

**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 7 of the instructions.

Part I Identification of Applicant

1a Full name of organization (as shown in organizing document) Lutheran Education Foundation, Inc.		2 Employer identification number (EIN) (If none, see page 2 of the instructions.) 86-0896983
1b c/o Name (if applicable) 		3 Name and telephone number of person to be contacted if additional information is needed
1c Address (number and street) 2001 West Camelback Road	Room/Suite Suite 285	4 Month the annual accounting period ends Allen Nahrwold 602/864-9197 June
1d City or town, state, and ZIP code Phoenix, Arizona 85015		7 Check here if applying under section: a <input type="checkbox"/> 501(e) b <input type="checkbox"/> 501(f) c <input type="checkbox"/> 501(k)
5 Date incorporated or formed August 29, 1997	6 Activity codes (See page 3 of the instructions.) 561	8 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.
9 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).		
10 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.		

11 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 11, on page 3.) Get Pub. 557, Tax-Exempt Status for Your Organization, for examples of organizational documents.

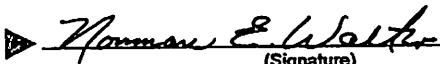
a Corporation—Attach a copy of the Articles of Incorporation (including amendments and restatements) showing approval by the appropriate state official; also include a copy of the bylaws.

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  Norman E. Walter President 1/13/98
 (Signature) (Title or authority of signer) (Date)

For Paperwork Reduction Act Notice, see page 1 of the instructions.

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.

On April 12, 1997 Arizona legislation was passed which permitted taxpayers to claim a dollar-for-dollar tax credit on their Arizona income tax returns effective January 1, 1998 for contributions made to a "school tuition organization". A "school tuition organization" is a 501(c)(3) exempt entity which disburses its contributions to students in the form of grants or scholarships to allow them to attend a nongovernmental primary or secondary school of their parents' choice. At least 90% of the organization's revenue must be disbursed for this purpose. Lutheran Education Foundation, Inc. ("LEF") was formed to qualify as a "school tuition organization". LEF will accept contributions and award these amounts as grants to individuals who apply to LEF for assistance. Awards will be based solely on financial need. LEF does not anticipate soliciting funds. Funds are expected to be solicited by the private schools benefiting from this legislation. LEF will be widely publicized by the Lutheran schools in the Phoenix area. These schools are expected to enroll a major portion of the students receiving grants.

The legislation is currently involved in a lawsuit which seeks to have it overturned. In the event the lawsuit is successful, LEF will continue with its basic purpose of providing tuition assistance. However, it will no longer be required to meet the requirements of a "school tuition organization" by expending 90% of its revenues and awarding grants directly to students. Activities to date consist of filing the Articles of Incorporation with the Arizona Corporation Commission and applying for exemption with the Internal Revenue Service. No funds have been solicited or received.

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

Contributions from individuals
Interest income

- 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 activities are planned. Solicitation of contributions and the promotion of LEF is expected to be conducted by the schools benefiting from increased enrollment.

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.	b Annual compensation
See attached	

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.

Fundraising and promotional activities are expected to be conducted on behalf of LEF by Valley Lutheran High School, Christ Lutheran School and Martin Lutheran School Association. These schools are exempt religious organizations. All activities will be initiated and conducted by these schools without compensation.

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.

N/A

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.

N/A

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.

N/A

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

N/A

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.

Grants will be awarded to individuals based solely on financial need. Priority will be given to students currently attending a private school who would not be able to continue without financial assistance. Funds will not be awarded on the basis of race, color, sex, handicap, familial status or national origin. Recipients need not be of the Lutheran or any other religious belief.

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.

N/A

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.

N/A

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 7 below.

2 If one of the exceptions to the 15-month filing requirement shown below applies, check the appropriate box and proceed to question 8.
Exceptions—You are not required to file an exemption application within 15 months if the organization:

- N/A 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

N/A If "Yes," your organization qualifies under section 4.01 of Rev. Proc. 92-85, 1992-2 C.B. 490, for an automatic 12-month extension of the 15-month filing requirement. Do not answer questions 4 through 7.
If "No," answer question 4.

4 If you answer "No" to question 3, has the organization been contacted by the IRS regarding its failure to file Form 1023 within 27 months from the end of the month in which the organization was created or formed? Yes No

N/A If "No," your organization is requesting an extension of time to apply under the "reasonable action and good faith" requirements of section 5.01 of Rev. Proc. 92-85. Do not answer questions 5 through 7.
If "Yes," answer question 5.

5 If you answer "Yes" to question 4, does the organization wish to request relief from the 15-month filing requirement? Yes No

N/A If "Yes," give the reasons for not filing this application prior to being contacted by the IRS. See Specific Instructions, Line 5, on page 4 before completing this item. Do not answer questions 6 and 7.
If "No," answer question 6.

6 If you answer "No" to question 5, your organization's qualification as a section 501(c)(3) organization can be recognized only from the date this application is filed with your key District Director. 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

N/A If you answer "Yes" to question 6 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)

- 8 Is the organization a private foundation?
 Yes (Answer question 9.)
 No (Answer question 10 and proceed as instructed.)

- 9 If you answer "Yes" to question 8, does the organization claim to be a private operating foundation?
 Yes (Complete Schedule E.)
 No

N/A

After answering question 9 on this line, go to line 15 on page 7.

- 10 If you answer "No" to question 8, 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 (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 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 checked="" 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 block h or block 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 10, go to question 15. If you checked box g in question 10, go to questions 12 and 13. If you checked box h, i, or j, in question 10, go to question 11.

Part III Technical Requirements (Continued)

11 If you checked box h, i, or j in question 10, has the organization completed a tax year of at least 8 months?
 Yes—Indicate whether you are requesting:
 A definitive ruling (Answer questions 12 through 15.)
 An advance ruling (Answer questions 12 and 15 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 application.

12 If the organization received any unusual grants during any of the tax years shown in Part IV-A, 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.
 None

13 If you are requesting a definitive ruling under section 170(b)(1)(A)(iv) or (vi), check here and: N/A

- 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 13a above.

14 If you are requesting a definitive ruling under section 509(a)(2), check here and: N/A

- 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.

15 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 8/29 to 12/31/97	(b) 19 98	(c) 19 99	(d) 19 _____	
Revenue					
1 Gifts, grants, and contributions received (not including unusual grants—see pages 5 and 6 of the instructions)	0	22,000	67,500		89,500
2 Membership fees received	0				
3 Gross investment income (see instructions for definition) Attachment	0	165	1,012		1,177
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)	0.00	22,165.00	68,512.00		90,677.00
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)	0.00	22,165.00	68,512.00		90,677.00
11 Gain or loss from sale of capital assets (attach schedule)					
12 Unusual grants					
13 Total revenue (add lines 10 through 12)	0.00	22,165.00	68,512.00		90,677.00
Expenses					
14 Fundraising expenses					
15 Contributions, gifts, grants, and similar amounts paid (attach schedule)		0	56,000		
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)		150	1,000		
23 Total expenses (add lines 14 through 22)		150.00	57,000.00		
24 Excess of revenue over expenses (line 13 minus line 23)	0.00	22,015.00	11,512.00		

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).) Grants will be awarded to students to allow them to attend the nongovernmental primary or secondary school of their choice. Grants will be awarded based on financial need. Priority will be given to students who need financial assistance to allow them to continue attending their present school. "Scholarships" based on academic, athletic and similar abilities will not be awarded. The dollar amount of each grant will be sufficient to enable the student to attend the school. Schools will return the unused grant portion for a student not completing the school year. Contributions will not be accepted which are designated by the donor to benefit any individual.

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 boxes 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.

Eligible recipients must demonstrate that they will be unable to attend the nongovernmental primary or secondary school of their parents' choice unless the requested grant is received. Academic, athletic and other abilities will not be considered. Attendance at preschool and postsecondary institutions will not be eligible. It is expected that most of the students will be attending Lutheran schools in the Phoenix, Arizona area. The number of eligible individuals to attend these Lutheran schools exceeds 10,000. There are no restrictions or limitations in the selection procedures based upon race or the employment status of the recipient or his/her relative.

3 Indicate the number of grants the organization anticipates making annually 25

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. LEF does not base its selections in any way on the employment status of the applicant or any relative of the applicant. Article VI, Section 2 of the By-Laws prohibits members of the Board of Directors from being affiliated with a recipient school or student.

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.

LEF will not monitor the performance of a recipient. If the student leaves the school, any unused portion of the grant must be returned by the school to LEF.

LUTHERAN EDUCATION FOUNDATION, INC.

Form 1023

Attachment

Part 1, Question 4 - Officers, directors, trustees, etc.

(a) Names, addresses, and titles of officers, directors,
trustees, etc.

(b) Annual
compensation

Reverend Norman E. Walter
8505 West Charleston Avenue
Peoria, Arizona 85382
President, Director

None

Dr. Arthur Parker
1322 West Dunlap Avenue
Phoenix, Arizona 85021
Vice President, Director

None

Don Doerr
20411 149th Avenue
Sun City West, Arizona 85375
Secretary, Director

None

Jack Beyer
4943 East Armor Street
Cave Creek, Arizona 85331
Treasurer, Director

None

Part IV

Financial Data (Continued)

B. Balance Sheet (at the end of the period shown)		Current tax year Date <u>12/31/97</u>
Assets		
1	Cash	1 0
2	Accounts receivable, net	2 0
3	Inventories	3 0
4	Bonds and notes receivable (attach schedule)	4 0
5	Corporate stocks (attach schedule)	5 0
6	Mortgage loans (attach schedule)	6 0
7	Other investments (attach schedule)	7 0
8	Depreciable and depletable assets (attach schedule)	8 0
9	Land	9 0
10	Other assets (attach schedule)	10 0
11	Total assets (add lines 1 through 10)	11 0.00
Liabilities		
12	Accounts payable	12 0
13	Contributions, gifts, grants, etc., payable	13 0
14	Mortgages and notes payable (attach schedule)	14 0
15	Other liabilities (attach schedule)	15 0
16	Total liabilities (add lines 12 through 15)	16 0.00
Fund Balances or Net Assets		
17	Total fund balances or net assets	17 0
18	Total liabilities and fund balances or net assets (add line 16 and line 17)	18 0.00

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

LUTHERAN EDUCATION FOUNDATION, INC.

Form 1023

Attachment

Part IV - Financial data

	Budget	
	----- (b) 1998	(c) 1999 -----
REVENUE =====		
1. Gifts, grants and contributions received:		
30 @ \$500 =	\$ 15,000	
20 @ 250 =	5,000	
20 @ 100 =	2,000	
100 @ 500 =		50,000
50 @ 250 =		12,500
50 @ 100 =		5,000
	-----	-----
	\$ 22,000	67,500
	=====	=====

Contributions will be received from individuals in the above average amounts. Limited amounts are expected in 1998 due to the uncertainty of the lawsuit and the unfamiliarity of contributors with school tuition organizations.

3. Gross investment income

\$22,000 x 3/12 x 3% =	165	
67,500 x 6/12 x 3% =		1,012
	=====	=====

Funds will be invested in a savings account until the beginning of each enrollment period.

EXPENSES
=====

15. Contributions, gifts, grants and similar amounts paid

14 grants at an average of \$4,000	0	56,000
	=====	=====

No grants are anticipated for 1998, as contributions are not expected to be received until after the 1998 enrollment has begun. Funds available for grants in 1999 are computed using 1998 contributions of \$22,000 plus a portion of 1999 contributions (\$34,000) expected to be received in sufficient time to be awarded for enrollments in 1999.

It is anticipated that 100% of the contributions will be expended for grants. No funds will be spent for administrative or other purposes. Administrative and other expenses will be paid from interest earned.

22. Other

Post office box rental, postage, printing, paper and office supplies	150	1,000
	=====	=====

The organization will not require separate office space, telephone, or employees.