

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

**Department of the Treasury
Exempt Organizations
Rulings and Agreements**

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Release Date: 2/13/2009

Date: Nov 18 2008

Employer Identification Number:

Contact Person - ID Number:

Contact Telephone Number:

LEGEND

UIL 4945.04-04

P=
X=
Y=
Z=
x=

Dear :

This is in response to your letter of July 10, 2008, in which you requested advance approval of a modification of your pre-approved individual scholarship program under section 4945(g)(1) of the Code.

Our records indicate that you have been recognized as exempt from Federal income tax under section 501(c)(3) of the Code and are classified as a private foundation as defined in section 509(a).

The information submitted indicates that you were previously issued letters of determination dated January 27, 1978, September 18, 1981, and September 25, 2001 granting you advance approval of your scholarship program under section 4945(g)(1) of the Code.

You now propose to make two additional changes to your scholarship plan as follows:

- (1) Increased Grant. The amounts of the scholarship grants commencing with those awarded to a member of the class graduating in the spring of 2008 and continuing thereafter, will be x for each year of enrollment and attendance at a qualified college or university for a 4-year period.
- (2) "At Large" High School. An additional 4-year scholarship will be awarded annually to a graduating student, who has not otherwise received a scholarship from P, of one of the three previously approved high schools, X, Y, and Z. The initial award will be made to a member of the graduating class of 2009 of one of the schools and will be made annually thereafter unless or until the

awarding of such scholarship grants is discontinued by P. The amount of the grants, the eligibility rules, the procedures for selection of successful applicants, the procedure for payment of grants and all other provisions and conditions relating to the awards, shall be the same as those applicable to the scholarships awarded by P to graduates of X, Y, and Z. The Committee responsible for selecting each recipient of the grant shall consist of the Principal of the High School, the Vice-Principal, the Guidance Counselor and one Trustee of P.

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 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).

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.

We have considered the modification of your pre-approved grant-making procedures under section 4945(g) of the Code. Based on the information submitted and assuming your modified program 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