

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

Department of the Treasury

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Employer Identification Number:

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Contact telephone number:

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LEGEND

B = Scholarship Program
C = Individual
D = State

x = dollar amount

Dear _____ :

You asked for advance approval of your scholarship grant procedures under Internal Revenue Code section 4945(g). This approval is required because you are a private foundation that is exempt from federal income tax. You requested approval of your scholarship program to fund the education of certain qualifying students.

Our determination

We approved your procedures for awarding scholarships. Based on the information you submitted, and assuming you will conduct your program as proposed, we determined that your procedures for awarding scholarships meet the requirements of Code section 4945(g)(1). As a result, expenditures you make under these procedures won't be taxable.

Also, awards made under these procedures are scholarship or fellowship grants and are not taxable to the recipients if they use them for qualified tuition and related expenses (subject to the limitations provide in Code section 117(b)).

Description of your request

Your letter indicates you will operate a scholarship program called B.

The purpose of B is to memorialized C and his tradition of excellence in business, assist students in pursuing a post-secondary education, and promote economic diversity at colleges and universities in the United States. The scholarships are intended primarily to defray the recipient's costs of tuition and fees. You will promote B by outreach to

teachers, counselors, admissions officers, and financial aid officers at high schools, colleges and universities. You will initially focus on institutions in and around the state of D.

Applicants must be entering their first year or currently enrolled in a college or university described in Section 170(b) (1) (A) (ii) of the Code. Scholarships will not be awarded to your officers, directors or substantial contributors. Family members of officers, directors or substantial contributors will be excluded from scholarship eligibility as well.

Your criteria for screening applicants and selecting scholarship recipients will include financial need, prior academic performance, performance on tests designed to measure ability and aptitude, recommendations from instructors, and accomplishments indicating leadership, character and motivation. Scholarships will be awarded on an objective and nondiscriminatory basis.

The initial amount of each scholarship will be x dollars, renewable annually. The amount may change in the future and will be based upon your intent to significantly defray the recipient's costs of tuition and fees. You will initially award one scholarship each year. In the future, the number of grants will depend upon the number and quality of applicants and your other grant-making activities for the year.

You will require the scholarship recipient to agree to remain enrolled full-time and in good standing at the educational institution, and provide an official transcript from the attended educational institution which indicates grades for all courses taken during the prior year.

You intend to pay scholarship funds directly to the educational institution the recipient is attending so long as the educational institution provides verification that it qualifies under Section 170(b)(1)(A)(ii) of the Code and agrees in writing to apply the scholarship funds to defray the recipient's tuition and fees and to pay any other funds to the recipient only for the periods during which the recipient is enrolled as a full-time student and remains in good standing at the educational institution.

As part of the application process, the recipient must agree to remain enrolled full-time and in good standing at the educational institution, and provide an official transcript from the attended educational institution which indicates grades for all courses taken during the prior year.

If at any time you do not pay the scholarship funds directly to the educational institution as set forth above, you will take all necessary measures to ensure the scholarship funds are being used properly. When the reports to you or other information indicate that any part or all of the scholarship funds are not being used for the purposes of the grant, you will initiate an investigation. While conducting the investigation, you will withhold further payments to the recipient. If you determine that any part or all of the scholarship funds have been used for improper purposes, you will take all reasonable and appropriate steps to recover the diverted funds and take necessary precautions to prevent future diversions.

You will form a selection committee consisting of direct adult descendants of C and will broadly publicize the scholarship. If a member of the selection committee, or a family member (as described in IRC Section 4946(d)) of a member of the selection committee, applies for your scholarship, your foundation committee as opposed to your selection committee will evaluate and vote on all applications. Your foundation committee will not consist of descendants of C.

You will maintain all records relating to individual grants, including information obtained to evaluate grantees, identify whether a grantee is a disqualified person, establish the amount and purpose of each grant, and establish the amount and purpose of each grant, and establish that you undertook the supervision and investigation of scholarship funds diverted for unintended purposes.

You will maintain case histories showing recipients of your scholarships including names, addresses, purposes of awards, amount of each grant, manner of selection, and relationship (if any) to your officers, trustees or your donors of funds.

Basis for our determination

The law imposes certain excise taxes on the taxable expenditures of private foundations (Code section 4945). A taxable expenditure is any amount a private foundation pays as a grant to an individual for travel, study, or other similar purposes. However, a grant that meets all of the following requirements of Code section 4945(g) is not a taxable expenditure.

- The foundation awards the grant on an objective and nondiscriminatory basis.
- The IRS approves in advance the procedure for awarding the grant.
- The grant is a scholarship or fellowship subject to the provisions of Code section 117(a).
- The grant is to be used for study at an educational organization described in Code section 170(b) (1) (A) (ii).

Other conditions that apply to this determination

- This determination only covers the grant program described above. This approval will apply to succeeding grant programs only if their standards and procedures don't differ significantly from those described in your original request.
- This determination applies only to you. It may not be cited as a precedent.

- You cannot rely on the conclusions in this letter if the facts you provided have changed substantially. You must report any significant changes to your program to the Cincinnati Office of Exempt Organizations at:

Internal Revenue Service
Exempt Organizations Determinations
P.O. Box 2508
Cincinnati, OH 45201

- You cannot award grants to your creators, officers, directors, trustees, foundation managers, or members of selection committees or their relatives.
- All funds distributed to individuals must be made on a charitable basis and further the purposes of your organization. You cannot award grants for a purpose that is inconsistent with Code section 170(c) (2) (B).
- You should keep adequate records and case histories so that you can substantiate your grant distributions with the IRS if necessary.

We've sent a copy of this letter to your representative as indicated in your power of attorney.

Please keep a copy of this letter in your records.

If you have questions, please contact the person listed at the top of this letter.

Sincerely,

Holly O. Paz
Director, Exempt Organizations
Rulings and Agreements

Enclosures: Notice 437
Redacted copy of letter