

Internal Revenue Service
Director, Exempt Organizations

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Department of the Treasury
P.O. Box 2508
Cincinnati, Ohio 45201
Employer Identification Number:

Person to Contact - ID#:

Contact Telephone Numbers:

Phone

Fax

UIL Code

4945.04-04

LEGEND

B = Organization
C = Scholarship Program
D = Community
F = Region
x = amount

Dear

We have considered your request, dated November 23, 2009, for advance approval of your grant-making program under section 4945(g)(1) of the Internal Revenue Code.

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 501(c)(3) of the Code.

You intend to provide scholarship grants to individuals. The name of the scholarship program is called C. For the first year, you contemplate awarding between zero and five scholarships to under privileged students to obtain an education for secondary, technical, associate, undergraduate, or graduate degrees. The amount and number of scholarships available each year will be determined by the scholarship committee based on the total amount available for the scholarships for each year as determined by the board of directors after taking into account B's financial position. B does not expect to award more than five (5) scholarships in any year. It is not expected that any one scholarship will exceed x per school year. Terms and conditions of C include full-time enrollment at a secondary school, college or university, and remaining in good standing with the school the student is attending. The scholarship may be renewed annually, if the student notifies B and continues to meet C's criteria. However, the amount of the scholarship can fluctuate each year based on the overall financial condition of B.

I. General Provisions for Scholarships

A. Selection of Grantees

Selection of grantees will be made by the scholarship committee comprised of B's board of directors and/or individuals appointed by the board. B will publicize the scholarship program to local schools and charitable organizations in D and the surrounding F area. The recipient cannot be related to a member of the scholarship committee or to any disqualified persons in relation to your organization. The group from which grant recipients will be selected will primarily consist of high school juniors and seniors in D.

B. Criteria for Selection

B will utilize an objective and non-discriminatory selection process, including as to race, religion and gender. Without prescribing priority, criteria for selection will include the following without limitation:

- a. Financial need;
- b. Academic performance;
- c. Performance on tests designed to measure ability and aptitude for education at the level being considered;
- d. Recommendations from teachers, coaches, and others who know the applicant;
- e. Extra-curricular and community activities;
- f. Interviews;
- g. Such other criteria that the Scholarship Committee deems relevant;

C. Scholarship Committee

The scholarship committee will be comprised of the board of directors of B and/or individuals appointed by the board. The scholarship committee will initially have three members consisting of the board of directors of B but may have as many as fifteen members. No member of the scholarship committee will be permitted to be in a position to derive a private benefit, directly or indirectly, from the selection of the scholarship recipient(s). A recipient cannot be related to a member of the scholarship committee or to any disqualified persons in relation to B. When a new member of the board or scholarship committee is considered, B will consider various factors, including particularly whether the individual has a strong interest in education, especially with respect to under privileged students. Additionally, a potential board member is expected to have a solid understanding of financial matters and to have the time to devote to both B and to the examination of applicants for the scholarship. Finally, as it has in connection with seeking approval of these scholarship procedures, B will continue to engage legal counsel to advise B and the board, including with respect to possible conflicts of interest.

2. Terms and Conditions of Scholarship Grants.

The recipient will be notified at the beginning of each academic year that he or she must agree to and meet the following standards:

- a. The funds will be disbursed only for the purpose of paying qualified educational expenses during the applicable academic period.
- b. The recipient will make arrangements with the institution to have a transcript or other acceptable report of his/her courses and grades and a report regarding the recipient's progress and standing at the institution sent to B as soon as it is available for each term attended.

- c. The recipient will make arrangements with the educational institution to have a report sent to B in the event that the institution obtains any information indicating the recipient is engaging in any activities or is otherwise performing at a level which would jeopardize the recipient's position and standing at the institution.
- d. The recipient will notify B immediately in the event the recipient fails to maintain an academic record or meet other requirements sufficient to be classified as a student in good standing, or ceases to be enrolled as a full-time student.
- e. The recipient agrees to have restored to B, immediately upon the organization's request, all funds not expended for educational expenses in accordance with the terms and conditions of this grant.
- f. The recipient will furnish B with a current address and telephone number, and any subsequent changes, during the life of the grant.

3. Supervision over Scholarship Grants

At the discretion of the Board of Directors the scholarship may be paid directly to the recipient or to the educational institution of the recipient's choice. If the funds are distributed directly to the recipient, B shall notify the recipient that the funds may be applied only to qualified education expenses at a qualifying educational institution. If the funds are distributed to an educational institution, the financial aid or other appropriate office of the receiving educational institution will administer and distribute the funds. The educational institution will be requested to take such actions as may be determined by B, including possibly withholding disbursement of funds, if the progress of the recipient is deemed unacceptable by B or the educational institution.

B will retain records submitted by the educational institution or recipient. In the event of any notification requested under these scholarship procedures or any other notification indicating academic, financial, or other issues relating to the recipient's performance at the educational institution, B will consult with the recipient and will determine the actions to be taken, which may include reducing or suspending disbursement of the scholarship funds until the recipient makes acceptable progress.

4. Additional Procedures.

A. Qualifications for Obtaining, Maintaining, and Renewing Scholarships

To be eligible to obtain a scholarship, an applicant must meet the criteria as stated in criteria for selection mentioned above. The board will consider the factors listed on each application and then notify the recipient(s) of its decision. The board will also notify the recipient that the scholarship amount will be determined after further discussion with the educational institution taking into account the funds available from the educational institution and government sources, as well as funds which may be available to the recipient from third parties.

In order to continue receiving scholarship funds, the recipient must maintain the status of a student in good-standing at the educational institution. This determination will be made by the board following a review of the periodic reports sent by the student and/or the educational institution. Since each educational institution has different requirements for a student to be in good standing, B cannot specify an exact grade point average or number of credit hours earned, although the typical grade point average to remain a student in good-standing is at least 2.0 on a 4.0 scale. If a recipient does not maintain the status of a student in good-standing, B expects to allow a one (1) semester probationary period during which a recipient may receive the scholarship but must take

all steps necessary to become a student in good-standing by the end of the probationary period. If the recipient fails to become a student in good-standing by the end of the probationary period, B will notify the recipient that he or she is longer eligible to receive the scholarship.

The scholarship recipient will be notified at the time of the award that the scholarship may be renewed annually. The recipient must notify B of his or her desire to receive scholarship funds for the upcoming school year, and B will repeat the process from the previous year in order to determine the amount of the renewed scholarship.

Procedures to Avoid Potential Conflicts of Interest.

The board will conduct an initial review of all applications received to determine if any applicant is related to a member of the board or to any disqualified person of B, including a substantial contributor. Since the board has access to all of the information to determine disqualified persons and/or substantial contributors, the board will make this determination on an applicant-by-applicant basis prior to a substantive review of each application.

In addition to following this procedure, the board will adopt written procedures to ensure no conflicts of interest arise. The written procedures will list the policy of not providing scholarships to persons related to a member of the board or disqualified persons, including substantial contributors. The written policy will be made available to all board members, current disqualified persons and substantial contributors, and any future disqualified persons or substantial contributors.

C. Recordkeeping Requirements.

B will maintain records and documents, including information used when evaluating each of the applicants. The documents primarily will consist of each applicant's application, recommendations from third parties, and information relating to the board's review of each application. The documents will be retained for a period of seven (7) years after each scholarship is completed.

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(k) (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