

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:

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UIL: 4945.04-04

LEGEND

X= university
y= dollar amount
z= 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

You will provide scholarships to talented students to encourage academic achievement and pursuit of higher education of individuals, to support community development initiatives that enhance the skills and quality of life for local populations, and to provide financial assistance for advancing culture and the arts.

The recipients of funds shall be individuals who are pursuing studies or conducting research to meet the requirements for an academic degree conferred by X.

X will be responsible for the solicitation of applicants for the scholarship. All individuals pursuing studies or conducting research to meet the requirements for an academic degree conferred by X will be eligible to apply for the scholarship. The standards of selection of individual grant recipients will be made by a selection committee from the pool of applicants on an objective and nondiscriminatory basis. The criteria used in selecting individuals for the scholarship will be recommended by the Selection Committee and approved by the Board prior to the selection of grant recipients. Such criteria might include (but are not limited to) the following: prior academic performance; professional experience; plans and commitments after completion of their academic performance; letters of reference from community members and instructors; financial need; conclusions from a personal interview with the individual as to the individual's motivation, character, ability and potential; and extracurricular and community activities. Selection will be made without regard to the individual applicant's race, color, ethnic, origin, religious belief, sex, marital status, or physical handicap. Applicants for the scholarship will be required to submit an application containing the information and material required by a date determined in advance by the Selection Committee. The scholarship will be publicized on X's website and bulletin boards.

Scholarships shall be based on a one or two year academic program. The total number of scholarship recipients per academic year shall be four. Each scholarship grant shall be for one year renewable annually for up to one additional year until the recipient's graduation from a one or two year academic program.

The amount of the scholarship for each academic shall be determined by you and based upon an estimate, provided by X prior to each academic year, of the costs to the recipient of tuition, matriculation and other fees, room and board (or commuting expenses and lunches), books and supplies necessary for the recipient's studies, and other similar fees and expenses. The total amount of the scholarship program for an academic year will not exceed y dollars. The amount of the scholarship to each individual recipient for an academic year will not exceed z dollars. These thresholds will be reviewed on an annual basis and adjusted based on your yearly distribution plan and a review of the increase in tuition at the institution.

Renewal of an individual's scholarship may be made provided if (i) the individual continues his or her pursuit of an academic or professional degree at X, (ii) the individual continues to demonstrate adequate academic performance, usually maintenance of a predetermined grade point average or such other performance factor, as you deem appropriate, and (iii) the individual provides you with all reports required pursuant to the terms of the scholarship. Otherwise, an individual's scholarship may only be renewed upon approval by the Selection Committee with your confirmation.

Pursuant to the agreement between you and X, you will disburse the amount for each academic year to X prior to the commencement of the academic year. X will be entrusted with the operational processing of the payment for each individual grant recipient. X will maintain the funds disbursed by you in a separate account dedicated to the scholarship.

X agrees to use the funds to defray the recipient's expenses or to pay funds to the recipient only if the recipient is enrolled at X and his or her standing at X is consistent with the purposes and conditions of the scholarship. Within a reasonable period of time after the end of the academic year, X must provide you with financial records or such other evidence which demonstrates that the grant funds were used as intended. X will provide you with such other information as may be necessary or desirable to permit you to exercise supervision of the scholarship. If a scholarship recipient leaves X or otherwise discontinues his or her pursuit of an academic degree at X, X will refund the unused portion of the funds advanced by you with respect to such scholarship recipient.

X will monitor the progress of each scholarship recipient to determine whether the purposes are being or have been fulfilled, and to look into any questions requiring further scrutiny or investigation. Upon request, X will submit to you a report confirming that funds are being used for their intended purposes. X will furnish you with a final report upon the completion of each academic year as to the expenditure of funds. X agrees to permit you to visit X periodically for purpose of verifying that funds are being used for their intended purposes.

Where X suspects that funds are not being used for their intended purposes, X will immediately notify you and will conduct an investigation. If you suspect that funds are being used for improper purposes, X agrees to assist you in investigating this suspicion. While an investigation of a recipient is being conducted, X will withhold further payments to the recipient to the extent possible until (i) it has determined that no part of the scholarship has been used for improper purposes and (ii) you provide X with written approval. If it is determined that any part of a scholarship has been used for improper purposes, X agrees to assist you in the recovery of diverted funds.

The Selection Committee will consist of three members designated by X. No member of the Selection Committee shall be in a position to derive a private benefit, directly or indirectly, if certain candidates are selected over others. The members of the Selection Committee shall not be compensated.

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,

Kenneth Corbin
Acting Director, Exempt Organizations