

**Internal Revenue Service
Director, Exempt Organizations
Rulings and Agreements**

**Department of the Treasury
P.O. Box 2508 - Room 7008
Cincinnati, Ohio 45201**

Release Number: **200938031**

Release Date:

Date: 6/26/09

Employer Identification Number:

Person to Contact - ID#:

Contact Telephone Numbers:

LEGEND

UIL# 4945.04-04

B = Foundation

C = Fellowship

Dear

We have considered your request for advance approval of an additional grant-making program under section 4945 (g)(3) of the Internal Revenue Code, dated, January 26, 2009.

Our records indicate that the 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). In addition, our records indicate that the B received advance approval of grant-making procedures from the Internal Revenue Service on previously approved scholarship programs which would not be taxable expenditures within the meaning of section 4945(d)(3).

Your letter indicates that the B is requesting approval of an additional program called the C that will further entrepreneurship. The grants will be fellowship awards for entrepreneurship education of promising postdoctoral researchers legally present in the United States who are conducting scientific, specifically, translational research who seek to translate their research to the public for society's benefit.

The Foundation anticipates awarding these Fellowships annually and for grants to be paid out over one year. In the first year, the Foundation anticipates making 12 such awards and expects to make between 10 and 20 awards in subsequent years. The amount of the grant will be based on and consistent with the post-doctoral fellow salary guidelines of recipient's institutions, and as a result, award amounts will vary slightly from institution to institution. Recipients will be able to use the funds to develop their educational program as well as for travel to conferences related to their research.

Each year, potential applicants will be notified of the program and deadlines through advertising on the Foundation websites and email distribution, announcements at conferences, information distributed to professional organizations, and press releases issued on the academic newswires, among other means. Only postdoctoral candidates will be eligible for the award. Preference will be given to candidates who have made exemplary research discoveries in entrepreneurship education. To be eligible, applicants must have received their doctoral degree by the time the term of the scholarship would commence. In addition, scholarship applicants must be engaged in research at a U.S. institution. The applicants also must commit to publishing and/or revising their research and results as well as and making their research and results widely available, consistent with academic standards.

Each applicant must submit a statement describing their research, any discoveries or inventions, translational efforts to date, a plan for translation and detailed description of entrepreneurship education activities planned for the award year, and a curriculum vitae. Applicants' department chairs and faculty advisor must submit a letter discussing their support of the applicant, and specifically their commitment to the translational research goals and entrepreneurship education plan of the applicant. The Committee will rank applicants based on their assessment of the quality and quantity of the existing research and a review of their published research and ongoing projects. The Committee will also review and assess the quality of the applicant's research and education plan for the year, including as it relates to the field of entrepreneurship.

The Foundation will select grant recipients based on recommendations from a selection committee comprised of three or more people who otherwise have no employment relationship with the Foundation and have an established reputation for excellence in the field of scientific research, as well as in other fields. They will be highly respected and accomplished professors, researchers, scholars, or business leaders, all of whom have scientific backgrounds and expertise. The B will take steps to ensure that Committee members are not in a position to derive a private benefit, either directly or indirectly, if certain candidates are selected over others (other than the fact that the recipient may come from the same university with which the member is affiliated). If a potential fellow comes from the same university as one of the Committee members, that Committee member will not vote on the recommendation. Each member of the Committee will also sign a "Statement of Neutrality and Independence" upon being named to the Committee which states that the member is not in a position to derive a private benefit, either directly or indirectly if certain candidates are selected over others. Employees and disqualified persons of the B and their family members will not be eligible to receive the award. Likewise, Committee members and their family members will not be eligible to receive an award. Finally, Fellows may not include anyone whose selection would result in a private benefit to any of the aforementioned individuals.

The Foundation will make reasonable efforts to see that the award is spent solely for the purpose for which it is made and to obtain full and complete reports from the grantee on how the progress made in achieving the goals of the Fellowship along with a statement of expenditures made in connection with the Fellowship. In addition to a detailed narrative of progress, reports will contain copies of working papers and published research, references for new technology disclosures, patents filed through the recipient's institution and summaries of research in progress. Upon the conclusion of the one-year grant, the recipient will be required to submit a final narrative and budget report describing his or her accomplishments and accounting for all funds received with respect to the grant about their fellowship activities. The progress of each recipient will be reviewed periodically by appropriate individuals at the Foundation. Any significant changes to the recipient's research and teaching plan would require Foundation approval. If a report or other information (including failure to submit a report) were to indicate that all or any part of a grant made by the Foundation was not being used for the purposes for which the grant was made or that the recipient was not complying with the terms of the grant, the Foundation would investigate. If the problem were to arise as a result of a failure to submit required reports, the Foundation would withhold further payment(s) to the extent possible, until all such delinquent reports were submitted. If it were determined that any part of a grant had been used for improper purposes, the Foundation would take all reasonable and appropriate steps either to recover the grant funds or to ensure the restoration of the diverted funds and the dedication of any remaining grant funds held by the recipient to the purposes of the grant. The Foundation would withhold any further payments to the recipient until it received his or her assurance that no future diversions would

occur and would require the recipient to take extraordinary precautions to prevent further diversions. The Foundation reserves the right to cancel the grant should the recipient not meet the performance expectation as outlined in the recipient's plan.

The Foundation agrees that it will maintain indefinitely records that include:

- the information used to evaluate the qualifications of potential grantees,;
- specifications of the amount and purpose of each grant;
- the reports from the grantees on their use of funds and any other information obtained in the course of supervising grants; and;
- any information obtained in connection with the investigation of jeopardized grants.

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)(3) 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.

We have not considered whether grants made under your procedures are excludable from the gross income of recipients under section 117(a) of the Code.

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

Enclosures:
Sanitized copy of this letter & Notice 437