

Internal Revenue Service
P.O. Box 2508, Room 7008
Cincinnati, OH 45201

Department of the Treasury
Exempt Organizations
Rulings and Agreements

Number: 200915049
Release Date: 4/10/2009

Date: Jan 16, 2009

Employer Identification Number:

Contact Person - ID Number:

Contact Telephone Number:

UIL # 4945.04-04

Legend

X = The Fund
Y = Scholarship Fund
B = College #1
C = College #2
D = University #1
E = University #2
F = Financial Aid Office
G = Bank
w = \$ amount #1
v = \$ amount #2

Dear _____ :

Our records indicate that X was determined to be a private foundation as defined in section 509(a) of the Code in January of 1976. At that time the Service approved your grant making program. This letter modifies our letter dated January 27, 1976.

We have considered your request dated February 21, 2007 for advance approval of the changes to your grant-making program under section 4945 (g)(1) of the Internal Revenue Code.

Your letter indicates that X will operate a grant-making program called Y.

The purpose of X is to create a grant program.

The purpose of Y is to provide scholarship grants to students who attend B, C, D, and E. The amount of the grants is between w and v. X will send applications to F at B, C, D, and E. Application will be reviewed and considered on recommendation of F at B, C, D, and E. F will be instructed to forward the selected applications to CSA for scoring and preparation of the scholarship committee.

The applicants must obtain the following criteria: (a) be a student enrolled at B, C, D, and E; (b) be studying in the field of Law, Medicine, or the Ministry; (c) have a minimum cumulative GPA of 2.0 on a 4.0 scale; (d) demonstrate high personal character; (e) demonstrate academic ability and achievement; and (f) demonstrate financial need.

Family members or relatives of trustees, scholarship committee members, or selection committee members are not eligible to apply for scholarships. Employees of G and their family members or relatives are not eligible to apply for scholarships.

Scholarships may be awarded for any stated period and for varying amounts as determined by the scholarship committee. Awards will be applied for tuition only. Scholarship awards will be paid in equal installments at the beginning of each academic period during the academic year. Checks will be made payable to and mailed directly to B, C, D, and E upon receipt of a bill or Certificate of Enrollment form from B, C, D, and E. Unused funds will be returned to Y.

Scholarships are non-renewable; however, former recipients may reapply for a scholarship. Students must maintain satisfactory progress and a minimum GPA of 2.0 on a 4.0 scale to reapply for a scholarship the following year.

In the event of serious malfeasance, breach of traditional conduct, or conduct involving moral turpitude, a scholarship may be terminated at any time within the discretion of the selection committee, whose decisions shall be final and binding.

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 award programs will be conducted as proposed with a view to provide objectivity and nondiscrimination in making the awards, we have determined that your procedures for granting the awards comply with the requirements contained in section 4945(g) of the Code and that awards granted in accordance with such procedures will not constitute "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 award program procedures herein constitutes a one-time approval of your system standards and procedures designed to result in awards 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 subsequent award 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 award 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.

We have sent a copy of this letter to your representative as indicated in your power of attorney.

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

Sincerely yours,

Robert Choi
Director, Exempt Organizations
Rulings and Agreements