

Internal Revenue Service
Director, Exempt Organizations

Number: **201052019**
Release: Date: 12/30/2010

Date: October 8, 2010

Department of the Treasury
P.O. Box 2508
Cincinnati, Ohio 45201

Employer Identification Number:

Person to Contact - ID#:

Contact Telephone Numbers:

UIL Code
4945.04-04

LEGEND

B= Foundation
C= Foundation Scholarship Program

Dear _____ :

We have considered your request for advance approval of C under section 4945(g) (1) of the Internal Revenue Code, dated December 30, 2009.

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 non- operating foundation as defined in section 509(a) of the Code.

B intends to provide grants to individuals. The name of the program is called C. B projects that \$ _____ will be raised for C each year and between two and four awards will be made annually. The purpose of the awards is to help defray the cost of pursuing a college education for students who need financial assistance and who demonstrate strong scholastic potential.

1. Eligibility Requirements

High school senior and college students, who are members in good standing of a national barrel racing organization having at least 500 members for the previous twelve months, are eligible. A recipient must be enrolled full-time as a candidate for a degree at a qualified educational institution, as described in Internal Revenue Code Section 170(b)(1)(A)(ii); must use the scholarship award to pay qualified tuition and related expenses, as defined in Internal Revenue Code Section 117(b)(2); and must maintain a cumulative grade point average of at least 2.50.

2. How to Apply

The applicant will complete an application and will submit the completed application to you. In addition, the applicant will submit financial information documenting financial need, a reference letter and an essay describing qualifications, as well as educational and career goals.

3. How Advertised

You will publicize the C through printed advertisements and will distribute the advertisements at barrel racing events around the United States and in barrel racing trade publications.

4. How Chosen

You plan to award grants to college students based on qualifications including financial need and academic merit. Candidates will submit the following information to the selection committee: a completed C application, an official high school transcript (including SAT/ACT test scores, grade point average and anticipated rank at graduation), financial information, letter of reference and an essay not exceeding 500 words. When considering a scholarship renewal application, you will require an award recipient to provide an official copy of the recipient's college transcript. If the transcript does not include satisfaction of a minimum grade point average of 2.50, the C grant will not be renewed.

5. Selection Committee

You will select C recipients using a selection committee. Your selection committee will be comprised of the Trustees of the organization. In order to ensure that C grants are not made to family members of your trustees, officers, and substantial contributors (each a Key Person), you will require each of your trustees, officers, and substantial contributors to submit an annual disclosure form to the Board. The disclosures made on this form will include the names of the Key Person's spouse, children, and grandchildren, and an acknowledgement that the Key Person and any person with whom the Key Person shares a familial relationship is ineligible to participate in C.

Both the criteria for membership on your Board of Trustees and the method of replacing trustees are governed by Article III of your Bylaws. The Bylaws provide that the board shall consist of between three and nine members.

6. Recordkeeping

You will maintain records and case histories showing; (1) the name and address of each recipient of a scholarship award; (2) the amount distributed to each recipient; (3) the purpose for which the aid was given; (4) the manner in which the recipient was selected; and (5) the relationship, if any, between the recipient and any of the organization's officers, trustees, or donors of funds.

7. Follow-Up

You will make the C award payable directly to the recipient's eligible educational institution only after receiving written confirmation from the institution of its accreditation status. When transmitting the award payment to the institution, you will instruct the institution in writing to apply the funds to the award recipient's bursar account charges related to tuition, fees, and books, only if he or she is enrolled as a full-time student. The institution will be instructed to return funds to you if the recipient is not enrolled as a full-time student.

You will arrange to receive and review grantee reports annually and upon completion of the purpose for which the C grant was awarded, investigate diversions of funds from their intended purposes, and take all reasonable and appropriate steps to recover funds diverted from their intended purposes. You will also withhold further payments to grantees until you obtain grantees' assurances

that future diversions will not occur and that grantees will take extraordinary precautions to prevent future diversions from occurring.

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