

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

Department of the Treasury

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Employer Identification Number:

Contact person - ID number:

Contact telephone number:

UIL: 4945.04-04

LEGEND

B= Program Name
X= High School Name
Y= High School Name

u dollars= Amount
v dollars= Amount
w dollars= Amount
z= Number

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 provide scholarships to worthy applicants.

You will award two scholarships for u dollars for individuals pursuing a bachelor's degree at an accredited four-year undergraduate college or university. The scholarship will be awarded to one graduating senior from X and one graduating senior from Y. The recipients will be selected irrespective of race, religion, age, sex, or national origin.

There is no written application for the scholarship awards. The guidance counselors from X and Y will solicit candidates from the faculty from each high school using the following criteria:

- General ability
- Scholarship (graduation in the top 10% of the class of X or Y)
- Character
- Extra-curricular activities
- Community involvement
- Financial need

Each guidance counselor will then select one individual from those nominated. Final selection will be by vote of all the guidance counselors at each high school or in such other manner as they shall reasonably determine.

The District Superintendent of the school district of X and Y or the Supervising Principal shall submit to you the name of the selected student. You are not involved in the selection of the students/recipients. Relatives or members of the selection committee, your officers and directors are not eligible for the award.

You will pay v dollars for the first year and w dollars for each subsequent year or in such installments as may be mutually agreed. The award will be paid directly to the college or university for reimbursable expenses including the student's tuition, room, board, required course books and other applicable fees charged by the college or university.

The student must maintain a z grade point average for each year and overall in his or her college studies and continue to be enrolled in a four-year college or university in order to retain his or her scholarship.

You will receive a report from the student recipient for each school year showing courses, grades, and grade point average received during the school year and overall confirmation that the student continues to be enrolled in a four-year college or university. The report must be verified by the educational institution attended by the student recipient. You will terminate the scholarship if the report shows that the student is not maintaining a z average or if the report is not received in a timely manner. If there are extenuating circumstances, you may decide to place the student on probation for one year for not maintaining the z average.

You will conduct a thorough investigation if it appears that the scholarship payments are not being applied properly by the student recipient or the student has otherwise failed to comply with the terms of the scholarship. You will terminate a student recipient's scholarship if the investigation reveals that the scholarship payments were used improperly.

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 representatives 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,

Director, Exempt Organizations