

Internal Revenue Service

P.O. Box 2508
Cincinnati, OH 45201

Department of the Treasury

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Employer Identification Number:

Contact person - ID number:

Contact telephone number:

LEGEND

UIL: 4945.04-04

V = Date
W = Program
X = Program
Y = Program
Z = Program
b dollars = Amount
c dollars = Amount

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 grant programs called W, X, Y and Z. You will award grants to stimulate discovery in early-stage biomedical scientific research that will benefit children of the United States. You make two types of awards annually: W awards and X fellowships. In addition, you have a Y award and Z research grant which are given on a more selective basis. By awarding these grants, you seek to inspire innovation and achievement by offering individual researchers an opportunity to realize their professional goals through biomedical scientific research that benefits the public.

Each year, you determine and announce what you deem the top ten biomedical research institutes in the United States; inviting each center to nominate individuals for a W award. These centers may submit up to four nominations to compete in your process that seeks

to fund early-stage, innovative, and cutting edge biomedical research. From time-to-time you may also select institutions for limited participation; these institutions may submit up to two nominations in each competition.

From the nominees submitted in each competition, you select ten or more investigators to receive a W award, which provides support for three years at b dollars direct cost per year. In addition, for each funded nominee, each participating institution will receive an X fellowship to fund one postdoctoral candidate of its choice who exemplifies your values. Each X fellowship provides support for two years at c dollars direct cost per year.

Individuals who have previously been funded are eligible to apply for a Y award, provided they have completed at least two years of an individual award from you. This award grants only the direct cost of research for up to three years and is limited to a maximum of two awards per year. You, by invitation only, award a Z grant, which is based on scientific merit and financial requirements justified in the proposal. These awards also seek to inspire innovation and achievement in the field of biomedical research.

You publicize your research award program on your website. In lieu of an application, potential grantees must submit a proposal using the instructions set forth in the guidelines relating to the specific research award.

You use specific criterion to determine who is eligible for each of your programs. For the W award, only individuals nominated by the chief executive of a participating institution are eligible for consideration. Each award is for three years at b dollars direct cost per year. The W award is not a means to provide expansion to well-funded laboratories.

The following rules apply to the W award:

- The recipient should be a citizen of the United States or hold permanent residence, must hold a full-time appointment in the sponsoring institution, and must be eligible to serve as a principal investigator in biomedical research.
- No part of the award may cover institutional overhead or other indirect costs, nor should the recipient be obligated or penalized to pay by substitution such indirect costs by any other means.
- The recipient agrees to quarterly reviews by you regarding progress toward goals and objectives, as well as the submission of a written annual report that summarizes the research and expenses to budget.
- The recipient agrees to cite you as a funding source for published articles on the funded research, including research manuscripts, and to provide a PDF version of the publication to you.
- Within your guidelines, the recipient may determine best use of the funds to support the direct cost of the project.

It is your intent that the X fellowship will support scientists and biomedical engineers who have completed requirements for a doctoral degree and are still in the early stages of career development. The X fellowship must be used to pursue further specialized research education, not to extend or complete clinical training.

The following rules apply to the X fellowship:

- X Fellows must hold a Ph.D. or equivalent doctorate and be citizens of the United States.
- Fellows must commence their postdoctoral training no later than V, or the X fellowship award to the institution may be rescinded.
- Funds may generally be used for salary, health insurance, or travel related to a scientific meeting, but not for the purchase of supplies or equipment or to fund other fringe benefits.
- No part of the fellowship may cover institutional overhead or other indirect costs, nor should the recipient or the sponsoring research laboratory be obligated or penalized to pay by substitution such indirect costs by any other means.
- At the conclusion of funding, the X Fellow should submit a summary of the impact that the award had on their career goals.
- The sponsoring institution may not return unconsumed fellowship funds. If granted permission from you, such funds generally may support research in the lab of the mentor. However, if appreciable funds remain following a resignation of the Fellow, the sponsoring institution must designate a timely replacement in accordance with your guidelines, keeping in mind that you will make no upward adjustment to funding.

Only individuals who have previously been funded by you are eligible for a Y award. The recipient of an award should be a citizen of the United States, must hold a full-time appointment in the sponsoring institution, and must be eligible to serve as an independent principal investigator in biomedical research within their institution. You may award up to two Y awards each year.

Nominees must submit a formal research proposal. Based upon the compelling nature of the proposal you invite a limited number of nominees for a personal, closed interview. At the interview, each candidate also makes a concise presentation describing his or her proposed research. In selecting nominees for consideration, you take into account whether the proposed research is early-stage, innovative, and cutting-edge and will benefit children of the United States; the transformative potential of the research, if successful; the extent of collaboration; evidence that the nominee has appropriate expertise to conduct the proposed research; and the extent to which funding the nominee

will make a difference in the trajectory of their professional careers. Support provided by you is not a training grant or a means to bridge funding.

Eligibility for a Z grant is by invitation only and final proposals may be submitted only after a discussion with your president.

All nominees must submit a non-technical summary of the proposed research suitable for a lay audience (5 page max), which specifically addresses why the research is early-stage, innovative, and cutting-edge; and how the research will potentially benefit the health of children of the United States. Nominees must explain the unmet need that is addressed by the proposed innovation and how the pursuit of the proposed research will make a difference. It is expected that proposals will represent research too early to qualify for traditional sources of funding. The non-technical summary must also identify key collaborations and explain the approach that could be used to translate results to the patient, either currently or in the future.

All nominees are required to submit a detailed technical description of their proposed research (10 page max). Proof of principle is desirable, but not required. Nominees must summarize the state-of-the-art, including differences in the experimental approach or proposed research methodology, which distinguishes it from earlier or existing effort by others. Proposals must outline aims and objectives for the research plan. Relevant literature references, including at least one literature review, must be included. A projected time-line with reasonable milestones must indicate how effectively and responsibly the work will be accomplished. The research plan must include a backup strategy for any technical or feasibility limitations, including contingencies related to collaborator dependencies. Evidence for applicant's expertise in any proposed technology is essential and should be noted. Nominees should make every possible attempt to convey the technical aspects of their proposal without excessive use of jargon or acronyms.

All nominees must include a detailed budget, current and pending sources of funding, anticipated research outcomes, vision of project success, plans for technology transfer, and the contemplated approach to seek follow-on funding at the completion of the award period (no page limitations).

All nominees selected for a personal interview are required to be available in a specific city on an assigned date and time for at least three hours. The actual interview will last approximately one hour and will include a slide presentation lasting not more than 30 minutes that summarizes the research proposal. The presentation must identify the proposed innovation, research aims and strategy, expected technical outcomes, timeline and milestones, and the role of collaborators. Nominees are expected to describe the context of the proposed research in terms of state-of-the-art and any ongoing work by others. Nominees must define what will constitute project success and the anticipated benefit to children of the United States must be explicit. Every possible effort should be made to convey the technical aspects of the proposed research without excessive use of

jargon or acronyms. Interview expenses are paid by you. Travel is arranged by the selected nominee and lodging is arranged by you.

You provide an official nomination form to the participating institution that it must complete for each candidate. The nominee and the chief executive of the institution must sign the nomination form, acknowledging that they have each read the guidelines provided by you for the current competition and agree to such terms and conditions as set forth in the documents. Nominees who are not interviewed are not considered further in the competition. All decisions by you are final.

Recipients of W, Y and Z agree to participate in occasional site reviews, as mutually convenient. Relatives of selection committee members are not eligible for your awards. In addition, relatives of any of your officers or substantial contributors to you are not eligible.

You represent that you will complete the following: (1) arrange to receive and review grantee reports annually and upon completion of the purpose for which the grant was awarded, (2) investigate diversion of funds from their intended purposes, and (3) take all reasonable and appropriate steps to recover the diverted funds, ensure other grant funds held by a grantee are used for their intended purposes, and (4) withhold further payments to grantees until you obtain grantees' assurances that future diversions will not occur and that grantees will take extraordinary precautions to prevent future diversion from occurring.

You represent that you will maintain the following: (1) all records relating to individual grants including information obtained to evaluate grantees, (2) identify a grantee is a disqualified person, (3) establish the amount and purpose of each grant, and (4) establish that you undertook the supervision and investigation of grants described above.

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 programs 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,

Jeffrey I. Cooper
Director, Exempt Organizations
Rulings and Agreements