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EO Group 7887
El Monte, CA - POD

Michael M. Berzowski
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Reply to Milwaukee

August 20, 2010

Internal Revenue Service
TE/GE Division Group 7887
Attn: Terry Izumi
9350 Flair Drive, Second Floor
El Monte, California 91731-2828

Re: Herzing Educational Foundation Ltd.
EIN: 27-1503981
DLN: 17053006475010

Dear Ms. Izumi:

The purpose of this letter is to respond to the inquiries set forth in your August 3, 2010 letter and the telephone conversations that we have had. The numbers herein correspond to those appearing on page 3 under additional information needed.

1.(a) The Board of Directors of the Applicant, as presently constituted, is controlled by or in the hands of unrelated individuals selected from various communities. There are five directors, three of whom are unrelated to each other, the Applicant (other than being a director) and Herzing, Inc., namely Messrs. Bowen, Heffernan and Hutton. The rule in Wisconsin with regard to non-stock organizations such as the Applicant is that a simple majority of the Board of Directors controls.

Eva Youngblood is an outside director of Herzing, Inc. who is regarded as truly an outside, independent director. She has no ownership interest in either Herzing, Inc. or the Applicant. From the Applicant's perspective, there are four out of five independent directors with no ownership interest in the Applicant or Herzing, Inc.

Henry G. Herzing, the remaining director is a director of Herzing, Inc. and through attribution from family members, a majority shareholder of that entity.

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A modification to the Board as suggested by your August 3, 2010 letter, removing two directors would not establish outside independent control of the Applicant's Board because it is already there. After reconsideration of the relationships of the present Board of Directors wherein unrelated outsiders completely control the Board, I would be happy to discuss this matter with you in greater detail.

With regard to officers of the Applicant, we can propose placing one of the other directors or a new director as chairperson and president. To the extent that the presence of Henry G. Herzing is deemed fatal to the qualification of the Applicant as a tax exempt organization because of his interest in Herzing, Inc., he would be willing to resign as a director or officer or both. Because he can be outvoted, we had viewed this as a non-issue.

We can also place someone other than David Brzezczkowski as the secretary/treasurer, although he was put in that slot because of his qualifications and ability to do the job, as was the case with all of the other officers and directors. He is an employee of Herzing, Inc. and has served as corporate secretary/controller of that entity since 1996. He owns no stock in Herzing, Inc. and is not compensated on a bonus/formula basis and, therefore, has nothing to gain or lose by virtue of his relationship with the Applicant. His role is strictly accounting and keeping records of meetings.

1.(b) If a modification of the Board is deemed warranted after a review of the Board as presently constituted, the information requested will be provided for new directors and/or officers. We believe that the present slate of directors possesses all of the qualifications necessary to effectively serve in their position. Having said that, if a substitution of directors Youngblood and Herzing is deemed warranted by the Service, we would be willing to make that change.

We believe day-to-day operations will be minimal. Herzing, Inc. will provide office space and administrative services to the Applicant without charge. It is anticipated that Applicants for scholarships will be invited to send their complete applications for financial assistance to a designated individual at Herzing, Inc. who will be charged with the responsibility of verifying the information provided by the applications and then presenting the applications to

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the Board of Directors for consideration for scholarships. Since the Applicant has no funds or offices, by the process of elimination, we are left with this mailing address.

The plan is to solicit graduates of Herzing schools and their employers for contributions to fund scholarships. Assuming \$60,000 is received and assuming a \$3,000 scholarship is awarded, that would mean 20 people would receive scholarships. We think that the directors would probably review 120 to 150 applicants but there is no way of knowing how many people would apply.

In view of projected activity levels, we do not anticipate day-to-day involvement by the directors. They would meet infrequently. With regard to solicitations of Herzing, Inc. graduates and their employers, we envision this occurring through and under the auspices of the Applicant without the involvement of Herzing, Inc. but do not envision this to be a full time job either. Advertising will take place on the internet. The expectation is that the Applicant would be able to find people willing to work in these positions for no compensation or Herzing, Inc. would provide assistance on a no-charge basis.

1.(c) The underlying purpose of forming the Applicant was to create a vehicle that would assist students in need of financial aid. There is no intent to use the assets of the organization for any other purpose. If some outside check mechanism is deemed necessary, the Applicant could adopt a policy requiring a review by independent accountants, if there is no change to the Board of Directors, or independent directors would monitor each and every disbursement to ensure its authenticity and appropriateness. We believe that the net earnings of the Applicant will inure to the benefit of the scholarship recipient. From the viewpoint of the school, it would receive the same tuition if the student received a scholarship or not.

As a practical matter, it is anticipated that the administrative and operational expenses of the Applicant will be underwritten by Herzing University until such time as the Applicant has a sufficient amount of money to pay them. The present belief is that volunteers or some Herzing employees may assist with the day-to-day administration of Applicant.

I respectfully call to your attention the fact that the Board as presented is not controlled by one family or people with a financial interest in either the Applicant or Herzing, Inc. As discussed under point 1.(a) above, the present majority of the Board is independent. To the

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extent that Ava Youngblood is not considered tainted because of her being a director of Herzing University, 80% of the Board is independent of Herzing, Inc.

With regard to the issue as to whether a Board controlled by one family or people with financial interest would better serve the public interest than an independent Board representing the community, the answer based upon the facts and circumstances and anticipated operations in this matter, is neither would be better than the other. The problem with this question is it assumes the Applicant has a controlled Board which it does not. Both a controlled Board and an independent Board would be involved in fundraising and the review of scholarship applications. The money would go to students in either event. Therefore, in the final analysis, neither would be more well postured to serve the public interest than the other.

I.(d) While it is true that the Applicant would gladly receive contributions from anyone for the purpose of funding scholarships, the expectation was that the people who would most likely have an inclination to contribute to the Applicant would be graduates of Herzing University and employers of those graduates or businesses owned by those graduates. To that end, the idea was that the name recognition or similarities of names would result in generating more revenue to fund scholarships than would otherwise have been the case thereby resulting in a greater public good.

If the belief is that the public and scholarship recipients would benefit from a name change or more money could be raised or more scholarships granted, we would certainly be interested in exploring the logic of that conclusion.

Insofar as the concept of a private benefit is concerned, under virtually any circumstances, someone is benefiting from contributions made to tax exempt entities, unless the entity never disburses the money it obtains. The entity disburses the funds and someone benefits. In certain instances, for example organizations employing professional fundraisers, fundraising expenses are approximating 80% to 90% of the amount of revenue raised, which is clearly benefiting a private individual more than the organization but diluting and leaving only a minimum amount for charitable purposes. In the case of the Applicant, it is anticipated that all of the money that it receives less nominal expenses will be used for scholarships. In the instant case, it is not anticipated that Henry Herzing will have a significant formal voice in the Applicant's activities or substantial, formal and practical control over its income. As suggested,

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if his presence is deemed fatal to the qualification of the Applicant as a tax exempt entity, he would be willing to withdraw from the positions he holds.

2.(a) Description of Herzing University. Herzing University is a multi-site, regionally accredited, career focused university, founded 45 years ago, with locations in Atlanta, Georgia; New Orleans, Louisiana; Birmingham, Alabama; Madison, Wisconsin; Minneapolis, Minnesota; Akron Ohio; Toledo, Ohio; Brookfield, Wisconsin; Kenosha Wisconsin and Orlando, Florida. As of summer 2010, there are 7,300 students enrolled and the average tuition is \$425 per credit with full time tuition cost for an academic year varying between \$10,000 and \$14,000, depending on the program and the number of credits taken. The University's mission is to offer career education in technology, business, health care, design and homeland security/criminal justice with programs ranging from certificates to Associate, Bachelor and Master degrees.

2.(b) Size of scholarship. The number of students served each year will grow with the size of donations received and performance of the Herzing Education Endowment created from our fundraising efforts and donations from our supporters. In the first year, we estimate 50 to 100 students would receive scholarship awards and another 50 to 100 will benefit from the emergency grants and professional clothing bank (see 5(f)). The Herzing Educational Foundation Scholarship will vary between \$500 and \$1,500 per year per recipient. We also expect to fundraise for an endowment to support future scholarships and a student emergency fund as outlined in 5(f). Named scholarships and additional endowments will be based on the criteria set forth by the person or entity (such as the alumni association, other foundations, clubs and employers) creating the scholarship program as long as they fall under the rules of the 501c(3) structure.

2.(c) The Herzing Educational Endowment and its specific scholarships will serve continuing and reenrolling students at Herzing University.

2.(d) We do not currently advertise the Herzing Educational Foundation Scholarship elsewhere. There are additional scholarships advertised in our catalog.

2.(e) The Herzing Educational Foundation Scholarship is not the only scholarship advertised and is not used as a recruiting tool as it is only for continuing and reenrolling students who meet the specific criteria set forth by the scholarship. As the foundation matures and

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additional endowments are created by outside entities, there may be opportunities available for new students if so directed by a donor.

3. We have not created any brochures pamphlets, newsletters or advertisements in regard to the foundation, as we are waiting for a favorable determination letter. We do have a website created that is not live on the web. Copies of its pages are attached.

4. There are no written leases, contracts or agreements entered into by the Applicant.

5.(a) Except as set forth below, there are no restrictions or limitations on who may apply or whom the Applicant will consider as possible grantees. Generally, students who apply for scholarships must be at least in their second semester at Herzing University and in good academic standing. However, the grantees will have to meet the specific criteria set forth by scholarship. For example, a group of paralegal graduates from the New Orleans campus have approached us about creating a scholarship to support a paralegal student in the name of a paralegal instructor who recently passed away. The monies for this named scholarship would be made available to a person who meets the criteria the scholarship's founders (the paralegal alumni) who would most likely state that at a minimum the grantee is a paralegal student attending school at Herzing University on the New Orleans campus. No scholarships will be made available to employees or their dependents, owners or officers of Herzing University or trustees or officers of the Foundation or their dependents, or to Scholarship Committee members or their dependents.

5.(b) A Scholarship Committee is responsible for selecting the recipients of all scholarship dollars regardless of who initiated or created the scholarship. Where there are specific criteria established by donors, as in the New Orleans Paralegal example above, those criteria will be followed. Where contributed funds are not restricted by the donors, scholarships will be awarded in the amounts of \$500 to \$1,500 per year to those students considered most deserving based upon need and academic performance. The current Scholarship Committee is composed of the Executive Director of the Herzing Alumni Association and a Herzing Alumna, Amy Chastek, Herzing, Inc. Board Member, Ava Youngblood and Doctor of Chiropractic Medicine, Peter Heffernan.

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5.(c) Relatives of the Scholarship Committee are not eligible for scholarship assistance.

5.(d) Spouses, children, descendants, spouses of decedents and other persons related to the Foundation's officer or directors are not eligible for grants.

5.(e) The Foundation's programs will be advertised through the University's and Alumni Association's publications including newsletters, links to the Foundation's website, email promotions and during campus activities specific to the Foundation and Alumni Association.

5.(f) Scholarships will be awarded to students as dictated by the scholarship's criteria as established by donors (consistent with IRS restrictions), The Herzing Educational Foundation unrestricted donations and earnings on unrestricted endowment will be used each year as follows:

(1) Twenty percent of unrestricted donations will be used to support community projects or other nonprofit organizations in the communities that the Herzing University System has campuses.

(2) A professional clothing bank for needy college students which will be created and housed within Herzing University, but available to students attending any college. The Foundation will also allocate some funds to assist Herzing University students in times of crisis with money and transportation assistance to help them get back on their feet after a severe illness, natural disaster, accident or other life crisis.

(3) The balance will be used each year for scholarship as indicated above.

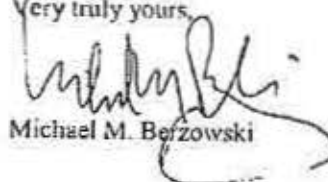
As part of our social responsibility efforts, once a year the Foundation will hold a fundraiser to support the Boys and Girls Club of America.

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Please contact me after you have had an opportunity to review the information submitted. The penalties of perjury annotation signed by an officer of the applicant appears below.

Very truly yours,



Michael M. Berzowski

MMB:blt
Enclosures

Under penalties of perjury, I declare that I have examined this information including accompanying documents, and to the best of my knowledge and belief, the information contains all of the relevant facts relating to the request for information and such facts are true, correct and complete.

Dated this 20 day of August, 2010.



Henry G. Herzog

STATE STUDENT AID PROGRAMS—MINNEAPOLIS

The Office of Higher Education administers several financial aid programs that provide grants, loans, and work opportunities for qualified Minnesota resident students. The state of Minnesota aid programs include the following:

- Minnesota State Grant Program
- SELF Loan Program
- Minnesota State Work Study Program
- Postsecondary Child Care Grant Program
- Minnesota Achieve Scholarship Program
- Minnesota Indian Scholarship Program
- Minnesota GI Bill Program
- Public Safety Officer's Survivor Grant

More information on these programs is available from the Financial Aid Office.

STATE STUDENT AID PROGRAMS—OMAHA

- Grant Program: The state of Nebraska provides financial assistance to Nebraska residents through the state grant program.

OTHER FINANCIAL ASSISTANCE

- Herzing University Tuition Payment Plan
- Employer Reimbursement Plans
- Scholarship Programs
- Institutional Grant Program

Herzing University Tuition Payment Plan

Rather than requiring that tuition and fees be paid in full prior to the start of each semester, Herzing University may allow a student an interest-free payment plan that provides affordable monthly payments worked out in accordance with individual family circumstances, as reflected in the financial information submitted to Herzing University. Students must have paid for each semester's tuition in full through cash payments, federal student aid programs, or other financial assistance prior to sitting for final examinations.

Employer Reimbursement Plans

Students may be eligible for employer tuition reimbursement benefits. Students should contact their supervisor at work or their benefits office to determine if tuition reimbursement is available. Tuition reimbursement does not eliminate the student's responsibility to pay tuition before the commencement of classes or according to the school-approved payment plan.

Scholarships and Awards

To remain eligible for all scholarships and awards, the student must maintain a minimum of 2.0 CGPA and be enrolled full-time.

Herzing High School Merit Scholarship (Does not apply to Online Campus)

High school seniors whose Herzing University entrance scores are in the upper one-tenth of the scores of students accepted by Herzing University in the prior year may qualify for a \$500 Herzing High School Merit Scholarship (\$250 to be awarded per semester of full time study for the first two semesters of the student's attendance at Herzing University.) The student must have applied to Herzing University and for the scholarship by August 1st of the year in which the student graduates from high school. Another stipulation is that the student must also start full-time studies at Herzing University in the same year of his/her graduation from high school. An application for a Herzing High School Merit Scholarship can be obtained from the Admissions or Financial Aid Office. Students will be informed of the results within two weeks of making application for the scholarship, but not prior to January 15th of their year of graduation.

Henry G. Herzing Scholarship (Does not apply to Online Campus)

A Henry G. Herzing Scholarship, if available, is awarded at each Herzing University campus to a current high school graduate who commences full-time studies at Herzing University in the same year the student graduates from high school. The scholarship consists of \$500 per semester for four semesters of full-time study. This scholarship is not awarded in addition to the High School Merit Scholarship.

An applicant must meet the following criteria in order to be considered for this scholarship:

1. Demonstrate a need for financial assistance
2. Receive a recommendation from two references of the applicant's high school teaching or counseling staff
3. Submit a qualifying essay of 150 to 300 words as to why he/she is pursuing the field of study being applied for and why he/she chose Herzing University.

To apply for a Henry G. Herzing Scholarship, interested high school seniors can obtain an application from an Admissions Advisor at Herzing University. This application should be completed and submitted to the University by April 15th. Scholarship winners will be notified by May 15th.

Adult Learner Scholarship

An Adult Learner Scholarship is available at each campus each semester. The scholarship amount and the awarding of the scholarship for any semester will be determined by the Scholarship Selection Committee. The scholarship will be for an amount not exceeding \$500 per semester of full-time study for two semesters. An applicant must meet the following criteria:

1. Does not qualify for the Herzing High School Merit Scholarship or the Henry G. Herzing Scholarship.
2. Demonstrates the need for financial assistance.
3. Receives two written recommendations from employers or educators.
4. Submits a qualifying essay of 150 to 300 words as to why he/she is pursuing the field of study being applied for and why he/she chose Herzing University.

Applicants must complete the application and submit it along with the recommendations and qualifying essay no later than two weeks prior to the start of the first semester to qualify for the Adult Learner Scholarship for that semester start. Students who miss that deadline may submit an application prior to the start of their second semester but, after that time, this scholarship is no longer available to them.

Academic Award

Students with a cumulative grade point average in the upper 5% of the student body after their second or subsequent semester (completion of at least 24 credits at Herzing University) will receive an academic award of \$150. The award is a credit to the next semester's tuition if the student is carrying a course load of at least 12 credit hours. No application is required. The award will be determined by the Financial Aid Department, and the student will be notified if they are an eligible recipient.

Academic Persistence Award

This award is made available to students who initially enroll at Herzing University in an associate's degree or bachelor's degree program and continue through to completion of a bachelor's degree on a full-time basis with no interruption in their education. To qualify for this award, transfer students must complete 75% of the credits required for the completion of their bachelor degree at Herzing University. The award is a \$400 credit to the tuition account of the student during their last semester of study. Students who believe they qualify for the award must obtain an application from the Financial Aid Department and submit it to that department prior to starting their last semester of study at Herzing University.

Institutional Scholarship for Completion of Second Degree/Major

A student who is in the process of completing a second degree program (major), second minor, or concentration within a bachelor's degree program will be entitled to receive an institutional scholarship for a course of his, her choice during their final semester of study.

Institutional Grants

Based upon extraordinary student need and/or unusual conditions or change of circumstances, students may be awarded an institutional grant. Such determination is made by the Institutional Grant Committee composed of the Campus President, Director of Financial Services, and one other staff member. The standard application for financial aid can also be used as the application for this grant. The deadline for submission of the application for this grant is prior to the end of the add/drop period of each semester. Awards will be made based upon the number of students with extraordinary need and the degree of the need. The amount of the award is normally between \$200 and \$700 per semester. The average award is typically \$300.

REFUND POLICY

Federal Return Policy

A calculation of both the Return of Title IV Funds and the institutional refund policy will take place upon a student's official withdrawal. In the case of an unofficial withdrawal, the institution will perform the calculations when Herzing University makes the determination the student has withdrawn. Please contact the Business/Fiscal Office to receive a copy of these calculations. Any Title IV-eligible student (applies to any student receiving any federal financial aid at this institution except Federal Work-Study) who withdraws is subject to a prorated return of Federal Financial Aid/Title IV funds. Any calculated return of funds must be distributed back to the federal programs and may leave the student owing the college a tuition balance according to the refund policy below. If a student withdraws without attempting a course he/she has enrolled in and does not return textbooks and other course materials he/she received for the course, the student will be charged for the cost of the books and materials.

Herzing Education Foundation

Herzing Education Foundation

Bringing Educational Opportunities to Career College Students
Business • Healthcare • Technology • Graphic Design • Public Safety

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- Employer Partner
- Apply for a Scholarship
- Our Donors
- Meet our Board of Directors

Founded in 2009, the Herzing Education Foundation began with the core belief that career colleges and universities have an important impact on student learning and the communities they serve. The Herzing Education Foundation serves to support students attending Herzing University with scholarship opportunities and funding for educational projects.

The Herzing Education Foundation was founded by a endowment made by Henry and Suzanne Herzing, the founders of Herzing University and College.

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The Herzing Education Foundation is proud to offer our "Partners in Education" program to employers around the world. Your tax deductible donation to the Herzing Education Foundation's Partner's in Education Scholarship Fund of \$500 or \$1000 will go towards a scholarship in your business' name helping to ensure the future of career college education and local talent pool.

Participating employers also receive the following benefits:

- A plaque proudly displaying your affiliation with "Partners in Education".
- Your logo and company featured on the Herzing Education Foundation website.
- Free advertising space (on a first-come basis) in the Herzing Friends, our quarterly newsletter.
- Invitations as an honored guest at Herzing Education Foundation functions.
- Access to Herzing University Alumni for your hiring needs.

For more information on donating to the Herzing Education Foundation please call 800-... To submit a donation to the Herzing Education Foundation please click here.

Herzing Education Foundation - Herzing University

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Apply for a Foundation Scholarship

Please click on the file icon below to access the scholarship application.

Eligibility Requirements

- Applicant must be a citizen of the United States.
- Applicant must enroll in a program of study or declare a major at Herzing University in the area of business, technology, health care, graphic design or criminal justice.
- Applicant must furnish copies of high school and/or college transcripts upon request.
- Scholarship recipients must maintain a class load of nine credit hours or more, unless otherwise stipulated and must not enter into academic probation or warning status.
- Once enrolled, scholarship recipients must maintain a cumulative grade point average of at least 3.0 (a B average). (Note: A 3.0 average is not a requirement for initial consideration for a scholarship award.)

To apply for the Herzing Education Foundation scholarship please click here.

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