

INTERNAL REVENUE SERVICE
P.O. BOX 2508, Room 7008
CINCINNATI, OH 45201

DEPARTMENT OF THE TREASURY
EXEMPT ORGANIZATIONS
RULINGS AND AGREEMENTS

Number: 200907039

Release Date: 2/13/2009

Date: Nov 18 2008

Employer Identification Number:

Person to Contact - ID#:

Contact Telephone Numbers:

Phone

Fax

UIL# 4945.04-04

LEGEND

A = Club

B = Program

C = County, State

D = High School #1, High School #2, High School #3, or the Academy

X = \$amount

Dear :

We have considered your request for advance approval of your grant-making program under section 4945(g)(1) of the Internal Revenue Code, dated August 19, 2008.

Our records indicate that A was recognized as exempt from Federal income tax under section 501(c)(3) of the Code in 1984. Effective September 1, 2006, A is classified as a private foundation as defined in section 509(a).

Your letter indicates that A will operate a grant-making program called B.

The purpose of A is to accept donations and administer the scholarship program.

The purpose of B is to award scholarships in the amount of X to selected candidates.

This scholarship program is located in area of C.

The number of scholarships awarded is based on the number of candidates and the amount of funds A has to disburse.

To be eligible an individual must have graduated from D within the last year with a 3.0 grade point average (GPA) and reside in C.

Applicants are required to submit a written essay, document community service hours, provide two letters of recommendation and provide their family income.

There will be no restrictions based on race, color, national, or ethnic origin. All applications are given equal consideration. The only restriction is that relatives of A members are not allowed to apply.

The average number of eligible prospective applicants is approximately 800.

The scholarship board is made up of eight unbiased individuals. Within the scholarship board, one member is chairman of the screening committee. A screening committee of three, and one alternate, is established from other members of the organization who are not also part of the scholarship board.

All applications are reviewed by the screening committee and given equal consideration. Each application is given an applicant number so that the committee does not know the name of the applicant. The screening committee recommends the top ten applications to the scholarship board for approval.

Scholarship recipients must prove that they are registered at an accredited school before funds are dispersed to them. They must use the funds for general education expenses such as tuition, books, and/or supplies. The funds are given directly to the recipient after this verification.

Recipients of the scholarship may submit a renewal application by a designated date for the second, third, and fourth years of college. They must also submit proof of a 3.0 college GPA, proof of registration for the college fall term, and not have improperly used their previous scholarship. Renewal scholarships will also be given out in the amount of X.

A agrees to maintain records that include:

- (1) Information used to evaluate the qualification of potential grantees;
- (2) Identification of the grantees (including any relationship of any grantee to the private foundation), the amount and purpose of each grant; and
- (3) 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 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).

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(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
Rulings and Agreements