VIL
4945.04-04

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

200122049

Date: MAR - 9 2001

Contact Person:

ID Number:

Contact Number:

T:EO:B2

EIN:

LEGEND: X =

Y =
Z =

Dear Sir or Madam:

This is in reply to your letter of May 22, 2000, requesting advance approval of your scholarship grant making procedures pursuant to the provisions of section 4945 of the Internal Revenue Code.

You are exempt under section 501(c)(3) of the Code and are a private foundation within the meaning of section 509(a).

You have requested advance approval under section 4945(g) of the Code for the procedures you propose to establish for three scholarship grant-making programs. The operational procedures and goals for these three programs will be substantially the same as three programs which have been operated by X. The procedures used by X in administering the old programs were previously approved by the Serivce. Upon approval of these new procedures, you have represented that you will operate these programs in substantially the same manner as they have been operated by X. You have represented that although you are taking over three scholarship programs previously operated by X no assets were transferred or will be transferred from X to you. You have also represented that these new scholarship programs shall comply with the guidelines for emoloyer-related scholarps set forth in Rev. Proc. 76-47, 1976-2 C.B. 670 as clarified by Rev. Proc. 81-65, 1981-2 C.B. 690, and amplified by Rev. Proc. 77-32, 1977-2 C.B. 541 and Rev. Proc. 94-78 1994-2 C.B. 833.

The first program is a scholarship program to make grants to individual members of minority groups with a demonstrated interest in a career in the investment banking industry. You expect to operate this program in coopeation with Y. You have represented that this program is substantially similar to a program which was previously approved by the Service. There will be no requirement that grant recipients will be required to work for Z or any related company either before or after graduation. You will directly administer this program.

The second progam is a scholarship program for graduate degree scholarships awarded to spouses and children of the employees of Z. You have represented that this program is substantially similar to a program which was previously approved by the Service. You have reprsented that this program will be formed in cooperation with and administered by an independent professional group. The parent or spouse of a scholarship student will have no obligation to render future employment services to either Z or yourself. The program will not be used to recruit scholarshsip students for employment position or use the scholarship program to recruit employees or to induce employees to continue their employment with you or otherwise follow any course of action.

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The final program will provide undergraduate scholarships to children of Z's employees. You have represented that this program is substantially similar to a program which was previously approved by the Service. The committee awarding scholarships will be formed in cooperation with and the program will be administered by an independent professional group. The parent of a scholarship student will have no obligation, expressed or implied to render further employment servies, or to be avaiable for future employment with either Z of yourself. No scholarship student will have any future employment obligation. Neither you nor Z will specially recruit scholarship students for employment positions or use the scholarship program to recruit emplpyees or to induce employees to continue their employment or otherwise follow any course of action.

Section 501(c)(3) of the Code provides, in part, for exemption from federal income tax for a corporation organized and operated exclusively for charitable, scientific or educational purposes provided no part of the corporation's net earnings inure to the benefit of any private shareholder or individual.

Section 509(a) of the Code provides that, unless specifically excepted, a domestic or foreign organization described in section 501(c)(3) is a private foundation and subject to the excise taxes of Chapter 42.

Section 4945(a) of the Internal Revenue Code imposes an excise tax on each taxable expenditure made by 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 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 would be subject to the provisions of section 117(a) and is to be used for study at an educaitonal organization described in section l70(b)(l)(A)(ii).

Section 53.4945-4(b)(1) of the Foundation and Similar Excise Tax Regulations sets forth standards for determining whether grants to individuals awarded under section 4945(g) of the Code are made on "an objective and nondiscriminatory basis."

Section 53.4945-4(d)(3) of the Regulations provides that if, by the 45th day after a request for approval of grant procedures has been properly submitted to the Service, the organization has not been notified that such procedures are not acceptable, such procedures shall be considered as approved from the date of submission until receipt of actual notice from the Service that such procedures do not meet the requirements of section 4945(g). If a grant to an individual for a purpose described in section 4945(d)(3) is made after notification to the organization by the Service that the procedures under which the grant is made are not acceptable, such grant is a taxable expenditure.

Rev. Proc. 76-47, l976-2 C.B. 670, Rev. Proc. 85-51, l985-2 C.B. 717 and Rev. Proc. 94-78, l994-2 C.B. 833 provide various procedures pertaining to employer related scholarship programs.

We have considered your grant-making procedures under section 4945(g) of the Code. Based on the information submitted and assuming your scholarship programs will be conducted as proposed, with a view to providing objectivity and nondiscrimination in awarding grants, we rule that your procedures in awarding of scholarship grants comply with the requirements of section 4945(g)(1). Expenditures made in accordance with these procedures will not constitute "taxable expenditures" within the meaning of secton 4945(d)(3) of the Code, and as such are eligible for the excclusion 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 change in the facts upon which it is based. It is further conditioned on the premise that no grants or loans will be awarded to your organization's creators, officers, directors, trustees, or members of the selection committee, or for a purpose that is inconsistent with the purposes described in section 170(c)(2)(B).

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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)(3). 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.

Any grants you made between the date of this letter and the date upon which you submitted your proposed procedures are considerred qualifying distributions for the purpose of section 4942 of the Code and not taxable expenditures within the meaning of section 4945. Section 53.4945-4(d)(3) of the regulations provides that if, by the 45th day after a request for approval of grant procedures has been properly submitted to the Service, the organization has not been notified that such procedures are not acceptable, such procedures shall be considered as approved from the date of submission until receipt of actual notice from the Service that such procedures do not meet the requirements of section 4945(g).

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. Because this letter could help resolve any question about your exempt status, you should keep it in your permanent records.

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. For other matters, including questions concerning reporting requirements, please contact the [redacted] TE/GE Customer Service Office.

Sincerely Yours,

/s/

Terrell M. Berkovsky
Manager, Exempt Organizations
Technical Group 2

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