

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

Department of the Treasury

Release Number: **200948062**
Release Date: 11/27/09
Date: 8/20/09

Employer Identification Number:

Contact Person - ID Number:

Contact Telephone Number:

UIL 4945.04-04

M=Original Application Date
S = Name of State

Dear

We have considered your request dated December 2, 2008 for advance approval of your amended grant-making program under section 4945(g)(1) of the Internal Revenue Code.

Our records indicate that you applied for exemption under section 501(c)(3) of the Code on M and that you were recognized as exempt from Federal income tax under section 501(c)(3) of the Code and that you were classified as a private foundation as defined in section 509(a).

In your 1023 Application dated M you had indicated that you may also make as a small portion of your purposes scholarship grants to students at colleges and universities.

You indicate now that you have amended your scholarship provisions as follows. You may offer grants for scholarships to needy students who need financial assistance in order to complete school. Scholarships will be granted to enable individuals to obtain an education. Grants will be limited to students who are attending educational institutions as defined in Code section 170(b)(1)(A)(ii). The Scholarship program will be administered so as to be objective and nondiscriminatory.

While you have made no loans to date, you may do so in the future. Repayment of the loans would be with reduced interest (similar in amount to student loans provided under Federal Government programs) and would be made over such period of time as was appropriate based on the financial ability and potential of the applicant. Decisions on the length of the loan would be made by your Trustees on a case by case basis.

Candidates may be nominated by your Trustees, friends or acquaintances of persons affiliated with you, students, schools or organization dealing with scholarship funds for students. You will also through your Board of Trustees disseminate the availability of such funds by word of mouth. Board members and their families are prohibited from receiving scholarship awards.

There are no restrictions or limitations on the class of individuals who are eligible for an award. There are and will be no restrictions based on race or employment status of the

recipient or the recipient's relatives. Neither members of the selection committee nor their families may be recipients. The recipients to be selected for the scholarships will be selected by your Board of Trustees based on the application submitted by the student and a determination of those students with need.

Applicants for scholarship assistance will need to fill out and submit an application. When applying for financial aid your Trustees will use the information contained in the application to select recipients. You will retain the application documentation and other documentation regarding each grant in the permanent files of the foundation. Recipients will be selected based on the following criteria:

- Prior academic performance.
- Performance on test designed to measure ability and aptitude for college work.
- Recommendations from instructors.
- Financial need, including other sources of funds available to the student.
- Conclusions which your Trustees draw from a personal interview as to the student's motivation, character, ability, potential and likelihood of success in achieving the educational goals described by the candidate.
- Personal history.
- Cost of the programs to be pursued.

No award of a grant shall be made as a Quid Pro Quo for a contribution to you. Awards shall not be granted to individuals or their relatives that have made contributions or promises of contributions. In the event a candidate is a contributor to you, or a relative of a contributor to you, and otherwise meets the criteria listed above, in order to avoid a conflict of interest, your Trustees shall select three or more individuals from a group of educators in the area in which you operate and who are independent from you, your Trustees and contributors and those educators selected shall determine whether that candidate should be granted an award. In no event shall the grant be in consideration in any nature for a contribution to you and the educators selected shall be granted access to your records, including records of contributors, to assure compliance with this requirement.

To receive an award, the recipient will be required to execute a Scholarship Grant Agreement which outlines the terms and conditions of the award.

No grants will be made to spouses, children, descendants, children's descendants, spouses of descendants, or other persons related to any of your officers, directors or trustees.

The scholarship program is extremely limited and will not be publicized except to the extent of word of mouth from your Trustees. In addition, your Trustees may, if the need arises, notify various educational institutions of the availability of funds. However, the availability of funds at the present time is minimal and your Trustees will presently disseminate only information relating to the scholarships by word of mouth.

The Chairman of the Board of Trustees was a _____ for approximately _____ years. He has contacts within S which include administrators and Professors at various universities and colleges in S and other states. The Board of Trustees consists of 24 members who have lived within and outside S. Board members therefore have national

and worldwide contacts. The large number of trustees provides a wide and divergent group of persons to whom the scholarship program is communicated and from whom referrals can be received. The Trustees communicate the existence of the program to educators and business persons as a means of disseminating the program to potential candidates.

Grant funds for payment of tuition, books, and supplies will be payable either (i) directly to the college or university or educational institution or (ii) directly to the recipient. Payments for room and board and living expenses will be made either to the provider or the recipient. For any funds to be paid directly to a recipient, the recipient will be required to execute a Scholarship Grant Agreement which will require, among other things, the recipient to submit a projected budget prior to receipt of funds and thereafter provide proof of expenditures by receipts, etc.

The recipient must provide you with a report listing the courses taken and the grades received at least annually containing documents from the educational institution attended verifying this information. Further disbursements under the award are dependent upon your determination that successful progress is being made toward the recipient's degree. Upon completion of the study at the educational institution, a final report must also be made to you.

In the event it comes to your attention that any of your funds have been misused, you will attempt to recover the funds from the recipient and will terminate any further distributions of funds to the recipient. If the infraction is based on a failure to make reports by the recipient you will not make additional payments under the grant until the report is received.

You agree to maintain records that include the following:

- (i) Information used to evaluate the qualification of potential grantees;
- (ii) Identification of the grantees (including any relationship of any grantee to the private foundation);
- (iii) The amount and purpose of each grant; and
- (iv) 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).

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