appointed by your trustees, shall consist of three persons - one of whom shall be an employee of K; the other two members shall be qualified community members.

Selection Committee members are not in a position to derive a private benefit, directly or indirectly. Committee members cannot be disqualified persons except as foundation

managers because of their position as board members and president. No scholarships are awarded to disqualified persons or relatives of the Selection Committee.

Relatives of the Selection Committee are not eligible for X. Relatives of trustees and officers may be awarded a scholarship upon the same terms and conditions as the general public. Safeguards to preferential treatment include the fact that the Selection Committee reviews blind applications and awards points based primarily on factual information such as major area of study and Grade Point Average; the Selection Committee only awards minimal discretionary points for the applicant's statement of purpose.

Funds are paid directly to the relative educational institution. You will have an agreement with those institutions that funds will only be used to defray the recipient's expenses enrolled if their standing is consistent with the purposes and conditions of X. Recipients must submit grade transcripts verified by the educational institution each academic period and no less often than annually.

If a recipient's GPA falls below 2.25 in an academic year, the recipient will be placed on academic probation for one term and the recipient's funding for the next term will be reduced by \$500. If the recipient's GPA is below 2.25 in the following term, he or she will not be eligible for funding. The recipient can reapply for funding when his or her GPA is above 2.25.

All scholarship funds must be used for the purpose of paying for tuition, room and board and education expenses. In the event you receive information that funds have been diverted or that student is no longer eligible to receive funds you will promptly investigate and no additional amounts will be awarded. To the extent that is possible, you will receive all unused funds recovered from the post-secondary institution.

If the recipient is delinquent in submitting reports and/or grade transcripts (or certificate of completion) to you as required, future applications submitted by the applicant will not be considered, and any awards previously approved for the applicant will be withheld until the delinquency is corrected.

You will maintain a case history for each recipient. Each recipient's case history includes his or her name and address, a copy of the application and attachments, the purpose and amount of each scholarship, the recipient's academic records and reports, and confirmation that the recipient is not a disqualified person.

Basis for our determination

The law imposes certain excise taxes on the taxable expenditures of private foundations (Code section 4945). A taxable expenditure is any amount a private foundation pays as a grant to an individual for travel, study, or other similar purposes. However, a grant that meets all of the following requirements of Code section 4945(g) is not a taxable expenditure.

- The foundation awards the grant on an objective and nondiscriminatory basis.

- The IRS approves in advance the procedure for awarding the grant.
- The grant is a scholarship or fellowship subject to the provisions of Code section 117(a).
- The grant is to be used for study at an educational organization described in Code section 170(b)(1)(A)(ii).

Other conditions that apply to this determination

- This determination only covers the grant program described above. This approval will apply to succeeding grant programs only if their standards and procedures don't differ significantly from those described in your original request.
- This determination applies only to you. It may not be cited as a precedent.
- You cannot rely on the conclusions in this letter if the facts you provided have changed substantially. You must report any significant changes to your program to the Cincinnati Office of Exempt Organizations at:

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

- You cannot award grants to your creators, officers, directors, trustees, foundation managers, or members of selection committees or their relatives.
- All funds distributed to individuals must be made on a charitable basis and further the purposes of your organization. You cannot award grants for a purpose that is inconsistent with Code section 170(c)(2)(B).
- You should keep adequate records and case histories so that you can substantiate your grant distributions with the IRS if necessary.

Please keep a copy of this letter in your records.

If you have questions, please contact the person listed at the top of this letter.

Sincerely,

Jeffrey I. Cooper
Director, Exempt Organizations
Rulings and Agreements