

The level should be set high enough to permit the donor significant representation on the foundation's governing body. On the other hand, imperfections necessarily inherent in the definition of the class of donor-related parties—parties who have sufficient connection with the donor to be likely to be subject to his influence—make it essential to confine donor participation to a relatively small percentage if effective prevention of substantial donor influence upon foundation decisions is to be attained. Administrative considerations make it impracticable to include, within the category of donor-related parties, more than the following: (1) members of the donor's family, (2) persons with whom the donor has a direct or indirect employment relationship, and (3) persons with whom the donor has a continuing business or professional relationship. Yet substantial areas of practical donor influence lie beyond the boundaries of this definition. Friends, neighbors, business acquaintances, and others may well be willing to accept the donor's judgment on matters pertaining to a foundation which he has established and whose assets he has contributed. Hence, if an approach is to be made to workable and effective prohibition of substantial donor influence over a foundation, the limit upon participation of the donor and related parties on the foundation's governing body should be fixed no higher than 25 percent.⁴²

A rule which, after the first 25 years of the existence of a private foundation,⁴³ would prevent the donor and related parties from composing more than 25 percent of the managing board of the foundation would deal effectively with each of the three problems which have been described in the present section. It would limit the time period within which abuses could occur through the exercise of substantial donor influence; and, by assuring the donor that his actions would ultimately be subject to independent review, it would tend to protect the foundation from abuse even during its first 25 years. By enabling independent private parties to evaluate the performance and potentiality of the foundation after 25 years of operation and granting them power to terminate the organization, then or later, the measure would provide a method for eliminating foundation which have doubtful or minimal utility. Finally, in broadening the base of foundation management, the recommendation would bring fresh views to the foundation's councils, combat parochialism, and augment the flexibility of the organization in responding to social needs and changes.

⁴² Even with the limit upon identifiable donor representation set at this level, passage of control to independent parties may not be immediate. The donor may, for a time, be able to retain effective control through persons who do not fall within the definition of donor-related parties. But friends, neighbors, and others are unlikely to remain subject to the influence of the donor and his family indefinitely; and, with a 25-percent ceiling upon participation by more closely related parties, actual independent dominion over the foundation should ensue without undue delay.

⁴³ To avoid possible disruption of foundation affairs by requiring an abrupt, unanticipated change in management, foundations which have already been in existence for 25 years or more should be permitted to continue subject to substantial donor influence for an additional period of from 5 to 10 years.