

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

**Department of the Treasury**

**Number: 201052018  
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**Date: October 8, 2010**

**Employer Identification Number:**

**Contact Person - ID Number:**

**Contact Telephone Number:**

**LEGEND**

**UIL 4945.04-04**

**X=  
Y=  
Z=  
B=**

**Dear :**

We have considered your request for advance approval of your grant-making programs under section 4945 (g)(1) of the Internal Revenue Code, dated December 7, 2009 and received December 21, 2009.

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

You indicated that you will operate a grant-making program called Y.

The purpose of the scholarship is to provide scholarships to certain qualified students who attend or desire to attend Catholic elementary schools and Catholic high schools in Z, but who need financial assistance in order to do so. The parents of the elementary school and high school students must complete a SMART application form, which helps calculate a student's financial need.

Each year, the trustee advises the scholarship advisory committee as to the amount available for scholarships. The scholarship advisory committee, whose members are selected by the trustee and serve at the discretion of the trustee, then reviews the recommendations of the principals and recommends to the trustee those students who should receive the scholarship awards. Each year, the principals of the Catholic elementary and secondary schools in and around Z recommend to the scholarship advisory committee which students should receive the scholarship awards. The scholarship advisory committee also determines the number of scholarships that shall be awarded and the amount of each scholarship. The scholarship advisory committee makes its recommendations based on the recommendations of the principals and the factors set forth by the scholarship program's application and summary report. The summary report is generated by a software program that considers the financial need and grade point average of each student. The program ranks the students as a result of

Name:

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this financial and academic information. The scholarship program's application and summary report help the scholarship advisory committee rank the applicants based on academic merit and financial need. The trustee then selects the scholarship recipients

A significant number of scholarships are awarded each year to students selected from a large pool of eligible candidates. For example: it is anticipated that        scholarships will be awarded in       ,        scholarships will be awarded in        and        scholarships will be awarded in       . There are approximately        students eligible to apply for scholarships in       ,        students eligible to apply in        and        students eligible to apply in       . There were        applicants in       , and it is anticipated that there will be        applicants in        and        applicants in       .

The scholarship program is advertised and promoted by local churches. Articles about the scholarship program have appeared in B. In addition, individual parishes have included scholarship information in their Sunday bulletins. Furthermore, the principals of the schools notify families of the availability of the scholarships.

All scholarships are awarded on an objective and non-discriminatory basis. No scholarships may be awarded to any individual who is related by blood, adoption, or marriage to any member of the scholarship advisory committee or any disqualified persons of X.

At the end of each school's marking period, the principals of each school receive a report of the grades and status of the students receiving scholarships. They notify the scholarship advisory committee and the trustee if any students are not satisfying the scholarship guidelines.

If the reports submitted to the committee and trustee indicate that all or a portion of the grant is not being used as designated, the committee will investigate and withhold future payments until the delinquent reports have been submitted. The student receiving the scholarship and his/her family will be contacted concerning the student's failure to meet the requirements of the scholarship program. If the requirements of the scholarship program cannot be met, the student's family will be advised of the discontinuation of the award.

The trustee pays the scholarship award directly to the elementary school or high school attended by the recipient attends for the recipient's benefit. The trustee provides a letter to each educational institution specifying that the educational institution's acceptance of the scholarship proceeds constitutes the educational institution's agreement to refund any unearned portion of a scholarship if, subsequent to payment of a scholarship, a scholarship recipient fails to meet any terms or conditions of the scholarship program, and, to notify the trustee if a scholarship recipient fails to meet any terms or conditions of the scholarship program.

The trustee agrees to maintain records relating to: Information used to evaluate the qualification of potential grantees; Identification of the grantees (including any relationship of any grantee to the Trust); the amount and purpose of each grant; and all grantee reports and other follow-up data obtained in administering the Trust's grant program.

Name:

EIN:

Each year, if a student wants to renew a scholarship, the student's parents must follow the same procedures of completing the application form and providing the required information.

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.

Revenue Ruling 77-434, 1977-434, 1977-2 C.B.420, provides that long-term, low interest loans by private foundations for educational purposes may be considered grants within the meaning of section 4945(g)(3) of the Code.

Based on the information submitted and assuming your scholarship and loan programs will be conducted as proposed with objectivity and nondiscrimination in awarding grants, we determined that your procedures in awarding scholarship grants and educational loans comply with the requirements of section 4945(g)(1) and 4945(g)(3) of the Code and that scholarships and loans granted according to these procedures will not be "taxable expenditures" within the meaning of section 4945(d)(3).

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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 or loans 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 and loans which meet the requirements of section 4945(g)(1) and 4945(g)(3) of the Code. This determination only covers the grant programs described above. Thus, approval shall apply to succeeding grant and loan 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 Agreements