DEPARTMENT OF THE TREASURY
INTERNAL REVENUE SERVICE
WASHINGTON, D.C. 20224

200034034

Date: MAY 31 2000

SIN: 4945.04-04

OP:E:EO:T3

Contact Person:

ID Number:

Legend:

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Dear Sir or Madam:

This is in response to your ruling request of February 10, 2000, requesting advance approval of your grant procedures established pursuant to section 4945(g)(1) of the Internal Revenue Code.

You are exempt from federal income tax under section 501(c)(3) of the Code and have been determined to be a private foundation as defined in section 509(a).

You will grant scholarships to individuals in the X area attending a college or graduate school of their choice. The grantees will be selected on an objective and nondiscriminatory basis based on the standards set forth below, regardless of the race, color, age, religion, gender, family relationship or employment status of the applicant.

The applicant must file a written application and graduate from a high school in the X area. The applicant must be enrolled in an educational institution as defined in section 170(b)(1)(A)(ii) of the Code. The applicant must obtain a grade point average of 3.0 or better or a scholastic rank in the upper 25% of applicant's class based on a four-year high school average. If the applicant is presently in college, a grade point average of 2.5 or better must be attained. The applicant's financial need will be a primary factor to be considered.

The selection committee is composed of your Board of Trustees. No scholarship may be awarded to any member of your Board of Trustees, its officers, your creator, or any of your family members.

Scholarships may be paid directly to grant recipients or directly to the educational institution. You shall arrange to receive a report of the grantee's courses taken and grades received in each academic period. The report must be verified by the educational institution and must be obtained at least once a year. The report must also be approved by the faculty member supervising the grantee or by another appropriate official of the institution. To the extent that reports are untimely or indicate the misuse of scholarship funds, you will withhold further payments. Also, if funds were diverted to improper uses, you would seek to recover such funds by all appropriate means.

Section 4945(g) of the Code states that an individual grant will not constitute a taxable expenditure if it is awarded on an objective and nondiscriminatory basis pursuant to a procedure approved in advance.

Section 53.4945-4(c)(1) of the Foundation and Similar Excise Taxes Regulations states that to secure approval, a private foundation must demonstrate that:

(i) Its grant procedure includes an objective and nondiscriminatory selection process;

(ii) Such procedure is reasonably calculated to result in performance by grantees of the activities that the grants are intended to finance; and

(iii) The foundation plans to obtain reports to determine whether the grantees performed activities that the grants are intended to finance.

Based on the information submitted and assuming your scholarship program will be conducted as proposed with a view to providing objectivity and nondiscrimination in the awarding of grants, we rule that your procedures in the awarding of scholarship grants comply with the requirements of section 4945(g)(1) of the Code. Expenditures made in accordance with these procedures will not constitute "taxable expenditures" within the meaning of section 4945(d)(3), 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 change in the facts upon which its is based. It is further conditioned on the premise that no grants will be awarded to foundation managers, trustees, or members of the selection committee, or for a purpose that is inconsistent with the purposes described in section 170(c)(2)(B) of the Code.

The approval of your grant-making procedures is a one-time approval of your system of standards and procedures for selecting recipients of grants that meet the requirements of section 4945(g)(1) of the Code. Thus, approval will apply to succeeding grant programs only as long as the standards and procedures under which they are conducted do not differ materially from those described in your request.

Any funds you distribute to individuals must be made on a true charitable basis in furtherance of the purposes for which you are organized. Therefore, you shall maintain adequate records and case histories so that any or all grant distributions can be substantiated upon request by the Internal Revenue Service.

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

Sincerely yours,

(signed) Robert C Harper, Jr.

Robert C. Harper, Jr.
Manager, Exempt Organizations
Technical Group 3

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