



## Support Christian Schools

## Receive a Tax Credit



*sharing the cost of education*

## Special Purpose Entity FAQ

### What is a Special Purpose Entity (SPE)?

A Special Purpose Entity is a pass-through partnership established solely for the purpose of making contributions to schools through Pennsylvania's Educational Improvement Tax Credit (EITC) program and distributing the tax credits received to its members.

Faith Builders Special Purpose Entities send 100% of contributions to Faith Builders Scholarship Services (FBSS).

FBSS contributes 95% of funds received toward student scholarships and withholds 5% as an administrative fee.

### Who can join SPEs?

- Legal entities and individuals who are owners or employees of an LLC, partnership, or corporation (but not sole proprietorship)<sup>1</sup>.
- Individuals who own stock in any public company registered to pay tax in Pennsylvania<sup>2</sup>.

### What are the benefits of joining the SPE?

- You will receive 90% of your contribution as a Pennsylvania tax credit.
- You can direct your contribution to a private Pennsylvania school, aiding families with school costs.
- You can contribute the amount desired as an individual rather than through business ownership percentage.
- You can participate in the tax credit program if you are in a Pennsylvania business partnership with out-of-state business owners who can't benefit from the program.

### How does your contribution benefit a child in Pennsylvania?

- FBSS provides flexibility within program parameters regarding eligibility and amount of scholarship awarded. Our goal is to assist families who choose to educate their children in private and religious schools.
- Distribution of funds is needs-based according to family size, income, and tuition owed. Family income may not exceed \$12,348 plus \$19,775 per dependent.
- Any fulltime student (PA resident attending a PA school) may qualify for available scholarship funds. Families must apply to FBSS. Scholarships are paid directly to the school and applied to family tuition costs.

### How do I join the Faith Builders Special Entity?

- Apply online or fill out a paper application – see following pages.

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<sup>1</sup> Sole proprietors and their employees are not qualified or disqualified. They may qualify with either of the two methods mentioned under "Who can join SPEs?" even if the employee is the spouse of the individual and/or the employment is part time.

<sup>2</sup> A very easy way of meeting this requirement is to buy stock in PPL Corporation, a Pennsylvania-based utility company that has a direct stock purchase plan. However, owning shares of Apple or Wal-Mart stock (for example) would also be fine, since they are registered in Pennsylvania.

## Online Application

- Read the operating agreement at the end of this packet.
- Determine the amount you wish to contribute
- Decide whether you will apply as an individual or a business. \*
- Visit the online application portal: <https://fbspe.wsgi.apphosting.zone/apply/> or use this QR code:



- Follow the steps and submit the application. If you have any questions while filling out the application, contact us at 814.789.4518 ext. 243

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## Paper Application

- Read the operating agreement at the end of this packet.
- Determine the amount you wish to contribute.
- Decide whether you will apply as an individual or a business.\*
- **Fill out the application** on the following two pages.

### Send the application:

- Email: [SPE@fbep.org](mailto:SPE@fbep.org)
- Fax: 814-789-3396
- Mail:  
Attn: Justin Kauffman  
Faith Builders Special Entity  
28527 Guys Mills Rd.  
Guys Mills, PA 16327

\*Discuss with your accountant the option to sign up as an individual or business. If applying as a business, all tax credits must be passed through to the partners in the same percentage as percentage of ownership. We strongly recommend owners of Single-Member LLCs to apply as individuals to simplify tax filing.

Joinder to Operating Agreement  
**Faith Builders Special Purpose Entities**

Name: \_\_\_\_\_ (same as next page)

The undersigned hereby agrees to become a member of a Faith Builders Special Purpose Entity in accordance with the foregoing Operating Agreement, and with the following conditions:

- The initial contribution is \$ \_\_\_\_\_ (minimum \$3,000). The member takes responsibility for deciding the amount in consultation with his tax adviser. Faith Builders Special Purpose Entities are not responsible for any unusable tax credit issued to a member. The check for year 1 is included or will be sent upon notification of application approval.
- The member will contribute the same amount in the succeeding calendar year within 30 days of notification by a Faith Builders Special Entity, LLC representative OR the member will recruit a replacement person or entity to fulfill the obligation. In any case, the signer is responsible to provide the same amount for the following year.
- By signing on the next page, I affirm that I am currently tax compliant with the state of Pennsylvania.
- I/we acknowledge and agree that there is no expectation for any economic benefit as a result of the investment other than the allocation of the applicable state tax credits and federal charitable contribution deduction.
- Recommend where you want your contribution directed; schools will receive 95% of this amount after deducting Faith Builders Scholarship Services administration fee.

List the name and amount of contribution designated for each school. Total should equal your contribution amount. Enter additional schools on a separate page.

Name of School \_\_\_\_\_ Amount \$ \_\_\_\_\_

County \_\_\_\_\_

Name of School \_\_\_\_\_ Amount \$ \_\_\_\_\_

County \_\_\_\_\_

Name of School \_\_\_\_\_ Amount \$ \_\_\_\_\_

County \_\_\_\_\_

Name of School \_\_\_\_\_ Amount \$ \_\_\_\_\_

County \_\_\_\_\_

Name of School \_\_\_\_\_ Amount \$ \_\_\_\_\_

County \_\_\_\_\_

Name of School \_\_\_\_\_ Amount \$ \_\_\_\_\_

County \_\_\_\_\_

Please check this box if you prefer your contribution to be anonymous to the school.

IN WITNESS WHEREOF, this Joinder is executed as of the date written below.

If an INDIVIDUAL:

If a LEGAL ENTITY:

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Legal Name of the Entity (Typed or Printed)

\_\_\_\_\_  
Printed Name

\_\_\_\_\_  
Signature

Date: \_\_\_\_\_

\_\_\_\_\_  
Printed Name

Amount: \_\_\_\_\_

\_\_\_\_\_  
Title

Mailing Address:  
\_\_\_\_\_  
\_\_\_\_\_

Date: \_\_\_\_\_

Amount: \_\_\_\_\_

County: \_\_\_\_\_

Mailing Address:  
\_\_\_\_\_  
\_\_\_\_\_

Email address: \_\_\_\_\_

County: \_\_\_\_\_

Phone number: \_\_\_\_\_

Email address: \_\_\_\_\_

Social Security #: \_\_\_\_\_

(Leave SS # blank if emailing agreement.)

Phone number: \_\_\_\_\_

- I certify that I qualify to join this SPE because I am
  - (1) a partial owner of a PA for-profit business (NOT a sole proprietor), OR
  - (2) an owner of a Single-Member LLC
  - (3) a W-2 employee of a for-profit business, OR
  - (4) a stockholder of a PA registered business

EIN: \_\_\_\_\_ (leave blank if emailing agreement)

- Entity Type:
- Single Member LLC (owner SS #: \_\_\_\_\_)
  - LLC - Partnership
  - LLC - filing as S Corp (PA Revenue ID: \_\_\_\_\_)
  - S Corp (PA Revenue ID: \_\_\_\_\_)
  - Partnership
  - Estate
  - Trust
  - LLP
  - C Corp (PA Revenue ID: \_\_\_\_\_)

For Internal Use: Initial when complete: _____
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ACCEPTANCE OF JOINDER TO OPERATING AGREEMENT

Faith Builders Special Entity, LLC hereby confirms and accepts the foregoing Joinder to Operating Agreement as of \_\_\_\_\_, 20\_\_\_\_\_.

Faith Builders Special Entity, LLC

By: \_\_\_\_\_

Name: Steven Brubaker

Title: Manager

# Operating Agreement Information

Prospective members may be admitted into one or more Special Purpose Entities managed by Faith Builders Educational Programs. The following operating agreement for Faith Builders Special Purpose Entity II, LLC is alike in all points excepting business name and origination date to the operating agreements for all Faith Builders Special Purposes Entities. These entities are listed below.

- Faith Builders Special Entity, LLC
- Faith Builders Special Entity II, LLC
- Faith Builders Special Entity III, LLC
- Faith Builders Special Entity IV, LLC
- Faith Builders Special Entity V, LLC
- Faith Builders Special Entity VI, LLC
- Faith Builders Special Entity VII, LLC
- Faith Builders Special Entity VIII, LLC
- Faith Builders Special Entity IX, LLC
- Faith Builders Special Entity X, LLC
- Faith Builders Special Entity XI, LLC
- Faith Builders Special Entity XII, LLC
- Faith Builders Special Entity XIII, LLC
- Faith Builders Special Entity XIV, LLC
- Faith Builders Special Entity XV, LLC
- Faith Builders Special Entity XVI, LLC
- Faith Builders Special Entity XVII, LLC

**LIMITED LIABILITY COMPANY OPERATING AGREEMENT**  
**For Faith Builders Special Entity II, LLC**

THIS OPERATING AGREEMENT is made and entered into by Faith Builders Educational Programs, Inc., Faith Builders Special Entity II, LLC, and the Members. The parties agree and state as follows:

**SECTION 1**  
**THE LIMITED LIABILITY COMPANY**

1.1 *Formation.* On May 24, 2019, a limited liability company named “Faith Builders Special Entity II, LLC” was formed in Pennsylvania (the “Company”).

1.2 *Name.* The business of the Company will be conducted under the name “Faith Builders Special Entity II, LLC.”

1.3 *Purpose.* The purpose of the Company is to operate educational, tax incentive programs in accordance with state law.

1.4 *Office.* The Company’s current registered agent is Faith Builders Educational Programs, Inc., and the Company’s registered address within the Commonwealth of Pennsylvania is 28527 Guys Mills Rd, Guys Mills, PA 16327.

1.5 *Term.* The term of the Company commenced on May 24, 2019, and shall continue perpetually unless sooner terminated.

1.6 *Ownership.* Faith Builders Special Entity II, LLC, is a multi-member company, treated as a partnership for income tax purposes. Contributors to the Company will become members of the Company as they are approved by the manager of the Company. Members will be accepted by the manager upon approval of application. Minimum contribution is \$3,000, unless the manager makes an exception. The Company is not owned by Faith Builders Educational Programs, Inc. The Company is solely owned by the contributing members, and it is not a tax-exempt entity.

1.7 *Management.* The President of Faith Builders Educational Programs, Inc. shall serve as the manager of the Company (“the manager”), which is a separate and distinct appointment from his position as President of Faith Builders Educational Programs, Inc. The manager shall make all decisions regarding acceptance of members. Faith Builders Educational Programs, Inc. shall have the authority to appoint replacement or additional managers of the Company. Faith Builders Educational Programs, Inc. holds authority to dissolve the Company at any time, or to reverse decisions of the manager.

1.8 *Applicable Law.* This Operating Agreement will be governed by the laws of the Commonwealth of Pennsylvania.

1.9 *Indemnification.* The Company shall indemnify its Directors, Officers, and employees from any liabilities of the Company, to the fullest extent permitted under Pennsylvania law. The Company shall also indemnify Faith Builders Educational Programs, Inc. and its Directors, Officers, and employees from any liabilities of the Company, to the fullest extent permitted under Pennsylvania law.

1.10 *Amendment or Revocation.* Faith Builders Educational Programs, Inc. and Faith Builders Special Entity II, LLC may jointly amend or revoke this Operating Agreement at any time without advance notice to the members of the Company.

1.11 *Voting.* The members agree to designate the manager as the agent of the Company. The members shall not hold voting rights, except to any extent required by applicable law. The manager has been delegated authority to operate the Company and to make all decisions on behalf of the Company, subject to the other provisions of this Agreement. The manager has authority to select a partnership representative in the event of an audit. The partnership hereby elects the application of 26 U.S. Code § 6221(b) for each taxable year.

**SECTION 2  
ACCOUNTING AND REPORTING**

2.1 *Profits/Losses.* For financial accounting and tax purposes, the Company will be on cash basis accounting, have a calendar year end, and will file all appropriate forms, including Federal Tax Form 1065 and Pennsylvania REV 1123, and issue Form K-1 for each member on a timely basis for members to be able to benefit from the K-1.

2.2 *Employer Identification Number.* The Company shall hold its own EIN.

2.3 *Banking.* The Company shall maintain its own bank accounts. Net assets shall be determined on a periodic basis.

2.4 *Allocation of Credits and Deductions.* The Company shall do the required filing to allocate any available tax credits and charitable contribution deductions to the members in proportion to their ownership interest percentages.

2.5 *Distributions.* All cash contributions will flow through the Company to Faith Builders Scholarship Services, or to other Pennsylvania registered scholarship organizations if directed by a member.

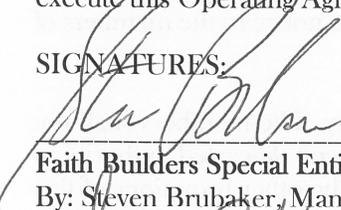
2.6 *Valuations and Additional Members.* The members shall hold ownership interests in the Company as reported by the manager. The members agree that other contributors may be added as members at any time, and that the manager shall have exclusive authority to add or remove members at any time without advance notice or approval. The purpose of the Company is to pass contributions to charitable causes, and the fluctuation of ownership percentages of the members is expected to occur in the normal course of business.

2.7 *Arbitration Clause.* The parties desire to avoid contention and litigation in the performance of this Agreement. Therefore, in lieu of litigation, the sole and exclusive means of resolving legal disputes shall be binding, common law arbitration. Such arbitration shall be held in Pennsylvania, or at another mutually agreeable location. Each party shall bear their own costs for counsel, and an equal portion of the costs of the proceeding. In such event, the partnership shall select one arbitrator by majority vote (not including the aggrieved party), the aggrieved party (or parties) shall select one arbitrator by majority vote, and the two selected arbitrators shall together select a third arbitrator. Members of the arbitration panel must be Anabaptist ministers, or accountants, or mutually agreeable third parties. Arbitrators may not be related to the parties through close familial relationships or ongoing business relationships. Decisions by the panel will be legally binding. The parties hereby agree that they will not litigate against each other for any reason, and that they will utilize the arbitration process to settle any unresolved disputes. The following Biblical principles have inspired this provision:

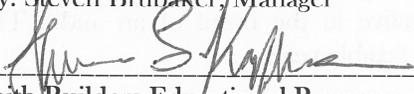
- a. Avoiding litigation (I. Corinthians 6:1);
- b. Peacemaking (Matthew 5:9); and
- c. Agreeing with adversaries quickly (Matthew 5:25).

IN WITNESS WHEREOF, Faith Builders Educational Programs, Inc. and Faith Builders Special Entity II, LLC execute this Operating Agreement:

SIGNATURES:

  
\_\_\_\_\_  
Faith Builders Special Entity II, LLC  
By: Steven Brubaker, Manager

9-26-19  
\_\_\_\_\_  
Date of Agreement

  
\_\_\_\_\_  
Faith Builders Educational Programs, Inc.  
By: [Board Chairman, Secretary, or other FBEP Officer]

9/26/2019  
\_\_\_\_\_  
Date of Agreement