

Internal Revenue Service
Director, Exempt Organizations
Rulings and Agreements

Department of the Treasury
P.O. Box 2508 - Room 7008
Cincinnati, Ohio 45201

Number: 200915052
Release Date: 4/10/2009

Date: Jan 12 2009

Employer Identification Number:

Person to Contact - ID#:

Contact Telephone Numbers:

Legend

OIL # 4945.04-04

B = The Foundation
C = County
D = Colleges/Universities
E = Free Application
M = The Scholarship
x = \$ amount #1
y = \$ amount #2

Dear _____ :

This supersedes our letter dated November 4, 2008 that was incomplete and incorrectly mailed out by the specialist at the group level.

We have considered your request for advance approval of your grant-making programs under section 4945 (g) (1) of the Internal Revenue Code dated July 3, 2008.

Our records indicate that B was recognized as exempt from Federal income tax under section 501(c) (3) of the Code and that it is classified as a private foundation as defined in section 509(a).

Your letter indicates that B will be awarding M up to an amount of x to eligible students. Funding will be sent directly to the applicable accredited college or university. The number of scholarships awarded will vary in the future. However, in the inaugural year, approximately 10 awards will be made.

A summer funding program will be available for scholars after completion of the 2nd and 3rd years. Maximum awards of summer funding will be y.

The scholarship will be renewable for up to four years. However, a fifth year can be considered under special circumstances. The scholarship is intended for highly promising high school senior that graduates from a high school in C, have financial need, and are entering one of the following colleges/universities: D.

There is also the opportunity for students to study abroad or obtain internships for credit-bearing courses from an accredited college or university leading to an undergraduate degree. Twenty hours of community service per year will be required of each scholar.

The selection of recipients for awards will be based on a minimum GPA of 2.0 and for those students who have attended an accredited C high school for the previous two years. Each applicant is ranked using a scorecard. Once scores are submitted, rankings may be combined for an overall ranking of the applications. The selection committee then reconvenes to discuss their rankings. The committee assembles a finalist pool of applicants selected for in-person interviews. After each interview the committee collectively scores the applicants. Scholars are selected based on the collective information. Scorecards will contain the following components for each applicant:

- Potential - Based on an essay and recommendations how this individual compares to similar students
- Community Service - Is there evidence that this individual has already made or is capable of making a contribution to her or his community?
- Academic Achievement - Using the already available student GPA
- Financial Need - Examining the student's application rate and their financial need in comparison to other applicants.
- Comments - Made by the selection committee members

A five-person scholarship selection committee will be used to develop the program and undertake the selection process. Membership on this committee will require a significant amount of time but will enable the committee to remain actively engaged in the support of scholars over the course of their studies. The committee will be made up of individuals who are independent, non-discriminatory, and objective. The committee members will be appointed to a one year term and the Trustees of A will select replacement members that are qualified members of the community. Eligible individuals for scholarships will exclude disqualified persons or family members of A trustees, staff, or the scholarship selection committee. There shall be no discrimination based upon race, color, creed, religion, or sex.

In order to keep the scholarship in a renewable status, the following will be required of each student:

- A grade report must be submitted each quarter/semester for consideration indicating a minimum GPA of 3.0.
- Documentation of community service.

If a student is not meeting one or more of these standards then the scholarship committee will review the scholar's progress and make an individual determination on continuing funding.

If the terms of the award are violated, the award will be terminated and no further payments will be made to the university/college.

As indicated on Schedule H submitted with approval request:

The organization agrees to maintain records which include the following:

- a. Information used to evaluate the qualification of potential grantees;
- b. Identification of the grantees (including any relationship of any grantee to the private foundation), the amount and purpose of each grant; and
- c. All grantee reports and other follow-up data obtained in administering the private foundation's grant program.

Sections 4945(a) and (b) of the Code impose certain excise taxes on "taxable expenditures" made by a private foundation.

Section 4945(d)(3) of the Code provides that the term "taxable expenditure" means any amount paid or incurred by a private foundation as a grant to an individual for travel, study, or other similar purposes by such individual, unless such grant satisfies the requirements of subsection (g).

Section 4945(g) of the Code provides that section 4945(d)(3) shall not apply to individual grants awarded on an objective and nondiscriminatory basis pursuant to a procedure approved in advance if it is demonstrated that:

- (1) The grant constitutes a scholarship or fellowship grant which is subject to the provisions of section 117(a) and is to be used for study at an educational organization described in section 170(b)(1)(A)(ii);
- (2) The grant constitutes a prize or award which is subject to the provisions of section 74(b), if the recipient of such prize or award is selected from the general public, or
- (3) The purpose of the grant is to achieve a specific objective, produce a report or similar product, or improve or enhance a literary, artistic, musical, scientific, teaching, or other similar capacity, skill, or talent of the grantee.

Section 53.4945-4(c)(1) of the Regulations provides that to secure approval, a private foundation must demonstrate that:

- (i) Its grant procedure includes an objective and nondiscriminatory selection process;
- (ii) Such procedure is reasonably calculated to result in performance by grantees of the activities that the grants are intended to finance; and

- (iii) The foundation plans to obtain reports to determine whether the grantees performed activities that the grants are intended to finance.

Based on the information submitted and assuming your scholarship program will be conducted as proposed with objectivity and nondiscrimination in awarding grants, we determined that your procedures in awarding scholarship grants comply with the requirements of section 4945(g)(1) of the Code and that scholarships granted according to these procedures will not be "taxable expenditures" within the meaning of section 4945(d)(3).

In addition, we have determined that awards made under your procedures are excludable from the gross income of the recipients subject to the limitations provided by section 117 of the Code.

This determination is conditioned on the understanding that there will be no material change in the facts upon which it is based. It is further conditioned on the premise that no grants will be awarded to foundation managers, or members of the selection committee, or for a purpose that is inconsistent with the purpose described in section 170(c)(2)(B) of the Code.

The approval of your grant-making procedures is a one-time approval of your system standards and procedures that will result in grants which meet the requirements of section 4945(g)(1) of the Code. **This determination only covers the grant programs described above.** Thus, approval shall apply to succeeding grant programs only as long as the standards and procedures under which they are conducted do not differ materially from those described in your request.

Any funds you distribute to individuals must be made on a true charitable basis in furtherance of the purposes for which you are organized. Therefore, you should maintain adequate records and case histories so that any or all grant distributions can be substantiated upon request by the Internal Revenue Service.

This determination is directed only to the organization that requested it. Section 6110(j)(3) of the Code provides that it may not be used or cited as a precedent.

You must report any future changes in your grant making procedures. Please keep a copy of this letter in your permanent records.

If you have any questions, please contact the person whose name and telephone number are shown above.

Sincerely yours,

Robert Choi
Director of Exempt Organizations
Rulings and Agreements