SIN: 4945.00-00

Internal Revenue Service

199930047

Department of the Treasury

Washington, DC 20224

Contact Person:

Telephone Number:

In Reference to:

Date: MAY - 6 1999

OP:E:EO:T:4

Dear Sir or Madam:

This is in reference to your letter of March 10, 1999, requesting advance approval of your grant-making procedures under section 4945(g)(1) of the Internal Revenue Code.

In a letter dated April 17, 1997, you were granted recognition of exemption under section 501(c)(3) of the Code and classified as a private foundation within the meaning of section 509(a).

In furtherance of your exempt purposes, you propose to make scholarship grants each year to between three and six high school students to enable the recipient to complete an undergraduate education at the college or other educational institution of his or her choice.

Scholarship recipients will be chosen from B, C and D in the state of E. The basic criterion for selection will be academic achievement in high school by placement in the top 33% of the graduating class. In addition, students who have a financial need will be given priority consideration, but it will not be required criterion.

A scholarship recipient must be a candidate for a degree at a qualifying educational institution, defined as one which normally maintains a regular faculty and curriculum and normally has a regularly organized body of students in attendance at the place where the educational activities occur.

Your trustees will contact high school administrators and guidance counselors to advise them of the availability of scholarships and to request that deserving students submit completed application forms to the guidance counselors of the respective schools who will select four candidates whose completed application forms will be forwarded to the trustees

The trustees will select the scholarship recipients from among students who have been selected as finalists.

Each scholarship will be paid directly to the educational institution for the use of the scholarship recipient. Each educational institution must agree in writing to use the funds to defray the scholarship recipient's expenses or to pay the funds (or a portion thereof) to the recipient only if the recipient is enrolled at such educational institution and his or her standing at such educational institution is consistent with the purposes and conditions of the grant.

Scholarship grants are required to be awarded on an objective and nondiscriminatory basis. No grants are to be awarded to your creator, trustees, officers or to any disqualified person with respect to you, or for a purpose that is inconsistent with the purposes described in section 170(c)(2)(B).

You will investigate any possible misuse of funds and seek recovery of any misused funds.

Section 4945 of the Code provides for the imposition of taxes on each taxable expenditure of a private foundation.

Section 4945(d)(3) of the Code provides that the term "taxable expenditure" means any amount paid or incurred by a private foundation as a grant to an individual for travel, study, or other similar purposes by such individual, unless such grant satisfies the requirements of section 4945(g).

Section 4945(g)(1) of the Code provides that section 4945(d)(3) shall not apply to an individual grant awarded on an objective and nondiscriminatory basis pursuant to a procedure approved in advance by the Secretary, if it is demonstrated to the satisfaction of the Secretary that the grant constitutes a scholarship or fellowship grant which is subject to the provisions of section 117(a) and is to be used for study at an educational institution described in section 170(b)(1)(A)(ii) of the Code.

Based upon the information submitted, and assuming your program will be conducted as proposed, with a view to providing objectivity and nondiscrimination in the awarding of scholarship grants, we rule that your procedures for the awarding of scholarship grants comply with the requirements of section 4945(g)(1) of the Code. Thus, expenditures made in accordance with these procedures will not constitute "taxable expenditures" within the meaning of section 4945(d)(3) of the Code, and as such are eligible for the exclusion from income provided for in

section 117(a) of the Code to the extent that such grants are actually used for qualified tuition and related expenses within the meaning of section 117(b)(2) of the Code.

This ruling is conditioned on the understanding that there will be no material changes in the facts upon which it is based. It is further conditioned on the premise that no grants will be awarded to creators, officers, directors, trustees, or members of the selection committee, or for a purpose inconsistent with the purposes described in section 170(c)(2)(B) of the Code.

Please note that this ruling is only applicable to grants awarded under your program as outlined above. Before you enter into any other scholarship programs you should submit a request for advance approval of that program.

We are informing your key District Director of this action. Please keep a copy of this ruling with your organization's permanent records.

This ruling is directed only to the organization that requested it. Section 6110(j)(3) of the Code provides that it may not be used or cited as precedent.

Sincerely yours,

Gerald V. Sack

Gerald V. Sack
Chief, Exempt Organizations
Technical Branch 4

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