

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

Department of the Treasury

Release Number: **201015035**
Release Date: 4/16/10
Date: 1/22/10

Employer Identification Number:

Contact Person - ID Number:

Contact Telephone Number:

UIL Code: 4945.04-04

LEGEND

X = Trust
Y = High School
Z = Trustee, Administrator

Dear

We have considered your request for advance approval of your grant-making program under section 4945 (g)(1) of the Internal Revenue Code, dated August 24, 2009.

Our records indicate that X 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 X will operate a grant-making program.

The purpose of X is to provide scholarships to certain academically-qualified students who attend or desire to attend an accredited 2-year or 4-year college, university, technical college or trade school (the "Educational Institution"). The amount of the grants is varied depending upon net income of X and the number of qualified applicants. The awards will be made available to two (2) or three (3) graduating male senior students and two (2) or three (3) graduating female senior students each year.

The applicants must meet the following criteria: (a) must be seniors attending Y; (b) must be well-rounded students who will graduate in the top fifth (5th) of their class; (c) must have demonstrated good citizenship during their high school years; and (d) must have been contributing participants in two (2) or more of the following activities:- National Honor Society, Student Government, Public Speaking, Dramatics, Newspaper, Yearbook Staff, Class and/or Club Officer, and Musical Organizations.

The Award Committee is comprised of Superintendent, Principal, Former Principal, and two (2) Guidance Counselors of Y. The Selection Committee selects the scholarship recipients. Y publicizes the scholarship program. There are no solicitation or announcement materials.

The scholarships may not be awarded to any individual who is related by blood, adoption or marriage to any member of the Award Committee or any disqualified person of X. Further, employees of Z and their spouses, descendants, children, grandchildren, great-grandchildren, or the spouses of their children, grandchildren and great-grandchildren shall not be eligible to apply for or receive any scholarship offered by X.

The scholarships are paid directly to the Educational Institutions. The scholarship will be applied to the cost of the student's tuition, fees, books and supplies and should not exceed these costs. Checks will be issued directly to the Educational Institution the recipient attends or desires to attend upon receipt of a tuition bill issued by the Educational Institution. It shall be each recipient's responsibility to make sure that the Educational Institution sends the tuition bills to Z. Failure to submit the required documentation will result in the permanent loss of the scholarship. Unused funds must be returned to the Scholarship Fund. The scholarship proceeds will be distributed each semester/quarter, but may be distributed in a lump-sum payment, at the discretion of Z. At the end of each semester/quarter, the recipient must make sure that the Educational Institution sends to Z a grade report/transcript confirming the student's GPA and a tuition bill for the next semester/quarter.

The scholarship is renewable for up to three additional years (or until a bachelor's degree is obtained, whichever is sooner). The scholarships will be renewed as long as the recipient maintains a cumulative Grade Point Average (GPA) of 2.0. Scholarship proceeds will not be distributed, however, until the Educational Institution provides Z with a grade report/transcript for the preceding semester and a bill for the upcoming semester. A cumulative GPA of less than 2.0 at the end of ANY semester will result in the permanent loss of the scholarship. Any recipient who has not provided the required documentation will forfeit their scholarship and no longer be eligible for funds from the Scholarship Fund. The maximum number of years a student may receive this scholarship is four (4) consecutive years. The scholarship proceeds will be distributed each semester/quarter, but may be distributed in a lump-sum payment, at the discretion of Z.

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