

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

Department of the Treasury

Number: **201028045**
Release Date: 7/16/2010

Employer Identification Number:

Date: April 21, 2010

Contact Person - ID Number:

Contact Telephone Number:

LEGEND

UIL 4945.04-04

X= Organization
Y= Scholarship Fund
Z= City, State
A= High School
B= High School
C= Agent

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 16, 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 called Y.

The purpose of X is to operate a non-profit private foundation exclusively for charitable purposes, including without limitation receiving, holding and administering funds, securities, gifts and bequests and to use, disburse or donate the income or principal thereof for charitable, educational, literary, cultural, artistic, religious and scientific purposes.

The purpose of Y is to award scholarships to children of a deceased member of the United States Armed Forces or of a First Responder who lost his or her life while in service.

In order to be eligible for Y award, applicants must attend one of five designated high schools in Z (including A, B and three high schools to be recommended by C, the Agent). The applicant must be the child of a deceased member of the United States Armed Forces or of a First Responder who lost his or her life while in service. In addition, the applicant must be a high school senior with a minimum grade point average of 3.0 on a 4.0 scale and plans to enroll in a full-time course of study at an accredited two- or four-year college or university or vocational technical school.

The Y will be publicized by a third party agent, C, on its website and by coordinating with the schools. C's selection committee will consist of individuals who are independent

and separate from X, its organizers, and the military agencies and employers of first responders. No current or former employees of X or such employers will serve on the selection committee. Employees and affiliates of C and businesses related to the officers and directors of X will not be eligible to receive a scholarship from Y.

C will utilize standard recipient selection procedures including the consideration of past academic performance and future potential, leadership, and participation in school and community activities, work experience, statement of career and education aspirations and goals, unusual personal and family circumstances, and any outside appraisal of a candidate's qualifications and potential.

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 scholarship program will be conducted as proposed with objectivity and nondiscrimination in awarding grants, we determined that your procedures in awarding scholarship grants comply with the requirements of section 4945(g)(1) of the Code and that scholarships granted according to

these procedures will not be “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 grant-making procedures is a one-time approval of your system standards and procedures that will result in grants which meet the requirements of section 4945(g)(1) of the Code. This determination only covers the grant program described above. Thus, approval shall apply to succeeding grant 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) if 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 grant 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 Agreement