

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

Department of the Treasury

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Date: September 12, 2014

Employer Identification Number:

Contact person - ID number:

Contact telephone number:

LEGEND

UIL: 4549.04-04

X= University

Y= City

Z= Bank

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(c)).

Description of your request

Your purpose is to provide scholarships to X or its successor for graduates of the Senior High School or Senior Public High Schools located in Y. The number of scholarships that will be awarded each year and the amount of each scholarship will vary depending on the amount of funds available to be distributed.

Each year Z advises the scholarship committee of the amount available for scholarships. The members of the scholarship committee review the scholarship applications based on the need, worthiness, ability, aptitude for successfully pursuing a college course of study

and the desire of the student to acquire a college degree. The Scholarship Committee then submits their selection to the trustee. The Committee in making their selections among the student candidates is to consider:

- (i) The eventual profit – that is, the potential the candidate is judged to possess to provide a gain to society as a result of added productivity, and other valuable contributions to the general welfare that can be generated through the advantages of a college education.
- (ii) Use the best material available – Selection should be made among those students who have demonstrated above average ability in their studies, who are industrious, in good health, generally well adjusted, take part in student activities, are governed by good personal habits, indicate a real desire to advance themselves by further education and have a good prospect of developing into citizens who will become a credit to the community in which they live.
- (iii) Assisting the needy – the primary purpose of the trust is to assist qualified students in obtaining a college education who otherwise might be denied, for financial reasons, the opportunity of improving themselves through further education. Consideration should be given to the financial circumstances of the family and the willingness and ability of the candidate to assist himself by working during vacation periods and at other times when possible, as it is not the intent of this trust that a scholarship will finance at most anything beyond the bare essentials of the cost of education; its primary purpose is to supplement self-help and family help where such financial assistance is a real need.

Grades of scholarship recipients shall be reviewed by the committee as available each quarter or semester and receipt of the full scholarship granted shall be contingent upon the students continued good standing in his scholastic work. The scholarship recipient will be expected to carry at least an average number of hours of studies and attain grades in his studies at least equal to the average for the college he or she is attending, but the committee is given discretion to continue a scholarship to a recipient whose scholastic grades are below average if in their judgment the students unsatisfactory scholastic standing will improve in the future and is excusable due to conditions beyond the student's control, such as illness or other uncontrollable circumstances resulting in enforced absence from classes.

It is not expected or required that the amount of scholarships be equal; rather it is desired that the worthy candidates be selected and the amount determined to fit in with the candidate's need and funds of the trust thus be put to the best possible use as determined solely in the discretion of the committee.

A scholarship may be granted to any one student for only one regular school year at one time; however, upon annual application and approval of the committee, the present or previous recipient of a scholarship may be granted additional scholarships each year for not to exceed a total of four years of undergraduate study. A student may be eligible to

receive a scholarship grant hereunder during any of his or her four years of undergraduate study whether or not the recipient of a grant hereunder in any previous year.

The selection committee will consist of four individuals named in the trust document. One shall be the Principal and one shall be the Superintendent or the Senior Administrative Officer of the Senior Public High School or the Senior Public High Schools, if there be more than one located in Y; or representative he or she may designate. One shall also be a Trust Officer of Z or a representative designated.

All scholarships are awarded on an objective and non-discriminatory basis. Z makes the final determination as to the amount awarded. No scholarships may be awarded to any disqualified person as defined in Code Section 4946.

Z pays the scholarship proceeds directly to X or its successor school for the benefit of the recipient. Z provides a letter to X or its successor school specifying that X or successor school' acceptance of the funds constitutes X's agreement to (i) refund any unused portion of the scholarship if a scholarship recipient fails to meet any term or condition of the scholarship; and (ii) notify Z if the scholarship recipient fails to meet any term or condition of the scholarship. If X will not agree to such terms Z will obtain the needed reports and grade transcripts from the scholarship recipient.

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

You will arrange to receive and review grantee reports annually and upon completion of the purpose for which the grant was awarded; to investigate diversions of funds from their intended purposes; and take all reasonable and appropriate steps to recover diverted funds, ensure other grants funds held by the grantee are used for their intended purposes, and withhold further payments to grantee until you obtain grantees assurances that future diversions will not occur and the grantees will take extraordinary precautions to prevent future diversions from occurring.

You will maintain all records relating to individual grants, including information obtained to evaluate grantees, identify whether grantee is a disqualified person, establish the amount and purpose of each grant, and establish that you under took the supervision and investigation of grants.

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.

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