

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

Department of the Treasury

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Employer Identification Number:

Contact Person - ID Number:

Contact Telephone Number:

LEGEND

UIL: 4945.04-04

X= high school
Y= college
Z= university
B= city
C= trustee

Dear :

We have considered your request of June 1, 2010 for advance approval of your grant-making program under section 4945(g)(1) of the Internal Revenue Code.

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

You are administered by C, and you were formed to provide scholarships to deserving young women graduates of X who will attend Z (originally Y, which is a part of Z, also was specified).

You indicated that a Stipulation by the Probate Court deleted the specification of Y. The Stipulation also expanded the eligible recipients to include as a candidate: "a worthy young woman who is a resident of B and is a graduate of any other public high school, including magnet, charter or other equivalent high schools as may be prescribed by state law, located in or serving B, or its corporate successor and who shall matriculate at Z". This was further amended to "encompass women residents of B who graduate from the public high schools of other municipalities under the 'Project Choice' program, as well as women residents of B who graduate from private high schools within or without B".

The Scholarship selection committee consists of the Principal of X, the Superintendent of Schools of B, and the senior trust officer of C. The committee members acknowledge that they have an understanding of the Internal Revenue

Code provisions concerning private foundations, self dealing, and the requirement that the scholarships cannot be given to any of their relatives.

The committee shall each year award a scholarship to a female graduate of X who is admitted to and will attend Z. The scholarship shall continue for so long as each recipient is attending Z and maintains a satisfactory academic and disciplinary record, and shall be renewed each academic year upon completion of the work of the preceding academic year, up to a total of four years.

The total amount of the scholarship awards for any year shall be limited by the annual net income of the Trust Estate, which funds the scholarships; and the individual scholarship awards for each year shall be nearly equal in amount, as the committee determines to be practicable and equitable. There shall be no more than one scholarship recipient in any college class or year unless the annual net income of the Trust Estate exceeds the aggregate cost of tuition, room, board, books, and other miscellaneous fees for four scholarship recipients, i.e. one in each of the four college class years. If the annual net income exceeds this amount, then an additional partial or full scholarship may be awarded.

Each year the Scholarship Committee reminds the three schools in B of the availability of the scholarship and mails the applications to the guidance offices. The Trust submits press releases to local newspapers, the United Way's regional website, and other local public giving foundations and non profit organizations that work with youth in B.

Eligible recipients will be any worthy young women graduates of X, who are sincerely desirous of attending Z and who are qualified and have been admitted as students at Z. The Stipulation approved by the Probate Court indicated that if there isn't a graduate of X who qualifies for the scholarship in two consecutive years, any young woman who is a resident of B and a graduate of one of the public schools that are located in or services B will be eligible for the scholarship if she shall matriculate to Z. It further indicates that if, in two consecutive years, there isn't a graduate of X or resident of B that is qualified, then any young woman who is a resident of B and a graduate of any other high school and shall matriculate to Z will be eligible for the scholarship. Preference shall always be given to a graduate of X in order to remain within the intention of the Will that created the scholarship.

The founder of the trust felt that relatively few girls who graduated from X had the opportunity to attend college because the poverty level in B is high. The founder was a graduate of X and Y and set the eligibility requirements and selection criteria for the program. Because of the high academic requirements of Z, the number of eligible applicants may be limited. You indicated that the group of eligible applicants qualified as a charitable class because the charitable purpose of the grant was maintained.

The selection criteria include:

- Character
- Academic record
- Extracurricular activities
- Sincerity of purpose

- Application to and acceptance into Z
- Preference is given to graduates of X and the 3 public high schools of B

The eligible applicants must complete the application consisting of personal information, school information, small essay question, and indication that they have been accepted and plan to attend Z.

The selection committee will review the application of each of the applicants (interviewing the girls if they deem necessary) and then, based on the information, determine which one (or more) of the girls would be awarded scholarships. The Admission Office of Z also may be consulted. The procedure would be similar to that used by the admission office of any college in deciding which of many applicants will be admitted.

A letter is sent to inform individuals selected to receive a scholarship. The recipient is asked to complete and return a form in which she acknowledges that she is a recipient and agrees to permit C to verify continuing enrollment during the term of the scholarship.

Z will send to C a transcript as to the student's performance for the college year just completed, including any disciplinary issues. The committee will review the report to determine whether a scholarship will be renewed for the next year. Scholarships would not be renewed if the recipient ceased to be a student at Z or had an unsatisfactory record. It is understood that Z will promptly notify the Trustee if any recipient ceases to be a student at Z.

Funds are paid directly to Z. The Scholarship committee relies on Z to determine that the funds have been appropriately expended for the benefit of the scholarship recipients. Annual reports will be sent from Z as to the performance of the Scholarship recipient and the completion of the requirements of her scholarship. The Bursar's office at Z would refund any monies not used by the student back to the Trust. Should a scholarship recipient withdraw from Z, the Trust will cease funding the student, and the institution will be asked to return a proportionate amount of the award to the Trust (representing the portion of the tuition payment made that was not utilized, based on the length of attendance by the student). Since Z operates on a semester system, and since charges for a semester are determined in advance, it is possible that the repayment of the funds to the Trust would be made on a semester basis. Appropriate reports on the awardees are required. The Trust would investigate any actual or potential misuse of the funds awarded, and would seek to recover any funds which have not been used properly.

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