

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

Department of the Treasury

Release Number: **201205019**
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Date: November 8, 2011

Employer Identification Number:

Contact Person - ID Number:

Contact Telephone Number:

LEGEND

D= scholarship program
E = county
F = state
x = dollar amount
y= dollar amount
z= dollar amount

UIL

4945.04-04

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 March 13, 2011.

Our records indicate that you are 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).

You will operate a grant-making program called D.

The purpose of D is to provide a scholarship to individuals who are high school seniors attending public schools located in E, in the state of F. The individual receiving the scholarship must be seeking an education at a college, university, or community college under a degree seeking program.

You require completion of an application whereby the following information shall be provided by each applicant:

- 1) applicant's name and address
- 2) high school attended
- 3) two letters of reference
- 4) responses to various essay questions
- 5) a statement as to whether the applicant wants the committee to give consideration to financial need
- 6) if applicable, financial need analysis documentation

Information to apply for D is publicized to high school seniors by the administrator and/or guidance counselors at each public school located in E, through each public school's normal procedures. All complete applications submitted by the application deadline shall be considered by your Selection Committee. Subject to your board's approval you will seek to award two to three scholarships annually. The scholarship recipient shall receive monthly

scholarship disbursements of z dollars per month. Disbursements shall be made on the 1st of each month beginning in August and ending in May for a total of y dollars per school year. The maximum amount of the scholarship will be x dollars. Payments are made directly to the college or university for tuition, or to the scholarship recipient for housing or room and board.

The selection criteria will be based on the location of the high school attended by the applicant, two letters of reference, applicant's response to essay questions, academic ability, community involvement, willingness to return to pursue a career in E, interviews and financial need. As selection criteria, an applicant's willingness to return to pursue a career in E is not given any more weight than high school academic success, community involvement, career aspirations or applicant's interviews. There is not any requirement for the award recipient to seek any specific degree or pursue any specific careers.

Your Selection Committee will be composed of five members. Those members shall be one representative appointed by the school district, one representative appointed by you and three community volunteers.

In February, your Selection Committee will finalize and critique the application process, number, and amount of awards. In March, the Selection Committee will set the framework for evaluating the applications, and determine the point system for evaluating the applications. Next, your Selection Committee will evaluate the applications and make award selections. Finally, in May, your Selection Committee will critique the selection process and make awards. Under no circumstances shall any of the applicants be weighted based upon the applicant's ethnic or religious background.

Selection Committee members shall annually certify that they are not in a position to derive a benefit directly or indirectly from the selection of any of the applicants. Your board members, Selection Committee members, or any of their relatives are not eligible for any of the scholarship awards. Selection Committee members shall certify that they are not related to any of the applicants and that they are unbiased during the selection process. Your board members shall certify that they are not related to any of the applicants and that they did not influence any of the Selection Committee applicant selection decisions.

Scholarship awards shall be made by one of your representatives at the annual scholarship banquet for the school from which the award recipient is graduating. Prior to payment of any scholarship award, the recipient must sign the "Award Acceptance Letter", whereby the recipient agrees to the terms of the scholarship award. The reward terms are as follows: the maximum annual award amount, the allowable use for scholarship funds, disbursement procedures, minimum enrollment criteria and verification, minimum GPA criteria, agreement to provide school grades and/or transcripts, and the requirement to notify you of any change of address. You will maintain a record for each scholarship award recipient, award amounts, and their academic achievements. By accepting an award a recipient will not have any requirements that they teach, conduct research, work, provide service, or produce any item.

You will communicate with the award recipient(s) at least twice a year to remind them of their reporting requirements. You will also set a timetable for the recipient's compliance with the reporting requirements and will suspend distributions if the applicant fails to meet the prescribed timetable. You will evaluate the recipient's compliance with the scholarship award terms. Failure to meet the terms of the award will result in the suspending or terminating of the award as stated in the "Award Acceptance Letter." In the event that the award recipient fails to meet the minimum GPA requirements or the minimum hour achievement, the award will be terminated except for certain "hardship" considerations by your board. You will not seek to have award recipients reimburse you when all eligibility criteria were met at the

beginning of a term, but failed to meet the minimum GPA or minimum hour achievement at the end of a term.

In order to renew the award annually, the recipient will be required to provide copies of all grades to you within a reasonable time of issuance from the school; otherwise, the award will be suspended. Annually, the award recipients will be required to designate the school in which they will be enrolling, to ensure continued eligibility at a qualified school, and show proof of registration for the minimum required classes. No disbursements will be made unless the award recipient fulfills this annual renewal process. For award recipients who choose to transfer to a non-qualified school, their scholarship award would be terminated.

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) (as in effect on the day before the date of the enactment of the Tax Reform Act of 1986) 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 providing 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 'scholarship or fellowship' grants within the meaning of section 117 of the Code, and are excludable from the gross income of the recipients subject to the limitations provided in section 117(b) of the Code, including to the extent that such grants are used for qualified tuition and related expenses within the meaning of section 117(b)(2) 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,

Lois G. Lerner
Director, Exempt Organizations

Enclosures
Notice 437
Redacted letter