

EXHIBIT 11 - Q1WHAT FOUNDATIONS CAN AND CAN'T DO

Being a corporation, the foundation normally will have all the rights and powers enjoyed by similar corporate organizations under State law and there is no need to enumerate them other than to say that they are almost invariably wide enough to allow any act desired by the directors. For example, the Illinois General Not-For-Profit Corporation Act provides "Each corporation shall have power:...to have and exercise all powers necessary or convenient to effect any or all of the purposes for which the corporation is organized." IGNEPCA, § 5(n).

For our purposes here, a more relevant question is: what acts should not be performed in order to preserve the foundation favorable tax status.

1. A foundation is prohibited from entering into the following transactions with a substantial donor or his family.
 - (a) lending any part of its income or corpus, without the receipt of adequate security and a reasonable rate of interest;
 - (b) paying any compensation, in excess of a reasonable allowance for salaries or other compensation for personal services actually rendered;
 - (c) making any part of its services available on a preferential basis;
 - (d) making any substantial purchase of securities or any other property, for more than adequate consideration in money or money's worth;
 - (e) selling any substantial part of its securities or other property, for less than an adequate consideration in money or money's worth;
 - (f) engaging in any other transaction which results in a substantial diversion of its income or corpus to such person.
2. The foundation is further prohibited from performing any of the following acts:
 - (a) accumulating an unreasonable amount of income;
 - (b) using its income to a substantial degree for purposes unrelated to its exemption.