

INTERNAL REVENUE SERVICE
District Director

DEPARTMENT OF THE TREASURY
1100 Commerce St., Dallas, TX 75242

UNIVERSITY OF SCIENCE & ARTS OF
OKLAHOMA FOUNDATION INC
17th AND GRAND AVE
CHICKASHA, OK 73108

Person to Contact:
Vivian Randle

Telephone Number:
(214)757-5023

Refer Reply to:
EP/EO:MC:4940 DAL

Date: AUGUST 28, 1994

EIN: 73-1031040

Dear Sir or Madam:

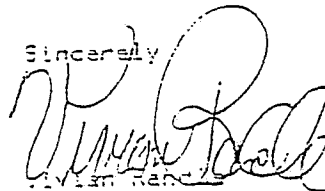
Our records show that UNIVERSITY OF SCIENCE & ARTS OF OKLAHOMA FOUNDATION INC

is exempt from Federal Income Tax under section 501(c)(3) of the Internal Revenue Code. This exemption was granted DECEMBER 1974 and remains in full force and effect. Contributions to your organization are deductible in the manner and to the extent provided by section 170 of the Code.

We have classified your organization as one that is not a private foundation within the meaning of section 509(a) of the Internal Revenue Code because you are an organization described in section 509(a)(2).

If we may be of further assistance, please contact the person whose name and telephone number are shown above.

Sincerely,



Vivian Randle
EP/EO FIRST READ EXAMINER

Form 886A	Department of the Treasury - Internal Revenue Service Explanation of Items	Schedule No. or Exhibit
Name of Taxpayer University of Science & Arts of Oklahoma Foundation, Inc.		Year/Period Ended 12/31/2000

FACTS:

Examination of your organization's Form 990 for the fiscal year ended December 31, 2000, was conducted in limited scope in order to make a determination on whether you continue to meet the public support test requirements of Internal Revenue Code Section 509(a)(2) and related regulations. Your organization was also tested under Sections 509(a)(1) and 509(a)(3).

In our ruling of December 1974, we determined that you were exempt from Federal income tax under section 501(a) of the Internal Revenue Code as an organization described in section 501(c)(3). We further determined that you were a publicly supported organization described in section 509(a)(2) of the Code. Examination of revenue sources for proper classification of revenue sources for purposes of computing public support percentage, and computation of public support were performed.

Your organization reported revenues from direct public support contributions and interest from investments. Notable in the year of examination was the receipt of a large and unusual grant from the Louise Waldorf Estate in the amount of \$300,000 and government grants received from the Oklahoma State Regents for Higher Education also amounting to \$300,000. Your revenues for year ended 12/31/2000 clearly reflect a substantial increase from those in the previous 4 years. Public support computations were performed using the current 2000 year in addition to the 4 previous years. The large and unusual grant from the Louise Waldorf Estate was not included in the computation.

LAW:

Sections 509(a)(1) and 170(b)(1)(A)(vi) of the Code describe an organization "...which normally receives a substantial part of its support from a governmental unit...or from direct or indirect contributions from the general public."

Section 509(a)(2) of the Code describes an organization that receives no more than one-third of its support from gross investment income and more than one-third of its support in each tax year from any combination of the following:

- i) gifts, grants, contributions or membership fees from other than a disqualified person, and
- ii) gross receipts from admissions, sales of merchandise, performance of services or furnishing of facilities, in an activity that is not an unrelated trade or business (to the extent that gross receipts from any person, or from any bureau or similar agency of a governmental unit do not exceed the greater of \$5,000 or 1 percent of the organization's total support in that year).

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Section 509(a)(3) of the Codes describes an organization which:

(A) is organized, and at all times thereafter is operated, exclusively for the benefit of, to perform the functions of, or to carry out the purposes of one or more specified organizations described in 509(a)(1) or (2),

(B) is operated, supervised, or controlled by or in connection with one or more organizations described in 509(a)(1) or (2), and

(C) is not controlled directly or indirectly by one or more disqualified persons (as defined in section 4946) other than foundation managers and other than one or more organizations described in paragraph (1) or (2).

Section 1.170A-9(e)(2) of the Income Tax Regulations states that an organization is publicly supported if at least 33 1/3 percent of its support is received from governmental units and direct or indirect contributions from the general public.

Section 1.170A-9(e)(6)(i) of the Regulations states, in part, that in order to meet the 1/3 support test, contributions from individuals, corporations or trusts are includible in public support only to the extent that they do not exceed 2 percent of the organization's total support.

Section 1.170A-9(e)(4)(v) of the Regulations provides that in the year in which a substantial and material change occurs, the organization's satisfaction of its normal support rule under subparagraph (2) and (3) of this paragraph is determined on the basis of a new computation period consisting of the taxable year of the substantial and material change and the four immediately preceding taxable years.

Section 1.170A-9(e)(6)(ii) of the Regulations provides for a substantial and material change being the receipt of an unusually large contribution or bequest which is not excluded from support as an unusual grant.

Section 1.509(a)-6 of the Regulations provides if an organization is described in section 509(a)(1) and also in another paragraph of section 509(a), it will be treated as described in section 509(a)(1).

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CONCLUSION/GOVERNMENTS' POSITION:

Examination of revenue sources indicate they are exempt function income sources. A substantial and material change existed in the year under examination and therefore public support computations were performed using the 4 preceding years in addition to the year under examination (1996-2000).

The revenues received from the Estate of Louise Waldorf meets the definition of a large and unusual grant and is excluded from the computation of public support. Revenues received from the Oklahoma State Regents for Higher Education was not used in the computation as these revenues should not have been reported on Form 990 as they were actually received by the related University of Science & Arts and not by your organization. You indicated in future filings of Form 990 you will discontinue reporting these funds.

Computation of your public support was performed and it is concluded your organization fails to meet the public support requirements of Section 509(a)(2) as your investment income percentage exceeds the 33 1/3 percent requirement. Your organization does however meet the public support test requirements of Sections 509(a)(1) and 170(b)(1)(A)(vi). Your organization also met the requirements for classification under IRC 509(a)(3).

In accordance with Treasury Regulations Section 1.509(a)-6, modification of your foundation classification from the current section 509(a)(2) classification to 509(a)(1) and 170(b)(1)(A)(vi) is proposed. The effective date of this modification action is January 1, 2000.

TAXPAYER POSITION:

Taxpayer has indicated agreement with the modification proposed.