

Internal Revenue Service
Director, Exempt Organizations
Rulings and Agreements

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

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Employer Identification Number:

Person to Contact - ID#:

Contact Telephone Numbers:

LEGEND

UIL 4945.04-04

B=
C=

Dear :

We have considered your request for advance approval of your grant-making programs under section 4945 (g)(1) of the Internal Revenue Code, dated August 4, 2008.

Our records indicate that B 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 B will be awarding scholarships of varying amounts to students who are residents or citizens of the country of C and who have been accepted to an accredited university or college for undergraduate or graduate studies in the United States. Scholarships will be paid directly to the educational institution or to the scholarship recipient for payment of tuition, related expenses, books, supplies and room and board. In order to be eligible for a scholarship grant, a candidate must:

1. submit a request for a grant that is accompanied by his or her academic transcript, a list of his or her extracurricular activities and work experience, SAT or ACT or other standardized test scores, and two references from teachers or instructors who have taught the candidate in an academic course in the two preceding years prior to the request;
2. demonstrate academic excellence and has been admitted to an "elite school". An elite school is defined in the Scholarship Grant Procedures as a university, college or undergraduate or graduate educational institution which is ranked in the top 100 schools in such school's respective category by U.S. News and World Report or otherwise deemed by the trustee in his discretion to be an elite educational institution located in the United States;
3. demonstrate financial need by submitting a copy of the application for financial aid submitted to the "elite school" or providing other financial records or evidence of financial need; and
4. demonstrate a high level of motivation, strong character, and great potential for academic success.

The availability of scholarships through this program will be made known to a select group of schools in C. The selection committee consists of the trustee of B. The trustee will personally interview each candidate to evaluate the candidate's motivation, character, ability and potential for academic success. The trustee will determine the selection of the recipient of the awards, the amount of the award(s), and if the awards are to be received on a continuous or rolling basis. No scholarship grant may be awarded to any individual who is related to the trustee or to a substantial contributor to the Trust or persons related to such substantial contributors, including but not limited to those persons who would be "disqualified person" with respect to the Trust as defined in Section 4946(a) of the Internal Revenue Code, in any way which would cause the trustee or such disqualified person to derive a private benefit, directly or indirectly, if such individual is selected to receive the grant.

At the end of each academic year, the grant recipient must provide to the Trust a report of the courses taken and grades received in each academic period of such year. The report must be certified or verified by the educational institution attended by the grant recipient. In addition, the grant recipient must provide to the Trust a report of the use of the grant funds not paid directly by the Trust to the educational institution or other service providers, including invoices and receipts, for all payments and expenditures made by the grant recipient. Upon completion of a grant recipient's study at an educational institution, the grant recipient must provide a final report of his academic study to the Trust.

If a report submitted by a grant recipient indicates that all or any part of a grant is not being used in furtherance of the purposes of such grant, the trustee must withhold further payments and investigate the use of such funds. If the results of an investigation indicate that the grant has been used for improper purposes, the trustee shall:

- a. take all reasonable and appropriate steps either to recover the grant funds or to insure the restoration of the diverted funds and the dedication of other grant funds held by the grant recipient to the expenses being defrayed by the grant; and
- b. withhold any further payments to the grant recipient until the Trust has (1) received the grant recipient's assurances that future diversion will not occur, and (2) required the grant recipient to take extraordinary precautions to prevent future diversions from occurring.

The organization agrees to retain all records concerning each candidate and grant recipient, including but not limited to the application materials submitted by each candidate and the reports provided by each grant recipient.

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 scholarship program will be conducted as proposed with objectivity and nondiscrimination in awarding grants, we determined that your procedures in awarding scholarship grants comply with the requirements of section 4945(g)(1) of the Code and that scholarships granted according to these 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.

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) of the Code. **This determination only covers the grant programs described above.** Thus, approval shall 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.

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 of Exempt Organizations
Rulings and Agreements