

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

Department of the Treasury

Date: April 4, 2011

Number: 201126032
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Employer Identification Number:

Contact Person - ID Number:

Contact Telephone Number:

UIL: 4945.04-04

LEGEND

X= Program
Y= Location
Z= Location
B= Report
C= Form
D= Dollar Amount

Dear _____ :

We have considered your request, dated August 26, 2010, for advance approval of your grant-making program under section 4945 (g)(1) of the Internal Revenue Code.

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

Your letter indicates that you will operate a grant-making program called X. Initially, you will make one grant each year not to exceed D. Additional grants may be made in the future. The amount of the award will be determined based on the cost of attending the recipient's particular educational institution and the recipient's unmet financial aid. Your application procedures and eligibility requirements are as follows:

- (1) Student must be a United States citizen and a resident of Y.
- (2) Student must have attended a school located in Z for both the junior and senior years of high school [a minimum of 2 school years or be scheduled to complete a minimum of 2 school years at the time of graduation].
- (3) Student must be scheduled to become a high school graduate in the year of the application.
- (4) Student must have been accepted into and be planning to attend an accredited liberal arts college or university outside Y.
- (5) Student must provide a completed application and required forms such as a current résumé, three recommendations (Teacher, Peer, Additional), and transcripts.
- (6) Student must have an unmet financial aid need.
- (7) Student must rank in the top 25% of his/her high school graduating class.

Applications and brochures for the X will be provided to guidance counselors at each high school located in Z. Information and applications also will be available on your website. To further publicize the

existence of the awards, the recipient must agree to speak to high school students about the availability of the X.

Recipients will be selected by a selection committee appointed by the trustees of your organization. The selection committee will consist of five individuals who have a sincere interest in liberal arts higher education. No relatives or members of the selection committee or any officers, directors, trustees, or substantial contributors are eligible. A recipient may not be a disqualified person with respect to your organization under section 4946 of the Code. If a member of the selection committee would derive a private benefit, directly or indirectly, if certain potential recipients are selected over others, that member of the selection committee may not participate in the selection of those recipients.

Recipients will be selected without regard to race, sex, color, creed, religious preference, age, national origin or disability. Criteria considered in selecting recipients are as follows (but are not limited to):

- (1) prior academic performance
- (2) performance on tests designed to measure ability and aptitude for college work
- (3) recommendations from instructors
- (4) financial need
- (5) conclusions drawn by the selection committee from a personal interview as to the individual's motivation, character, ability, and potential.

Finalists will be required to provide the following additional information:

- (1) a copy of the B
- (2) a copy of the financial award letter from the educational institution to be attended
- (3) a copy of the letter(s) received notifying the X applicant that he/she has been granted scholarships or fellowships from other sources, including the amount(s).

Preference will be given to students planning to attend or attending an accredited private institution located outside Y.

Upon acceptance, recipients will be required to comply with the following:

- (1) The recipient must maintain a 2.3 grade point average in each freshman semester; in subsequent years a 2.7 grade point average must be maintained in order to receive grants in succeeding years.
- (2) The recipient must not be on academic probation, have disciplinary sanctions and should always take the course load amount to be considered a full-time student.
- (3) The recipient must submit a verification of eligibility from the educational institution each year.
- (4) The recipient must submit C information and any grants from the educational institution or other scholarships annually.

Although not contractual obligations and only for the purpose of publicizing the X, recipients also will:

- (5) sign a publicity and photographic waiver, and
- (6) visit all high schools in Z while the schools are in session to tell about the student's college experience and the X.

You will make only such awards as may be excluded from gross income under section 117(a) and are to be utilized for study at an educational institution described in section 151(e)(4). Your policy will be to pay awards directly to an educational institution described in section 151(e)(4) and to request that the educational institution agree to use the funds to defray the recipient's expenses or to pay the funds (or a portion thereof) to the recipient only if the recipient is enrolled at such educational institution and his or her standing at such educational institution is consistent with the purposes and conditions of the X.

If the educational institution does not agree, the selection committee will make arrangements to receive an official report directly from the educational institution of the recipient's courses taken (if any) and grades received (if any) in each academic period. If the reports (including the failure to submit reports) indicate

that all or any part of a payment is not being used in furtherance of the purpose of the X, the selection committee will investigate whether the payment has been used for improper purposes. While the selection committee is conducting the investigation, the X will withhold further payments to the extent possible until any delinquent reports have been submitted. If the selection committee determines that any part of an award has been used for improper purposes, the X will withhold future payments until:

- (1) the funds have been recovered or restored,
- (2) the selection committee has received the recipient's assurance that future diversions will not occur,
- (3) the recipient agrees to take extraordinary precautions to prevent future diversions from occurring.

You will maintain case histories showing recipients of the scholarships, including the names, addresses, amounts of the grants, the purpose of the grants, the manner of selection, and the relation (if any) to officers, trustees, or donors of your organization.

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.

If you have any questions, please contact the person whose name and telephone number are shown above.

Sincerely yours,

Lois G. Lerner
Director, Exempt Organizations

Enclosure: Notice 437
Redacted Copy of Letter