

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

Department of the Treasury

Date: November 24, 2008

Employer Identification Number:

Number: **200908048**

Contact Person - ID Number:

Release Date: 2/20/2009

Contact Telephone Number:

LEGEND

UIL 4945.04-04

M = Foundation
N = Programs
Z = City and State
x = Dollar range
y = Dollar range

Dear _____ :

We have considered your request for advance approval of your grant-making programs under section 4945 (g)(1) and 4945(g)(3) of the Internal Revenue Code, dated March 12, 2008.

Our records indicate that M was recognized as exempt from Federal income tax under section 501(c)(3) of the Code and that it is classified as a private foundation as defined in section 509(a).

Your letter indicates that M will operate two grant-making programs, one to allow students to attend a qualified educational institution and the other to allow students to participate in an experiential-based educational program.

M intends to make educational grants qualifying under section 4945(g)(1) in the form of scholarships for students attending qualified private schools and undergraduate and graduate programs at qualified colleges and universities. M will award approximately 3 to 10 of these grants per year, with amounts in the range of x.

M also intends to provide educational grants under section 4945(g)(3) for students to participate in experiential-based education programs, such as N, all of which are tax exempt organization described in IRC section 501(c)(3). These programs will be designed to improve and enhance students' leadership and scientific skills through direct participation in leadership and scientific (e.g., geological and biological) field studies. M will only make grants to facilitate participation in experiential-based education programs that are conducted by tax exempt organizations described in IRC section 501(c)(3). M will award approximately 1 to 10 of these grants, with amounts in the range of y, depending on the type of program attended.

Generally, applicants for the educational grants will be solicited through distribution of letters describing the available grants to public and private schools in Z. For purposes of selecting recipients of grants for participation in an experiential-based education program, the selection process may consist of the person or entity sponsoring and/or organizing the experiential-based education program proposing applicants to M. The selection of such grant recipients will be based on the exceptional qualifications of the recipient(s) to carry out the purposes of the grant. Interested individuals will also learn of the grants through inquiry to M or its President, or through references from individuals who have participated in M's own programs of experiential-based learning. M will evaluate potential grant recipients using the selection criteria as described below. Neither employees of M nor disqualified persons are eligible for the grants.

All educational grants shall be awarded using an objective and nondiscriminatory selection process approved by M in advance of making awards. Applicants are required to submit a biographical record and supporting material, the reasons for applying for the grant, and letters of reference from teachers, administrators or others knowledgeable of the candidate's background. These letters should attest to the candidate's strength of character, good behavior, responsibility, and overall quality of classroom and school ground citizenship. M will award two types of educational grants: leadership/classroom citizenship awards and financial need-based grants.

- (1) Leadership/classroom citizenship awards will be made in the form of scholarships for students attending qualified private schools and undergraduate and graduate programs at qualified colleges and universities and grants for students participating in experiential-based education programs. All such awards will be given based on the good character, good behavior, responsibility, and overall quality of classroom and school ground citizenship. For leadership/classroom citizenship awards for experiential-based education programs, recipients are also selected by their interest in learning-by-doing in an outdoor environment, their good initiative, and their proven ability to work successfully with their peers and the adults overseeing the activities. They must also demonstrate that they possess the level of physical fitness necessary to participate in the program. Additionally, applicants for both awards must possess a cumulative grade point average of at least 2.0 or demonstrated academic achievement through performance on a standardized test in the fiftieth percentile. For certain leadership/classroom citizenship awards, X may increase the previously listed academic requirements based on the purpose of the grant (e.g., an educational grant for purposes of supporting a student's pursuit of the study of chemistry may require the student to have a grade point average in scientific courses of at least 4.0 and overall grade point average of 3.5).
- (2) For a financial need-based grant, the applicant must submit a copy of the relevant portions of the applicant's (or applicant's parents) federal income tax return and detail of personal or familial expenses (if necessary) demonstrating the applicant's need to request a financial need-based grant. Additionally, the applicant must have exemplary classroom and school ground citizenship. Generally, applicants requesting a financial need-based grant to participate in an experiential-based education program will need to demonstrate they

possess the level of physical fitness necessary to participate in the program. Finally, the applicant must possess a cumulative grade point average of at least 2.0 or demonstrated academic achievement through participation on a standardized test in the fiftieth percentile.

The President of M, or a selection committee appointed by M, shall determine the recipients of the grants. The President of M shall annually appoint all members of such Selection Committee, if formed. No member of a Selection Committee, or the President of M, shall be in a position to derive a private benefit, directly or indirectly, if certain potential grantees are selected over others. The terms and conditions of each educational grant are contained in a letter sent to each individual grant recipient. The recipient is required to communicate their acceptance thereof by a letter in writing to M. Terms and conditions include: specific purpose of grant, its duration, the total amount of the grant, requirements for narrative reports, including due dates for such reports.

With respect to individual scholarship or fellowship grants, M arranges to receive a report of the grantee's course taken (if any) and grades received (if any) in each academic period. Such a report must be verified by the educational institution attended by the grantee and must be obtained at least once a year. Where study at an institution does not involve the taking of courses but the preparation of research papers or projects, M requires a brief report from the institution on the progress of the paper or project at least once a year. Such a report must be approved by the faculty member supervising the grantee or by another appropriate official of the institution. Upon completion of a grantee's study at an educational institution, a final report is also obtained.

A professional staff member of M has the responsibility to follow the progress of the individual grant, that is, to review each report submitted by the funded educational institution or person, to make a determination as to whether the grant purposes are being or have been fulfilled, and to look into any questions requiring further scrutiny or investigation.

Where reports to M or other information (including failure to submit reports after a reasonable time has elapsed from their due date) indicates that all or part of grant funds are not being used for the purposes of the grant, M initiates an investigation. While conducting the investigation, M withholds further payments to the extent possible until it has determined that no part of the grant has been used for improper purposes, and until any delinquent reports have been submitted.

If M determines that any part of a grant has been used for improper purposes, M takes all reasonable steps to recover diverted funds or to insure the restoration of diverted funds and the dedication of other grand funds held by the grantee to the purposes being financed by the grant. These steps will include legal action unless such action would in all probability not result in the satisfaction of execution of a judgment.

M will maintain all records relating to the educational grants, including information obtained to evaluate grantees, identify whether a grantee is a disqualified person, the amount and purpose of each grant, and that it undertook the supervision and investigation of grants described herein.

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 program will be conducted as proposed with a view to provide objectivity and nondiscrimination in making the awards, we determined that your procedures for granting scholarship awards for attendance at qualified educational institutions comply with the requirements contained in section 4945(g)(1) of the Code and that awards granted in accordance with such procedures will not be “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.

Based on the information submitted and assuming your award 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 awards for attendance at experiential-based programs also 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). However, we have not considered whether grants made under these procedures are excludable from the gross income of recipients under section 117(a) 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 grant-making procedures is a one-time approval of your system standards and procedures that will result in grants which meet the requirements of section 4945(g)(1) and 4945(g)(3) of the Code. This determination only covers the grant programs described above. Thus, approval shall apply to subsequent 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.

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 grant 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