

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

Department of the Treasury

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Employer Identification Number:

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LEGEND

UIL: 4945.04-04

B = Name
C = Name
D = Name
E = Name

t = Duration
v = Duration
w = Quantity
x = Quantity
y = Quantity
z = Duration

Dear :

You asked for advance approval of your educational grant procedures under Internal Revenue Code Section 4945(g)(3). This approval is required because you are a private foundation that is exempt from federal income tax.

Our determination

We approved your procedures for awarding educational grants. Based on the information you submitted, and assuming you will conduct your program as proposed, we determined that your procedures for awarding educational grants meet the requirements of Code Section 4945(g)(3). As a result, expenditures you make under these procedures won't be taxable.

Description of your request

Your letter indicates that you will operate an educational grant program called B. The purpose of B is to support the next generation of leaders and innovators in the fields of science, technology, engineering, and math. To support that goal, recipients will receive grants to allow them to conduct research in a field that is outside their planned

field. By gaining experience in another research field, the recipients will be exposed to research methods, attitudes, and even a culture, that may be different from their previous experiences. This exposure will enable the recipients to learn more about themselves and about others, which improves their opportunities to develop important skills to serve as future leaders, both in science and in society.

You expect to collaborate with a partner organization in conducting B currently identified as C which is a public charity. In the future, this may change but any partner organization will be a domestic public charity or its foreign equivalent. Both you and your partner will distribute application forms and informational packets. Furthermore, you will provide information and other notifications to the best science and engineering universities so they may nominate highly-qualified candidates who are expected to receive an appropriate PhD before the start of that year's program.

B will consist of D and E. D will last t and require the recipients to serve in a research position in the post-doctoral stage of their training at a university, educational institution, or research institution described in the Code in a different research field from their planned field of research. E will last about v and be comprised of lectures, classes, and group learning in leadership training. You and at least one domestic or foreign organization will jointly conduct this portion.

Although the final number of grants and the total dollar amount of each grant will depend on the quantity and quality of the applications you receive and your available funding, you anticipate awarding about w grants in the first year, about x in the second year, and in the range of y in succeeding years in a sufficient amount to permit the recipients to focus on research and leadership skills. The amount of each grant may also depend on the cost of living and other reasonable and necessary expenses in the region where the research is being conducted and where the second part of the training is taking place. Furthermore as part of the grant proceeds, you will provide stipends during both parts of B as well as cover all direct costs during the second part of B.

To be eligible, individuals must:

- a. Be post-doctoral researchers and have received a recent PhD in mathematical, computing, or natural sciences, or in an engineering field;
- b. Demonstrate scholastic ability;
- c. Plan to pursue a research career; and,
- d. Agree to undertake z in training before starting their next post-doctoral and faculty position sequence.

Eligible individuals are required to complete a short application form and a research plan; in addition, applicants must provide other documents such as resumes, copies of publications and research papers, letters of recommendation from faculty researchers in their field and other relevant information.

Applicants meeting the eligibility criteria will be evaluated based on the quality of completed research, their demonstrated research achievement and leadership potential, their creativity, and their interest in having an impact on the world outside the constraints of their research. All applications will be assessed by selection committees that you and your partner have equally established. There will be two selection committees which you and your partner have established. Selection committee members will be distinguished researchers in the mathematical, computing, and natural sciences and engineering fields and who are in some ways leaders in their fields or communities. The selection committee members may also serve a term of multiple years to ensure continuity.

The first selection committee will rate the applications based on applicants' research accomplishments and potential. The second committee will then evaluate the best candidates from the first group and choose a specific number who best meet the selection criteria. The second selection committee will then interview the group of best candidates to determine a set of finalists. The recipients will then be decided under your supervision and that of the governing body of your partner.

There will be no limitations or restrictions in the selection procedures based upon race, religion, national or ethnic origin, or other illegally discriminatory criteria. No person on the selection committees will be able to derive a private benefit, directly or indirectly, if certain potential grantees are selected over others. Individuals who are your employees, employees of organizations controlled by one of your directors, members of your board, or related by blood or marriage to your employees or directors or organizations controlled by one of your directors, will not be eligible for your grants.

You will require each recipient to sign a grant agreement before any funds are disbursed. Concerning payment, you may either make the grants directly to the recipients or, if there is a partner, you may make grants to the partner who would then make grants to the recipients.

You will also require reports on the use of the funds and the progress made by the grantees toward achieving the purposes for which the grant was made. Such reports must be made at least once a year. If the grant term is longer than one year, upon completion of the undertaking for which the grant was made, you will require a final report describing the grantee's accomplishments with respect to the grant and accounting for the funds received under such grant.

Using the reports required by the grant agreement, you will monitor and evaluate the expenditure of funds and the progress made by each recipient.

Any apparent misuse of grant funds will be promptly investigated. If you discover that funds have, in fact, been misused, you will require the recipient to return the funds immediately, and you will make no further distributions to that recipient.

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

Grants may also be renewable. For example, you expect that some recipients may demonstrate passion and appropriate interest in their new post-doctoral research that they may consider shifting their long-term goals. In such cases, they may apply for a one-year extension to increase their credentials in a new field.

Finally, in determining an individual's eligibility to receive a grant, you will ensure compliance with rules issued by the United States Department of the Treasury's Office of Foreign Assets Control (OFAC), which currently include the following:

- a. Check the OFAC List of Specially Designated Nationals and Blocked Persons before dealing with persons including individuals, organizations and entities and specifically avoid dealing with any persons on the list.
- b. Make grants pursuant to a written grant agreement expressly prohibiting diversion of charitable assets to support terrorism or other non-charitable activities.
- c. Not make grants to individuals if doubts exist that the grantee will use the funds for the stated charitable purpose.
- d. Comply with United States statutes, executive orders, and regulations that restrict or prohibit U.S. persons from engaging in transactions and dealings with designated countries, entities, or individuals, or otherwise engaging in activities in violation of economic sanctions administered by OFAC.
- e. Acquire from OFAC the appropriate license and registration where necessary.

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 Section 117(a) and is to be used for study at an educational organization described in Section 170(b)(1)(A)(ii); or
 - A prize or award subject to the provisions of Section 74(b), if the recipient of the prize or award is selected from the general public; or
 - To achieve a specific objective; produce a report or similar product; or improve or enhance a literary, artistic, musical, scientific, teaching, or other similar skill or talent of the recipient.

To receive approval of its educational grant procedures, Treasury Regulations Section 53.4945-4(c)(1) requires that a private foundation show:

- The grant procedure includes an objective and nondiscriminatory selection process.
- The grant procedure results in the recipients performing the activities the grants were intended to finance.
- The foundation plans to obtain reports to determine whether the recipients have performed the activities that the grants were intended to finance.

Other conditions that apply to this determination

- This determination covers only 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 precedent.
- You cannot rely on the conclusions in this letter if the facts you provided have changed substantially. You must report any significant changes in 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 make 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 must 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 any questions, please contact the person listed at the top of this letter.

Sincerely,

Stephen A. Martin
Director, Exempt Organizations
Rulings and Agreements