

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

**Department of the Treasury**

**Number: 201540018**  
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**Employer Identification Number:**

**Contact person - ID number:**

**Date: July 7, 2015**

**Contact telephone number:**

**LEGEND**

X= Scholarship Name  
Z= High School

b= Number  
c= Number  
d= Number  
e= Number  
f= Date  
g= Date  
h= Date

UIL: 4945.04-04

j= Number  
k= Number  
m= Number  
n dollars= Amount  
o dollars= Amount  
p dollars= Amount  
q= Number  
r= 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 provided in Code section 117(b)).

**Description of your request**

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

The purpose of X is to encourage and support outstanding and deserving students in their pursuit of college degrees. Under X, you will provide financial assistance in the form of scholarship grants to students from Z who will attend a college or university on a full-time basis in pursuit of a degree in economics, or a science, technology, engineering, or mathematics ("STEM") major. You will accept and consider applications submitted via two tracks: one for students who are pursuing studies in the STEM fields and another for students who are pursuing the study of economics. Initially, the potential applicant pool will be composed of students from Z. At a later point in time, you may extend X by making it available to college bound students from other high schools and geographic regions.

You expect to receive in the range of approximately b applications each year. You expect to make roughly c scholarship awards each year, which would be distributed as follows: (d awards for students majoring in physical science, mathematics, or computer science disciplines, as well as d awards for students majoring in engineering), and e economics scholarship awards. You may vary the number of scholarship grants in future years based on the level of need and the availability of your assets.

You will make information about X available by publicizing it through the guidance office of Z. You also plan to ensure that the guidance counselors, administrators, and faculty members of Z are familiar with X's eligibility requirements, so they may encourage qualified students to apply. In addition, Z will send an email to all students who satisfy the academic eligibility requirements to notify them of the opportunity to apply for a grant under X. Further, members of the committee selecting scholarship grant recipients (the "Selection Committee") will seek to identify and encourage potential candidates and generally promote the availability of awards through X. If and when X is extended it will be similarly publicized through guidance counselors, faculty, and administrators at participating high schools.

X's application form and announcement materials are currently in development. In addition to an application form, applicants will be required to submit an official transcript, AP, ACT, and SAT scores, and may be interviewed by the Selection Committee. Each student also will be required to show his or her financial need by attaching a copy of his or her completed Free Application for Federal Student Aid (the "FAFSA") and Student Aid Report (the "SAR") to the application form.

In order to be considered for a grant under X, an applicant must demonstrate significant financial need, have completed his or her Free Application for Federal Student Aid (FAFSA) and have received his or her Student Aid Report (SAR) by f. Further, applicants must receive an offer of acceptance from a college or university on or about g to maintain eligibility pending a determination by the Selection Committee on or about h. Applicants must also show outstanding academic performance by maintaining a GPA of q or higher. Finally, a math SAT 1 score of j or above, and/or a math ACT score of k or greater is required for a student to be eligible to receive a grant.

You will form a Selection Committee composed in the range of approximately  $m$  individuals to select the recipients. The members will be knowledgeable in the field of secondary education and/or with a background in either the STEM subjects or economics and will include guidance counselors, administrators, and faculty members from Z and a scientist affiliated with the National Center for Atmospheric Research. Your board, in its sole discretion, may add or remove members of the Selection Committee and will replace members upon their resignation, removal, or inability to serve. Each member of the Selection Committee is obligated to disclose the existence of a relationship that he or she has with any potential grantee under consideration. Furthermore, a Selection Committee member will refrain from participation in the award process if such member could derive, directly or indirectly, a tangible private benefit from any potential grantee's selection over that of other potential grantees. Your officers, directors, substantial contributors, Selection Committee members, and the children or close relatives of such persons are not eligible for scholarship grants. In awarding grants there will be no discrimination on the basis of race, national origin, sexual orientation, religion or gender.

The following are the specific criteria (from most important to least important) that the Selection Committee will use to select grant recipients under X:

- 1) Financial need.
- 2) Academic and other factors including GPA, math SAT I and/or a math ACT score, students' AP coursework and exam scores. Students must exhibit a passion for and an understanding of the rigors and realities of their major.
- 3) Essay/Personal Statement.
- 4) Interview.

Scholarship awards are renewable with a total potential funding of  $n$  dollars over the course of four years. For example, a renewable scholarship may be distributed as follows:

- A grant of  $o$  dollars for the student's freshman year;
- A grant of  $p$  dollars for each of the student's sophomore, junior, and senior years; and
- A grant of  $o$  dollars for a summer internship after completing junior year, if such internship is considered by the student's educational institution to be the equivalent of course work and the student receives degree credit upon completion of the internship.

Renewals are conditioned on the grant recipient's maintenance of a cumulative GPA of  $r$  or higher as well as on the student's continued pursuit of a degree in economics or one of the STEM majors. The student must also remain in good standing with the educational institute but you may accommodate a grant recipient if such poor status is a result of extenuating circumstances (for example, a temporary withdrawal due to the illness of a close family member). Finally, in order to receive additional funds, the student will be required to submit a written report on the use of the grant funds and the progress made

towards achieving the purposes for which the grant was made, which must include a yearly transcript.

You will pay scholarship awards directly to educational institutions whenever possible. However, in the event that this is not possible, you will pay the scholarship award directly to the student and implement appropriate follow up procedures to ensure proper use of the scholarship funds.

In cases where grant funds are paid directly to an educational institution, you will require such institution to agree to use the grant funds to defray the grant recipient's tuition and related expenses or to apply the funds otherwise for his or her benefit only if the grant recipient (1) is enrolled at such educational institution, (2) remains in compliance with the institution's academic requirements necessary to obtain the desired educational degree, and (3) remains in compliance with the minimum academic requirements needed in order to remain in attendance at such institution. If a grant recipient fails to enroll, drops out, or fails to remain in compliance with the institution's academic requirements, such institution will be required to return all unused grant funds.

In cases where grant funds are paid directly to a grant recipient, you will require such grant recipient to provide an official transcript for each academic period. Such report must be verified by the educational institution attended by the grantee. As part of such written report, the grantee shall submit documentation substantiating the use of the grant funds. Such documentation shall include a receipt from the educational institution's bursar's office and, where grant funds were used to obtain books, supplies, and equipment required for courses of instruction, receipts for the purchase of such items. Upon the completion of the grant recipient's course of study, you will require a final report describing the grantee's accomplishments with respect to the grant and accounting for all funds received under such grant.

Upon failure to submit the required reports described above, or where such reports, or other information, indicates that all or any part of a grant is not being used in furtherance of the grant's intended purposes, you will withhold further payments, to the extent possible, during the course of the investigation of the jeopardized grant. In the event of a misuse of funds, you will determine if the situation is a mistake and whether it can be corrected. Once you have determined that grant funds have been misused, you will refrain from making additional disbursements and take appropriate action as necessary.

You will maintain detailed case histories for X by retaining a copy of all applications, together with the required supporting documents, submitted for consideration. You also will include in such case histories a record of the names and addresses of the applicants selected to receive grants, the name of the school the recipient plans to attend, and the amount of the grant. Additionally, the case histories will record the information relied upon by the Selection Committee to determine eligibility and the criteria referenced to select grant recipients. In addition, the case histories will include the annual narrative reports and transcripts submitted by scholarship recipients. Finally, the case histories will record confirmation that the applicant bears no relationship to the officers, directors, Selection

Committee members, or substantial contributors to you. You expect to maintain these records for a period of at least four years after the time a grant recipient has graduated from (or failed to remain enrolled in) the school he or she plans to attend. You will periodically review case histories to evaluate the effectiveness of X.

### **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,

Director, Exempt Organizations