

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

Department of the Treasury

Number: **201512004**
Release Date: 3/20/2015

Employer Identification Number:

Person to Contact - ID#:

Date: December 22, 2014

Contact Telephone Numbers:

LEGEND:

X = bank
Y = program
z = dollar amount

UIL:

509.02-02

Dear :

We have considered your May 9, 2014 request for recognition of an unusual grant under Treasury Regulations section 1.170A-9(f)(6)(ii) and related provisions.

Based on the information provided, we have concluded that the proposed grant constitutes an unusual grant under section 1.170A-9(f)(6)(ii) and related provisions of the regulations. The basis for our conclusion is set forth below.

Facts:

You submitted a grant proposal to X for a grant of z dollars, payable in cash over a five-year period, to further your mission by founding Y in order to develop and test technology-enabled, high-quality solutions to help underserved consumers overcome pressing challenges and ultimately improve their financial health. No previous grant you have received approaches the size of X's proposed grant. Your grant agreement with X has not yet been executed.

X does not exercise control over, or within, you. You have no prior relationship with X (other than as a prospective grantee). None of your directors or officers have a relationship with X. X is neither a substantial contributor nor a disqualified person with respect to you. In fact, the proposed grant will be the first contribution from X to you.

Law:

Treasury Regulations sections 1.170A-9(f)(6)(ii) and 1.509(a)-3(c)(4) set forth the criteria for an unusual grant.

Treasury Regulations section 1.170A-9(f)(6)(ii) states that, for purposes of applying the 2-percent limitation to determine whether the 33 1/3 percent-of-support test is satisfied, one or more contributions may be excluded from both the numerator and the denominator of the applicable percent-of-support fraction. The exclusion is generally intended to apply to substantial contributions or bequests from disinterested parties which:

- are attracted by reason of the publicly supported nature of the organization;
- are unusual or unexpected with respect to the amount thereof; and

- would, by reason of their size, adversely affect the status of the organization as normally being publicly supported.

Treasury Regulations section 1.509(a)-3(c)(4) states that all pertinent facts and circumstances will be taken into consideration to determine whether a particular contribution may be excluded. No single factor will necessarily be determinative. Such factors may include:

- Whether the contribution was made by a person who
 - a. created the organization
 - b. previously contributed a substantial part of its support or endowment
 - c. stood in a position of authority with respect to the organization, such as a foundation manager within the meaning of section 4946(b)
 - d. directly or indirectly exercised control over the organization, or
 - e. was in a relationship described in Internal Revenue Code section 4946(a)(1)(C) through 4946(a)(1)(G) with someone listed in bullets a, b, c, or d above.

A contribution made by a person described in a. - e. is ordinarily given less favorable consideration than a contribution made by others not described above.

- Whether the contribution was a bequest or an inter vivos transfer. A bequest will ordinarily be given more favorable consideration than an inter vivos transfer.
- Whether the contribution was in the form of cash, readily marketable securities, or assets which further the exempt purposes of the organization, such as a gift of a painting to a museum.
- Whether (except in the case of a new organization) prior to the receipt of the particular contribution, the organization (a) has carried on an actual program of public solicitation and exempt activities and (b) has been able to attract a significant amount of public support.
- Whether the organization may reasonably be expected to attract a significant amount of public support after the particular contribution. Continued reliance on unusual grants to fund an organization's current operating expenses (as opposed to providing new endowment funds) may be evidence that the organization cannot reasonably be expected to attract future public support.
- Whether, prior to the year in which the particular contribution was received, the organization met the one-third support test described in section 1.509(a)-3(a)(2) without the benefit of any exclusions of unusual grants pursuant to section 1.509-3(c)(3);
- Whether the organization has a representative governing body as described in Treasury Regulations section 1.509(a)-3(d)(3)(i); and
- Whether material restrictions or conditions within the meaning of Treasury Regulations section 1.507-2(a)(7) have been imposed by the transferor upon the transferee in connection with such transfer.

Application of Law:

The grant meets the requirements of Treasury Regulations section 1.170A-9(f)(6)(ii) because the grant is from a disinterested party, and:

- The grant was attracted by reason of your publicly supported nature
- The grant is unusual or unexpected with respect to the amount
- The grant will adversely affect your status as normally being publicly supported

The grant meets the requirements of Treasury Regulations section 1.509(a)-3(c)(4) based on the following facts and circumstances.

- The contribution was made by X, a disinterested party, in that
 - a. X did not create you
 - b. X has not previously contributed a substantial part of your support or endowment
 - c. X does not stand in a position of authority with respect to you
 - d. X does not directly or indirectly exercise control over you
 - e. X was not in a relationship described in Internal Revenue Code section 4946(a)(1)(c) through 4946(a)(1)(G) with someone listed in bullets a, b, c or d above
- The contribution will be in the form of cash
- You have carried on an actual program of public solicitation and exempt activities and have been able to attract a significant amount of public support for both 2010 and 2011
- You may reasonably be expected to attract a significant amount of public support after the contribution
- Prior to the year in which the contribution will be received, you met the one-third support test described in section 1.509(a)-3(a)(2) without the benefit of any exclusions of unusual grants pursuant to section 1.509-3(c)(3). You received a significant amount of public support in 2012
- You have a representative governing body as described in Treasury Regulations section 1.509(a)-3(d)(3)(i). You are governed by a 12-member volunteer board of directors that have experience and expertise in microfinance, community development banking, and financial services, and include community leaders representing a broad cross-section of the views and interests of the community
- No material restrictions or conditions within the meaning of Treasury Regulations section 1.507-2(a)(7) have been imposed by the transferor upon the transferee in connection with such transfer.

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

If you have any questions, please contact the person listed in the heading of this letter.

Sincerely,

Director, Exempt Organizations