Internal Revenue Service
Director, Exempt Organizations
Rulings and Agreements

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

Release Number: **200906058**
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Date: Nov 14, 2008

Employer Identification Number:

Person to Contact - ID#:

Contact Telephone Numbers:
Phone
Fax
UIL# 4945.04-04

LEGEND

B = High School #1
C = High School #2
D = University
E = City, State
X = Scholarship Fund

Dear :

Your organization was formed by a trust agreement funded on . On you became a private non-operating foundation. In a letter dated May 21, 2004 the Service recognized your organization as one that was described in section 509(a)(3) of the Code. The Pension Protection Act (PPA), effective August 17, 2008, nullified your 509(a)(3) status.

You are now recognized as a non-exempt charitable trust that is classified as a private non-operating foundation as defined in section 509(a).

On December 28, 2007 you submitted a request for advance approval of 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.

The purpose of X is to provide scholarships to certain graduates of B and C who attend or desire to attend the D. The applicants must contact the guidance counselor of B or C and the guidance counselor will forward the applications to X's scholarship selection committee.

The applicants must obtain the following criteria; (a) brief biographical sketch with picture; (b) listing of extra curricular activities; (c) listing of community activities; (d) employment during school; and (e) description of goals and plans for the future.

The amounts of the grants are varied depending upon net income of X and the number of qualified applicants. Renewal scholarships are available if the

applicants establish that they are in good standing at the D.

X pays each scholarship directly to the D. X will ask the D to refund any unearned portion of a scholarship if, subsequent to the payment of the scholarship, the recipient fails to meet any term or condition of the scholarship program.

Scholarships may not be awarded to any individual who is related by blood, adoption or marriage to any member of the selection committee or any disqualified person of X as a first cousin or nearer relative.

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 ruling will be made available for public inspection under section 6110 of the Code after certain deletions of identifying information are made. For details, see enclosed Notice 437, *Notice of Intention to Disclose*. A copy of this ruling with deletions, that we intend to make available for public inspection, is attached to Notice 437. If you disagree with our proposed deletions, you should follow the instructions in Notice 437.

This determination is directed only to the organization that requested it. Section 6110(k)(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
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