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

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Department of the Treasury

Employer Identification Number:

Contact person - ID number:

Contact telephone number:

LEGEND:
C = scholarship
D = state
E = state
F = school 1
G = school 2
H = school 3
J = school 4
K = schools
P = scholars
t dollars = amount
u dollars = amount
v = number
w = number

UIL:
4945.04-04

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
You will operate a scholarship program named C, focused on the geographies of D and E, to make grants to graduating high school seniors.

You previously focused support on primary schools but wish to expand support to secondary schools. Initially, the pool of applicants will be limited to graduating high school seniors of your E charter school grantees. You indirectly support these charter schools through grants to their respective charter management organizations, namely, F, G, H, J and K. In the future, you may expand this program to other schools that you support, directly or indirectly, each being a qualifying high school.

You will provide awards to support specific high school graduates, called P, who will attend educational institutions that are described in Code Section 170(b)(1)(A)(ii) to allow such graduates to obtain a degree largely debt free. You primarily intend to award scholarships to P attending domestic educational institutions.

On a case by case basis, you may award scholarships for students to study at foreign educational institutions if such educational institution meets the description of an educational institution described in Code Section 170(b)(1)(A)(ii). If you determine the applicable foreign institution is an educational institution, before disbursing any funds, you will thoroughly check the Treasury Department's Office of Foreign Assets Control terrorist lists and Specifically Designated Nationals list (the "SDN list") to ensure that it does not inadvertently transfer funds to any inappropriate organization or become involved with any individuals on the SDN list. Depending on the status of such foreign institution, you may require expenditure responsibility for any such grant.

You will award scholarships to students who show potential for college and career success. Each P will not be the "typical" high school leader who achieved early and often. Rather, a P will be unique among his or her peers in that he or she will have demonstrated particular persistence, self-discipline, curiosity, conscientiousness, and motivation. P will have worked hard to achieve academic and social success, even when progress did not come readily or easily for him or her. The scholarships will afford P an opportunity that they might not otherwise have had to continue their personal growth in college.

No P will be required to enroll in any particular undergraduate program or to study any particular subject. Each P will have the choice to use the scholarship in pursuit of any course of undergraduate study at an institution he or she so chooses.

You will generally award four-year undergraduate scholarships to graduating high school seniors with potential for success. The number of awards made annually will be determined by your Board of Directors based on: (a) the size of the applicant pool; (b) the qualifications and needs of the candidates; and (c) the funds determined by your Board to be used to support C. Initially, you will award between v and w scholarships per year, however, that number may be adjusted based on the above factors.

Each scholarship is intended to "fill the gap" between a student's direct costs (as defined below) and federal, state or institutional financial aid he or she receives. Based on this research, each scholarship will average between t dollars and u dollars per academic year, with such amount to be adjusted annually to reflect increases in the costs P will incur. C is not meant to replace other financial assistance available to a P; rather it will make college a possibility without undue financial stress on the P's family or the need for student loans.

C will be publicized through the guidance departments of each qualifying high school and word-of-mouth. Such departments will be made aware of the eligibility criteria. Candidates will be nominated by representatives at each qualifying high school, including one or more guidance counselors and/or college advisors and/or one or more teachers and/or school administrators, each of whom has regular and direct involvement with high school seniors at each qualifying high school.

Representatives of each qualifying high school will assess potential applicants at their school to determine which potential applicants will likely satisfy the eligibility criteria. The Representatives of each qualifying high school will nominate students to apply for the scholarships via your online application portal, which will be reviewed by your scholarship committee.

To be considered for an award, a candidate must:

- Be a citizen or permanent resident of the United States
- Be a graduating senior from a qualifying high school with an offer of acceptance to an educational institution to undertake a four-year course of undergraduate study
- Provide a copy of his or her high school transcript showing his or her coursework and GPA for all semesters completed
- Provide written recommendations from at least two individuals, one of which must be from a guidance/college counselor and one of which must be from a teacher or community leader
- Provide short essays which demonstrate his or her academic potential
- Provide a resume which includes his or her extracurricular activities, work experience, community service, honors/awards, etc
- Have an unmet financial need with regard to the costs of undertaking a four-year course of undergraduate study after awards through the Free Application for Federal Student Aid ("FAFSA") and any other federal, state or institutional aid or scholarships.
- Agree to file the FAFSA and state aid applications annually, if eligible.
- Agree to attend and participate in a personal interview with one or more members of the scholarship committee
- Agree to attend and participate in specific scheduled events by you for all P.

All scholarships will be awarded on a completely non-discriminatory basis with no restrictions based on gender, religion, race, creed, age, sexual orientation, national origin or disability.

The scholarship committee will review the nominated candidates using the following criteria, which is reasonably related to the purposes of the scholarships:

- The future potential of the candidate based on the quality of the essay and the candidate's extracurricular experiences as shown on his or her resume
- The positive written recommendations showing a likelihood of success for undergraduate study
- Financial need of the candidate based on the candidate's FAFSA Student Aid Report, any Federal, state or institutional aid, any scholarships awarded and any special personal or family circumstances affecting the candidate's financial need
- The discussions of your scholarship committee with representatives at each qualifying high school regarding the candidate
- The conclusions from the reports of the personal interview with the candidate by one or more members of your committee regarding such candidate's demonstrated determination to succeed in college and life and such candidate's capability to continue education through a four-year course of undergraduate study

On the basis of your committee's review of the above criteria, it will select recipients and subsequently determine the amount of each scholarship. The amount of each scholarship will generally be based on the difference between (1) the direct costs of the course of study, and (2) the aggregate amount covered by financial aid awards, FAFSA, or any other equivalent federal, state or institutional financial aid and other scholarships.

On a case by case basis, applicants may request and you may provide additional financial assistance to P, if you determine the additional financial assistance requested is reasonable and necessary to enable P to complete his or her degree (or will complement and broaden the P's experience in pursuing his or her degree).

The terms and conditions of each scholarship will be set forth in a letter agreement sent to each P. The P will be required to acknowledge his or her receipt and consent to the terms and conditions of the scholarship. The letter will include the following: (a) the purpose of the scholarship; (b) the duration of the scholarship; (c) the total amount of the scholarship; (d) requirements to renew the scholarship, including periodic required reports and attendance your events (as further described below); and (e) an agreement to return any unused or misused funds.

To the extent possible, scholarships will be paid by you directly to the relevant institution. If some or all of the funds awarded cannot be paid directly to the institution, you will pay such funds to P's personal college account or to P directly to be used to meet his or her direct costs. In either case, P will be required to provide periodic statements throughout the year, at least one at the end of each semester and one at the end of the scholarship, showing how the scholarship funds have been spent.

Each P is expected to participate in specific scheduled events. Events will likely include welcome receptions & college send-offs, and year-end celebrations. This will present an opportunity for you to check-in with P and ask in what ways their high school experience has or has not prepared them for college and what they think could be done differently or better.

Mid and end-year reports will be provided by P. This will include transcripts, receipts or expenditures, and a renewal application if applicable. To apply for renewal of the scholarship, P must submit the following: (1) an updated copy of his or her transcript, verified by his or her educational institution; (2) proof of proper expenditure of scholarship funds paid directly to P; and (3) P's most recent FAFSA Student Aid Report and any other relevant updated financial information/awards.

Your scholarship committee will review each renewal application to ensure all requirements are met and will decide whether or not each such scholarship should be renewed based on satisfaction of the above criteria.

At the completion of his or her studies, P will be required to submit a final report, provide a copy of his or her final academic transcript, and submit receipts or other proof of proper expenditure of any scholarship funds paid directly to him or her.

If a P fails to submit a report after a reasonable time elapses from its due date or a report or conversation with the P leads to a possibility that all or any part of the scholarship funds have not been used for the purposes of C, you will initiate an investigation. While an investigation is active you will, to the extent possible, withhold any further payments until it has determined that no part of the scholarship has been used improperly and until any outstanding reports have been submitted.

If after a thorough investigation, you conclude any part of the scholarship has been used improperly, you will take all reasonable and appropriate steps to recover diverted funds or to ensure that such diverted funds are restored and dedicated to the purposes being financed by the scholarship. These steps will include legal action unless such action would probably not result in the satisfaction of execution of a judgment.

If you determine any part of the scholarship was used for improper purposes and P has not previously diverted grant funds to any use not in furtherance of a purpose specified in the scholarship, you will withhold further payments on the particular scholarship until: (1) it receives P's assurances, in writing, that future diversions will not occur (2) any delinquent reports have been submitted to your satisfaction and (3) P agrees to take extraordinary precaution to prevent future diversions from occurring, for example, by scheduling a check-in call once per month or more frequent reports. In each case, any diverted funds must be recovered and restored before any further payments are made.

You will maintain the following as part of its corporate records: (1) information used to evaluate the qualifications of candidates (to ensure funds are used in furtherance of the purposes of C); (2) identification of P (including names, addresses and any relationship of any P to you) and the amount and purpose of each scholarship; and (3) all P reports and other follow-up data obtained in administering C, including information related to investigating jeopardized 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 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,

Stephen A. Martin
Director, Exempt Organizations
Rulings and Agreements