

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

Department of the Treasury

Release Number: **201227005**
Release Date: 7/6/2012
Date: April 10, 2012

Employer Identification Number:

Contact Person - ID Number:

Contact Telephone Number:

Legend

B = Organization officer
C = Organization officer
x = Dollar amount
y = 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 June 16, 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 were formed to make grants for religious, charitable, scientific, literary, educational or other purposes described in section 501(c)(3) of the code. Your letter indicates that you will operate a scholarship program.

Your scholarship program makes grants to individuals for study at an elementary, middle, secondary, undergraduate, or graduate level. The undergraduate or graduate level would be to an accredited college or university. You anticipate giving ten to fifteen scholarships per year ranging in value from \$x to \$y.

The Selection Process: Your Board of Directors believes a written application does not present a full picture of potential grant recipients' character, initiative, accomplishments and aspirations. Therefore, they have established a "nomination" process whereby individuals who are in a position to know them, nominate the potential grant recipients for your consideration. You will actively research community leaders and school guidance counselors in order to find individuals who are in a position to identify potential recipients of your grants. Once these community leaders and school counselors are identified through associations of social workers, community leaders and guidance counselors, as well as by providing contact information on your website for individuals interested in acting as nominators, you will make them aware of your grant-making program. You will solicit recommendations from them for potential grant recipients whom they have known for at least two years. These "nominators" will be asked to describe on a nomination form a summary of the suggested recipient's financial situation and his or her qualities that meet your criteria. You expect a nationwide network of nominators will generate a large, indefinite number of potential recipients. There is no limit on the number of potential recipients that can be nominated, and the number nominated is expected to vary from year to year.

All grants will be made on an objective and non-discriminatory basis and without regard to race, gender, religion, national origin, sexual orientation or ethnicity. Grant recipients will be chosen from among qualified individuals who have been recommended to you by community leaders and school guidance counselors and who (i) are poor and distressed or underprivileged such that they do not have sufficient financial resources to attend elementary, middle, secondary school, or college, or university including by reason of a bureaucratic oversight that has caused a grant recipient to become ineligible for financial aid from other sources, (ii) demonstrate personal initiative and generosity of spirit through the recipient's willingness to assist family members and others in the community or through other measures appropriate to the recipient's age and (iii) aspire to achieve a specific future goal or objective such as completing a particular course of study in college, pursue a particular career path, or otherwise demonstrate academic promise. Potential recipients will be ranked on the basis of a number of factors including demonstrated financial need, grade point average and level of community involvement.

The Selection Committee: A Selection Committee will be appointed by resolution of your Board of Directors. The committee, made up of your officers, B and C, and individuals with a strong interest in education and community outreach, chosen by your Board of Directors, will select the recipients of grants in the scholarship program. During any period in which any member of the Selection Committee is not a member of the Board of Directors, the Board must review and approve all scholarship grants proposed by the Selection Committee.

The Selection Committee will select grant recipients by unanimous vote on the basis of (a) financial need, including financial need that has arisen by reason of a bureaucratic oversight that has caused a grant recipient to be ineligible for financial aid from other sources and (b) personal recommendations from leaders of the community and school guidance counselors, that reflect the recipient's personal initiative and generosity of spirit as demonstrated through the recipient's willingness to assist family members and others in the community or through other measures appropriate to the recipient's age. These recommendations will also reflect the recipient's academic promise, including his or her aspiration to achieve a specific future goal or objective such as complete a particular course of study in college or pursue a particular career path.

No grant will be made to (i) substantial contributors with respect to you, (ii) your directors or officers, (iii) any member of your selection committee, (iv) any disqualified person with respect to you., or (v) any family member of any of the persons listed in (i), (ii), (iii) and (iv). In addition, no scholarship grants will be made for a purpose that is inconsistent with your charitable and educational purposes.

Terms and Conditions Under Which You Award Grants: The terms and conditions of each grant will be contained in a letter sent to each grant recipient and, in the case of a grant recipient under the age of 18, his or her parent or guardian. Prior to disbursement of the grant funds, each grant recipient or parent or guardian, on behalf of the applicable grant recipient, will be required to sign a copy of the letter and return it to you in order to confirm his or her acceptance of the terms and conditions of the grant. The terms of each grant are expected to be as follows:

- A) Amount and Use of Grants: Each grant may be in an amount sufficient to pay for any or all of the following expenses: (i) tuition and course-related fees, books, supplies, uniforms and equipment at the applicable school, college or university that the scholarship grant recipient is attending; (ii) tutoring; (iii) if applicable, room, board and housing-related expenses at the applicable school, college or university; (iv) if applicable (and only if the recipient is not able to obtain school-provided housing), rent, utilities, and housing-related expenses; (v) a computer; (vi) school-related travel and transportation expenses; (vii) fees for all school-sponsored activities; and (viii) and any other necessary educational expenses

incurred by the recipient while attending elementary, middle or secondary school, college, or university.

- B) Payment of Grants: To the extent possible, you will pay the reasonable and necessary educational and living expenses of the grant recipients directly. For example, you will pay the applicable elementary, middle or secondary school, college or university directly for each recipient's tuition, course-related fees, books, supplies, uniforms, and equipment, and room, board and housing-related expenses, to the extent applicable. In the case of computer, school-related travel and transportation and other necessary expenses, you will pay the applicable vendor or service provider directly or reimburse the scholarship grant recipient or parent or guardian for expenses substantiated with receipts or other supporting documentation, or pursue other similar options that may be available.
- C) Terms of Grants: Each grant recipient will continue to receive grant funds from you to support his or her education at elementary, middle or secondary school, college or university provided that (i) the grant recipient continues to be enrolled as a full-time student at the applicable school, college or university, (ii) the recipient or parent or guardian submits in a timely manner to you the recipient's academic transcript verified by the applicable school, college or university and a statement that the scholarship grant funds have not been diverted for a purpose that is inconsistent with the purposes of the scholarship grant or your charitable or educational purposes, (iii) the recipient or parent or guardian accounts to you upon request for the recipient, parent, or guardian's use of any grant funds provided directly in cash and (iv) there is no indication from any information received by you or any independent investigation that all or part of the grant funds are not being used for the purposes of the grant.

Procedures for Exercising Supervision Over Grants: Each grant recipient or parent or guardian, as applicable, will be required to submit to you, at the end of any academic year in which the grant recipient has received a scholarship grant, a report consisting of a copy of the grant recipient's academic transcript verified by the applicable school, college or university and a statement that the scholarship grant funds have not been diverted for a purpose that is inconsistent with the purposes of the scholarship grant or your charitable or educational purposes. In addition, each grant recipient, parent or guardian must, upon request, account to you for the grant recipient's, parent's or guardian's use of any grant funds provided directly in cash.

Procedures for Investigation Where Diversion of Grant Funds From Their Specified Purposes is Indicated and for Recovery of Diverted Grant Funds: In the unlikely event that information received by you indicates that all or part of the scholarship grant funds are not being used for the purposes of the grant, including by reason of the recipient having left the applicable elementary, middle or secondary school, college or university, you will initiate an investigation. While conducting the investigation, you will withhold further grant funds to the extent possible, until it has been determined that no part of the grant has been used for improper purposes.

If you determine that any part of the grant has been used for improper purposes, you will take all reasonable and appropriate steps to recover diverted grant funds or to insure the restoration of diverted funds and the dedication of other scholarship grant funds held by the recipient to the purposes being financed by the grant. These steps will include legal action unless such action would in all probability not result in the satisfaction of execution on a judgment.

Recordkeeping: You will retain records relating to all scholarship grants for a period of four years after each grant is awarded or declined. Such records will include:

- a) All recommendations from community leaders, guidance counselors and/or other nominators for potential recipients of your grants

- b) A list showing the name and address of each grant recipient, the name and address of each parent or guardian as applicable and a description of the educational and living expenses funded by the grant
- c) A list showing the name and address of each applicant who did not receive a grant.

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