

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

Department of the Treasury

Number: **201747012**
Release Date: 11/24/2017

Employer Identification Number:

Contact person - ID number:

Contact telephone number:

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LEGEND

B = State

C = State

D = State

E = State

F = State

g = Number

h = Number

r dollars = Dollar Amount

s dollars = Dollar Amount

t dollars = Dollar Amount

X= Scholarship Program

Y= Company

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 a scholarship program called X.

You want to support attendance at institutions of higher learning, increase interest in areas of study that are important to a healthy energy industry (such as geoscience, engineering, chemistry, physics or mathematics), and encourage individuals to consider careers within the energy industry. X's purpose is to assist graduates of local high schools in the major operating areas of Y in attending four-year colleges or universities and pursuing degrees and careers related to the energy industry.

Applicants must meet or agree to meet all the following initial eligibility criteria to apply for a scholarship from you:

- Be a U.S. citizen and a resident of the state where the high school is located,
- Graduate from a high school within the service area of Y in the spring of the current academic year,
- Enroll full-time (with a minimum of g credit hours) at an accredited four-year college or university in the fall of the next academic year (such requirement will be deferred if an applicant will participate in a religious mission or other activity that will delay his or her enrollment in a college or university),
- Major in geoscience, engineering, chemistry, physics or mathematics at the four-year college or university,
- Not have any convictions or fines for substance abuse, misdemeanors, or felonies, and
- Agree to provide you with an academic progress report each semester while attending the four-year college or university.

The number of scholarships made by you in any given year will be directly tied to specific geographic areas identified by you. This is currently five states, B, C, D, E, and F, although you reserve the right to identify additional states in the future. For each such geographic area, you will award one four-year college scholarship worth r dollars to an outstanding high school senior who attends a high school in such area. All scholarships will be a four-year college scholarship worth r dollars, to be paid directly to the recipient's higher education institution in eight installments of s dollars. In the future, you will determine whether the amount of such scholarships will be increased or decreased. You anticipate that all the scholarships awarded in a particular year will be for the same amount.

You will provide free posters, informational materials, and other scholarship-related information to guidance counselors or other personnel at each of the targeted high schools in the major operating areas of Y. Such materials and information will indicate the general availability of X, the basic eligibility criteria for X, and the application procedures that can be used by students who are interested in X. You will also provide press releases to local newspapers in these areas, announcing the availability of X and the application due date.

Qualified applicants are required to submit the following items as part of their application:

- Application form
- Cover Letter outlining qualifications, why the applicant wants/needs the scholarship, and why the applicant is interested in working in the energy industry
- Resume that outlines academic success, extracurricular activities, community service, and work experience
- High school transcript
- Copies of official ACT and/or SAT scores
- Two letters of recommendation (at least one must be from a teacher or staff member of the applicant's high school)

You will have a Scholarship Committee comprised of your personnel and/or Y employees who are passionate about supporting education. It is anticipated that the Scholarship Committee will have at least one member from each geographical area where a scholarship will be awarded. Employees or directors of you, Y, and their affiliates/subsidiaries, as well as the children and other family members of such employees or directors, are not eligible to receive scholarships.

For each geographic area, and subject to the approval of the your Board of Directors, the Scholarship Committee will select each Individual Scholarship recipient on a nondiscriminatory, objective basis through an evaluation of each individual's academic performance and potential, demonstrated interest in pursuing a career in the energy industry (as evidenced from the individual's academic focus and course of study, work and volunteer service, and extracurricular activities), and recommendations from teachers, high school staff members, and others. Preferential consideration will be given to individuals demonstrating a dedicated pursuit towards a career in the energy industry, as evidenced by involvement in course of study, work and volunteer service or extracurricular activities. Once the Scholarship Committee selects a scholarship recipient for each geographic area, you will inform the recipient of X before his or her graduation. The scholarships will be paid directly to the students' higher education institutions in eight installments of s dollars.

You will provide the recipient with a scholarship of t dollars per year for four consecutive years provided the following requirements are met:

- Continuous four-year enrollment as a full-time student at an accredited educational institution,
- Continue to major in geoscience, chemistry, physics or mathematics, engineering (petroleum, mechanical, chemical, geological or environmental engineering are preferred),
- Continue intending to pursue a career in the energy industry after graduation,
- Maintain a minimum cumulative GPA of h on a 4.0 scale,
- Maintain good standing with the college or university,
- No convictions or fines for substance abuse, misdemeanors, or felonies, and

- Recipient provides you with a transcript and brief progress report after each semester.

You will request each Scholarship Recipient to review and sign a grant agreement outlining their understanding of and their agreement to these conditions.

You represent that you will complete the following: (1) arrange to receive and review grantee reports annually and upon completion of the purpose for which the grant was awarded, (2) investigate diversion of funds from their intended purposes, (3) take all reasonable and appropriate steps to recover the diverted funds, ensure other grant funds held by a grantee are used for their intended purposes, and (4) withhold further payments to grantees until you obtain grantees' assurances that future diversions will not occur and that grantees will take extraordinary precautions to prevent future diversions from occurring.

You represent that you will maintain all records related to the following: (1) individual grants including information to evaluate grantees, (2) grantees which are identified as a disqualified person, (3) how the amount and purpose of each grant was established, and (4) how you established supervision and investigation of grants described above.

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.

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

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,

Stephen A. Martin
Director, Exempt Organizations
Rulings and Agreements