

**Application for Recognition of Exemption  
 Under Section 501(c)(3) of the Internal Revenue Code**

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**

<b>1a</b> Full name of organization (as shown in organizing document) Smith/Shaver Law School Scholarship Fund, Inc.		<b>2</b> Employer identification number (EIN) (If none, see page 3 of the Specific Instructions.) 20 : 2749954
<b>1b</b> c/o Name (if applicable) W. David Edwards		<b>3</b> Name and telephone number of person to be contacted if additional information is needed  W. David Edwards (336) 721-3548
<b>1c</b> Address (number and street) One West Fourth Street	Room/Suite 12	
<b>1d</b> City, town, or post office, state, and ZIP + 4. If you have a foreign address, see Specific Instructions for Part I, page 3.  Winston-Salem, NC 27101-3818		<b>4</b> Month the annual accounting period ends December
<b>1e</b> Web site address N/A		<b>5</b> Date incorporated or formed 2/22/2005
<b>7</b> Did the organization previously apply for recognition of exemption under this Code section or under any other section of the Code? If "Yes," attach an explanation.		
<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No		
<b>8</b> Is the organization required to file Form 990 (or Form 990-EZ)? If "No," attach an explanation (see page 3 of the Specific Instructions).		
<input type="checkbox"/> N/A <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No		
<b>9</b> Has the organization filed Federal income tax returns or exempt organization information returns? If "Yes," state the form numbers, years filed, and Internal Revenue office where filed.		
<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No		

**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  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  Trust— Attach a copy of the Trust Indenture or Agreement, including all appropriate signatures and dates.
- c  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.

Please Sign Here

  
 (Signature)

W. David Edwards, Secretary  
 (Type or print name and title or authority of signer)

4/29/05  
 (Date)

**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 Attachment

- 2 What are or will be the organization's sources of financial support? List in order of size.  
The Scholarship Fund was created with an allocation of funds pursuant to order of the Honorable Howard E. Manning, Jr., North Carolina Superior Court Judge.

- 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.  
No fundraising program is anticipated although the Scholarship Fund will accept all appropriate donations. Publicity regarding the Scholarship Fund will be by press release and in conjunction with the supported organizations.

**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 Attachment

**b** Annual compensation  
0

**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.  
See Attachment

**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.

**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.

**Note:** The organization's bylaws, Article I, Section 4, require annual financial reports to the supported organizations.

**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.

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.

**Pursuant to the 3 June 2004 Order of the Honorable Howard E. Manning, Jr., North Carolina Superior Court Judge, scholarship awards are limited to North Carolina residents who attend the law school at one of the five designated universities (the supported organizations).**

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 checked="" 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 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)(vii) 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? . . . . .		X	A
Is the organization, or any part of it, a school? . . . . .		X	B
Is the organization, or any part of it, a hospital or medical research organization? . . . . .		X	C
Is the organization a section 509(a)(3) supporting organization? . . . . .	X		D
Is the organization a private operating foundation? . . . . .		X	E
Is the organization, or any part of it, a home for the aged or handicapped? . . . . .		X	F
Is the organization, or any part of it, a child care organization? . . . . .		X	G
Does the organization provide or administer any scholarship benefits, student aid, etc.? . . . .	X		H
Has the organization taken over, or will it take over, the facilities of a "for profit" institution? . . .		X	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 2/22/2005 to 12/31/2005	(b) 2006	(c) 2007	
<b>Revenue</b>					
1 Gifts, grants, and contributions received (not including unusual grants—see page 6 of the instructions).	6,112,947	0	0		6,112,947
2 Membership fees received					0
3 Gross investment income (see instructions for definition)	140,000	200,000	200,000		540,000
4 Net income from organization's unrelated business activities not included on line 3					0
5 Tax revenues levied for and either paid to or spent on behalf of the organization					0
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)					0
7 Other income (not including gain or loss from sale of capital assets) (attach schedule)					0
8 Total (add lines 1 through 7)	6,252,947	200,000	200,000	0	6,652,947
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					0
10 Total (add lines 8 and 9)	6,252,947	200,000	200,000	0	6,652,947
11 Gain or loss from sale of capital assets (attach schedule)					0
12 Unusual grants					0
13 Total revenue (add lines 10 through 12)	6,252,947	200,000	200,000	0	6,652,947
<b>Expenses</b>					
14 Fundraising expenses					
15 Contributions, gifts, grants, and similar amounts paid (attach schedule)*	75,000	145,000	145,000		
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					
22 Other (attach schedule)*	25,000	45,000	45,000		
23 Total expenses (add lines 14 through 22)	100,000	190,000	190,000	0	
24 Excess of revenue over expenses (line 13 minus line 23)	6,152,947	10,000	10,000	0	

\* See Attachment



**Part IV** Financial Data (Continued)

<b>B. Balance Sheet (at the end of the period shown)</b>		Current tax year Date <u>2/22/2005</u>
<b>Assets</b>		
<b>1</b>	Cash . . . . .	<b>6,112,947</b>
<b>2</b>	Accounts receivable, net . . . . .	
<b>3</b>	Inventories . . . . .	
<b>4</b>	Bonds and notes receivable (attach schedule) . . . . .	
<b>5</b>	Corporate stocks (attach schedule) . . . . .	
<b>6</b>	Mortgage loans (attach schedule) . . . . .	
<b>7</b>	Other investments (attach schedule) . . . . .	
<b>8</b>	Depreciable and depletable assets (attach schedule) . . . . .	
<b>9</b>	Land . . . . .	
<b>10</b>	Other assets (attach schedule) . . . . .	
<b>11</b>	<b>Total assets</b> (add lines 1 through 10) . . . . .	<b>6,112,947</b>
<b>Liabilities</b>		
<b>12</b>	Accounts payable . . . . .	
<b>13</b>	Contributions, gifts, grants, etc., payable . . . . .	
<b>14</b>	Mortgages and notes payable (attach schedule) . . . . .	
<b>15</b>	Other liabilities (attach schedule) . . . . .	
<b>16</b>	<b>Total liabilities</b> (add lines 12 through 15) . . . . .	<b>0</b>
<b>Fund Balances or Net Assets</b>		
<b>17</b>	<b>Total fund balances or net assets</b> . . . . .	<b>6,112,947</b>
<b>18</b>	<b>Total liabilities and fund balances or net assets</b> (add line 16 and line 17) . . . . .	<b>6,112,947</b>

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 D. Section 509(a)(3) Supporting Organizations

1a Organizations supported by the applicant organization: Name and address of supported organization	b Has the supported organization received a ruling or determination letter that it is not a private foundation by reason of section 509(a)(1) or (2)?
Campbell University, Incorporated Buies Creek, North Carolina	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
Duke University Durham, North Carolina	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
North Carolina Central University Durham, North Carolina	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
University of North Carolina at Chapel Hill Chapel Hill, North Carolina	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
Wake Forest University Winston-Salem, North Carolina	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No

c If "No" for any of the organizations listed in 1a, explain.

- 2 Does the supported organization have tax-exempt status under section 501(c)(4), 501(c)(5), or 501(c)(6)?  Yes  No  
If "Yes," attach: (a) a copy of its ruling or determination letter, and (b) an analysis of its revenue for the current year and the preceding 3 years. (Provide the financial data using the formats in Part IV-A (lines 1-13) and Part III (lines 11, 12, and 13).)
- 3 Does your organization's governing document indicate that the majority of its governing board is elected or appointed by the supported organizations?  Yes  No  
If "Yes," skip to line 9.  
If "No," you must answer the questions on lines 4 through 9.
- 4 Does your organization's governing document indicate the common supervision or control that it and the supported organizations share?  Yes  No  
If "Yes," give the article and paragraph numbers. If "No," explain.
- 5 To what extent do the supported organizations have a significant voice in your organization's investment policies, in the making and timing of grants, and in otherwise directing the use of your organization's income or assets?
- 6 Does the mentioning of the supported organizations in your organization's governing instrument make it a trust that the supported organizations can enforce under state law and compel to make an accounting?  Yes  No  
If "Yes," explain.

7a What percentage of your organization's income does it pay to each supported organization?

b What is the total annual income of each supported organization?

c How much does your organization contribute annually to each supported organization?

**Schedule D. Section 509(a)(3) Supporting Organizations (Continued)**

**8** To what extent does your organization conduct activities that would otherwise be carried on by the supported organizations? Explain why these activities would otherwise be carried on by the supported organizations.

**9** Is the applicant organization controlled directly or indirectly by one or more "disqualified persons" (other than one who is a disqualified person solely because he or she is a manager) or by an organization that is not described in section 509(a)(1) or (2)?  Yes  No  
If "Yes," explain.

**Instructions**

For an explanation of the types of organizations defined in section 509(a)(3) as being excluded from the definition of a private foundation, see Pub. 557, Chapter 3.

**Line 1**

List each organization that is supported by your organization and indicate in item **1b** if the supported organization has received a letter recognizing exempt status as a section 501(c)(3) public charity as defined in section 509(a)(1) or 509(a)(2). If you answer "No" in **1b** to any of the listed organizations, please explain in **1c**.

**Line 3**

Your organization's governing document may be articles of incorporation, articles of association, constitution, trust indenture, or trust agreement.

**Line 9**

For a definition of a "disqualified person," see **Specific Instructions**, Part II, Line 4d, on page 3 of the application's instructions.

**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 Attachment**

**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 Attachment**

**3** Indicate the number of grants the organization anticipates making annually . . . . .  16

**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 Attachment**

**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 Attachment**

**IRS FORM 1023, PART II, LINE 1**  
**ACTIVITIES OF THE ORGANIZATION**

The Smith/Shaver Law School Scholarship Fund, Inc. was established pursuant to the Order of the Honorable Howard E. Manning, Jr., North Carolina Superior Court Judge, by a grant from the Settlement Fund created in the consolidated class action Donald L. Smith, et al. v. State of North Carolina and Manila G. Shaver, et al. v. State of North Carolina. A copy of the 3 June 2004 Order is attached. Judge Manning directed Class Counsel G. Eugene Boyce and Keith W. Vaughan to establish the Smith/Shaver Law School Scholarship Fund with an initial endowment of \$6 million, subsequently supplemented by the Court shortly before incorporation of the Scholarship Fund in February 2005.

**Activities of the Smith/Shaver Law School Scholarship Fund, Inc.**

1. **Scholarships to Law Students.** The Court directed that the Scholarship Fund be used to provide scholarships to North Carolina residents who attend one of the law schools at the following universities: Campbell University Inc., Duke University, North Carolina Central University, University of North Carolina at Chapel Hill, and Wake Forest University.

The Smith/Shaver Law School Scholarship Fund scholarship awards are based primarily on need and are open to all North Carolina residents who attend one of the law schools listed above.

The process for identifying candidates for scholarship awards will begin in 2005. It is also anticipated that 90% or more of the Scholarship Fund's efforts will be devoted to this activity. The activity will be carried out primarily by the Scholarship Fund's Board of Directors in consultation with the law schools.

2. **Grants to or in Connection with Law Schools.** The Scholarship Fund will also provide grants to or in connection with the law schools for other educational purposes, including seminars and lectures, to advance the scholarship of lawyers and law students. It is anticipated that less than 10% of the Scholarship Fund's efforts will be devoted to this activity. The activity will be carried out primarily by the Scholarship Fund's Board of Directors in consultation with the law schools.

**IRS FORM 1023, PART II, LINE 4a & 4b**

<b>Name and Mailing Address</b>	<b>Title</b>	<b>Compensation Amount</b>
Arch T. Allen, III Allen & Moore, LLP 3700 Computer Drive, Suite 320 P.O. Box 18627 Raleigh, NC 27619-8627	Director	None
G. Eugene Boyce Boyce & Isley, PLLC Lawyers Weekly Building, Suite 100 107 Fayetteville Street Mall P.O. Box 1990 Raleigh, NC 27602-1990	Director Chair of Board	None
Judge Wanda G. Bryant North Carolina Court of Appeals 1 West Morgan Street Raleigh, NC 27601	Director	None
W. David Edwards Womble Carlyle Sandridge & Rice, PLLC One West Fourth Street Winston-Salem, NC 27101	Director Secretary Treasurer	None
Judge Donald L. Smith North Carolina Court of Appeals, Retired 445 Van Thomas Drive Raleigh, NC 27615	Director	None
Keith W. Vaughan Womble Carlyle Sandridge & Rice, PLLC One West Fourth Street Winston-Salem, NC 27101	Director Vice Chair of Board	None
C. Colon Willoughby, Jr. Wake County District Attorney 3 <sup>rd</sup> Floor, Wake County Courthouse Post Office Box 31 Raleigh, NC 27602-0031	Director	None

**Smith/Shaver Law School Scholarship Fund, Inc.**  
**One West Fourth Street, 12<sup>th</sup> Floor**  
**Winston-Salem, NC 27101-3818**

**IRS FORM 1023**  
**ATTACHMENT**

**IRS FORM 1023, PART II, LINE 4c**

None of the Board members listed on Line 4a serve by reason of being public officials. Two members of the initial Board, G. Eugene Boyce and Keith W. Vaughan, were directed to be on the Board by Order of the Honorable Howard E. Manning, Jr., North Carolina Superior Court Judge. A copy of the 3 June 2004 Order providing specifics as to the Smith/Shaver Law School Scholarship Fund is attached.

**IRS FORM 1023, PART IV, LINE 4**

Contributions will be paid to the five supported organizations in equal amounts. One-fifth of the total will be paid to each law school for scholarship or special programs as described in our response to Part II, Line 1.

**IRS FORM 1023, PART IV, LINE 25**

The other expenses listed are for accounting (\$5,000/year) and Investment Costs which are estimated as \$40,000/year. We have listed only \$20,000 as investment costs in 2005 because the funds are currently being held by the North Carolina State Treasurer and will be subject to investment fees for about six months after being transferred by the State Treasurer to the Foundation's investment account.

**IRS FORM 1023, SCHEDULE H, LINE 1a**

Scholarships will be awarded primarily for partial or full tuition at the specified law schools. The Scholarship Fund will take into account the opinions of the law schools in order to best support the needs of those schools and their students. Scholarships will be gifts.

The Scholarship Fund intends to publicize the scholarships in the following manner: (1) direct cooperation with the law schools to notify and identify candidates; (2) press releases announcing scholarship awards as well as application periods; and (3) announcements at North Carolina State bar events and in North Carolina publications. To the extent scholarships are awarded in close cooperation with the law schools, direct targeting of potential recipients (i.e., those applying to the law schools) will be accomplished.

To the extent the scholarships are awarded by the Scholarship Fund in close cooperation with the law schools, an application separate from the law school application or application for financial assistance may not be needed. If a separate application process is undertaken, the application form would focus on the primary criteria established by Judge Manning for the awarding of scholarships: (1) North Carolina residence; and (2) need.

**IRS FORM 1023, SCHEDULE H, LINE 2**

The recipient of a scholarship must be a North Carolina resident attending one of the five specified law schools located in North Carolina. Awards are to be based primarily on need.

There will be no restrictions or limitations based upon race or the employment status of the prospective recipient or any relative of the prospective recipient.

The class of recipients extends to all North Carolina residents. Approximately 1,000 North Carolina residents currently attend one of the five supported law schools. The number of North Carolina residents who apply to one or more of the law schools is substantially greater than those accepted.

**IRS FORM 1023, SCHEDULE H, LINE 4**

Scholarships awards are not based in any way on the employment status of the applicant or any relative of the applicant.

No relative of a member of the selection committee has been a recipient. Article VIII, Section 7, of the bylaws specifically addresses potential conflicts of interest as provided by North Carolina law.



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Winston-Salem, NC 27101-3818**

**IRS FORM 1023  
ATTACHMENT  
SCHEDULE H**

**IRS FORM 1023, SCHEDULE H, LINE 5**

The scholarship awards will be monitored to assure the recipient's continued enrollment and, if required as part of the award, attainment of specified minimum grade point averages. The recipients will be required to provide the necessary information to the Scholarship Fund directly or by giving permission for the release of such information by the law school. Because the awarding of scholarships is tied to attendance at specified law schools, it is anticipated that payments for tuition will be made directly to the law schools. To the extent payments are made directly to recipients, the Scholarship Fund will work with the supported law schools to assure that the recipients continue to attend law school.

NORTH CAROLINA: IN THE GENERAL COURT OF JUSTICE  
WAKE COUNTY: 3 1:57 SUPERIOR COURT DIVISION

DONALD L. SMITH, et al., )  
BY \_\_\_\_\_ Plaintiffs )  
v. ) 95 CVS 06715  
THE STATE OF NORTH CAROLINA, )  
et al., )  
Defendants. )

MANILA G. SHAVER, et al., )  
Plaintiffs )  
v. ) 98 CVS 00625  
THE STATE OF NORTH CAROLINA, )  
et al., )  
Defendants. )

**ORDER REGARDING OBJECTIVES AND ORGANIZATION OF THE SMITH/SHAVER  
LAW SCHOOL SCHOLARSHIP FUND**

THIS CAUSE COMING ON TO BE HEARD AND BEING HEARD before the undersigned Judge of Superior Court to whom these consolidated matters were assigned as exceptional cases by Order of the North Carolina Supreme Court, upon the Court's own motion with respect to the creation, objectives, and operation of the Donald L. Smith/Manila G. Shaver Law School Scholarship Fund, and the Court having reached the following Findings of Fact:

1. The Court, in the Memorandum and Order on Petition for Fees and Costs and Establishment of the Smith/Shaver Law School Scholarship Fund ("Memorandum and Order"), directed Class Counsel to create a tax-exempt organization to be known as the Donald L. Smith/Manila G. Shaver Law School Scholarship Fund or other appropriate title incorporating the term "Smith/Shaver" ("Smith/Shaver Law School Scholarship Fund" or "Scholarship Fund") and to disburse the sum of \$6,000,000.00 from the Smith/Shaver Settlement Fund to that organization to be used

exclusively for educational purposes as defined in the Internal Revenue Code ("Code"). The Court noted that it would provide supplemental guidance to Class Counsel by separate Order.

2. The Memorandum and Order contained the following directives to Class Counsel:

- Class Counsel shall transfer the sum of \$6,000,000.00 from the Smith/Shaver Settlement Fund to an account or accounts which shall be used to assist in the legal education of North Carolina residents, primarily through scholarships to North Carolina residents who attend one of the North Carolina law schools designated in this Order. Class Counsel shall establish a tax-exempt organization, to be known as the "Donald L. Smith/Manila G. Shaver Law School Scholarship Fund" or other appropriate name incorporating the phrase "Smith/Shaver," to accomplish this goal. To the extent practicable, the Scholarship Fund shall promote the study of constitutional law, particularly the study of the North Carolina Constitution. The transferred funds and income shall be held by the tax-exempt organization and disbursed from time to time to assist in the education of law students at law schools situated in the State of North Carolina.
- Class Counsel shall segregate the \$6,000,000.00 disbursement of the residual fund into five accounts of \$1,200,000.00 each, which accounts shall be used in awarding scholarships to, and undertaking educational activities at, each of the following North Carolina law schools: Campbell University, Incorporated, Duke University, North Carolina Central University, University of North Carolina at Chapel Hill, and Wake Forest University. The funds in the five accounts, however, may be commingled for investment purposes although separated for accounting purposes.
- The initial Board members of the tax-exempt organization shall be Class Counsel G. Eugene Boyce and Class Counsel Keith W. Vaughan. Mr. Boyce and Mr. Vaughan shall, as soon as practicable, add additional Board members consisting of one alumnus from each of the North Carolina law schools referenced above. Succession of Board members shall be specified in the Fund's bylaws provided that the Board is composed of at least one alumnus from each of the referenced law schools. Mr. Boyce and Mr. Vaughan, and their successors, may serve on the Board without consideration of the law school from which they graduated.

3. Although the precise means to accomplish the directives of the Court with respect to the Scholarship Fund are properly left to the Board of Trustees of the tax-exempt organization described in this Order ("Board of Trustees"), the Court believes Class Counsel and the Board of Trustees of the Scholarship Fund will benefit from the Court's guidance with respect to the creation, objectives, and operation of the Scholarship Fund.

4. The \$6,000,000.00 is to be transferred from the Settlement Fund, an account at the Office of the Treasurer of the State of North Carolina, to the Scholarship Fund. The Settlement Fund is under the supervision, direction and control of, and in the possession of, the Court.

5. The funds of the Scholarship Fund and income thereon should be used for the benefit of, to perform the functions of, or to carry out the purposes of the law schools at Campbell University, Incorporated, Duke University, North Carolina Central University, University of North Carolina at Chapel Hill, and Wake Forest University (the "Law Schools").

6. The Scholarship Fund should consider incorporating as a nonprofit corporation and, whether incorporated or not, should apply for tax-exempt status with the appropriate governmental authorities if required by applicable law. The Incorporator(s) and the Board of Trustees should be permitted to determine the best manner in which to obtain tax-exempt status, including application for a designation of the Scholarship Fund as a "supporting organization" under the Code.

7. The Board of Trustees should have a large measure of discretion in promulgating the criteria for awarding scholarships provided that recipients should be North Carolina residents and scholarships *should be based principally on need*. The Board of Trustees should have discretion to determine the amounts, periods, nature, and conditions of scholarship awards. The Scholarship Fund should also be available for other educational purposes at the Law Schools.

8. The term of the Scholarship Fund should be forever although provision should be made for termination of the Scholarship Fund provided the funds remaining in the Scholarship Fund at termination would be used to pay outstanding obligations with any residual distributed to fulfill the purposes set out in this Order.

9. Class Counsel should serve on the Board of Trustees as independent trustees with the right to choose their respective successor and to designate a third party to appoint their successor if they are unable to do so. The remaining members of the Board of Trustees should consist of one alumnus of each Law

School of the universities benefited. If the Scholarship Fund is established as a supporting organization, the Trustees others than Class Counsel and their successors should be appointed by and serve at the pleasure of the appropriate authority at that university. In this way, the majority of the Board of Trustees will consist of Trustees appointed by the Law Schools.

10. The funds held in the Scholarship Fund may be commingled for investment purposes although segregated for accounting and distribution purposes. The Scholarship Fund should also be permitted to indemnify Trustees and employees. In order to enable the Scholarship Fund to grow, the Board of Trustees should be empowered to accept gifts and bequests on behalf of the Scholarship Fund for the objectives described herein provided that such acceptance would not jeopardize the Scholarship Fund's Federal or State tax-exempt status.

11. The Board of Trustees should be authorized to take whatever actions are permitted by law to accomplish the objectives set out in this Order and in the Articles of Incorporation and Bylaws of the Scholarship Fund, if incorporated.

12. Class Counsel's efforts in this litigation were essential to the creation of the Scholarship Fund. *Class Counsel have also expressed to the Court their strong support for the establishment of the Fund and the objectives it seeks to accomplish.* Class Counsel are particularly well-suited to oversee the creation of the Scholarship Fund and to establish the framework in which the Fund will operate. Class Counsel have already contacted the Law Schools about this Order in general terms.

Based on the foregoing Findings of Fact, the Court makes the following Conclusions of Law:

1. The Smith/Shaver Settlement Fund as a common fund is under the supervision, direction and control of, and in the possession of, the Court. The Court, exercising its equity powers, previously directed Class Counsel to establish the organization described herein and to transfer to that organization the sum of \$6,000,000.00 from the common fund.

2. The Smith/Shaver Settlement Fund has been held by the Treasurer of the State of North Carolina. The \$6,000,000.00 disbursement to the Smith/Shaver Law School Scholarship Fund will be made directly from the funds held by the Treasurer of the State of North Carolina.

3. It is appropriate for the Court to provide guidance to Class Counsel, the Incorporator(s), and the Board of Trustees

regarding the creation, objectives, and operation of the Smith/Shaver Law School Scholarship Fund.

FOR GOOD CAUSE SHOWN, IT IS, THEREFORE, ORDERED, ADJUDGED AND DECREED THAT:

1. Class Counsel shall undertake the directives previously ordered by the Court with respect to the Smith/Shaver Law School Scholarship Fund and, in complying with those directives, shall employ the following guidelines and further directives where practicable.

2. The Scholarship Fund shall be eligible to be incorporated under the North Carolina Nonprofit Corporation Act and, whether incorporated or not, application shall be made to the appropriate governmental authorities for tax-exempt status.

3. The funds of the Scholarship Fund and income thereon shall be used for the benefit of, to perform the functions of, or to carry out the purposes of the Law Schools at Campbell University, Incorporated, Duke University, North Carolina Central University, University of North Carolina at Chapel Hill, and Wake Forest University. The primary purpose of the Scholarship Fund shall be to provide scholarships at the Law Schools to North Carolina residents.

4. Scholarships shall be based principally on need but keeping in mind the scholastic requirements of each Law School. The Board shall have discretion to determine the amounts, periods, nature, and conditions of scholarship awards. To maximize the impact of the Scholarship Fund, the Board shall cooperate with the Law Schools to the extent practicable to accomplish the objectives stated in this Order. In the discretion of the Board, the Scholarship Fund may seek classification as a supporting organization to the Law Schools or universities named herein provided that the Scholarship Fund meets the requirements of the Code in this regard and the Board determines that status is in the best interests of the Scholarship Fund.

5. The funds and income shall also be available for other education purposes at the specified Law Schools. The Board of Trustees shall in all cases bear in mind that the primary purpose is making scholarship awards. To the extent practicable, the Board shall make disbursements from the Scholarship Fund in a manner that promotes the study of constitutional law, particularly the North Carolina Constitution.

6. The Board shall consist of Class Counsel, and their successors, and one alumnus from each of the Law Schools named in this Order. The Scholarship Fund shall be empowered to indemnify

Trustees, any employees, and appropriate third-parties as permitted by applicable law.

7. The funds held by the Scholarship Fund may be commingled and invested as the Board directs provided that distributions shall be allocated pro rata by Law School account. In other words, the initial amount of \$1,200,000.00 (one-fifth of the \$6,000,000.00 initial funding) shall be allocated to the account of each Law School. Accruals (or losses) on the commingled funds shall be apportioned to each Law School account according to the percentage of the commingled funds attributable to each respective Law School before the accrual (or loss).

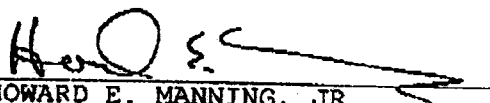
8. The Board shall be empowered to accept gifts and bequests on behalf of the Scholarship Fund for the objectives described herein provided that such acceptance does not jeopardize the organization's Federal or State tax-exempt status.

9. The term of the Scholarship Fund shall be forever unless the Board terminates it and distributes all the principal and income in accordance with applicable law.

10. Short of termination, the Board shall have authority to expend principal as well as income when necessary to comply with the requirements, if any, related to its tax-exempt status and to honor scholarship awards when income alone is not sufficient.

11. The Board shall have full authority to take whatever actions are permitted by law to accomplish the objectives as set out in this Order and in the Articles of Incorporation and Bylaws of the Scholarship Fund, if incorporated. In following the directives and guidance of this Order, the Incorporator(s) or the Board of Trustees, as appropriate, may deviate from the directives of the Court's Orders to the extent which, in their discretion, will best accomplish the directives and guidance as articulated by the Court. These deviations may include, but are not limited to, such action as will maximize the tax-exempt status of the Scholarship Fund.

This the 3 day of June, 2004.

  
HOWARD E. MANNING, JR.  
SUPERIOR COURT JUDGE  
WAKE COUNTY SUPERIOR COURT

CERTIFICATE OF SERVICE

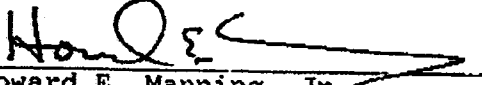
I HEREBY CERTIFY that the foregoing ORDER REGARDING OBJECTIVES AND ORGANIZATION OF THE SMITH/SHAVER LAW SCHOOL SCHOLARSHIP FUND was served on the parties listed below by first class mail, postage pre-paid, and/or by hand-delivering a copy thereof as follows:

Norma S. Harrell, Esq.  
Special Deputy Attorney General  
Revenue Building, Suite 606  
P. O. Box 629  
Raleigh, N. C. 27602 - 0629

G. Eugene Boyce, Esq.  
Boyce & Isley, PLLC  
P.O. Box 1990  
Raleigh, N.C. 27602

Keith W. Vaughan, Esq.  
Womble Carlyle Sandridge & Rice, PLLC  
One West Fourth Street  
Winston-Salem, N.C. 27101

This the 3 day of June, 2004.

  
Howard E. Manning, Jr.  
Superior Court Judge