

Internal Revenue Service

P.O. Box 2508
Cincinnati, OH 45201

Department of the Treasury**Release Number: 201826017****Release Date: 6/29/2018****Employer Identification Number:****Contact person - ID number:****Contact telephone number:****Date: April 6, 2018****LEGEND****UIL: 4945.04-04****B = Name****C = Name****D = Organization****E = Individual****F = Number****G = Number****w dollars = Amount****x dollars = Amount****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 provided in Code Section 117(b)). The effective date of this approval is June 12, 2017.

Description of your request

Your letter indicates you will operate a scholarship program called B. The purpose of B is to award educational scholarships to employees of C franchises for undergraduate study at a college or university or for a certificate program at a vocational-technical school. B is

publicized through announcements posted in individual C franchises and on the C intranet, which is accessible to C franchise employees.

You have established that for an applicant to be eligible, an applicant must:

- Have been employed for at least six continuous months by a C franchise located in the United States as of the application deadline.
- Be a high school senior or high school graduate or currently enrolled in a post-secondary undergraduate program or a vocational or technical certificate program.
- Have a minimum grade point average of 2.5 on a 4.0 scale, or equivalent.
- Plan to enroll for the entire academic year in a full- or part-time under-graduate program at an accredited two-or four-year college or university or at a vocational or technical school located in the United States or Washington D.C.
- Be employed by a C franchise at the time the awards are announced; however, scholarship recipients are not required to be employed by a C franchise at the time the awards are paid.

Neither you nor any of your disqualified persons own or operate a C franchise. Each C franchise is independently owned and operated. Moreover, there are currently over F U.S.-based C franchise employees and most of these employees are eligible to participate in B. B is solely for the benefit of C franchise employees who wish to pursue their education and employees of other C related business entities and their family members are not eligible to participate in B.

To administer, supervise, and as well as disburse the scholarships for B, you have entered into an agreement with D who is exempt under Section 501(c)(3).

Under the terms of the agreement, you will make annual grants to D. The grant amount will be in the range of w dollars. Based on the initial funding, there will be G scholarships in the amount of x dollars awarded for the first year. D has sole discretion to determine the number and amount of individual scholarships awarded based on funds available. If B is successful, you may increase its support.

Applications are required to be submitted on-line by using the application website and portal developed, administered and owned by D. Besides the completed application, complete transcripts of grades and a completed recommendation by a school counselor or adviser, an instructor, or a work supervisor who knows them well must be submitted.

D is solely responsible for determining whether an applicant is eligible for B as well as is solely responsible for reviewing the applications, for the selection of scholarship recipients, including deciding whether to establish a selection committee, the appointment and replacement of committee members, and the establishment of criteria for committee membership. Your directors, officers, and employees as well as members of the family and C related business entities and their directors, officers, and employees are not permitted to participate in the selection process. In addition, C franchise owners and restaurant operators are not permitted to participate in the selection process except

(i) to verify an applicant's employment, and (ii) if requested by an applicant and qualified to do so, to complete an evaluation form for an employee.

The criteria for selecting scholarship recipients is also established by D and scholarships are awarded without regard to race, color, creed, religion, sexual orientation, age, gender, disability, or national origin. Furthermore, the specific selection criteria consist of the following:

1. Academic performance and honors earned,
2. Demonstrated leadership as well as participation in school and volunteer community activities,
3. Work experience,
4. Career and educational goals and objectives,
5. Unusual personal or family circumstances,
6. The strength of the recommendation provided.

D will send the award to the recipient, but the check will be payable to the school in which the recipient is enrolled. Furthermore, the award is made in a single payment. If a student withdraws from school while all or any part of the tuition is refundable, the school refunds to D its pro rata share of the refundable amount. Recipients are also required to notify D of any changes in address, school enrollment or other relevant information, and to provide an official transcript when requested. Awards are not renewable but recipients may reapply. D is responsible for maintaining all required records relating to individual grants including information obtained to evaluate grantees. You will not have any access to the information concerning the grants.

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