LEGEND

UIL: 4945-04.04

X= County Names
Y= University

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 will not 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
You are operating a scholarship program for students who graduated from high schools in the counties of X to attend Y. Your purpose is to engage in charitable activities by enhancing access to higher education.

The number of scholarships that you award each year and the amount of each scholarship will vary depending on the amount of funds available to be distributed. You are required to annually distribute the greater of the net income of the trust or the amount that must be distributed to satisfy Code Section 4942.

The Head of the Department of Animal Science and Veterinary Medicine at Y announces the scholarship availability to all qualified graduate students.

In order to apply, students must be from the counties of X and studying animal science and veterinary medicine at Y. A scholarship advisory committee consisting of the faculty of the Department of Animal Science and Veterinary Medicine at Y reviews and ranks the applicants on demonstrated ability to explore into and seek solutions for whatever problems beset livestock farmers relating to the health of sheep and cattle.

The scholarship advisory committee then makes a recommendation to the trustee regarding who should be awarded the scholarship and the amount that should be awarded; the trustee makes the final determination as to the recipient and the amount awarded. All scholarships are awarded on an objective and non-discriminatory basis. No scholarship may be awarded to any disqualified person as defined in Code Section 4946. Applicants must reapply every year.

You pay the scholarship proceeds directly to the university the recipient attends for the benefit of the recipient. You provide a letter to the university specifying that the university's acceptance of the funds constitutes the 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 you if the scholarship recipient fails to meet any term or condition of the scholarship. If the university will not agree to such terms you will obtain the needed reports and grade transcripts from the scholarship recipient.

You will (1) arrange to receive and review grantee reports annually and upon completion of the purpose for which the grant was awarded, (2) investigate diversions of funds from their intended purposes, and (3) take all reasonable and appropriate steps to recover diverted funds.

You will maintain all records relating to individual grants, including information obtained to evaluate grantees, identify whether a grantee is a disqualified person, establish the amount and purpose of each grant, and establish that you undertook 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 may report any significant changes to your program by completing Form 8940 and sending it 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