

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 Number:

UIL Code
4945.04-04

LEGEND

Q= secondary schools
Y= elementary schools
Z= \$ amounts

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 October 27, 2009.

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

Your letter indicates that you will operate a grant-making program that will be awarding four-year Q scholarships to students enrolled in Y who demonstrate academic potential, strong character, and a commitment to community service.

You will notify the principals of Y of the scholarships' availability. The principal, or a committee designated by the principal (consisting of the principal, teachers, and/or other disinterested individuals affiliated with the school), annually shall nominate 0-10 students based on the criteria provided below. Nominated students meeting this criteria shall submit completed application forms to the Board of Directors of the Foundation. All applicants will be considered as potential recipients; receipt of a scholarship will be contingent on admission to Q. Scholarships will include the cost of tuition, fees, and books required. Scholarships will be a one time award for four years of attendance in the amount of Z, depending on the cost of Q.

The selection criteria include:

- Academic standing and demonstrated ability to complete courses of study; may include submission of transcripts and recommendations by applicant's teachers
- Character and motivation to obtain an education and to work hard and seriously to continue and complete an education, and the support of parents(s) or guardian(s) in these endeavors
- Demonstrated need for financial assistance
- Commitment to community service

Each individual involved in the selection process is obligated to disclose any personal knowledge of, and relationship with, any potential recipient under consideration and refrain from participation in the selection process

All scholarships will be paid by the Board of Directors directly to Q. Q must be described in section 170(b)(1)(A)(ii) of the Internal Revenue Code and must agree in writing to use the granted funds to defray the recipients' expenses or to pay the funds to the recipient only if the recipient is enrolled at Q and standing at Q is consistent with the purposes and conditions of the scholarship.

If applicable, the Board will investigate any suspected diversions of scholarships from their intended purpose and take all reasonable steps to recover the diverted funds, ensure other scholarships are used for their intended purpose and withhold further payments to an individual who has diverted funds.

Files will be maintained for all selected recipients. These will contain each recipient's application, including their essays and reference letters, the amount and purpose of each scholarship, proof of enrollment, and any applicable investigation of diverted funds.

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, effective October 27, 2009, 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 as of October 27, 2009, 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, October 27, 2009, 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