DEPARTMENT OF THE TREASURY
INTERNAL REVENUE SERVICE
WASHINGTON, D.C. 20224

TAX EXEMPT AND
GOVERNMENT ENTITIES
DIVISION

200318073

Date: FEB 6 2003

SIN: 4945.00-00

Contact Person:

Identification Number:

Telephone Number:

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Legend:
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Dear Sir or Madam:

This is in reference to your letter of September 16, 2002, requesting advance approval of your grant procedures under section 4945(g) of the Internal Revenue Code.

The information submitted indicates you are exempt from Federal income tax under section 501(c)(3) of the Code and have been classified as a private foundation under section 509(a).

You propose to administer a scholarship program to benefit the eligible children of employees of B. You will award renewable scholarships to deserving men and women to continue their post high school education at the college, university or vocational-technical school of their choice. Any post high school dependent child (25 years of age or younger) of a full-time, active B employee who has a minimum of six months of service with B as of the application deadline may be considered for the scholarship. You will award nine scholarships of x each and one of y per year. Scholarships are renewable annually for a maximum of three years, provided the student is making satisfactory academic progress.

The selection criteria for the scholarship will include, but not be limited to, the student's demonstrated past academic performance and future potential, leadership and participation in school and community activities, work experience, statement of career and education aspirations and goals, unusual personal or family circumstances, and an outside appraisal.

You have hired C, a program of D to review applications, choose recipients, maintain records, and perform all necessary administrative tasks related to the program. C chooses the

selection committee. No selection committee members are employees, officers or directors of you or B.

Recipients are required to file periodic reports. If a recipient files no report, or if reports indicate that the funds are not being used in furtherance of the scholarship purpose, a member of C will investigate the scholarship. While conducting this investigation, you will withhold further payments to the scholarship recipient and will take reasonable steps to recover misused scholarship funds.

C will retain all records submitted by the scholarship recipients and their educational institutions. You will obtain and maintain in your file evidence that no recipient is related to you or any members of C.

The scholarships will not be used as a means of inducement to recruit employees for B nor will a grant be terminated if the employee leaves B. Scholarships will only be awarded to students who 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 or 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.

Section 4945 of the Code provides for the imposition of taxes on each taxable expenditure of 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 section 4945(g).

Section 4945(g)(1) of the Code provides that section 4945(d)(3) shall not apply to an individual grant awarded on an objective and nondiscriminatory basis pursuant to a procedure approved in advance by the Secretary, if it is demonstrated to the satisfaction of the Secretary that 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 institution described in section 170(b)(1)(A)(ii).

Rev. Proc. 76-47, 1976-2 C.B. 670, sets forth guidelines for a private foundation conducting an employer related grant program to obtain advance approval of its procedures for conducting such a program under section 4945(g) of the Code. Sections 4.01 through 4.07 set forth seven conditions which a private foundation must meet in order to obtain advance approval of its procedures under section 4945(g) of the Code. Section 4.08 provides that a private foundation which makes scholarship awards to children of employees of a company, or to the employees themselves will meet this test if it limits these grants to 25% of all eligible applicants or 10% of all those shown to be eligible in any given year. Renewals of grants awarded in prior years will not be considered in determining the number of grants awarded in a current year.

Based upon the information submitted, and assuming your program will be conducted as proposed, with a view to providing objectivity and nondiscrimination in the awarding of scholarship grants, we rule that grants awarded under your purposed scholarship program comply with the requirements of section 4945(g)(1) of the Code. Expenditures made in accordance with these procedures will not constitute "taxable expenditures" within the meaning of section 4945(d)(3) of the Code, and as such are eligible for the exclusion from income provided for in section 117(a) of the Code to the extent that such grants are actually used for qualified tuition and related expenses within the meaning of section 117(b)(2) of the Code.

This ruling is conditioned on the understanding that there will be no material changes in the facts upon which it is based. It is further conditioned on the understanding that no grants will be awarded to your organization's creators, officers, directors, trustees, or members of the selection committee, or for a purpose inconsistent with the purposes described in section 170(c)(2)(B) of the Code.

The approval of your grant-making procedures is a one time approval of your system of standards and procedures for selecting recipients of grants that meet the requirements of section 4945(g)(1) of the Code. Thus, approval will apply to succeeding 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.

We are informing the TE/GE office of this action. Please keep a copy of this ruling with your organization's permanent records.

This ruling 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 precedent.

If you have any questions about this ruling, please contact the person whose name and telephone number are shown in the heading of this letter.

Sincerely,

Gerald V. Sack

Gerald V. Sack
Manager, Exempt Organizations
Technical Group 4