

COPY

Form **1023**(Rev. September 1998)
Department of the Treasury
Internal Revenue Service**Application for Recognition of Exemption
Under Section 501(c)(3) of the Internal Revenue Code**

OMB No. 1545-0056

Note: If exempt status is approved, this application will be open for public inspection.

Read the instructions for each Part carefully.

A User Fee must be attached to this application.

If the required information and appropriate documents are not submitted along with Form 8718 (with payment of the appropriate user fee), the application may be returned to you.

Complete the Procedural Checklist on page 8 of the instructions.**Part I Identification of Applicant**

1a Full name of organization (as shown in organizing document) National Auto Auction Association Scholastic Foundation, Inc.		2 Employer identification number (EIN) (If none, see page 3 of the Specific Instructions .) 05 : 0604611
1b c/o Name (if applicable) Steven A. McConnaughey		3 Name and telephone number of person to be contacted if additional information is needed (410) 580-4260 Lee A. Sheller, Esq.
1c Address (number and street) 5320 Spectrum Drive	Room/Suite D	4 Month the annual accounting period ends December
1d City, town, or post office, state, and ZIP + 4. If you have a foreign address, see Specific Instructions for Part I, page 3. Frederick, Maryland 21703-7337		5 Date incorporated or formed June 21, 2004
1e Web site address		6 Check here if applying under section: a <input type="checkbox"/> 501(e) b <input type="checkbox"/> 501(f) c <input type="checkbox"/> 501(k) d <input type="checkbox"/> 501(n)
7 Did the organization previously apply for recognition of exemption under this Code section or under any other section of the Code? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No If "Yes," attach an explanation.		
8 Is the organization required to file Form 990 (or Form 990-EZ)? <input type="checkbox"/> N/A <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No If "No," attach an explanation (see page 3 of the Specific Instructions).		
9 Has the organization filed Federal income tax returns or exempt organization information returns? . . . <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No If "Yes," state the form numbers, years filed, and Internal Revenue office where filed.		
10 Check the box for the type of organization. ATTACH A CONFORMED COPY OF THE CORRESPONDING ORGANIZING DOCUMENTS TO THE APPLICATION BEFORE MAILING. (See Specific Instructions for Part I, Line 10, on page 3.) See also Pub. 557 for examples of organizational documents.)		
a <input checked="" type="checkbox"/> Corporation—Attach a copy of the Articles of Incorporation (including amendments and restatements) showing approval by the appropriate state official; also include a copy of the bylaws.		
b <input type="checkbox"/> Trust—Attach a copy of the Trust Indenture or Agreement, including all appropriate signatures and dates.		
c <input type="checkbox"/> Association—Attach a copy of the Articles of Association, Constitution, or other creating document, with a declaration (see instructions) or other evidence the organization was formed by adoption of the document by more than one person; also include a copy of the bylaws.		

If the organization is a corporation or an unincorporated association that has not yet adopted bylaws, check here ☐

I declare under the penalties of perjury that I am authorized to sign this application on behalf of the above organization and that I have examined this application, including the accompanying schedules and attachments, and to the best of my knowledge it is true, correct, and complete.

I have
signed
here**Steven A. McConnaughey**
(Signature)**Steven A. McConnaughey, Sec./Treas.**
(Type or print name and title or authority of signer)6/22/04
(Date)

For Paperwork Reduction Act Notice, see page 7 of the instructions.

Cat. No. 17133K

Part II Activities and Operational Information

- 1** Provide a detailed narrative description of all the activities of the organization—past, present, and planned. **Do not merely refer to or repeat the language in the organizational document.** List each activity separately in the order of importance based on the relative time and other resources devoted to the activity. Indicate the percentage of time for each activity. Each description should include, as a minimum, the following: **(a)** a detailed description of the activity including its purpose and how each activity furthers your exempt purpose; **(b)** when the activity was or will be initiated; and **(c)** where and by whom the activity will be conducted.

See Exhibit II

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- 2** What are or will be the organization's sources of financial support? List in order of size.

See Exhibit III

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- 3** Describe the organization's fundraising program, both actual and planned, and explain to what extent it has been put into effect. Include details of fundraising activities such as selective mailings, formation of fundraising committees, use of volunteers or professional fundraisers, etc. Attach representative copies of solicitations for financial support.

See Exhibit IV

Part II Activities and Operational Information (Continued)**4** Give the following information about the organization's governing body:

a Names, addresses, and titles of officers, directors, trustees, etc.
See Exhibit V

b Annual compensation
See Exhibit V

c Do any of the above persons serve as members of the governing body by reason of being public officials or being appointed by public officials? ☐ Yes ☒ No
If "Yes," name those persons and explain the basis of their selection or appointment.

d Are any members of the organization's governing body "disqualified persons" with respect to the organization (other than by reason of being a member of the governing body) or do any of the members have either a business or family relationship with "disqualified persons"? (See **Specific Instructions** for Part II, Line 4d, on page 3.) ☐ Yes ☒ No
If "Yes," explain.

5 Does the organization control or is it controlled by any other organization? ☐ Yes ☒ No
Is the organization the outgrowth of (or successor to) another organization, or does it have a special relationship with another organization by reason of interlocking directorates or other factors? ☐ Yes ☒ No
If either of these questions is answered "Yes," explain.

6 Does or will the organization directly or indirectly engage in any of the following transactions with any political organization or other exempt organization (other than a 501(c)(3) organization): **(a)** grants; **(b)** purchases or sales of assets; **(c)** rental of facilities or equipment; **(d)** loans or loan guarantees; **(e)** reimbursement arrangements; **(f)** performance of services, membership, or fundraising solicitations; or **(g)** sharing of facilities, equipment, mailing lists or other assets, or paid employees? ☒ Yes ☐ No
If "Yes," explain fully and identify the other organizations involved.
See Exhibit VI

7 Is the organization financially accountable to any other organization? ☐ Yes ☒ No
If "Yes," explain and identify the other organization. Include details concerning accountability or attach copies of reports if any have been submitted.

Part II Activities and Operational Information (Continued)

- 8** What assets does the organization have that are used in the performance of its exempt function? (Do not include property producing investment income.) If any assets are not fully operational, explain their status, what additional steps remain to be completed, and when such final steps will be taken. If none, indicate "N/A."
N/A

- 9** Will the organization be the beneficiary of tax-exempt bond financing within the next 2 years? ☐ Yes ☒ No

- 10a** Will any of the organization's facilities or operations be managed by another organization or individual under a contractual agreement? ☒ Yes ☐ No

- b** Is the organization a party to any leases? ☐ Yes ☒ No

If either of these questions is answered "Yes," attach a copy of the contracts and explain the relationship between the applicant and the other parties.

See Exhibit VII

- 11** Is the organization a membership organization? ☐ Yes ☒ No

If "Yes," complete the following:

- a** Describe the organization's membership requirements and attach a schedule of membership fees and dues.

- b** Describe the organization's present and proposed efforts to attract members and attach a copy of any descriptive literature or promotional material used for this purpose.

- c** What benefits do (or will) the members receive in exchange for their payment of dues?

- 12a** If the organization provides benefits, services, or products, are the recipients required, or will they be required, to pay for them? ☐ N/A ☐ Yes ☒ No
 If "Yes," explain how the charges are determined and attach a copy of the current fee schedule.

- b** Does or will the organization limit its benefits, services, or products to specific individuals or classes of individuals? ☐ N/A ☒ Yes ☐ No

If "Yes," explain how the recipients or beneficiaries are or will be selected.

See Exhibit VIII

- 13** Does or will the organization attempt to influence legislation? ☐ Yes ☒ No
 If "Yes," explain. Also, give an estimate of the percentage of the organization's time and funds that it devotes or plans to devote to this activity.

- 14** Does or will the organization intervene in any way in political campaigns, including the publication or distribution of statements? ☐ Yes ☒ No
 If "Yes," explain fully.

Part III Technical Requirements

- 1** Are you filing Form 1023 within 15 months from the end of the month in which your organization was created or formed? ☒ Yes ☐ No
If you answer "Yes," do not answer questions on lines 2 through 6 below.

- 2** If one of the exceptions to the 15-month filing requirement shown below applies, check the appropriate box and proceed to question 7.

Exceptions—You are not required to file an exemption application within 15 months if the organization:

- ☐ **a** Is a church, interchurch organization of local units of a church, a convention or association of churches, or an integrated auxiliary of a church. See **Specific Instructions**, Line 2a, on page 4;
- ☐ **b** Is not a private foundation and normally has gross receipts of not more than \$5,000 in each tax year; or
- ☐ **c** Is a subordinate organization covered by a group exemption letter, but only if the parent or supervisory organization timely submitted a notice covering the subordinate.

- 3** If the organization does not meet any of the exceptions on line 2 above, are you filing Form 1023 within 27 months from the end of the month in which the organization was created or formed? ☐ Yes ☐ No

If "Yes," your organization qualifies under Regulation section 301.9100-2, for an automatic 12-month extension of the 15-month filing requirement. Do not answer questions 4 through 6.

If "No," answer question 4.

- 4** If you answer "No" to question 3, does the organization wish to request an extension of time to apply under the "reasonable action and good faith" and the "no prejudice to the interest of the government" requirements of Regulations section 301.9100-3? ☐ Yes ☐ No

If "Yes," give the reasons for not filing this application within the 27-month period described in question 3. See **Specific Instructions**, Part III, Line 4, before completing this item. Do not answer questions 5 and 6.

If "No," answer questions 5 and 6.

- 5** If you answer "No" to question 4, your organization's qualification as a section 501(c)(3) organization can be recognized only from the date this application is filed. Therefore, do you want us to consider the application as a request for recognition of exemption as a section 501(c)(3) organization from the date the application is received and not retroactively to the date the organization was created or formed? ☐ Yes ☐ No

- 6** If you answer "Yes" to question 5 above and wish to request recognition of section 501(c)(4) status for the period beginning with the date the organization was formed and ending with the date the Form 1023 application was received (the effective date of the organization's section 501(c)(3) status), check here ☐ and attach a completed page 1 of Form 1024 to this application.

Part III Technical Requirements (Continued)

7 Is the organization a private foundation?

- ☐ Yes (Answer question 8.)
☒ No (Answer question 9 and proceed as instructed.)

8 If you answer "Yes" to question 7, does the organization claim to be a private operating foundation?

- ☐ Yes (Complete Schedule E.)
☐ No

After answering question 8 on this line, go to line 14 on page 7.

9 If you answer "No" to question 7, indicate the public charity classification the organization is requesting by checking the box below that most appropriately applies:

THE ORGANIZATION IS NOT A PRIVATE FOUNDATION BECAUSE IT QUALIFIES:

- | | | |
|---------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------|
| a <input type="checkbox"/> | As a church or a convention or association of churches (CHURCHES MUST COMPLETE SCHEDULE A.) | Sections 509(a)(1) and 170(b)(1)(A)(i) |
| b <input type="checkbox"/> | As a school (MUST COMPLETE SCHEDULE B.) | Sections 509(a)(1) and 170(b)(1)(A)(ii) |
| c <input type="checkbox"/> | As a hospital or a cooperative hospital service organization, or a medical research organization operated in conjunction with a hospital (These organizations, except for hospital service organizations, MUST COMPLETE SCHEDULE C.) | Sections 509(a)(1) and 170(b)(1)(A)(iii) |
| d <input type="checkbox"/> | As a governmental unit described in section 170(c)(1). | Sections 509(a)(1) and 170(b)(1)(A)(v) |
| e <input type="checkbox"/> | As being operated solely for the benefit of, or in connection with, one or more of the organizations described in a through d, g, h, or i (MUST COMPLETE SCHEDULE D.) | Section 509(a)(3) |
| f <input type="checkbox"/> | As being organized and operated exclusively for testing for public safety. | Section 509(a)(4) |
| g <input type="checkbox"/> | As being operated for the benefit of a college or university that is owned or operated by a governmental unit. | Sections 509(a)(1) and 170(b)(1)(A)(iv) |
| h <input checked="" type="checkbox"/> | As receiving a substantial part of its support in the form of contributions from publicly supported organizations, from a governmental unit, or from the general public. | Sections 509(a)(1) and 170(b)(1)(A)(vi) |
| i <input type="checkbox"/> | As normally receiving not more than one-third of its support from gross investment income and more than one-third of its support from contributions, membership fees, and gross receipts from activities related to its exempt functions (subject to certain exceptions). | Section 509(a)(2) |
| j <input type="checkbox"/> | The organization is a publicly supported organization but is not sure whether it meets the public support test of h or i. The organization would like the IRS to decide the proper classification. | Sections 509(a)(1) and 170(b)(1)(A)(vi) or Section 509(a)(2) |

If you checked one of the boxes a through f in question 9, go to question

14. If you checked box g in question 9, go to questions 11 and 12.

If you checked box h, i, or j, in question 9, go to question 10.

Part III Technical Requirements (Continued)

- 10** If you checked box **h**, **i**, or **j** in question 9, has the organization completed a tax year of at least 8 months?
- ☐ **Yes**—Indicate whether you are requesting:
- ☐ A definitive ruling. (Answer questions 11 through 14.)
- ☐ An advance ruling. (Answer questions 11 and 14 and attach two Forms 872-C completed and signed.)
- ☒ **No—You must request an advance ruling by completing and signing two Forms 872-C and attaching them to the Form 1023.**
- 11** If the organization received any unusual grants during any of the tax years shown in Part IV-A, **Statement of Revenue and Expenses**, attach a list for each year showing the name of the contributor; the date and the amount of the grant; and a brief description of the nature of the grant.

- 12** If you are requesting a definitive ruling under section 170(b)(1)(A)(iv) or (vi), check here ☐ and:

- a** Enter 2% of line 8, column (e), Total, of Part IV-A
- b** Attach a list showing the name and amount contributed by each person (other than a governmental unit or "publicly supported" organization) whose total gifts, grants, contributions, etc., were more than the amount entered on line **12a** above.

- 13** If you are requesting a definitive ruling under section 509(a)(2), check here ☐ and:

- a** For each of the years included on lines 1, 2, and 9 of Part IV-A, attach a list showing the name of and amount received from each "disqualified person." (For a definition of "disqualified person," see **Specific Instructions**, Part II, Line 4d, on page 3.)
- b** For each of the years included on line 9 of Part IV-A, attach a list showing the name of and amount received from each payer (other than a "disqualified person") whose payments to the organization were more than \$5,000. For this purpose, "payer" includes, but is not limited to, any organization described in sections 170(b)(1)(A)(i) through (vi) and any governmental agency or bureau.

14 Indicate if your organization is one of the following. If so, complete the required schedule. (Submit only those schedules that apply to your organization. Do not submit blank schedules.)	Yes	No	If "Yes," complete Schedule:
Is the organization a church?		✓	A
Is the organization, or any part of it, a school?		✓	B
Is the organization, or any part of it, a hospital or medical research organization?		✓	C
Is the organization a section 509(a)(3) supporting organization?		✓	D
Is the organization a private operating foundation?		✓	E
Is the organization, or any part of it, a home for the aged or handicapped?		✓	F
Is the organization, or any part of it, a child care organization?		✓	G
Does the organization provide or administer any scholarship benefits, student aid, etc.?	✓		H
Has the organization taken over, or will it take over, the facilities of a "for profit" institution?		✓	I

Part IV Financial Data

Complete the financial statements for the current year and for each of the 3 years immediately before it. If in existence less than 4 years, complete the statements for each year in existence. If in existence less than 1 year, also provide proposed budgets for the 2 years following the current year.

A. Statement of Revenue and Expenses

	Current tax year	3 prior tax years or proposed budget for 2 years			(e) TOTAL
	(a) From 3/21/04 to 6/30/04	(b) 2004	(c) 2005	(d) 2006	
Revenue					
1 Gifts, grants, and contributions received (not including unusual grants—see page 6 of the instructions).	0	294,000	123,680	124,864	542,544
2 Membership fees received					
3 Gross investment income (see instructions for definition)	0	600	3,000	4,000	7,600
4 Net income from organization's unrelated business activities not included on line 3					
5 Tax revenues levied for and either paid to or spent on behalf of the organization					
6 Value of services or facilities furnished by a governmental unit to the organization without charge (not including the value of services or facilities generally furnished the public without charge)					
7 Other income (not including gain or loss from sale of capital assets) (attach schedule)	0	35,000	17,000	16,850	68,850
8 Total (add lines 1 through 7)	0	329,600	143,680	145,714	618,994
9 Gross receipts from admissions, sales of merchandise or services, or furnishing of facilities in any activity that is not an unrelated business within the meaning of section 513. Include related cost of sales on line 22					
10 Total (add lines 8 and 9)	0	329,600	143,680	145,714	618,994
11 Gain or loss from sale of capital assets (attach schedule)					
12 Unusual grants					
13 Total revenue (add lines 10 through 12)	0	329,600	143,680	145,714	618,994
Expenses					
14 Fundraising expenses					
15 Contributions, gifts, grants, and similar amounts paid (attach schedule)	0	40,000	40,000	40,000	
16 Disbursements to or for benefit of members (attach schedule)					
17 Compensation of officers, directors, and trustees (attach schedule)					
18 Other salaries and wages					
19 Interest					
20 Occupancy (rent, utilities, etc.)					
21 Depreciation and depletion	0	29,000	20,680	21,714	
22 Other (attach schedule)					
23 Total expenses (add lines 14 through 22)	0	69,000	60,680	61,714	
24 Excess of revenue over expenses (line 13 minus line 23)	0	260,600	83,000	84,000	

**National Auto Auction Association Scholastic
Foundation, Inc.**

c/o Steven A. McConnaughey

5320 Spectrum Drive, Suite D

Frederick, Maryland 21703-7337

Form 1023

E.I.N.: 05-0604611

Part IV, Financial Data Sheet

A. Statement of Revenue and Expenses

Line 7, Other Income	2004	2005	2006
Special event gross revenue--silent auction	50,000	20,000	20,000
Silent auction direct expenses	(15,000)	(3,000)	(3,150)
Total:	\$ 35,000	\$ 17,000	\$ 16,850

**National Auto Auction Association Scholastic
Foundation, Inc.**

c/o Steven A. McConnaughey

5320 Spectrum Drive, Suite D

Frederick, Maryland 21703-7337

Form 1023

E.I.N.: 05-0604611

Part IV, Financial Data Sheet

A. Statement of Revenue and Expenses

Line 22, Other Expenses	2004	2005	2006
Accounting fees	5,000	5,250	5,513
Professional services--legal	10,000	1,000	1,050
Scholarship management fees	3,500	3,675	3,859
Insurance	2,000	2,100	2,205
Bank charges	100	105	110
Printing and publications	1,000	1,000	1,050
Postage and shipping	400	200	210
Office employees (value of services donated to the Organization)	5,500	5,775	6,064
Office expenses	1,500	1,575	1,654
Total Expenses	\$ 29,000	\$ 20,680	\$ 21,714

Part IV Financial Data (Continued)

B. Balance Sheet (at the end of the period shown)		Current tax year Date 6/30/04
Assets		
1	Cash	0
2	Accounts receivable, net	0
3	Inventories	0
4	Bonds and notes receivable (attach schedule)	0
5	Corporate stocks (attach schedule)	0
6	Mortgage loans (attach schedule)	0
7	Other investments (attach schedule)	0
8	Depreciable and depletable assets (attach schedule)	0
9	Land	0
10	Other assets (attach schedule)	0
11	Total assets (add lines 1 through 10)	0
Liabilities		
12	Accounts payable	0
13	Contributions, gifts, grants, etc., payable	0
14	Mortgages and notes payable (attach schedule)	0
15	Other liabilities (attach schedule)	0
16	Total liabilities (add lines 12 through 15)	0
Fund Balances or Net Assets		
17	Total fund balances or net assets	0
18	Total liabilities and fund balances or net assets (add line 16 and line 17)	0

If there has been any substantial change in any aspect of the organization's financial activities since the end of the period shown above, check the box and attach a detailed explanation ☐

Schedule H. Organizations Providing Scholarship Benefits, Student Aid, etc., to Individuals

1a Describe the nature and the amount of the scholarship benefit, student aid, etc., including the terms and conditions governing its use, whether a gift or a loan, and how the availability of the scholarship is publicized. If the organization has established or will establish several categories of scholarship benefits, identify each kind of benefit and explain how the organization determines the recipients for each category. Attach a sample copy of any application the organization requires individuals to complete to be considered for scholarship grants, loans, or similar benefits. (Private foundations that make grants for travel, study, or other similar purposes are required to obtain advance approval of scholarship procedures. See Regulations sections 53.4945-4(c) and (d).)

See Exhibit IX

b If you want this application considered as a request for approval of grant procedures in the event we determine that the organization is a private foundation, check here ☒

c If you checked the box in **1b** above, check the box(es) for which you wish the organization to be considered.

☒ 4945(g)(1)

☐ 4945(g)(2)

☐ 4945(g)(3)

2 What limitations or restrictions are there on the class of individuals who are eligible recipients? Specifically explain whether there are, or will be, any restrictions or limitations in the selection procedures based upon race or the employment status of the prospective recipient or any relative of the prospective recipient. Also indicate the approximate number of eligible individuals.

See Exhibit X

3 Indicate the number of grants the organization anticipates making annually ▶

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4 If the organization bases its selections in any way on the employment status of the applicant or any relative of the applicant, indicate whether there is or has been any direct or indirect relationship between the members of the selection committee and the employer. Also indicate whether relatives of the members of the selection committee are possible recipients or have been recipients.

See Exhibit XI

5 Describe any procedures the organization has for supervising grants (such as obtaining reports or transcripts) that it awards and any procedures it has for taking action if the terms of the grant are violated.

See Exhibit XII

National Auto Auction Association
Scholastic Foundation, Inc.
c/o Steven A. McConnaughey
5320 Spectrum Drive, Suite D
Frederick, Maryland 21703-7337
E.I.N.: 05-0604611
Form 1023
Exhibit I

CERTIFICATE AS TO ORGANIZING DOCUMENTS

- (1) that he is the duly elected Secretary/Treasurer of National Auto Auction Association Scholastic Foundation, Inc. (the "Foundation"); and
- (2) the attached copies of
 - (a) the Articles of Incorporation of the Foundation as filed with the Maryland State Department of Assessments and Taxation on June 21, 2004 (Exhibit I-A) and
 - (b) the By-Laws of the Foundation as adopted on June 22, 2004 (Exhibit I-B)

are complete and accurate copies of the original documents and have not been revoked and remain in full force and effect.

Dated: 6/22/04

Steven A. McConnaughey
Steven A. McConnaughey
Secretary/Treasurer

This certificate is submitted in compliance with Rev. Proc. 68-14, 1968-1 C.B. 768, in order that the attached copy of the Articles of Incorporation and By-Laws will constitute a conformed copy.

Department of
Assessments and Taxation

Charter Division

Robert L. Ehrlich, Jr.
GovernorC. John Sullivan
DirectorPaul B. Anderson
AdministratorNational Auto Auction Association Scholastic
Foundation, Inc.
5320 Spectrum Drive, Suite D
Frederick, Maryland 21703-7337
E.I.N.: 05-0604611
Form 1023
Exhibit L-A

Date: 06-21-2004

PIPER RUDNICK, LLP
6225 SMITH AVE
BALTIMORE

MD 21209-3626

This letter is to confirm acceptance of the following filing:

ENTITY NAME : NATIONAL AUTO AUCTION ASSOCIATION SCHOLASTIC FOUNDATION,
INC.
DEPARTMENT ID : D10061893
TYPE OF REQUEST : ARTICLES OF INCORPORATION
DATE FILED : 06-21-2004
TIME FILED : 02:36-PM
RECORDING FEE : \$100.00
ORG. & CAP FEE : \$20.00
EXPEDITED FEE : \$50.00
FILING NUMBER : 1000361989971381
CUSTOMER ID : 0001408510
WORK ORDER NUMBER : 0000908744

PLEASE VERIFY THE INFORMATION CONTAINED IN THIS LETTER. NOTIFY THIS DEPARTMENT
IN WRITING IF ANY INFORMATION IS INCORRECT. INCLUDE THE CUSTOMER ID AND THE WORK
ORDER NUMBER ON ANY INQUIRIES. EVERY YEAR THIS ENTITY MUST FILE A PERSONAL
PROPERTY RETURN IN ORDER TO MAINTAIN ITS EXISTENCE EVEN IF IT DOES NOT OWN
PERSONAL PROPERTY. A BLANK RETURN WILL BE MAILED BY FEBRUARY OF THE YEAR FOR
WHICH THE RETURN IS DUE.

ENTITY TYPE: ORDINARY BUSINESS - NON-STOCK
STOCK: N
CLOSE: N
EFFECTIVE DATE: 06-21-2004
PRINCIPAL OFFICE: SUITE D
5320 SPECTRUM DRIVE
FREDERICK MD 21703-7337
RESIDENT AGENT: RAYMOND C. NICHOLS
802 BEL AIR ROAD
BEL AIR MD 21014

NOTICE: Effective January 1, 2004

As a result of a change in State law, the annual report fee for most legal entities (including LLCs and LLPs) will increase to \$300. This fee is for the privilege of maintaining a legal entity's existence in Maryland, and is due and payable with the filing of the personal property return. The increase is effective for any return, regardless of year, filed after 12/31/2003.

There continues to be no annual report fee for non-stock corporations, business trusts, churches, foreign interstate companies, foreign insurance companies, sole proprietorships and general partnerships, but these entities must still file a personal property return annually.

NATIONAL AUTO AUCTION ASSOCIATION SCHOLASTIC FOUNDATION, INC.
(a non-stock corporation)

ARTICLES OF INCORPORATION

FIRST: THE UNDERSIGNED, Lee A. Sheller, whose address is 6225 Smith Avenue, Baltimore, Maryland 21209-3600 being at least eighteen years of age, acting as incorporator, does hereby form a non-stock corporation under and by virtue of the General Laws of the State of Maryland.

SECOND: The name of the corporation (which is hereinafter called the "Corporation") is:

NATIONAL AUTO AUCTION ASSOCIATION SCHOLASTIC FOUNDATION, INC.

THIRD: The Corporation is formed to further and promote exclusively, charitable, religious, educational and scientific purposes. The business and objects to be carried on and promoted by it are:

(1) to provide scholarship assistance for post high school education in a manner consistent with charitable and educational purposes as described in Section 501(c)(3) of the Internal Revenue Code of 1986 (or the corresponding provisions of any future United States Internal Revenue Law);

(2) to perform other activities permitted corporations under the General Laws of the State of Maryland, to the extent such activities are permitted of organizations which are exempt from Federal income tax under section 501(c)(3) of the Internal Revenue Code of 1986 (or the corresponding provisions of any future United States Internal Revenue Law) and contributions to which are deductible under sections 170(c)(2), 2055(a)(2) and 2522(a)(2) of the Internal Revenue Code of 1986 (or the corresponding provisions of any future United States Internal Revenue Law), including the making of distributions to organizations that qualify as exempt organizations

under Section 501(c)(3) of the Internal Revenue Code of 1986 (or the corresponding provision of any future United States Internal Revenue Law) and also including the making of distributions to states, territories, or possessions of the United States, any political subdivision of any of the foregoing, or to the United States or the District of Columbia, but only for charitable purposes. As used in the previous sentence, "charitable purposes" shall be limited to and shall include only religious, charitable, scientific, literary or educational purposes within the meaning of those terms as used in Section 501(c)(3) of the Internal Revenue Code of 1986 (or the corresponding provision of any future United States Internal Revenue Law).

FOURTH: The present address of the principal office of the Corporation in this State is 5320 Spectrum Drive, Suite D, Frederick, Maryland 21703-7337.

FIFTH: The name and address of the resident agent of the Corporation in this State are Raymond C. Nichols, 802 Bel Air Road, Bel Air, Maryland 21014. Said resident agent is a resident of the State of Maryland.

SIXTH: The Corporation is not authorized to issue capital stock.

SEVENTH: The trustees of the Corporation also constitute the members of the Corporation and, when meeting as trustees, may exercise the rights and powers of members.

EIGHTH: The number of trustees of the Corporation shall be five, which number may be increased or decreased pursuant to the By-Laws of the Corporation but shall never be less than the minimum number permitted by the General Laws of the State of Maryland now or hereafter in force. The names of the trustees who will serve until the first annual meeting and until their successors are elected and qualify are as follows: Jimmy Compton, Raymond C. Nichols, Kenny Osborn, Don DeVries and Henry Stanley. The trustees shall be elected in the manner provided in the By-Laws.

NINTH: The following provisions are hereby adopted for defining, adopting, limiting and regulating the powers of the Corporation and of the trustees and the members.

(1) No part of the net earnings of the Corporation shall inure to the benefit of, or be distributable to, its members, trustees, officers, or other private persons, except that the Corporation shall be authorized and empowered to pay reasonable compensation for services rendered and to make payments and distributions in furtherance of the purposes set forth in Article THIRD hereof. No substantial part of the activities of the Corporation shall be the carrying on of propaganda or otherwise attempting to influence legislation, and the Corporation shall not participate in, or intervene in (including the publishing or distribution of statements) any political campaign on behalf of any candidate for public office. Notwithstanding any other provisions of these articles, the Corporation shall not have any purposes nor carry on any activities (except as an insubstantial part of its activities) not permitted to be carried on (a) by a corporation exempt from Federal income tax under section 501(c)(3) of the Internal Revenue Code of 1986 (or the corresponding provisions of any future United States Internal Revenue Law) or (b) by a corporation, contributions to which are deductible under sections 170(c)(2), 2055(a)(2) and 2522(a)(2) of the Internal Revenue Code of 1986 (or the corresponding provisions of any future United States Internal Revenue Law).

(2) Upon dissolution of the Corporation, the Board of Trustees shall, after paying or making provision for the payment of all of the liabilities of the Corporation, dispose of all of the assets of the Corporation exclusively for the purposes of the Corporation (a) to an organization or organizations organized and operated exclusively for charitable, educational, religious, or scientific purposes as shall at the time qualify as an exempt organization or organizations under section 501(c)(3) of the Internal Revenue Code of 1986 (or the corresponding provision of any future United States Internal Revenue Law) contributions to which are deductible under sections 170(c)(2), 2055(a)(2) and 2522(a)(2) of the Internal Revenue Code of 1986 (or the corresponding provisions of any future United States Internal Revenue Law), as determined by the Board of Trustees, or (b) to states, territories, or possessions of the United States or any political subdivision of any of the foregoing, or to the United States or the

District of Columbia, but only for charitable purposes. The Board of Trustees shall determine how the Corporation's assets will be distributed in accordance with the foregoing sentence. Any of the Corporation's assets not so disposed of shall be disposed of by the Circuit Court of Frederick County, Maryland or such other court sitting in equity in Frederick County, exclusively for such purposes or to such organization or organizations, as said Court shall determine, which are organized and operated exclusively for such purposes.

(3) The Corporation shall indemnify (A) its trustees and officers, whether serving the Corporation or at its request any other entity, to the full extent required or permitted by the General Laws of the State of Maryland now or hereafter in force, including the advance of expenses under the procedures and to the full extent permitted by law and (B) other employees and agents to such extent as shall be authorized by the Board of Trustees or the Corporation's By-Laws and be permitted by law; provided, however, that indemnification shall only be to the extent permitted of organizations which are exempt from Federal income tax under section 501(c)(3) of the Internal Revenue Code of 1986 (or the corresponding provisions of any future United States Internal Revenue Law) and contributions to which are deductible under sections 170(c)(2), 2055(a)(2) and 2522(a)(2) of the Internal Revenue Code of 1986 (or the corresponding provisions of any future United States Internal Revenue Law). The foregoing rights of indemnification shall not be exclusive of any other rights to which those seeking indemnification may be entitled. The Board of Trustees may take such action as is necessary to carry out these indemnification provisions and is expressly empowered to adopt, approve and amend from time to time such by-laws, resolutions or contracts implementing such provisions or such further indemnification arrangements as may be permitted by law provided, however, the foregoing shall not limit the authority of the Corporation to indemnify other employees and agents consistent with law and that indemnification shall only be to the extent permitted of organizations which are exempt from Federal income tax under section 501(c)(3) of the Internal Revenue Code of 1986 (or the corresponding provisions of any future United States Internal Revenue Law) and

contributions to which are deductible under sections 170(c)(2), 2055(a)(2) and 2522(a)(2) of the Internal Revenue Code of 1986 (or the corresponding provisions of any future United States Internal Revenue Law). No amendment of the charter of the Corporation shall limit or eliminate the right to indemnification provided hereunder with respect to acts or omissions occurring prior to such amendment or repeal.

(4) To the fullest extent permitted by Maryland statutory or decisional law, as amended or interpreted, no trustee or officer of this Corporation shall be personally liable to the Corporation or its members for money damages; provided, however, that the foregoing limitation of trustee and officer liability shall only be to the extent permitted of organizations which are exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code of 1986 (or the corresponding provisions of any future United States Internal Revenue Law) and contributions to which are deductible under Sections 170(c)(2), 2055(a)(2) and 2522(a)(2) of the Internal Revenue Code of 1986 (or the corresponding provisions of any future United States Internal Revenue Law). No amendment of the charter of the Corporation or repeal of any of its provisions shall limit or eliminate the benefits provided to trustees and officers under this provision with respect to any act or omission which occurred prior to such amendment or repeal.

(5) The Corporation shall maintain insurance coverage that satisfies all requirements of Maryland statutory or decisional law for trustees of a corporation that is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code of 1986 so that the Corporation's trustees are not personally liable for damages that are the result of the acts or omissions of the Corporation's trustees in providing services or performing duties on behalf of the Corporation. Nevertheless, a trustee shall be liable for damages in any suit in which it is found that the trustee acted with malice or gross negligence, to the extent that the judgment for damages exceeds the Corporation's insurance coverage.

(6) During any fiscal year of the Corporation that it is determined to be a private foundation as defined in section 509(a) of the Internal Revenue Code of 1986 (or the corresponding provisions of any future United States Internal Revenue Law):

(a) The Corporation shall distribute its income for such taxable year at such time and in such manner as not to become subject to the tax on undistributed income imposed by section 4942 of the Internal Revenue Code of 1986 (or the corresponding provisions of any future United States Internal Revenue Law).

(b) The Corporation shall not engage in any act of self-dealing as defined in section 4941(d) of the Internal Revenue Code of 1986 (or the corresponding provisions of any future United States Internal Revenue Law).

(c) The Corporation shall not retain any excess business holdings as defined in section 4943(c) of the Internal Revenue Code of 1986 (or the corresponding provisions of any future United States Internal Revenue Law).

(d) The Corporation shall not make any investments in such manner as to subject it to tax under section 4944 of the Internal Revenue Code of 1986 (or the corresponding provisions of any future United States Internal Revenue Law).

(e) The Corporation shall not make any taxable expenditures as defined in section 4945(d) of the Internal Revenue Code of 1986 (or the corresponding provisions of any future United States Internal Revenue Law).

(7) Except as limited by the next sentence, the Corporation reserves the right from time to time to make any amendments of its charter which may now or hereafter be authorized by law. The Corporation reserves the right from time to time to make any amendments its corporate purposes and objects as contained in Article THIRD hereof so that they may embrace any activity which may properly be engaged in by any organization which is exempt from Federal income tax under section 501(c)(3) of the Internal Revenue Code of 1986 (or the corresponding provisions of any future United States Internal Revenue Law) and

Law), and all contributions to the Corporation are made subject to this provision unless otherwise specifically stated in writing at the time of making the contribution.

The enumeration and definition of particular powers of the Board of Trustees included in the foregoing shall in no way be limited or restricted by reference to or inference from the terms of any other clause of this or any other Article of the charter of the Corporation, or construed as or deemed by inference or otherwise in any manner to exclude or limit any powers conferred upon the Board of Trustees under the General Laws of the State of Maryland now or hereafter in force, except to the extent that the General Laws of the State of Maryland permit activities which are not permitted under Federal Law for any organization which is exempt from Federal income tax under section 501(c)(3) of the Internal Revenue Code of 1986 (or the corresponding provision of any future United States Internal Revenue Law) and contributions to which are deductible under sections 170(c)(2), 2055(a)(2) and 2522(a)(2) of the Internal Revenue Code of 1986 (or the corresponding provisions under any future United States Internal Revenue Law).

TENTH: The duration of the Corporation shall be perpetual.

IN WITNESS WHEREOF, I have signed these Articles of Incorporation, acknowledging the same to be my act, on June 21, 2004.

WITNESS:

Patricia Morrison

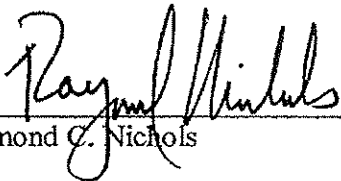
Lee A. Sheller

Lee A. Sheller

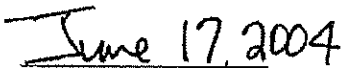
CONSENT OF RESIDENT AGENT

THE UNDERSIGNED HEREBY CONSENTS TO ACT AS RESIDENT AGENT IN
MARYLAND FOR:

NATIONAL AUTO AUCTION ASSOCIATION SCHOLASTIC FOUNDATION, INC.



Raymond C. Nichols



Date

**NATIONAL AUTO AUCTION ASSOCIATION
SCHOLASTIC FOUNDATION, INC.**

BY-LAWS

ARTICLE I.

MEMBERS

SECTION 1.01. *Members.* The trustees of the Corporation also constitute the members of the Corporation and, when meeting as trustees, may exercise the rights and powers of members.

ARTICLE II.

BOARD OF TRUSTEES

SECTION 2.01. *Function of Trustees.* The business and affairs of the Corporation shall be managed under the direction of its Board of Trustees. All powers of the Corporation may be exercised by or under authority of the Board of Trustees.

SECTION 2.02. *Number of Trustees.* The Corporation shall have at all times at least the minimum number of trustees required by the General Laws of the State of Maryland now or hereinafter in force. The Corporation shall have the number of trustees provided in the Articles of Incorporation until changed as herein provided. A majority of the entire Board of Trustees may alter the number of trustees set by the Articles of Incorporation to not more than 25 nor fewer than the minimum number required by the General Laws of the State of Maryland now or hereinafter in force, but the action may not affect the tenure of office of any trustee, except as provided in Section 2.04.

SECTION 2.03. *Election and Tenure of Trustees.* At each annual meeting, the trustees shall elect trustees to hold office until the next annual meeting and until their successors are elected and qualify.

SECTION 2.04. *Removal of Trustee.* Unless statute or the Articles of Incorporation provides otherwise, the trustees may remove any trustee, with or without cause, by the affirmative vote of a majority of the entire Board of Trustees.

SECTION 2.05. *Vacancy on Board.* A majority of the remaining trustees, whether or not sufficient to constitute a quorum, may fill a vacancy on the Board of Trustees which results from any cause except an increase in the number of trustees and a majority of the entire Board of Trustees may fill a vacancy which results from an increase in the number of trustees. A

trustee elected to fill a vacancy serves until the next annual meeting of trustees and until his successor is elected and qualifies.

SECTION 2.06. *Annual and Regular Meetings.* The Corporation shall hold an annual meeting of its trustees to elect trustees and transact any other business within its powers at either at 10:00 A.M. on the first Monday of April in each year if not a legal holiday, or at such other time on such other day falling on or before the 30th day thereafter as shall be set by the Board of Trustees or at such other time and date to be set annually by the Board of Trustees. Except as the Articles of Incorporation or statute provides otherwise, any business may be considered at an annual meeting without the purpose of the meeting having been specified in the notice. Failure to hold an annual meeting does not invalidate the Corporation's existence or affect any otherwise valid corporate acts. Any other regular meeting of the Board of Trustees shall be held on such date and at any place as may be designated from time to time by the Board of Trustees.

SECTION 2.07. *Special Meetings.* Special meetings of the Board of Trustees may be called at any time by the Chairman of the Board or the President or by a majority of the Board of Trustees by vote at a meeting, or in writing with or without a meeting. A special meeting of the Board of Trustees shall be held on such date and at any place as may be designated from time to time by the Board of Trustees. In the absence of such designation such meeting shall be held at such place as may be designated in the call.

SECTION 2.08. *Notice of Meeting.* Except as provided in Section 2.06, the Secretary shall give notice to each trustee of each annual, regular, and special meeting of the Board of Trustees. The notice shall state the time and place of the meeting. Notice is given to a trustee when it is delivered personally to him or her, left at his residence or usual place of business, or sent by telegraph, telecopy, e-mail or telephone, at least 24 hours before the time of the meeting or, in the alternative by mail to his address as it shall appear on the records of the Corporation, at least 72 hours before the time of the meeting. Unless the By-Laws or a resolution of the Board of Trustees provide otherwise, the notice need not state the business to be transacted at or the purpose of any annual, regular, or special meeting of the Board of Trustees. No notice of any meeting of the Board of Trustees need be given to any trustee who attends, or to any trustee who, in writing executed and filed with the records of the meeting either before or after the holding thereof, waives such notice. Any meeting of the Board of Trustees, annual, regular, or special, may adjourn from time to time to reconvene at the same or some other place, and no notice need be given of any such adjourned meeting other than by announcement.

SECTION 2.09. *Action by Trustees.* Unless statute or the Articles of Incorporation or By-Laws requires a greater proportion, the action of a majority of the trustees present at a meeting at which a quorum is present is action of the Board of Trustees. A majority of the entire Board of Trustees shall constitute a quorum for the transaction of business. In the absence of a quorum, the trustees present by majority vote and without notice other than by announcement may adjourn the meeting from time to time until a quorum shall attend. At any such adjourned meeting at which a quorum shall be present, any business may be transacted which might have

been transacted at the meeting as originally notified. Any action required or permitted to be taken at a meeting of the Board of Trustees may be taken without a meeting, if an unanimous written consent which sets forth the action is signed by each member of the Board and filed with the minutes of proceedings of the Board.

SECTION 2.10. *Meeting by Conference Telephone.* Members of the Board of Trustees may participate in a meeting by means of a conference telephone or similar communications equipment if all persons participating in the meeting can hear each other at the same time. Participation in a meeting by these means constitutes presence in person at a meeting.

SECTION 2.11. *Compensation.* A trustee may not receive any compensation for their services as members of the Board of Trustees, but the Board of Trustees may authorize reimbursement for expenses for attendance at any annual, regular, or special meeting of the Board of Trustees or any committee thereof. A trustee who serves the Corporation in any other capacity may receive compensation for such other services, pursuant to a resolution of the trustees.

ARTICLE III.

COMMITTEES

SECTION 3.01. *Committees.* The Board of Trustees may appoint from among its members an Executive Committee and other committees composed of two or more trustees and delegate to these committees any of the powers of the Board of Trustees, except the power to elect or remove trustees, take any action where the trustees are acting as members, or amend the By-Laws. Each committee may fix rules of procedure for its business. A majority of the members of a committee shall constitute a quorum for the transaction of business and the act of a majority of those present at a meeting at which a quorum is present shall be the act of the committee. The members of a committee present at any meeting, whether or not they constitute a quorum, may appoint a trustee to act in the place of an absent member. Any action required or permitted to be taken at a meeting of a committee may be taken without a meeting, if an unanimous written consent which sets forth the action is signed by each member of the committee and filed with the minutes of the committee. The members of a committee may conduct any meeting thereof by conference telephone in accordance with the provisions of Section 2.10.

ARTICLE IV.

OFFICERS

SECTION 4.01. *Executive and Other Officers.* The Corporation shall have a President, a Secretary, and a Treasurer who shall be the executive officers of the Corporation. It

may also have a Chairman of the Board; the Chairman of the Board shall be an executive officer if he or she is designated as the chief executive officer of the Corporation. The Board of Trustees may designate who shall serve as chief executive officer, having general supervision of the business and affairs of the Corporation, or as chief operating officer, having supervision of the operations of the Corporation; in the absence of designation the President shall serve as chief executive officer and chief operating officer. It may also have one or more Vice-Presidents, assistant officers, and subordinate officers as may be established by the Board of Trustees. A person may hold more than one office in the Corporation but may not serve concurrently as both President and Vice-President of the Corporation. The Chairman of the Board shall be a trustee; the other officers may be trustees.

SECTION 4.02. *Chairman of the Board.* The Chairman of the Board, if one be elected, shall preside at all meetings of the Board of Trustees at which he or she shall be present; and, in general, he or she shall perform all such duties as are from time to time assigned to him or her by the Board of Trustees.

SECTION 4.03. *President.* The President, in the absence of the Chairman of the Board, shall preside at all meetings of the Board of Trustees at which he or she shall be present; he or she may sign and execute, in the name of the Corporation, all authorized deeds, mortgages, bonds, contracts or other instruments, except in cases in which the signing and execution thereof shall have been expressly delegated to some other officer or agent of the Corporation; and, in general, he or she shall perform all duties usually performed by a president of a corporation and such other duties as are from time to time assigned to him or her by the Board of Trustees or the chief executive officer of the Corporation.

SECTION 4.04. *Vice-Presidents.* The Vice-President or Vice-Presidents, at the request of the chief executive officer or the President, or in the President's absence or during his or her inability to act, shall perform the duties and exercise the functions of the President, and when so acting shall have the powers of the President. If there be more than one Vice-President, the Board of Trustees may determine which one or more of the Vice-Presidents shall perform any of such duties or exercise any of such functions, or if such determination is not made by the Board of Trustees, the chief executive officer, or the President may make such determination; otherwise any of the Vice-Presidents may perform any of such duties or exercise any of such functions. The Vice-President or Vice-Presidents shall have such other powers and perform such other duties, and have such additional descriptive designations in their titles (if any), as are from time to time assigned to them by the Board of Trustees, the chief executive officer, or the President.

SECTION 4.05. *Secretary.* The Secretary shall keep the minutes of the meetings of the Board of Trustees and of any committees, in books provided for the purpose; he or she shall see that all notices are duly given in accordance with the provisions of the By-Laws or as required by law; he or she shall be custodian of the records of the Corporation; he or she may witness any document on behalf of the Corporation, the execution of which is duly authorized, see that the corporate seal is affixed where such document is required or desired to be under its

seal, and, when so affixed, may attest the same; and, in general, he or she shall perform all duties incident to the office of a secretary of a corporation, and such other duties as are from time to time assigned to him or her by the Board of Trustees, the chief executive officer, or the President.

SECTION 4.06. *Treasurer.* The Treasurer shall have charge of and be responsible for all funds, securities, receipts and disbursements of the Corporation, and shall deposit, or cause to be deposited, in the name of the Corporation, all moneys or other valuable effects in such banks, trust companies or other depositories as shall, from time to time, be selected by the Board of Trustees; he or she shall render to the President and to the Board of Trustees, whenever requested, an account of the financial condition of the Corporation; and, in general, he or she shall perform all the duties incident to the office of a treasurer of a corporation, and such other duties as are from time to time assigned to him or her by the Board of Trustees, the chief executive officer, or the President.

SECTION 4.07. *Assistant and Subordinate Officers.* The assistant and subordinate officers of the Corporation are all officers below the office of Vice-President, Secretary, or Treasurer. The assistant or subordinate officers shall have such duties as are from time to time assigned to them by the Board of Trustees, the chief executive officer, or the President.

SECTION 4.08. *Election, Tenure and Removal of Officers.* The Board of Trustees shall elect the officers. The Board of Trustees may from time to time authorize any committee or officer to appoint assistant and subordinate officers. All officers shall be appointed to hold their offices, respectively, during the pleasure of the Board. The Board of Trustees (or, as to any assistant or subordinate officer, any committee or officer authorized by the Board) may remove an officer at any time. The removal of an officer does not prejudice any of his contract rights. The Board of Trustees (or, as to any assistant or subordinate officer, any committee or officer authorized by the Board) may fill a vacancy which occurs in any office for the unexpired portion of the term.

SECTION 4.09. *Compensation.* Officers may not receive any compensation for performing their duties as officers of the Corporation. An officer who serves the Corporation in any other capacity may receive compensation for such other services, pursuant to a resolution of the Board of Trustees.

ARTICLE V.

FINANCE

SECTION 5.01. *Checks, Drafts, Etc. .* All checks, drafts and orders for the payment of money, notes, and other evidences of indebtedness, issued in the name of the Corporation, shall, unless otherwise provided by resolution of the Board of Directors, be signed by the Chairman of the Board, the President, a Vice-President, an Assistant Vice-President, the Secretary or Treasurer.

SECTION 5.02. *Annual Statement of Affairs.* The President shall prepare or cause to be prepared annually a full and correct statement of the affairs of the Corporation, to include a balance sheet and a financial statement of operations for the preceding fiscal year. The statement of affairs shall be submitted at the annual meeting of the Board of Trustees and, within twenty (20) days after the meeting, placed on file at the Corporation's principal office.

SECTION 5.03. *Fiscal Year.* The fiscal year of the Corporation shall be the twelve calendar months period ending December 31 in each year, unless otherwise provided by the Board of Trustees.

ARTICLE VI.

SUNDRY PROVISIONS

SECTION 6.01. *Maintenance of Tax Exempt Status.* The Corporation shall not have any purposes nor carry on any activities (except as an insubstantial part of its activities) not permitted to be carried on (a) by a corporation exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code of 1986 (or corresponding provisions of any future United States Internal Revenue Law) or (b) by a corporation, contributions to which are deductible under Sections 170(c)(2), 2055(a)(2) and 2522(a)(2) of the Internal Revenue Code of 1986 (or the corresponding provisions of any future United States Internal Revenue Law).

SECTION 6.02. *Books and Records.* The Corporation shall keep correct and complete books and records of its accounts and transactions and minutes of the proceedings of its Board of Trustees and of any executive or other committee when exercising any of the powers of the Board of Trustees. The books and records of the Corporation may be in written form or in any other form which can be converted within a reasonable time into written form for visual inspection. Minutes shall be recorded in written form but may be maintained in the form of a reproduction. The original or a certified copy of the Articles of Incorporation and By-Laws shall be kept at the principal office of the Corporation.

SECTION 6.03. *Corporate Seal.* The Board of Trustees shall provide a suitable seal, bearing the name of the Corporation, which shall be in the charge of the Secretary. The Board of Trustees may authorize one or more duplicate seals and provide for the custody thereof. If the Corporation is required to place its corporate seal to a document, it is sufficient to meet the requirement of any law, rule or regulation relating to a corporate seal to place the word "Seal" adjacent to the signature of the person authorized to sign the document on behalf of the Corporation.

SECTION 6.04. *Bonds.* The Board of Trustees may require any officer, agent or employee of the Corporation to give a bond to the Corporation, conditioned upon the faithful discharge of his duties, with one or more sureties and in such amount as may be satisfactory to the Board of Trustees.

SECTION 6.05. *Voting Upon Shares in Other Corporations.* Stock of other corporations or associations, registered in the name of the Corporation, may be voted by the President, a Vice-President, or a proxy appointed by either of them. The Board of Trustees, however, may by resolution appoint some other person to vote such shares, in which case such person shall be entitled to vote such shares upon the production of a certified copy of such resolution.

SECTION 6.06. *Mail.* Any notice or other document which is required by these By-Laws to be mailed shall be deposited in the United States mails, postage prepaid.

SECTION 6.07. *Execution of Documents.* A person who holds more than one office in the Corporation may not act in more than one capacity to execute, acknowledge, or verify an instrument required by law to be executed, acknowledged, or verified by more than one officer.

SECTION 6.08. *Amendments.* Subject to the special provisions of Section 2.02, the Board of Trustees shall have the power, at any regular or special meeting thereof, to make and adopt new by-laws, or to amend, alter or repeal any of the By-Laws of the Corporation. An amendment to be proposed at a meeting shall be mailed to each member of the Board of Trustees at least ten days prior to the date of the meeting. An amendment so made shall be effective immediately after adoption unless an effective date is specifically adopted at the time the amendment is enacted.

**National Auto Auction Association
Scholastic Foundation, Inc.
5320 Spectrum Drive, Suite D
Frederick, Maryland 21703-7337
E.I.N.: 05-0604611
Form 1023
Exhibit II**

**Answer in Response to
Question No. 1, Part II**

National Auto Auction Association Scholastic Foundation, Inc. (the "Foundation") was formed pursuant to the filing of Articles of Incorporation with the Maryland State Department of Assessments and Taxation on June 21, 2004. The Foundation has not yet begun to conduct its activities, but expects to begin raising funds within the next few months and to begin its charitable activities once it has sufficient funding.

The Foundation's primary purpose and activity will be to establish a scholarship program whereby it will award educational scholarships to full time employees and children and grandchildren of full-time employees of the United States and Canadian member auctions of the National Auto Auction Association, Inc. and their Corporate offices or the Corporate office of the National Auto Auction Association, Inc. in accordance with procedures described in detail in Exhibits IX-XII in response to Schedule H.

National Auto Auction Association, Inc. (the "Association") is a trade association of organizations involved in the auto auction industry and is recognized as exempt from federal income tax under section 501(c)(6) of the Internal Revenue Code of 1986, as amended (the "Code"). The Association has members in the United States and throughout the world. There are currently approximately 296 members in the United States and Canada each of which has employees ranging in number from 45 to over 300. Members of the Association are affiliated with several Corporate offices which consolidate a variety of services to the member auctions. The total number of employees of the Canadian and United States members and Corporate

offices is in excess of 30,000. Members of the Association wish to promote educational opportunities for deserving students and have determined to form the Foundation and to obtain a determination letter that it is described in Section 501(c)(3) of the Code.

Legal Argument

The Foundation is organized and operated exclusively for charitable purposes as that term is defined in Section 1.501(c)-1(d)(2) of the Income Tax Regulations (the "Regulations"). The Foundation's scholarship program qualifies under Section 4945(g) because scholarships will be awarded on an objective and nondiscriminatory basis, as part of a program consistent with the Foundation's exempt purpose. As required by Treas. Reg. §1.117-4(c), the scholarships will be neither compensatory to the grantee nor a benefit to the grantor. Specifically, as required by Section 4945(g) of the Code, the availability of grants falls outside the pattern of employment, the grants do not represent compensation for past, present or future services to the Foundation or the Association and the scholarships will not be used for research intended primarily to benefit the Foundation or the Association.

Although the Foundation believes that it will meet the public support requirements of Section 509(a)(1), and, therefore, will not be a private foundation, the Foundation intends that its scholarship program will satisfy each of the specific facts and circumstances tests and will comply with either the 25 or 10 percent percentage test, as required by Rev. Proc. 76-47, supra. Specifically, as elaborated upon in greater detail, infra, the Foundation meets the specific facts and circumstances tests enumerated in Rev. Proc. 76-47, supra because: (1) the scholarship programs will not be used either to recruit or to induce employees to remain with any member of the Association or affiliated Corporate offices; (2) an independent selection committee will be used to select scholarship recipients and neither the Foundation nor the Association will control or influence who receives the scholarships; (3) there are no employment-related factors, such as the employee's position, governing eligibility; (4) objective standards will be used to select scholarship recipients; (5) scholarship awards will not be contingent upon the continued

employment of the recipient or relative of the recipient; (6) no particular course of study is required of any scholarship recipient; and (7) the scholarship program is consistent with the disinterested purpose of enabling individuals to obtain an education solely for their personal benefit as required by Section 117 of the Code and the regulations thereunder.

The Foundation will comply with the expenditure responsibility requirements and retain the necessary records as required by Treas. Reg. §53.4945-4 with respect to its scholarship awards. The Foundation's awarding of scholarship grants complies with the requirements of Section 4945(g)(1) of the Code. Thus, even if the Foundation were determined to be a private foundation, the expenditures made in accordance with these procedures would not constitute "taxable expenditures" within the meaning of Section 4945(d)(3) of the Code.

The Foundation requests that the IRS approve its grant making procedures even if the IRS determines that the Foundation is not a private foundation so that if the Foundation were to become a private foundation in the future it will not need to reapply to the IRS for approval.

**National Auto Auction Association
Scholastic Foundation, Inc.
5320 Spectrum Drive, Suite D
Frederick, Maryland 21703-7337
E.I.N.: 05-0604611
Form 1023
Exhibit III**

**Answer in Response to
Question No. 2, Part II**

The Foundation's sources of financial support will be donations from individuals and businesses obtained through the fundraising program described in Exhibit IV.

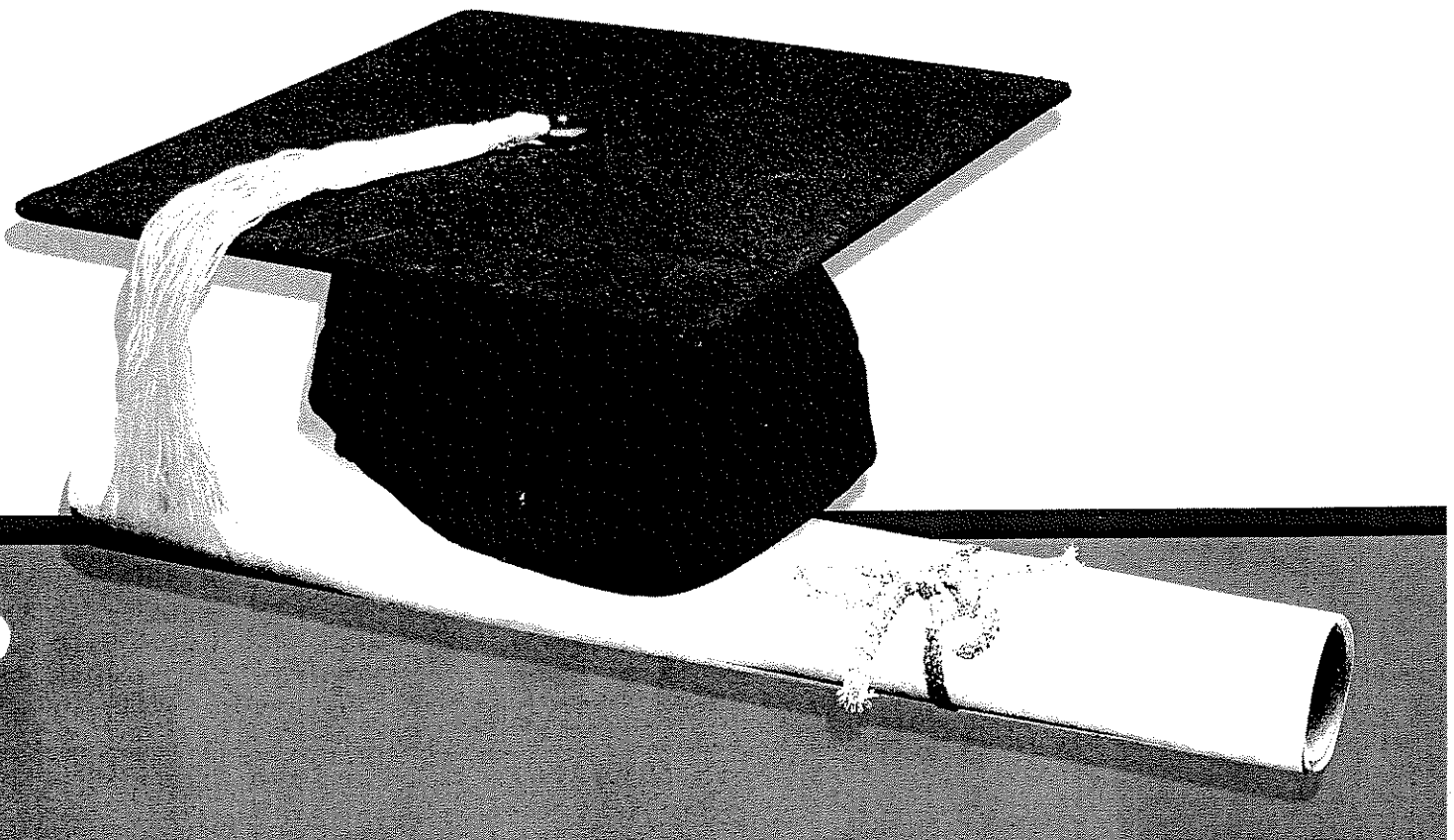
**National Auto Auction Association
Scholastic Foundation, Inc.
5320 Spectrum Drive, Suite D
Frederick, Maryland 21703-7337
E.I.N.: 05-0604611
Form 1023
Exhibit IV**

**Answer in Response to
Question No. 3, Part II**

The Foundation will focus its fundraising program on the members of the Association and affiliated Corporate offices. Members of the Association, all of whom operate automobile auction businesses and the affiliated Corporate offices, will be asked to donate items to be auctioned off at live and/or silent charity auctions to be held once per year, or less often, as needed to raise funds sufficient for the Foundation to carry out its charitable purposes. The Foundation will also encourage the Association's members, the affiliated Corporate offices and their employees to make donations and bequests to the Foundation. Fundraising activities will be conducted by volunteers from among the employees of the Association's members and Corporate offices. The Foundation does not plan to hire professional fundraisers. A sample of a written solicitation is attached hereto as Exhibit IV-A.

National Auto Auction Association Scholastic Foundation Inc.

Key background on the
NAAA Scholarship
Foundation and
Silent/Live
Auction



WHAT IS THE NAAA SCHOLASTIC FOUNDATION?

The foundation is an educational fund that will award scholarships to full-time employees of member auctions and corporate offices, their children and grandchildren, who have completed high school, are in their senior year of high school, or are already in a full-time undergraduate course of study.

WHAT IS THE CRITERIA FOR AWARDING SCHOLARSHIPS, AND HOW MANY WILL BE AWARDED? HOW CAN I APPLY?

The Foundation will utilize Scholarship America Management Services for the selection process. The recipient selection procedures include the consideration of past academic performance and future potential, leadership and participation in school and community activities, work experience, statement of career and educational aspirations and goals, unusual personal or family circumstances, and an outside appraisal. Financial need will not be considered. Scholarship America will process only the **first 200 applications** received postmarked February 1, 2005 or earlier.

The authorized distribution for new awards is \$40,000 to be awarded \$10,000 per NAAA zone (including the Corporate office within that zone). Up to three awards will be granted per zone—one award of \$2,000 for vocational-technical or two year students, two awards of \$4,000 each for four-year (or its equivalent) students.

The application will be available through the NAAA office and on the NAAA website after the Nashville convention. Posters will be sent to each member to be displayed at their location.

HOW WILL THE SCHOLARSHIP FOUNDATION BE FUNDED?

Our first objective is to raise as much money as possible so that the endowment fund becomes self-funding for future scholarships. Each of the four US NAAA Zones and Canada have already made sizeable cash donations to the Foundation, and are urging individual auctions to contribute. In addition, we will hold silent and live auctions at the NAAA Convention this year at Opryland in Nashville a September 29 – October 3. We will need help and contributions from all NAAA member auctions, corporate offices, group headquarters, associate members and convention exhibitors!

WHAT ARE THE DETAILS OF THE SILENT AND LIVE AUCTIONS?

The silent auction will be held in the exhibition hall on Thursday, Friday and Saturday, and the live auction will be held at three major events. We are asking each individual participant to contribute items for this event. An item category list is attached; however, these are suggestions only. Please give this a lot of thought—we challenge you to come up with great, innovative, generous donations! This promises to be a fun event for everyone. We know every attendee will have a great time browsing through the wonderful array of silent and live auction items on display. At the same time, we will accomplish our goal to benefit our employees and their children.

HOW CAN I MAKE A CONTRIBUTION TO THE AUCTION – AND WHAT'S THE DEADLINE?

Contact Barbara or Jim Wheatley, co-chairpersons of the NAAA Scholarship Foundation Auction using the information provided below. Donated items should be sent to Harrisonburg Auto Auction by **August 1, 2004**, where they will be inventoried and categorized. A silent and live auction catalog will be compiled and printed. Paperwork and display boards for each item will be completed prior to the convention. Items will be transported to the convention hall in Nashville by September 28, 2004. If for some reason you decide your item is too large (i.e., size) or is unmailable, please contact Barbara or Jim so they can make suitable arrangements. Their contact information is:

Harrisonburg Auto Auction,
PO Box 1086 (Mail),
3560 Early Road (Physical),
Harrisonburg, VA 22801
phone: 800-454-5991
e-mail: jim.wheatley@cox.com
barbara.wheatley@cox.com

DO I NEED TO FILL OUT AN ITEM DESCRIPTION SHEET?

Yes! An item description sheet is attached. One sheet will need to be completed by the donor for each item donated. This should accompany your item when you send it in. For non-tangible items such as trips and vacations, perishable items, vehicles, tickets to sporting or recreational events, or any other item that cannot be physically displayed, please return the description sheet only, giving a detailed description and photo (or other display materials) that will visually describe the item. The description sheets for non-tangible items will be attached to a gift certificate and presented to the buyer upon payment.

HOW ELSE CAN I HELP THE SCHOLARSHIP FOUNDATION?

Two ways: We are establishing a memorial fund within the Scholarship Foundation for those who prefer to make tax-deductible cash contributions as a remembrance of individuals in the auction industry or others. Second, we need your bids at the silent and live auctions! Items purchased may be paid for by cash, checks, VISA or Mastercard. Receipts will be given to support all transactions. The auction catalog will provide complete details.

ARE MY CONTRIBUTIONS TAX-DEDUCTIBLE?

Yes. We have created a new charitable corporation, the National Auto Auction Association Scholastic Foundation, Inc. (the "Foundation") which has applied for tax exemption as a charity under Section 501(c)(3) of the Internal Revenue code. Assuming that the "Foundation" achieves Section 501(c)(3) tax exempt status, contributions made to the Foundation will be deductible for federal income tax purposes to the full extent allowed by law.

DONATION IDEAS

Art – All types such as framed/unframed, signed and numbered prints, paintings, sculpture, **etc.**

Celebrity/Political Memorabilia – Pictures, clothing, or other items that have been autographed by celebrities or political figures, **etc.**

Entertainment – Plays, operas, concerts, **etc.**

Exhibitors' Contributions – Items contributed by convention exhibitors.

Home and Garden – Garden statues, garden equipment, silver, crystal, china, pottery, hand-made items (quilts, needlework, baskets), **etc.**

Hotels/Resorts – Packages offered by your favorite hotel or resort (a weekend or longer), **etc.**

Jewelry – All types.

Miscellaneous – Airline tickets or transfer of frequent flyer points. Be imaginative. Think of something clever, new and irresistible that the buyer just has to have.

Personal Services – Gift certificates for personal services, use of vehicles, palm pilots, DVD's, **etc.**

Sporting Events – NASCAR, baseball games (i.e., World Series), football games (i.e., Super Bowl), basketball games (i.e., Final Four), golf tournaments (i.e., Masters, US Open), tennis tournaments (i.e., US Open), **etc.**

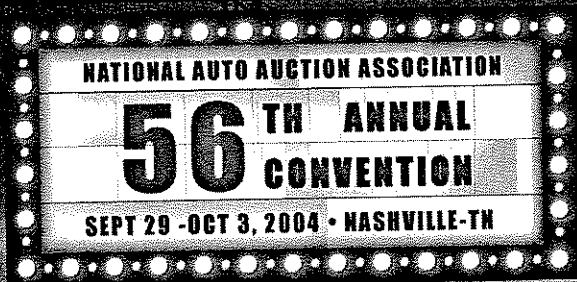
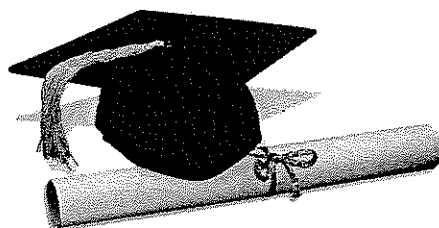
Sport Memorabilia/Equipment – Pictures, jerseys, shirts, bats, balls, hats, golf equipment, or other items that have been autographed by sports figures. Also, new sporting equipment such as golf bags, sports bags, **etc.**

Vacation/Recreational Packages – Use of time share units, vacation homes/condos, beach/mountain/golf resorts, **etc.**

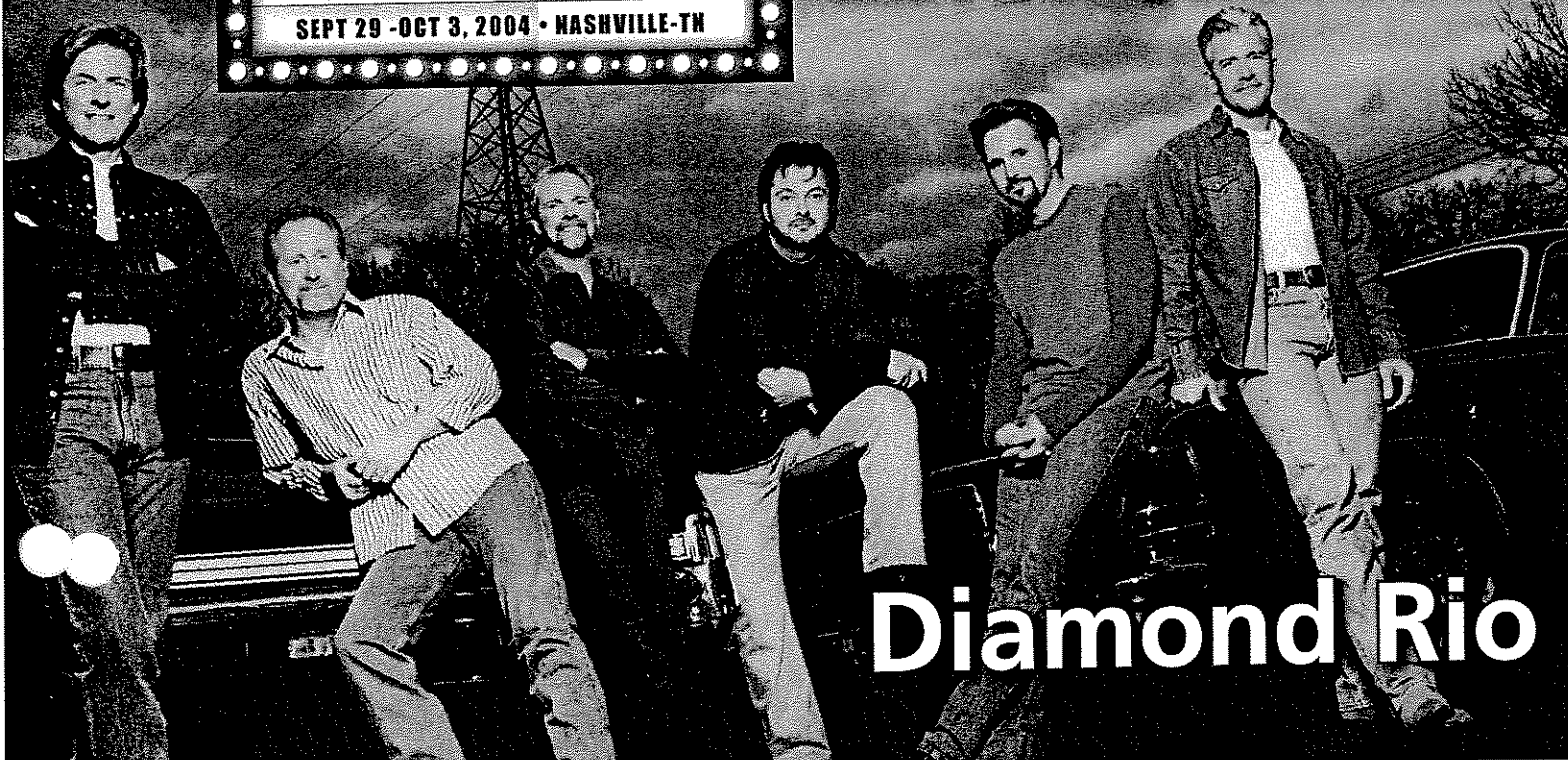
Reminder—these are suggestions only. We encourage you to be creative and come up with some great items! (*Auction monogrammed articles and apparel are not recommended.*)



National Auto Auction Association
5320-D Spectrum Drive
Frederick, MD 21703



**Live in concert,
Saturday October 2, 2004
Award Winning Vocal Group . . .**



Diamond Rio

Tax Info



Assuming that the National Auto Auction Association Scholastic Foundation, Inc. (the "Foundation") achieves Section 501(c)(3) tax exempt status, contributions made to the Foundation will be deductible for federal income tax purposes to the full extent allowed by law.

And remember...

Items purchased at the live and silent auction make great business giveaways. Use them in your in-house marketing projects. Give them as employee incentive rewards.

National Auto Auction Association
5320-D Spectrum Drive
Frederick, MD 21703
Phone: 301-696-0400
www.naaa.com

Create futures and change lives

National Auto Auction Association



Auction for the Benefit of the NAAA Scholastic Foundation, Inc.

Silent Auction
Thursday, September 30
4:00pm to 6:00pm

Friday, October 1
7:30 am to 4:00pm

Saturday, October 2
8:00 am to 11:00 am

Live Auction
Thursday, September 30,
Opening Reception

Friday, October 1, at 12 noon
Opening Ceremony & Luncheon

Friday, October 1
Evening Sponsored Event

Exhibition Hall
Opryland Hotel
Nashville, TN

Objective

The objective of the National Auto Auction Association Scholastic Foundation, Inc. Auction is to raise sufficient funds to underwrite up to twelve scholarships per year and to establish an endowment fund for future scholarships.

Scholarships will be awarded to full-time employees of member auctions, their children and grandchildren, who have completed high school, are in their senior year of high school, or are already in a full time undergraduate course of study. Consideration will be by need or merit, and will be judged by an outside evaluation committee.

Your support at our silent and live auction will make these goals a reality to some very deserving people.

Please take this opportunity to donate your efforts to benefit deserving children and employees.

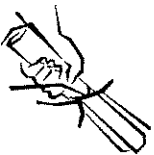
Don't miss the opportunity to be part of this first-time event sponsored by the National Auto Auction Association.

Categories

The following are suggested categories for donated items. They are suggestions only. Use your imagination.

Think BIG!

- ★ Art
- ★ Celebrities/Political Memorabilia
- ★ Entertainment
- ★ Exhibitors' Contributions
- ★ Home and Garden
- ★ Hotels/Resorts
- ★ Jewelry
- ★ Personal Services
- ★ Sporting Events
- ★ Sports Memorabilia and Equipment
- ★ Vacations/Recreational Packages
- ★ Miscellaneous



National Auto Auction Association
Scholastic Foundation, Inc.
5320 Spectrum Drive, Suite D
Frederick, Maryland 21703-7337
E.I.N.: 05-0604611
Form 1023
Exhibit V

**Answer in Response to
Question Nos. 4(a) and (b), Part II**

(a) Board of Trustees and Officers

Board of Trustees:

Mr. Jimmy Compton
Manheim's Arena Auto Auction Association
200 West Old Chicago Drive
Bolingbrook, IL 60440

Mr. Raymond C. Nichols
BSCAmerica Auction Group
BSCPlaza Building – 802 Bel Air Road
Bel Air, MD 21014

Mr. Kenny Osborn
Adesa Golden Gate
18501 W. Stanford Road
Tracy, CA 95377

Mr. Henry Stanley
Carolina Auto Auction Association, Inc.
140 Webb Road
Williamston, SC 29697

Don DeVries
Greater Kalamazoo Auto Auction, Inc.
P.O. Box 697
Schoolcraft, MI 49087

Officers:

Mr. Tony Long
Airport Auto Auction Association
Airbase Road
Alcoa, TN 37701

President

Steven A. McConnaughey
National Auto Auction Association, Inc.
5320 Spectrum Drive, Suite D
Frederick, MD 21703-7337

Secretary/Treasurer

(b) No compensation shall be paid to the officers or trustees acting in their capacity as such, although the Bylaws authorize the payment of the expenses of trustees incurred in attending meetings of the Board of Trustees and allow the Board to authorize the payment of reasonable compensation to officers.

**National Auto Auction Association
Scholastic Foundation, Inc.
5320 Spectrum Drive, Suite D
Frederick, Maryland 21703-7337
E.I.N.: 05-0604611
Form 1023
Exhibit VI**

**Answer in Response to
Question No. 6, Part II**

In order to jump start the activities of the Foundation, the Association, which is an organization described in Section 501(c)(6) of the Internal Revenue Code will share its facilities, equipment, mailing lists, assets and certain of its employees with the Foundation at no charge to the Foundation.

**National Auto Auction Association
Scholastic Foundation, Inc.
5320 Spectrum Drive, Suite D
Frederick, Maryland 21703-7337
E.I.N.: 05-0604611
Form 1023
Exhibit VII**

**Answer in Response to
Question No. 10(b), Part II**

The Foundation will enter into an agreement with Scholarship Management Services, a program of Scholarship America which will administer the scholarship program and will serve as the independent selection committee. A copy of the Management Contract and Program Description is attached hereto as Exhibit VII-A.



Scholarship Management ServicesSM

A program of Scholarship America®

National Auto Auction Association Scholastic
Foundation, Inc.
5320 Spectrum Drive, Suite D
Frederick, Maryland 21703-7337
E.I.N.: 05-0604611
Form 1023
Exhibit VII-A

National Auto Auction Association Scholastic Foundation, Inc.
National Auto Auction Association Scholastic Foundation
Management Contract

This contract is entered into by and between National Auto Auction Association Scholastic Foundation, Inc. and Scholarship America, Inc. as of June 22, 2004.
Date

This contract will continue from year to year unless terminated by either party by giving 90 days written notice.

The program will be reviewed annually. Specific program changes may be negotiated between the two parties. Prior to the opening date of each new program year, Scholarship America will submit a program description and calendar to confirm guidelines for the conduct of the program. Program costs for awards and fees and a payment schedule will be submitted annually.

PROGRAM RESPONSIBILITIES

National Auto Auction Association Scholastic Foundation will assume responsibility for:

1. Specification of the eligibility guidelines for the National Auto Auction Association Scholastic Foundation,
2. Design, production, and distribution of application materials for the program. (Scholarship America may be requested to design and produce brochure/application)*,
3. Placement of application materials on association website,
4. Promotion of the scholarship program among the member group,
5. Verification of recipient eligibility, and
6. Providing the full amount of the scholarship distribution and management fee.
- ~~7. Scholarship America will assume responsibility for all other program functions including:~~

Scholarship America will assume responsibility for all other program functions including:

1. Management of the scholarship program according to the conditions outlined in the program description and in full compliance with IRS Revenue Procedure 76-47 if NAAA Scholastic Foundation is a private foundation,
2. Design and production of application materials as requested by NAAA Scholastic Foundation,
3. Receipt, acknowledgement, and processing of all application materials,
4. Evaluation of applications,
5. Selection and notification of recipients,
6. Notification of nonrecipients,
7. Confirmation of school enrollment,
8. Payment of awards to recipients' schools on behalf of National Auto Auction Association Scholastic Foundation and only to the extent that National Auto Auction Association Scholastic Foundation has advanced the money to Scholarship America,
9. Providing management reports to summarize program activity and results, and
10. All communication necessary for the smooth management of the scholarship program.



Scholarship Management ServicesSM

A program of Scholarship America®

National Auto Auction Association Scholastic Foundation, Inc.
Management Contract

Page Two

PROGRAM MONEYS

Scholarship America agrees that all moneys (excluding fees and expenses) received by it from National Auto Auction Association Scholastic Foundation, Inc. as Program moneys will be applied for the payment of scholarship awards pursuant to the terms of the Program.

The parties agree that no earnings are credited or returnable to National Auto Auction Association Scholastic Foundation, Inc. in connection with the holding of the Program moneys under this contract.

IN WITNESS WHEREOF, the parties have executed this contract on the day and date first written above.

Steve McConnaughey
Steve McConnaughey
Secretary/Treasurer
National Auto Auction Association
Scholastic Foundation, Inc.

Marilyn E. Rundell
Marilyn E. Rundell
Vice President
Scholarship America

Date Submitted: June 17, 2004



Scholarship Management ServicesSM

A program of Scholarship America®

2005

National Auto Auction Association Scholastic Foundation Program Description

THE PROGRAM

The program will be called the National Auto Auction Association Scholastic Foundation.

The sponsor will be National Auto Auction Association (NAAA) Scholastic Foundation, Inc.

ELIGIBILITIES

Applicants must be:

- Full-time U.S. or Canadian employees, employed as of the date of notification, of North American NAAA member auctions or Corporate offices (see Exhibit A) and their children and grandchildren. If employee becomes disabled, retires or dies during the application process their children or grandchildren are still eligible.
- High school seniors or graduates who plan to enroll or students who are already enrolled in a full-time undergraduate course of study at an accredited two- or four-year college or university or who are pursuing an auto-related degree at a vocational-technical school.

AWARDS

The program will utilize standard Scholarship America recipient selection procedures including the consideration of past academic performance and future potential, leadership and participation in school and community activities, work experience, statement of career and educational aspirations and goals, unusual personal or family circumstances, and an outside appraisal.

Financial need will not be considered.

Scholarship America will process only the first 200 applications received postmarked February 1 or earlier.

The authorized distribution for new awards is \$40,000 to be awarded \$10,000 per NAAA zone (see Exhibit A for zone definitions). Up to three (3) awards will be granted per zone--one award of \$2,000 for vocational-technical or two-year college students, two awards of \$4,000 each for four-year college (or its equivalent) students.

Awards are not to exceed the cost of tuition, fees, books and supplies.

Awards are not renewable; however, students may reapply to the program each year they meet eligibility requirements.

6/17/04



Scholarship Management ServicesSM

A program of Scholarship America®

Exhibit A NAAA Zones

EASTERN (INCLUDES CANADIAN

MEMBER AUCTIONS):

CONNECTICUT

MAINE

MARYLAND

MASSACHUSETTS

NEW JERSEY

NEW YORK

PENNSYLVANIA

RHODE ISLAND

CANADA MEMBER AUCTIONS

NATIONAL AUTO AUCTION ASSOCIATION **

BSCAMERICA AUCTION GROUP **

ADESA AUCTIONS CANADA CORP. **

MIDWEST

ILLINOIS

INDIANA

IOWA

MICHIGAN

MINNESOTA

OHIO

AUCTION BROADCASTING COMPANY LLC **

ADESA CORPORATION **

SOUTHERN:

ALABAMA

ARKANSAS

FLORIDA

GEORGIA

KENTUCKY

LOUISIANA

MISSISSIPPI

NORTH CAROLINA

SOUTH CAROLINA

TENNESSEE

VIRGINIA

WEST VIRGINIA

MANHEIM **

WESTERN:

ALASKA

ARIZONA

CALIFORNIA

COLORADO

HAWAII

IDAHO

KANSAS

MISSOURI

MONTANA

NEBRASKA

NEVADA

NEW MEXICO

NORTH DAKOTA

OKLAHOMA

OREGON

SOUTH DAKOTA

TEXAS

UTAH

WASHINGTON

WISCONSIN

WEST COAST AUTO AUCTIONS **

** Designates Corporate/Group Headquarters



Scholarship Management ServicesSM

A program of Scholarship America[®]

2005

National Auto Auction Association Scholastic Foundation Calendar for Implementation

2004

- June 17 Scholarship America submits contract to National Auto Auction Association (NAAA) Scholastic Foundation for approval together with invoice for 2/3 estimated management fee.
- NAAA Scholastic Foundation signs contract with Scholarship America for management of the program and makes initial payment of 2/3 estimated management fee.
- October After results of silent auction are known, NAAA Scholastic Foundation finalizes program and notifies Scholarship America.
- November Scholarship America drafts application materials and sends to NAAA Scholastic Foundation for review.
- Approval of application materials.
- Preparation of application materials.
- December Installation of application materials on NAAA website.
- NAAA Scholastic Foundation publicizes the program.

2005

- February 1 Application postmark deadline.
- March 15 Scholarship America notifies NAAA Scholastic Foundation of award recipients.
- March 20 NAAA Scholastic Foundation verifies eligibility.
- March 25 Scholarship America sends congratulatory letters to student recipients with a return mailer for verifying enrollment, and parent employment.
- Scholarship America notifies nonrecipients.
- April Scholarship America provides program summary and management reports and sends invoice for scholarship awards and remainder management fee to NAAA Scholastic Foundation.
- NAAA Scholastic Foundation forwards check to Scholarship America for total amount of scholarship awards and remainder management fee.
- August 15 Scholarship America mails first-half scholarship checks to students' schools. Checks are made payable to the institution for the student.
- December 30 Scholarship America mails second-half scholarship checks.

6/17/04



Scholarship Management ServicesSM

A program of Scholarship America[®]

2005
National Auto Auction Association Scholastic Foundation
Program Costs/Payment Schedule

	<u>Awards</u>	<u>Fees</u>
<u>PROGRAM COSTS</u>		
Amount of authorized new annual distribution	\$40,000	
Management fee (For this fee Scholarship America will process up to 105 applications. A screening fee of \$10 each will be charged for all applications received beyond 105. A maximum of 200 applications will be processed.)		\$2,520
Design fee and formatting for the scholarship program brochure and application (PDF format) transmitted electronically and ready to be posted on National Auto Auction association website		700
Design fee for flier		200
Total		\$43,420

PAYMENT SCHEDULE

Due Scholarship America at the time contract is signed		
2/3 management fee ($\$2,520 \times 2/3$)		\$1,600
Design fee and formatting of brochure and application and transmitting electronically		700
Design fee for flier		200
Due Scholarship America at scholarship program conclusion		
Remainder management fee		920
Amount of award distribution	\$40,000	
Total		\$43,420

6/17/04

**National Auto Auction Association
Scholastic Foundation, Inc.
5320 Spectrum Drive, Suite D
Frederick, Maryland 21703-7337
E.I.N.: 05-0604611
Form 1023
Exhibit VIII**

**Answer in Response to
Question No. 12(b), Part II**

The benefits of the scholarship program will be limited to full time employees and the children and grandchildren of full-time employees of Canadian and U.S. members of the Association or affiliated Corporate offices who meet certain eligibility requirements and who are selected by an independent selection committee.

**National Auto Auction Association
Scholastic Foundation, Inc.
5320 Spectrum Drive, Suite D
Frederick, Maryland 21703-7337
E.I.N.: 05-0604611
Form 1023
Exhibit IX**

**Answer in Response to
Question No. 1(a) and (c), Schedule H**

Response to 1(a)

The Foundation will award scholarships as gifts to deserving students for study at an accredited two-year or four-year college or university or for pursuit of an auto related degree at a vocational-technical school. The Organization expects to award a total of twelve scholarships, eight of which will be in the amount of \$4,000 each for four-year students and four of which will be in the amount of up to \$2,000 for vocational-technical or two-year students. Scholarships will not be renewable, but recipients may reapply for new scholarships in any year that they remain eligible.

The availability of the scholarships will be publicized on the Association's website and through various written communications with the Association's members and affiliated Corporate offices, including at meetings, via faxes and e-mails, brochures, newsletters and trade publications. All publicity concerning the scholarship program will make it clear that the Foundation is the grantor of the scholarships. A sample copy of the application the Foundation will require individuals to complete to be considered for a scholarship is attached hereto as Exhibit IX-A.

Response to 1(c)

The scholarship program will be established and operated in accordance with the guidelines set forth in Rev. Proc. 76-47, 1976-2 C.B. 670 as modified by Rev. Proc. 85-51, 1985-2 C.B. 717 and will be administered by Scholarship Management Services, a program of Scholarship America, pursuant to such guidelines. A copy of a Preliminary Program Description is attached hereto as Exhibit VII-A.

Scholarship America (formerly known as Citizens Scholarship Foundation of America, Inc.) is recognized as exempt from federal income tax as an organization described in section 501(c)(3) of the Code. Copies of letters from the Internal Revenue Service (the "Service") regarding its Scholarship Management Services program are attached hereto as Exhibit IX-B. The letters state that the Service will approve by ruling letter a request for advance approval of grant procedures under section 4945(g)(1) of the Code to any private foundation which requests approval of such procedures, by notifying the Service that it intends to participate in the corporate scholarship program described therein. The Foundation hereby notifies the Service that it intends to participate in this scholarship program.

The scholarship program will meet the seven conditions described in Rev. Proc. 76-47, supra, as well as one of the percentage tests as described in detail below:

Inducement

The scholarship program will not be used either to recruit new employees or to induce employees to continue their employment with the members of the Association. The program was not created as the result of a collective bargaining agreement.

Eligibility

The scholarship program will be open to those high school seniors or graduates who plan to enroll or students who are already enrolled in a full time undergraduate course of study at an

accredited two or four year college or university; or who are pursuing an auto-related degree at a vocational-technical school. As a prerequisite for eligibility, at the time the application is made and at the time that the scholarship is granted, the applicant or the applicant's parent or grandparent must be employed full time by a Canadian/U.S. member auction or Corporate office (except for death, disability or retirement between the application date and scholarship grant date). All applicants must meet the minimum admissions standard of an educational institution described in Section 1701(b)(1)(A)(ii) of the Internal Revenue Code of 1986, as amended (the "Code") and must reasonably be expected to attend an educational institution. All eligible applicants will be considered without regard to race, sex, religion or national origin. Only the first 200 applications received postmarked February or earlier will be processed.

Selection Committee

Scholarship applications will be evaluated and the scholarship recipients will be chosen by an independent selection committee (Scholarship America). The selection committee will be composed entirely of persons independent of the Association and the Foundation. No relatives of the Board of Trustees will serve as members of the selection committee, nor will any current or former employee of the Foundation, the Association or any member or Corporate office of the Association serve on the selection committee.

Objective Basis of Selection

The scholarship recipients will be selected by the scholarship committee based solely on objective standards related to the purposes of the scholarship and will not, except for initial eligibility requirements, be based on the employment of the applicant's parents or the line of business of the Association's members or the affiliated Corporate offices.

Each applicant must submit a completed application form. The applicants will be evaluated on objective standards such as past academic performance and future potential, leadership and participation in school and community activities, work experience, statement of career and educational aspirations and goals, unusual personal or family circumstances and an outside appraisal.

Initially and subject to the availability of funds, the Board of Trustees has authorized the distribution of awards in the amount of \$40,000 per year, to be awarded \$10,000 per geographical zone (See Exhibit A to the Preliminary Program Description attached hereto as Exhibit VII-A). Up to 3 awards will be granted per zone, one award of \$2,000 (for vocational-technical or two year students) and two awards of \$4,000 each for four year students. In the future, the number and amount of the scholarship awards may change to reflect the resources available to the Foundation. The scholarship committee will select the scholarship recipients from among the finalists subject to the applicable percentage test set forth in Rev. Proc. 76-47, supra.

Employment.

Once a scholarship is awarded, the scholarship will not be revoked or terminated in the event the recipient or the recipient's parent or grandparent (as applicable) terminates employment with the member of the Association or the affiliated Corporate office. If the applicant or the applicant's parent or grandparent ceases to be a full time employee of an Association's member or affiliated Corporate office between the application date and the grant award date because of disability, retirement or death, the applicant will continue to be eligible for a scholarship. At the time scholarships are awarded, there will be no express or implied suggestion, condition or

requirement that the recipient or recipient's parent or grandparent, as applicable, render future employment services.

Course of Study and Other Objectives.

Scholarship recipients are free to select any course of study that they may choose at an accredited two- or four-year college or university or auto-related vocational-technical school and accordingly may pursue their educational studies solely for their personal benefit. The Foundation will not impose any conditions upon the award of the grant.

Percentage Test.

The Foundation's scholarship program will comply with either the twenty-five (25) or ten (10) percent percentage tests. The Foundation anticipates that it will meet the 25 percent percentage test and that it will take steps to publicize adequately the scholarship program in order to ensure that the maximum number of applications from eligible applicants are received.

In the event the 10 percent test is used, the Foundation will undertake a survey to determine the number of full-time employees, and children or grandchildren of full-time employees that can be shown to be eligible for grants, whether or not they submitted an application in that year. Such survey will be conducted through a questionnaire provided to all eligible employees to obtain an actual count of eligible employees and their children or grandchildren who meet the minimum standard for admission to an educational institution during a year for which the scholarships are available.

Because of the necessity to comply with one of the percentage tests, the Foundation recognizes that the number of scholarships that can be awarded in any year may fluctuate from year to year.

Compliance with Regulations Governing Scholarship Programs.

The recipient of each scholarship will be responsible for determining whether all or part of the scholarship is includible in his or her gross income under Section 117 of the Code. The Foundation will advise each recipient that scholarship grant amounts will be taxable income to the recipient if the aggregate scholarship amounts received by the recipient exceed (1) tuition and fees (not including room and board) required for enrollment or attendance at the educational institution and (2) fees, books, supplies and equipment required for courses of instruction.

The Foundation will comply with Treas. Reg. §53.4945-4(c) with respect to the supervision of scholarship and fellowship grants and the retention of records requirements. Specifically, the Foundation will pay the scholarship award directly to a qualified educational institution as described in Section 170(b)(1)(A)(ii) of the Code prior to the commencement of the school term upon notice that the scholarship recipient has been accepted for enrollment at that institution and has undertaken the necessary steps to enroll. The Foundation will request each educational institution, which receives a scholarship award to be used for the benefit of one of the Foundation's scholarship recipients, to apply the proceeds of the award first to defray tuition and fees and to apply the balance to books, supplies and equipment, to the greatest extent possible.

The Foundation will maintain records and supervise the scholarship and fellowship grants pertaining to all grants to individuals as required by Treas. Reg. §53.4945-4(c)(6). Specifically, the Foundation will require the selection committee to forward to the Foundation's Trustees all applications and supporting documentation received each year which the Trustees will cause to be filed and retained with the Foundation's records. In addition, the Foundation's Trustees will

verify the identification of each scholarship recipient and will make certain that no recipient is a disqualified person within the meaning of Section 4946(a) of the Code. The Foundation will keep a file under the name of each scholarship recipient containing the following materials: the original application, recommendations and supporting documentation as required by the application, correspondence and documentation concerning enrollment and evidence of good standing from the educational institution and a certified copy of a transcript for each academic year (in cases where a recipient seeks to re-apply for a scholarship award); ledger records showing the amount of the award and the date paid to an educational institution and the purpose of the award. The Foundation will maintain records to ensure its compliance with either the 25 percent or 10 percent percentage test under Rev. Proc. 76-47, supra, as modified by Rev. Proc. 85-51, supra.

Demo Scholarship Program

National Auto Auction Association Scholastic
Foundation, Inc.
5320 Spectrum Drive, Suite D
Frederick, Maryland 21703-7337
E.I.N.: 05-0604611
Form 1023
Exhibit 13-A

OR PRINT ALL INFORMATION EXCEPT SIGNATURES

Neatness and neatness ensure your application will be reviewed properly.

Application postmark deadline February 15
(Note: All materials must be postmarked by the application deadline.)

FOR
SCHOLARSHIP
AMERICA USE
ONLY

I.D. #	AA	PD	RIC/CS	GPA	SATV	SATM	ACTE	ACTM	TOTAL

APPLICANT
DATA

Last name _____ First _____ Middle initial _____
Permanent home mailing address _____ Apartment # _____
City _____ State _____ Zip code _____
Telephone (_____) _____ E-mail address _____
Social Security number _____ Date of birth: Month _____ Day _____ Year _____
Please indicate your status. (For statistical purposes only) ☐ Male ☐ Female
☐ American Indian /Alaska Native ☐ Black/African American ☐ Multi-Racial ☐ White
☐ Asian ☐ Hispanic/Latino ☐ Native Hawaiian/Pacific Islander

EMPLOYEE
PARENT
OR
GUARDIAN
INFORMATION

Last name _____ First _____ Middle initial _____
Social Security number _____ Work telephone (_____) _____
Fax number (_____) _____ E-mail address _____
Job Title _____ Department _____
Division/Subsidiary _____ City _____ State _____
Relationship to applicant _____ Is the applicant a dependent of the employee? ☐ Yes ☐ No

HIGH
SCHOOL
DATA

School name _____ High school graduation date: Month _____ Year _____
City _____ State _____ Telephone (_____) _____

POST-
SECONDARY
SCHOOL
DATA

Name of post-secondary school you plan to attend. (If unknown, please list in order of preference the schools to which you have applied.)
Use official school names. Do not use abbreviations.

City _____ State _____

City _____ State _____

☐ 4 yr. college or university ☐ 2 yr. community or junior college
☐ Vocational-Technical school ☐ Other, explain _____

Year in school next year: 1 2 3 4 5 or graduate study

Major or course of study _____ Expected college graduation date: Month _____ Year _____

Degree sought: ☐ Bachelor ☐ Associate ☐ Certificate ☐ Other _____

Student will: ☐ live on campus ☐ live off campus ☐ commute from home

If school choice is a public institution, applicant will pay: ☐ in-state resident tuition ☐ out-of-state tuition

If space provided in any section is inadequate, you may continue on additional sheets of paper using the same format. DO NOT repeat information already reported on the application form. Your name, address and name of this scholarship program should be included on all attachments.

EXPERIENCE

Describe your work experience during the **past four years** (e.g., food service, babysitting, lawn mowing, office work). Indicate dates of employment for each job and approximate **number of hours worked** each week. List amounts earned at each job.

Employer/Position	From - Mo/Yr	To - Mo/Yr	Hours per week	Amount earned

ACTIVITIES, AWARDS AND HONORS

List all school activities in which you have participated during the **past four years** (e.g., student government, music, sports, etc.). List all community activities in which you have participated without pay during the **past four years** (e.g., Boy/Girl Scouts, hospital volunteer, Special Olympics). Note all special awards, honors and offices held. **Indicate whether high school or college activities.**

Activity	No. of years partic.	Special awards, honors	Offices held	Activity	No. of years partic.	Special awards, honors	Offices held

GOALS AND ASPIRATIONS

Make a brief statement or summary of your plans as they relate to your educational and career objectives and long-term goals.

UNUSUAL CIRCUMSTANCES

Please describe how and when any unusual family or personal circumstances have affected your achievement in school, work experience, or your participation in school and community activities.

PARENTS' FINANCIAL DATA

The Demo Corporation employee must complete this portion of the application. This data will be used to determine the award amount if applicant is selected as a recipient. Adjusted gross income and total federal income tax amounts should be from parents' most recently filed tax return. **If this section is not completely filled out, the student will be considered for a minimum award only.**

State of residence

Adjusted gross income (Form 1040)..... \$

Total federal tax paid (Form 1040)..... \$
(Not the amount withheld from paychecks)

Total income of father \$

Total income of mother \$

Yearly untaxed income and benefits:

Please indicate source -

☐ Social Security ☐ AFDC ☐ Child Support,
☐ Other\$

Medical and dental expenses not paid by insurance (exclude premiums).....\$

Total cash, checking, savings, and cash value of stocks (exclude retirement plan funds, IRA, 401k) \$

Total number of family members living in the household and primarily supported by the reported income..... #

Marital status of employee parent or guardian:

☐ Married ☐ Divorced ☐ Separated ☐ Widowed ☐ Single

Total number of family members attending college at least half-time during the next school year, including applicant..... #

OTHER

Please list the name and annual amount of any grants or scholarships you have been awarded for the coming school year only.

Name of award:	School to which award will be applied:	Amount	Check one
_____	_____	\$ _____	<input type="checkbox"/> Granted <input type="checkbox"/> Pending
_____	_____	\$ _____	<input type="checkbox"/> Granted <input type="checkbox"/> Pending

**APPLICANT
APPRAISAL
RED)**

Student Applicant: This section is required and must be completed in the format provided. If incomplete, your application will not be evaluated. The section is to be completed by a high school or college counselor or advisor, an instructor, or a work supervisor who knows you well.

Adult Appraiser: You have been asked to provide information in support of this application. Please give immediate and serious attention to the following statements. When complete, please return to applicant. If you prefer, photocopy this section and return to applicant in a sealed envelope. A letter of recommendation does not replace this section.

The applicant's choice of a post-secondary educational program is	<input type="checkbox"/> extremely appropriate	<input type="checkbox"/> very appropriate	<input type="checkbox"/> moderately appropriate	<input type="checkbox"/> inappropriate
The applicant's achievements reflect his/her ability	<input type="checkbox"/> extremely well	<input type="checkbox"/> very well	<input type="checkbox"/> moderately well	<input type="checkbox"/> not well
The applicant's ability to set realistic and attainable goals is	<input type="checkbox"/> excellent	<input type="checkbox"/> good	<input type="checkbox"/> fair	<input type="checkbox"/> poor
The quality of the applicant's commitment to school and/or community is	<input type="checkbox"/> excellent	<input type="checkbox"/> good	<input type="checkbox"/> fair	<input type="checkbox"/> poor
The applicant is able to seek, find and use learning resources	<input type="checkbox"/> extremely well	<input type="checkbox"/> very well	<input type="checkbox"/> moderately well	<input type="checkbox"/> not well
The applicant demonstrates curiosity and initiative	<input type="checkbox"/> extremely well	<input type="checkbox"/> very well	<input type="checkbox"/> moderately well	<input type="checkbox"/> not well
The applicant demonstrates good problem-solving skills, follows through and completes tasks	<input type="checkbox"/> extremely well	<input type="checkbox"/> very well	<input type="checkbox"/> moderately well	<input type="checkbox"/> not well
The applicant's respect for self and others is	<input type="checkbox"/> excellent	<input type="checkbox"/> good	<input type="checkbox"/> fair	<input type="checkbox"/> poor

Comments: _____

Appraiser's name _____ Title _____ Telephone (_____) _____

Signature _____ Organization _____ Date _____

**TRANSCRIPT
INFORMATION**

An official transcript of grades **must** be sent with this application. Online transcripts and grade reports are not acceptable.

- Students currently or previously enrolled in college or vocational-technical school must** include all college or vocational-technical transcripts of grades from each school attended. (Completion of this section is not necessary.)
- High school seniors and students who have completed less than one full quarter or semester of post-secondary education must** include a high school transcript of grades and have this section completed by the appropriate school official. **(A clear explanation of the school's grading scale must also be submitted.)**

Applicant ranks _____ in a class of _____	Cumulative grade point average		PSAT		SAT 1		ACT	
	Weighted: _____ /4.0 scale		Verbal	Math	Verbal	Math	English	Math
	Unweighted: _____ /4.0 scale							

School official's signature _____ Date _____ Title _____ Telephone (_____) _____

School official's address: Street _____ City _____ State _____ Zip code _____

**APPLICATION
CHECKLIST**

The student is responsible for submitting all materials to Scholarship America on time. Incomplete applications will not be evaluated. This application becomes complete and valid only when Scholarship America has received all of the following materials:

- ☐ Student application with completed applicant appraisal
 - ☐ Current complete transcript(s) of grades (including grading scale)
- Online transcripts are not acceptable.

All materials, including transcript, must be addressed to:

Demo Scholarship Program
Scholarship America
One Scholarship Way, P.O. Box 297
Saint Peter, MN 56082

Postmark deadline February 15

CERTIFICATION

Scholarship America has the sole responsibility for selecting recipients based on the criteria as set forth in the program's information and guidelines. This application becomes the property of Scholarship America. (It is recommended that you keep a copy for your files.)

I acknowledge decisions of Scholarship America are final. I certify that I meet the basic eligibility requirements of the program as described in the information and guidelines and that the information provided is complete and accurate to the best of my knowledge. If requested, I agree to provide proof of information I have given on this form, including a copy of my U.S. income tax return. Falsification of information may result in termination of any scholarship granted.

Applicant's signature _____ Date _____

Employee's signature _____ Date _____

INSTRUCTIONS FOR COMPLETING THE FINANCIAL DATA SECTION OF THE APPLICATION

The Financial Data section of the application must be completed by the employee. Information should be from a completed tax return or based on estimated information to be filed with the IRS.

State of residence is the state where the parent resides and pays state income tax.

Adjusted gross income can be found on IRS Form 1040 and is gross income reduced by specific adjustments allowed by law.

Total federal tax paid includes the total amount of **federal** income tax to be paid as reported on IRS Form 1040. This is **not** the amount withheld from employee paychecks. (The amount withheld should be adjusted by any refund or additional taxes due.) **Do not** report state income tax.

Total income earned should be reported individually for both parents. If the student resides with only one parent, Scholarship America prefers to receive financial information from both natural parents, when possible. Financial information **must** be received from the Demo Corporation employee and from the parent who claims the child as a dependent for tax purposes. If a parent has remarried, the spouse's information is required if the spouse is a legal guardian of the student, or claims the student as a dependent, or the student is included in the spouse's benefit plan. If necessary, two Financial Data sections may be made in order for one to be completed by each parent.

Untaxed income and benefits include any other income or benefits not included in the adjusted gross income figure. Do not include untaxed contributions to retirement plans.

Medical and dental expenses include only those expenses not paid by insurance. Do not include premium payments.

Total cash, checking, savings, cash value of stocks, etc., include liquid assets that can be used for educational expenses. **Not** included are IRA, 401(k) or other retirement plan funds.

Total number of family members are persons living in the household and primarily supported by the reported income, including dependent college students living away from home.

Be sure to check the appropriate box giving the current marital status of the parents from whom the financial information is submitted. Include the total number of all family members attending post-secondary school at least half-time. (Post-secondary includes any two- or four-year college or vocational school.) Be sure to include the applicant in this number.

NOTE: Any exceptions to providing financial information as instructed above must be submitted to Scholarship America in writing.

National Auto Auction Association Scholastic
Foundation, Inc.
5320 Spectrum Drive, Suite D
Frederick, Maryland 21703-7337
E.I.N.: 05-0604611
Form 1023
Exhibit IX-B

Internal Revenue Service

Department of the Treasury

Washington, DC 20224

Citizens Scholarship
Foundation of America, Inc.
One South Street
Concord, NH 03301

Person to Contact:
Y. Gedalowitz
Telephone Number:
(202) 566-4234
Refer Reply to:
E:EO:T:R:2-4
Date:

1 MAY 1979

Ladies and Gentlemen

This is in reference to your letter of April 11, 1979 which together with prior documents explains the procedures a private foundation will use when making educational grants in conjunction with your "Corporate Scholarship Program." You requested that we issue you an information letter concerning the effect that participation in your program will have on private foundations.

Citizens Scholarship Foundation of America, Inc. (CSFA) was formed to encourage citizen support of higher education. In furtherance of its purposes CSFA operates "Dollars for Scholars" programs whereby local groups support local scholarship programs. In 1972, CSFA was granted recognition of exemption under section 501(C)(3) of the Internal Revenue Code of 1954 and classified as other than a private foundation under sections 509(a)(1) and 170(b)(1)(A)(vi).

CSFA has submitted a proposed plan to administer employer-related scholarship programs on behalf of any participating private foundation. Under the plan, a private foundation will make an annual contribution to CSFA to fund scholarships which will be awarded by CSFA to children of employees of the particular employer to which the program relates. CSFA will prepare and furnish application forms; receive all application material directly; process and evaluate all applications; determine the recipients and amount to be awarded; notify the recipients of the award; confirm employment relationship and enrollment in an educational institution; make payment of the award, and supervise and investigate the use of the grant funds by the recipients in their educational programs. Recipients are determined solely by CSFA utilizing selection criteria based on an analysis of detailed information whereby each candidate is evaluated based on the following: Scholastic aptitude as measured by performance on the scholastic aptitude test; scholastic performance measured by rank in class; counselor appraisal; and interests, activities and leadership contributions. In addition, financial need is taken into consideration.

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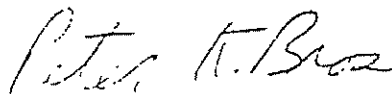
Citizens Scholarship
Foundation of America, Inc.

The scholarships will not be used as a means of inducement to recruit employees nor will a grant be terminated if the employee leaves the company. Scholarships will only be awarded to students that plan to enroll in an institution that meets the requirements of section 170(b)(1)(A)(ii). The recipient will not be restricted in his course of study. CSFA will supply statistical information on applications received and grants made, to each participating private foundation which will enable the foundation to maintain the records required by Revenue Procedure 76-47, 1976-2 C.B. 670. Each private foundation enrolled in the program will agree that its CSFA scholarship program will meet the requirements of Rev. Proc. 76-47, including the percentage test of section 4.08. Those private foundations that wish to meet the 10% test will undertake a survey to determine the number of employee's children that can be shown to be eligible for grants, whether or not they submitted an application, in a year. The survey method for satisfying the 10 percent test will be acceptable provided that it is conducted through a questionnaire to employees or employees' children that obtains an actual count of employees' children who meet the minimum standard for admission to an educational institution for which grants are available, and who plan to attend such educational institution during a year for which the grants are available.

Private foundations that make grants to individual under an employer related scholarship program must obtain approval of such programs under section 4945(g)(1) of the Code and conform to guidelines set forth in Rev. Proc. 76-47 so that such grants do not constitute taxable expenditures under section 4945(d)(3). This information letter is intended to assure you that the Internal Revenue Service will approve by ruling letter a request for advance approval of grant procedures under section 4945(g)(1) of the Code to any private foundation which requests approval of procedures, by notifying the Service that it intends to participate in the CSFA Corporate Scholarship Program described in this letter.

In addition, private foundations would be required to ensure compliance with the percentage tests under Rev. Proc 76-47 in the aggregate with respect to their other scholarship programs available to the same individuals. Finally, questionnaires used to comply with the 10 percent test of Rev. Proc. 76-47 which deviate from the one described in this letter should be submitted to the Service.

Sincerely yours,



Peter K. Bros
Chief, Rulings Section 2
Exempt Organizations
Technical Branch

Internal Revenue Service

Department of the Treasury

Washington, DC 20224

Citizens' Scholarship Foundation
of America, Inc.
1505 Riverview Road
P. O. Box 297
St. Peter, MI 56082

Person to Contact: David Daume

Telephone Number: (202) 622-8029

Refer Reply to: CP:E:EO:R:2

Date: AUG 9 1994

Dear Sir/Madam:

This is in reference to your letter of March 18, 1994, requesting an amendment to our letter dated May 1, 1979, to include the approval of the rounding convention in measuring the compliance by participating private foundations, in the Citizens' Scholarship Foundation of America's Corporate Scholarship Program, with the 25 percent test in section 4.08 of Rev. Proc. 76-47, 1976-2 C.B. 670.

You were formed to encourage citizen support of higher education. In 1972, you were granted recognition of exemption under section 501(c)(3) of the Internal Revenue Code and classified as other than a private foundation under sections 509(a)(1) and 170(b)(1)(A)(vi). On May 1, 1979, the Service issued a ruling assuring you that the Service will approve by ruling letter a request for advance approval of grant procedures under section 4945(g)(1) of the Code to any private foundation which requests approval of procedures, by notifying the Service that it intends to participate in the Program as described in our ruling letter dated May 1, 1979.

The Service approved your program to administer employer-related scholarship programs on behalf of any participating private foundation. Under the Program, a private foundation will make an annual contribution to you to fund scholarships which will be awarded by you to children of employees of the particular employer to which the program relates. You will prepare and furnish application forms; receive all application material directly; process and evaluate all applications; determine the recipients and amount to be awarded; notify the recipients of the award; confirm employment relationship and enrollment in an educational institution; make payment of the award, and supervise and investigate the use of the grant funds by the recipient in their educational programs. Recipients are determined solely by you utilizing selection criteria based on an analysis of detailed information whereby each candidate is evaluated based on the following: scholastic aptitude as measured by performance on the scholastic aptitude test; scholastic performance measured by rank

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Citizens' Scholarship Foundation
of America, Inc.

in class; counselor appraisal; and interests, activities and leadership contributions. In addition, financial need is taken into consideration.

The scholarships will not be used as a means of inducement to recruit employees nor will a grant be terminated if the employee leaves the company. Scholarships will only be awarded to students that plan to enroll in an institution that meets the requirements of section 170(b)(1)(A)(ii). The recipient will not be restricted in his course of study. You will supply statistical information on applications received and grants made, to each participating private foundation which will enable the foundation to maintain the records required by Rev. Proc. 76-47. Each private foundation enrolled in the program will agree that its scholarship program will meet the requirements of Rev. Proc. 76-47, including the percentage test of section 4.08. Those private foundations that wish to meet the 10% test will undertake a survey to determine that the number of employee's children that can be shown to be eligible for grants, whether or not they submitted an application, in a given year. The survey method for satisfying the 10 percent test will be acceptable provided that it is conducted through a questionnaire to employees or employees' children that obtains an actual count of employees' children who meet the minimum standard for admission to an educational institution for which grants are available, and who plan to attend such educational institution during the year for which the grants are available. Private foundations that make grants to individuals under the Program must obtain approval from the Service of such programs under section 4945(g)(1) of the Code and conform to guidelines set forth in Rev. Proc. 76-47 so that such grants do not constitute taxable expenditures under section 4945(d)(3).

You would like to amend the May 1, 1979, letter to include the following rounding convention:

In any year during which at least 16 eligible applicants have submitted applications, the maximum number of grants which may be awarded shall be computed by dividing the total number of eligible applicants by 4; provided, however, that if the resulting quotient is a compound number consisting of an integer and either $1/2$ or $3/4$, then the quotient shall be rounded upward to the nearest integer, which integer shall constitute the maximum number of grants which may be awarded that year.

You intend to apply the rounding convention to any present or future private foundation participating in the Program that

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Citizens' Scholarship Foundation
of America, Inc.

has at least 16 eligible applicants in any year for scholarship grants. The proposed rounding convention will not substantially increase the probability that a grant will be available to any eligible applicant beyond that contemplated under the 25 percent safe-harbor percentage test.

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" includes any amount paid or incurred by a private foundation as a grant to an individual for study or other similar purpose, except as provided in section 4945(g).

Section 4945(g)(1) of the Code provides that a grant to an individual for study that is made on an objective and nondiscriminatory basis pursuant to a procedure approved in advance by the Secretary is not a taxable expenditure under section 4945(d)(3) if it is demonstrated to the satisfaction of the Secretary or his delegate 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 in an educational institution described in section 170(b)(1)(A)(ii).

Rev. Proc. 76-47 sets forth guidelines for determining whether a grant made by a private foundation under an employer-related grant program to an employee or to a child of an employee of the particular employer to which the program relates is a scholarship or fellowship grant subject to the provisions of section 117(a) of the Code. Seven conditions which a private foundation must meet in order to obtain such approval are set forth in section 4.01 through 4.07. Section 4.08 of the Rev. Proc. further provides that a private foundation giving scholarship awards to children of employees of a related company must agree to limit these grants to 25 percent of all eligible applicants or 10 percent of all those known to be eligible in any given year.

You do not propose to award any minimum number of awards per year. The number of grants awarded annually under the program using rounding convention will primarily depend upon the number of actual applications. The use of the rounding convention will not substantially increase the probability that a grant will be available to any eligible applicant beyond that contemplated under the 25 percent safe-harbor percentage test of section 4.08 of Rev. Proc. 76-47. Thus, the use of the rounding convention as part of your Program will meet the requirements of Rev. Proc. 76-47 and is in compliance with section 4945(g)(1) of the Code.

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Citizens' Scholarship Foundation
of America, Inc.

Private foundations presently participating in the Program that have previously received ruling or determination letters may henceforth apply the rounding convention as described above, in connection with their participation in the Program as this procedures is consistent with the purpose of the 1979 letter.

We are informing your key District Director of this action. Please keep a copy of this ruling with your organization's permanent records.

Sincerely,

~~Signed~~ Jeanne S. Gessay

Jeanne S. Gessay
Chief, Exempt Organizations
Rulings Branch 2

**National Auto Auction Association
Scholastic Foundation, Inc.
5320 Spectrum Drive, Suite D
Frederick, Maryland 21703-7337
E.I.N.: 05-0604611
Form 1023
Exhibit X**

**Answer in Response to
Question No. 2, Schedule H**

The scholarship program will be open to those high school seniors or graduates who plan to enroll or students who are already enrolled in a full time undergraduate course of study at an accredited two or four year college or university; or who are pursuing an auto-related degree at a vocational-technical school. As a prerequisite for eligibility, the applicant or the applicant's parent or grandparent (as applicable) must be employed full time by a Canadian/U.S. member auction of the Association or affiliated Corporate office at the time application is made and at the time the scholarship is granted (except where the employment relationship is terminated after the application due to death, disability or retirement). All applicants must meet the minimum admissions standard of an educational institution described in Section 1701(b)(1)(A)(ii) of the Internal Revenue Code of 1986, as amended (the "Code") and must reasonably be expected to attend an educational institution. All eligible applicants will be considered without regard to race, sex, religion or national origin. There are approximately 30,000 full-time employees of Canadian/U.S. member auctions and affiliated Corporate offices.

**National Auto Auction Association
Scholastic Foundation, Inc.
5320 Spectrum Drive, Suite D
Frederick, Maryland 21703-7337
E.I.N.: 05-0604611
Form 1023
Exhibit XI**

**Answer in Response to
Question No. 4, Schedule H**

Scholarship applications will be evaluated and the scholarship recipients will be chosen by an independent selection committee. The selection committee will be composed entirely of persons independent of the Association and the Foundation. No relatives of the Board of Trustees will serve as members of the selection committee, nor will any current or former employee of the Foundation, the Association or any member or corporate office of the Association serve on the selection committee.

**National Auto Auction Association
Scholastic Foundation, Inc.
5320 Spectrum Drive, Suite D
Frederick, Maryland 21703-7337
E.I.N.: 05-0604611
Form 1023
Exhibit XII**

**Answer in Response to
Question No. 5, Schedule H**

The Foundation will pay the scholarship award directly to a qualified educational institution as described in Section 170(b)(1)(A)(ii) of the Code prior to the commencement of the school term upon notice that the scholarship recipient has been accepted for enrollment at that institution and has undertaken the necessary steps to enroll. The Foundation will request each educational institution, which receives a scholarship award to be used for the benefit of one of the Foundation's scholarship recipients, to apply the proceeds of the award first to defray tuition and fees and to apply the balance to books, supplies and equipment.