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

TAX EXEMPT AND
GOVERNMENT ENTITIES
DIVISION

Date: JUL 17 2001

UIL: 4945.00-00

Contact Person:

Identification Number:

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T:EO:B4

Employer Identification Number:

Legend:

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Dear Sir or Madam:

This in reference to your letter dated May 2, 2001, requesting advance approval of your amended grant procedures.

We originally approved your grant procedures in a letter dated March 20, 1973.

Under your amended grant-making procedures, your current scholarship program (the "C" program) will be separated into two distinct programs: one for children of United States based employees of B and its wholly owned subsidiaries planning to attend four-year institutions listed in the D (the "E" program); and one for children of United States employees of B and its wholly owned subsidiaries planning to attend community colleges, junior colleges, technical schools, or trade schools listed in the D (the "F" program).

For purposes of both the E program and the F program, only the children of United States based active full-time employees are eligible to submit an application and subsequently be awarded a scholarship. Children of retirees, deceased employees, or employees on lay-off will no longer be eligible to participate.

Under the proposed E program, children of United States based active full-time employees

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of B and its wholly owned subsidiaries are eligible to participate in the E program. An applicant must be a secondary school senior graduating during the current academic year and entering a college or university listed in the D in the summer or fall of the following academic year. There are no specific minimum eligibility requirements regarding GPA or class standing, but each applicant must reasonably be expected to attend an accredited college or university and must meet the minimum standards for admission to such institution. All policies regarding the imposition of Scholastic Aptitude Test ("SAT") requirements will be based on the recommendations of the E program selection committee (from an outside, wholly independent nonprofit educational organization). You estimate that you will receive approximately 750 applications each year for the E program.

The maximum number of grants awarded under the E program in any year will not exceed the lesser of 100 or 25% of the number of employees' children who (i) were eligible; (ii) were applicants for such scholarships; and (iii) were considered by the selection committee in selecting the scholarship recipients for that year.

Winners will be selected from a national pool of eligible applicants (representing approximately 150 domestic B locations) by the selection committee. The selection committee will evaluate applicants based on overall academic achievement, leadership ability, and civic involvement. Financial aid will not be a factor in the evaluation of applicants. The selection committee will prepare a prioritized list of deserving candidates each year and you will award, in order of priority, scholarships to deserving applicants up to the maximum number of allowable E program scholarships.

The scholarship award will consist of a total award of $6,000, payable at $1,500 per year. Checks will be made payable to the applicable college or university. The initial award of $1,500 will be payable upon proof of enrollment at the college or university to be attended by the scholarship recipient, provided that the recipient's parent is then employed by B or one of its wholly owned subsidiaries. Each subsequent award will be payable upon proof of continued education and satisfaction of such academic standards as may be recommended by the selection committee. All policies regarding off-schedule payments, probation, the selection of alternates, and the circumstances under which awards may be made to alternates will be based on recommendations of the selection committee. Winners may hold other scholarships, including appointments to the G.

While the selection committee will be responsible for the general administration of the E program, you will monitor all reports from the selection committee and other aspects of the program to assure compliance with the program's purpose and procedures. Once awarded, grants are not subject to termination as a result of the termination of a parent's employment with B. There is no commitment, intention, or requirement to induce scholarship recipients to apply for employment with you or B and recipients are free to choose their own course of study without influence from you or B.

Under the proposed F program, children of United States based active full-time employees of B and its wholly owned subsidiaries within the United States are eligible to participate in the F program. An applicant must be a secondary school senior graduating during the current

academic year and entering a community college, junior college, technical school, or trade school listed in the D in the summer or fall of the following academic year. There are no specific minimum eligibility requirements regarding GPA or class standing, but each applicant must reasonably be expected to attend an accredited community or junior college or trade or technical school and must meet the minimum standards for admission to such an institution. All policies regarding the imposition of SAT requirements will be based on the recommendations of the F selection committee. You estimate that you will receive approximately 150 applications each year for the F program.

The maximum number of grants awarded under the F program in any year will not exceed the lesser of 50 or 25% of the number of employees' children who (i) were eligible; (ii) were applicants for such scholarships; and (iii) were considered by the selection committee in selecting the scholarship recipients for that year.

Winners will be selected from a national pool of eligible applicants (representing approximately 150 domestic B locations) by a selection committee (from an outside, wholly independent nonprofit educational organization). The F program selection committee will evaluate applicants based on overall academic achievement, leadership ability, and civic involvement. Financial aid will not be a factor in the evaluation of applicants. The F program will prepare a prioritized list of deserving candidates each year and you will award, in order of priority, scholarships to deserving applicants up to the maximum number of allowable F program scholarships.

The scholarship award will consist of a total award of $3,000, payable at $1,500 per year. Checks will be made payable to the applicable community or junior college or technical or trade school. The initial award of $1,500 will be payable upon proof of enrollment at the qualifying school attended by the grantee, provided that the grantee's parent is then employed by B or one of its wholly owned subsidiaries in the United States. The subsequent award will be payable upon proof of continued education and satisfaction of such academic standards as may be recommended by the F program selection committee. All policies regarding off-schedule payments, probation, selection of alternates, and the circumstances under which awards may be made to alternates will be based on recommendations of the F program selection committee. Winners may hold other scholarships, including appointments to any of the G.

While the F program selection committee will be responsible for the general administration of the F program, you will monitor all reports from the F program selection committee and other aspects of the program to assure compliance with the program's purpose and procedures. Grants are not subject to termination as a result of the termination of a parent's employment with B. There is no commitment, intention, or requirement to induce scholarship recipients to apply for employment with you or B and recipients are free to choose their own course of study without influence from you or B.

The E and F programs will supply the 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

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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) of the Code.

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 scholarships 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.

The information provided indicates that your amended scholarship program and the procedures under which it is conducted will not differ materially from your original program, approved in the letter dated March 20, 1973. Your submission indicates that your amended programs will continue to comply with the requirements of Rev. Proc. 76-47.

Therefore, based upon the information submitted, and assuming your amended program will be conducted as proposed, with a view to providing objectivity and nondiscrimination in the awarding of scholarship grants, we rule that your E and F programs for the awarding of scholarship grants comply with the requirements of section 4945(g)(1) of the Code. Thus, 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 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.

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Please note that this ruling is only applicable to grants awarded under your scholarship program as outlined above. Before you enter into any other scholarship programs you should submit a request for advance approval of that program.

We are informing the Ohio 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.

Sincerely,

Gerald V. Sack

Gerald V. Sack
Manager, Exempt Organizations
Technical Group 4