

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

Department of the Treasury  
Director, Exempt Organizations

Release Number: **200850034**  
Release Date: 12/12/08

Contact Person:

Date: 8/29/2008

Identification Number:

Telephone Number:

Employer Identification Number:

Uniform Issue List Number:  
4945.04-04

Legend:

B= Organization  
C= Organization  
D= Scholarship Fund  
E= College  
F= University  
G= University  
H= University  
J= University  
K= Person  
L= Organization  
x= \$amounts

Dear

This is in reference to your letter of March 17, 2008, requesting advance approval of your grant procedures under section 4945(g) of the Internal Revenue Code.

The effective date of your scholarship program for the awarding of grants is August 1, 2008. This date was chosen based on the facts that your scholarship program now complies with section 4945(g) of the Internal Revenue Code.

The information submitted indicates that grants funded by you, private foundation B, will be administered, supervised, and paid out by C. C is exempt from Federal income tax under section 501(c)(3) of the Internal Revenue Code and has been classified as a publicly supported organization. The name of your scholarship program is D.

C provides corporation, foundations, trust funds and individual philanthropist's scholarship

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selection and administration management.

C will offer the following services in administering the scholarship program.

- C writes a set of guidelines for the administration of a scholarship program, based on the desires of the donor. C annually reviews those guidelines, advising the donor with regard to updating any requirements.

- C distributes these guidelines to appropriate individuals per instructions from the donor.

- C designs a brochure, if desired by the donor, to be distributed to each facility to be given to potential applicants. Applications packets are updated annually. Printing is handled by C. Applications packets are available for online processing.

- C receives and processes the application packets.

- C handles all correspondence and any special circumstances and questions from applicants, the family, and/or high school and college administrators.

- C has computer programs designed to assist in evaluating academic and financial materials received from applicants.

- C enlists the aid of a Scholarship Selection Committee

- C notifies the donor of the names and addresses of the current year winners. The donor then notifies these winners of their selection in whatever manner they choose.

- C follows up with additional forms and information for the winners.

- C requests information from prior scholarship winners and determines eligibility for renewal.

- C notifies renewal recipients of decisions.

- C notifies unsuccessful candidates

- C notifies all colleges with recipient names, social security numbers, award amounts and methods of payment.

- C maintains and reviews records on all recipients annually.

- C provides an annual report to donor on progress of students.

- C bills donor in June of each year.

D was established by K in memory of her husband. In her will, K requested the following

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criteria to be used by the Selection Committee in the awarding of scholarships. It was her desire that the committee shall give consideration to scholastic records and ability of applicants, as well as to character and achievements, and all around fitness and worthiness. K desired that the committee give special consideration to students who desire to prepare themselves for the Christian ministry, the practice of law, or the practice of medicine and who have displayed qualities which, in the opinion of the committee, fit them for successful careers in such professions.

Any full time student of the below mentioned educational institutions are eligible who can meet the requirements as stated in the will as quoted herein.

- Be studying in the field of Law, Medicine or the Ministry.
- Have a minimum cumulative GPA of 2.0 on a 4.0 scale.
- Demonstrate high personal character.
- Demonstrate academic ability and achievement.
- Demonstrate financial need.

Participating educational institutions will be E, F, G, H and J.

Each year B will make scholarships funds available to selected students attending the colleges and universities of E, F, G, H and J. B expects to award approximately 40 scholarships each year and that each scholarship will be between the amounts of x.

Scholarships may be awarded for any stated period and for varying amounts as determined by the Scholarship Committee. Such awards may be adjusted annually in accordance with financial need of the students.

The Scholarship Selection Committee consists of a representative of the Trustee and two representatives each of the participating educational institutions of E, F, G, H and J.

All contacts to the Scholarship Selection Committee and application for scholarship awards must be made through E's Financial Aid Office.

No scholarships will be awarded to any individual who is related by blood, adoption or marriage to any member of the Scholarship Selection Committee or any disqualified person of B 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

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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

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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.

This ruling is conditioned on the understanding that there will be no material changes in the facts upon which it is based. It is further conditioned on the understanding that no grants will be awarded to your organization's creators, officers, directors, trustees, or members of the selection committee, or for a purpose inconsistent with the purposes 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 of standards and procedures for selecting recipients of grants that meet the requirements of section 4945(g)(1) of the Code. Thus, approval will 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.

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 ruling 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 precedent.

If you have any questions about this ruling, please contact the person whose name and telephone number are shown in the heading of this letter.

Sincerely,

Robert Choi  
Director of Exempt Organizations  
Rulings and Agreements

Enclosure: Notice 437