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ARNOLD & PORTER LLP

Tensions at the Frontiers of Charitability: Education, Agriculture, Energy and Social Entrepreneurship

James P. Joseph
Arnold & Porter LLP
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INTRODUCTION

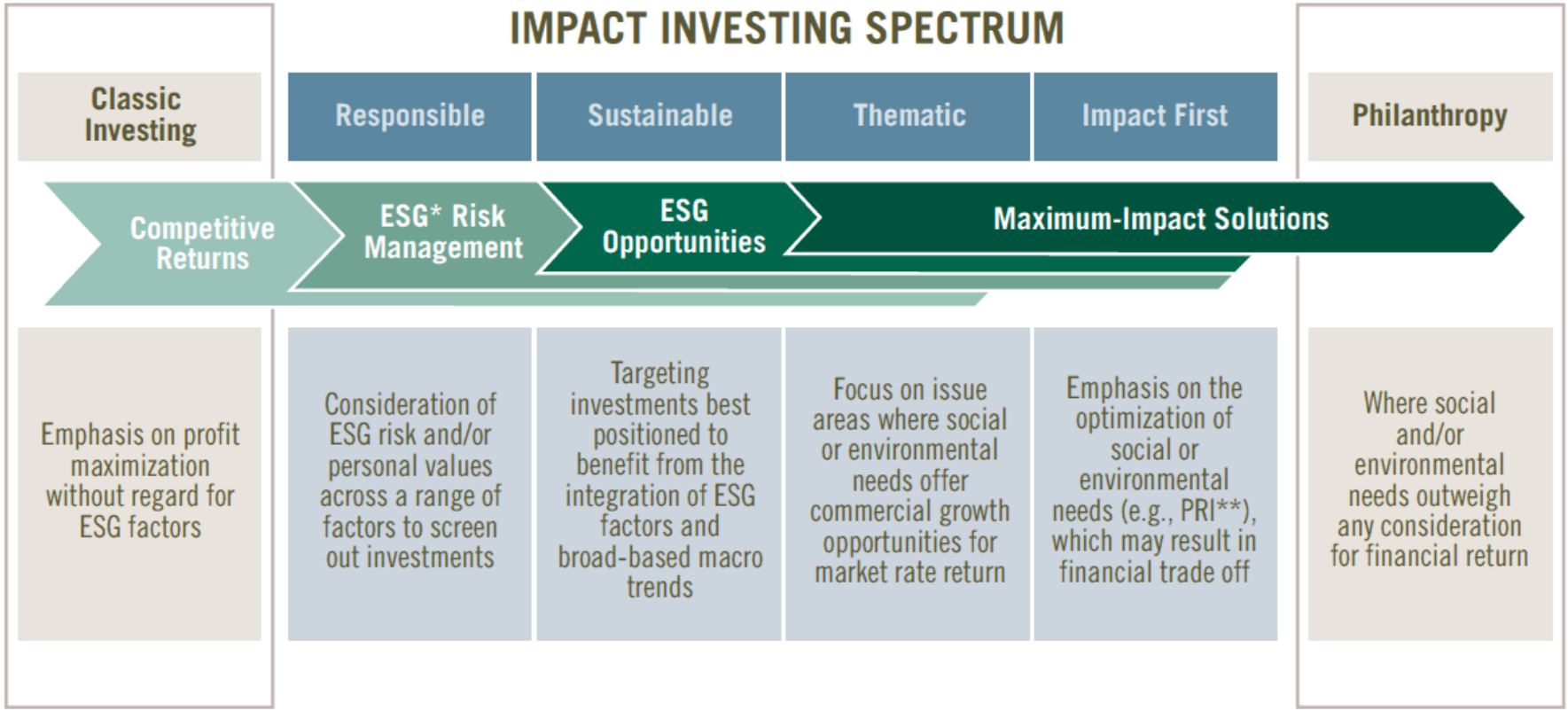
- Many foundations, public charities and individual donors are looking for the biggest “bang for their buck;” they want to increase the impact of their charitable activities; they want to change the world, in big or small ways.
- The old lines between what is a charitable activity and what is a for-profit business have become blurred.
- Is this wrong, or is this just another innovative path to achieving a charitable mission?
- Another title for this program could be “thinking outside the box, while working within the rules.”

INTRODUCTION

- Jed Emerson, Managing Director of Integrated Performance at Uhuru Capital Management, has used the term “Blended Value Investing” to describe a combination of investment and philanthropy.
- He put it like this: “There is an idea that values are divided between the financial and the societal, but this is a fundamentally wrong way to view how we create value. Value is whole. The world is not divided into corporate bad guys and social heroes.”
- Should we as members of the nonprofit world be worried about this trend, or should we embrace it?

What are we talking about?

- Innovative, high impact charitable programs take many forms:
  - Program related investments ("PRIs")
  - Mission or impact investments ("MRIs")
  - Nonprofit-for profit hybrids and joint ventures
  - Benefit corporations
  - Social Impact Bonds
  - Technical assistance to for-profit businesses
  - And so on….
- Both private foundations and public charities are engaging in these activities.
- On the investment side, how do all these types of investments fit together?



*ESG – Environmental, Social and Governance factors

**PRI – Program-related investments available to US investors as defined by the Tax Reform Act of 1969

From Sonen Capital, "Evolution of an Impact Portfolio: From Implementation to Results", Oct. 2012

PRIs: One Tool in the Charitable Toolbox

- PRIs
  - Investments by private foundations in ventures that help achieve the foundation's charitable goals.
  - A tool to leverage traditional charitable dollars.
  - Allow a foundation to recover its investment (potentially with a profit) and to recycle its assets for future grants or investments.
  - Offer foundations the flexibility of making qualifying distributions to for-profit entities, thus increasing the pool of eligible recipients that can make a positive social impact.
  - Treated as a charitable distribution for purposes of a foundation's 5% payout obligation.

MRIs: Another Tool

- Mission Related Investments or MRIs (called "Thematic Investing" in the chart) are market-based investments that compliment a charity's overall mission.
- A classic example: a private foundation in City X makes grants to support educational and cultural institutions in the city, improve social services, and give scholarships to area students. A portion of the foundation's investment portfolio is dedicated to market-based investments in for-profit business that employ workers in the city.
- Another example: an environmental charity invests in green technology companies.

PRIs and MRIs:
A Holistic Approach to Charitable Programs

- Foundations and philanthropists often quote the well-known proverb about teaching people to fish to draw a distinction between charity and philanthropy.
- "Give a man a fish and you feed him for a day. Teach him how to fish and you feed him for a lifetime."
- But what if there are no fish in the sea when the man becomes a fisherman?
- This question is not about environmental sustainability. Rather, it asks whether a foundation is integrating all the available tools to leverage its assets in pursuit of its charitable mission.

PRIs and MRIs:
A Holistic Approach to Charitable Programs

- A foundation may tackle one of the direct causes of poverty by providing large multi-year grants to build schools and hire teachers to educate poor children in Africa.
- But what will these children do when they graduate if there are no parallel and integrated investments in the local community that will develop a sustainable economy, create new businesses that need an educated work force, and build roads and infrastructure that support the community?

PRIs and MRIs:
A Holistic Approach to Charitable Programs

- To increase the long-term impact of its African education grants, the foundation could make PRI and MRI investments in business ventures in the region (from large-scale manufacturing to small arts and crafts businesses), infrastructure projects (such as clean, sustainable energy and clean water projects), and businesses that link the community more broadly with the economic marketplace (wireless systems, transportation, and marketing tools).

Ventures with For-Profits

- Many nonprofits are joining forces with for-profit companies to achieve charitable goals, but in a profit-making environment.
- We will go through some examples in detail later, but here is one real life hybrid:
  - A disease-specific scientific research organization engages in joint research projects with for-profit drug companies to develop treatments for patients with the disease. The nonprofit provides subject-matter expertise and some funds; the for-profits supply funds and researchers, have the ability to do clinical trials and, if successful, have the distribution networks to get the products to market, with the nonprofit sharing in the profits and the for-profits agreeing to make the products available for free or at favorable pricing to needy populations.

Social Impact Bonds: Something New

- Social Impact Bonds, though new, are getting some press.
- In SIBs, nonprofits/governments receiving funding from profit-motivated investors to implement programs that achieve a social good and save money (*e.g.*, reduce teen pregnancy). The return received by investors is tied to the money saved by implementing the program (money saved by a local jurisdiction in caring for teenage mothers and children, keeping teenage girls in school).
  - One difficulty, how do you measure success and quantify it in financial terms?

Integrating Giving Strategies with Legislative and Political Activism

- Outside of innovative investment strategies, foundations, public charities and donors are also more active in funding advocacy programs that drive social change.
- And the donors and families who support the charitable works of foundations are using their own funds to support political initiatives that align with, and candidates whose believes are in line with, the mission and goals of the foundations.
- These advocacy and political efforts can also be coordinated with charitable and investment activities, creating an integrated programmatic approach to changing the world.

We Want Results:
Foundations Can and Do Change the World

- In 2012, public charities reported over $1.65 trillion in total revenues, $1.57 trillion in total expenses, and over $3 trillion in total assets.
- In the United States in 2012, there were 86,192 private foundations, with almost $700 billion in assets. Out of $326.2 billion of private giving in the U.S., 16 percent came from foundations (roughly $52 billion).
- Increasing awareness of corporate social responsibility and better investment opportunities are leading to non-traditional investment strategies along the impact investing spectrum.
- Increased interest in thinking outside the box and using best practices from the non-profit, for-profit, advocacy and political worlds.

The Legal Landscape

- Most of the rules that define what is an appropriate charitable activity vs. what is too “for profity” are federal tax rules focused on private foundations, but there are also some state law considerations to keep in mind.
- Public charities must make sure that their primary activities remain charitable, and they can use the private foundation rules as a guide for what falls into the charitable category.
- For private foundations, a number of rules are used to keep activities on the right side of the charitable line:

*** Jeopardy Investments * Expenditure Responsibility**

*** Excess Business Holdings * Mandatory Distribution**

*** Taxable Expenditures/Prohibition on Lobbying and Electioneering.**

Private Foundation Requirements

- To remain tax-exempt, and/or avoid penalties, private foundations (unlike public charities) must comply with numerous requirements when making grants or investments, including:
  - Avoiding investments that "jeopardize" their charitable purpose (§ 4944)
  - Distributing annually at least 5 percent of net investment income in "qualifying distributions" for exempt purposes (§ 4942)
  - Exercising "expenditure responsibility" when making a grant to or "charitable" investment in for-profit entities (§ 4945)
  - Avoiding more than 20 percent of ownership interests (together with disqualified persons) in a business enterprise (§ 4943)
  - Avoiding self-dealing transactions between a private foundation and disqualified persons (§ 4941)
  - Paying a 1 or 2 percent excise tax on net investment income (§ 4940)

Prohibition on Jeopardizing Investments

- § 4944 prohibits investing in a manner as to jeopardize the carrying out of a private foundation's exempt purposes.
  - "Jeopardizing investments" are high risk investments made without exercising ordinary business care and prudence at the time the investment decision is made (Reg. 53.4944-1(a)(2)(i)).
  - PRIs are exempt from the jeopardy investments restrictions.
  - Determination of "jeopardizing" character is made at time of investment; *not* in hindsight.
  - Foundation, and its manager(s), are separately subject to 10 percent tax on amount of jeopardizing investment (can increase to additional 25 percent and 5 percent, respectively).

Five Percent Annual Distribution

- § 4942 requires a private foundation to pay out annually at least 5 percent of its net investment income in qualifying distributions for exempt purposes.
- What are qualifying distributions?
  - All grants to 509(a)(1) & (a)(2) charities, non-charities (for profits), and eligible individuals, as long as IRS rules are followed
  - Reasonable & necessary administrative expenses related to grantmaking
  - Direct charitable activities
  - Assets used to conduct charitable purpose (such as buying a computer for grant-tracking)
  - Charitable set-asides
  - Program Related Investments (PRIs) (more on this later)
- Calculation is complicated!

Prohibition on Taxable Expenditures

- § 4945 imposes penalties on foundation and foundation managers for expenditures not allowed under the Code; can avoid certain penalties if the foundation exercises "expenditure responsibility" (a heightened level of due diligence and oversight) made without following relevant guidelines. For amounts paid or incurred that are deemed "taxable expenditures."
  - Don't:
    - Influence public elections, lobby, or earmark grants for lobbying (legislative or electioneering)
    - Grants to individuals without prior approval of procedures
    - Grants to non-charitable organizations without expenditure responsibility
  - But you CAN:
    - Fund charitable organizations that also lobby
    - Support non-partisan research and make the results available to the public
    - Engage in public education and advocacy that is not lobbying or that falls within an exception.
    - Voter registration within rules (e.g., nonpartisan, not confined to one election cycle and carried on in five or more states).

Limit on Excess Business Holdings

- § 4943 prohibits private foundations from holding more than 20 percent of the ownership interest, together with disqualified persons, in a business enterprise.
  - "Business enterprise" excludes a functionally related business (defined in § 4942(j)(4)) and a business with at least 95 percent of gross income derived from passive sources.
  - "Disqualified persons" generally include substantial contributors to the foundation, and foundation managers, their family members and entities controlled by them.
  - Foundation is subject to 10 percent tax on value of excess business holdings (can increase to additional 200 percent if still held at close of applicable taxable year).

Prohibition on Self-Dealing Transactions

- § 4941 prohibits self-dealing between a disqualified person and a private foundation.
  - "Self-dealing" generally means any direct or indirect sale, exchange, or leasing of property; lending or other extensions of credit; or furnishing of goods, services, or facilities.
  - "Disqualified persons" generally include substantial contributors to the foundation, foundation managers, their family members and entities controlled by them, and government officials.
  - Foundation is subject to 10 percent tax on amount involved in self-dealing; knowing and willful foundation manager is subject to 5 percent tax (can be additional 200 and 50 percent, respectively).
- For example, self-dealing may include making "side-by-side" investments between a foundation and disqualified person.

Excise Tax on Net Investment Income

- § 4940 requires private foundations to pay an annual excise tax on net investment income
  - Equal to 2 percent, or reduced to 1 percent if the foundation progressively increases its annual payout amount (§ 4940(e)).
  - "Net investment income" means the sum of gross investment income and net capital gains, taking into account allowable deductions.

Program-Related Investments: Legal Landscape

Program-Related Investments

- PRIs are a hybrid between grants and investments, but still involve the primary purpose of making a charitable impact
  - i.e. below-market-rate loans, loan guarantees, deposits or linked deposits in community development bank, or equity investments
- To qualify as a PRI (IRS approval not required, but may be prudent), the investment must meet 3 conditions (Reg. 53.4944-3(a)(1)):
  1. The primary purpose of the investment is to accomplish one or more charitable purposes.
  2. Neither the production of income nor the appreciation of property is a significant purpose of the investment.
  3. The purposes of the investment do not include engaging in lobbying or advocacy, or supporting or opposing a candidate for public office.

1. Primary Purpose is to Accomplish Charitable Purposes

- Investment is considered to be made "primarily" to accomplish charitable purposes:
  - if it "[s]ignificantly furthers the accomplishment of the private foundation's exempt activities and
  - if the investment would not have been made *but for* [the] relationship between the investment and the accomplishment of the foundation's exempt activities" (Reg. 53.4944-3(a)(2)(i)).

Clearly Documenting Charitable Purpose

- Foundations must review organizing documents to determine boundaries of its stated "charitable purpose"
  - For example, if organizing documents limit grantmaking to domestic areas only, then the foundation may not be able to make PRIs to support economic development internationally.
- PRI investment restrictions or clarifications can be included in:
  - Terms sheet
  - Side letter
  - Loan agreement

2. Investment Return is Not a Significant Purpose

- To determine whether a "significant purpose" of the investment is the production of income or appreciation of property, consider whether "investors solely engaged in the investment for profit would be likely to make the investment on the same terms" (Reg. 53.4944-3(a)(2)(iii)).
  - i.e. below-market-rate loans are relatively easy to qualify, but equity investments may require additional planning (such as imposing a cap on returns, or structuring as tranche funds)
- An investment does *not* automatically fail to qualify as a PRI solely because it produces significant income or capital appreciation (but does fail to qualify as PRI if change to investment terms is made for that purpose).

3. Not Engaging in Lobbying or Advocacy, or Intervening in Campaign for Public Office

- No purpose of the PRI may include attempting to influence legislation, or participating or intervening in candidates' campaigns for public office.
  - This requirement is generally met if the PRI is not earmarked for political activities (Reg. 53.4945-2(a)(4)).

PRI Benefits Through the Lens of Private Foundation Rules

- Private foundation rules are favorably different for PRIs:
  - Payout requirement: PRIs and related administrative expenses *count* toward meeting a foundation's minimum distribution requirement (§ 4942) only if they are actually invested.
  - Asset base: PRIs are excluded from a foundation's asset base (denominator) used to calculate the minimum payout amount.
    - Recapture rules: if and when PRI is repaid, the entire amount is added to the asset base.
  - Business holdings: PRIs are not considered "business holdings" under § 4943, so such investments are not subject to the excess business holdings 20 percent limitation.
  - UBIT rules: PRIs are "substantially related" to the exempt purpose, so generally avoid UBIT rules.

PRIs and Private Foundation Rules to Consider

- Although exempt from certain restrictions, PRIs are still subject to other restrictions on private foundations:
  - Net investment income: Interest and dividend income, and capital gains or losses from PRIs are included for purposes of calculating the annual excise tax on net investment income (§ 4940).
  - Taxable expenditures: PRIs are subject to rules governing "taxable expenditures" (§ 4945)
    - However, distributions to public charity intermediaries to make PRIs in for-profit / foreign charities are not considered taxable expenditures, so "expenditure responsibility" is not a factor.
  - Self-dealing: PRIs are subject to prohibition on self-dealing transactions between a private foundation and disqualified persons (§ 4941).
  - Reporting: PRIs are separately reported on Form 990-PF.

Variety of Vehicles for Making PRIs

- Targeting market failures by direct investments.
  - Induces successful businesses to remain in deteriorating communities, or establishes new business ventures in communities with otherwise high investment risks.
- Using intermediaries.
  - Expands opportunities for PRIs; creates economies of scale by aggregating investors and investees; and reduces financial and reputational risk.
- Advising investments through a functionally related business.
  - Can be used to establish a “functionally related business” and thereby exempt the foundation from excess business holding rules (§ 4942(j)(4))
- Investing in benefit corporations.
  - Foundations may now look at investments in these emerging vehicles (such as social benefit corporations organized to serve socially beneficial purposes).

Mission-Related Investments: Legal Landscape

What are MRIs?

- Financial investments furthering a foundation's mission, but also with the intention of generating a profit
  - Market-based investments that compliment charity's programs, goals, and values
- MRIs are made from investment assets ("the other 95 percent") and constitute a commercial investment
  - Must comply with jeopardy investment rules, state and federal prudent investor standards, unlike PRIs which are subject to these investment rules
  - Be aware of Unrelated Business Income Tax (UBIT) rules, because MRIs are generally not "substantially related" to a foundation's exempt purposes (§ 512)

PRI v. MRI: Comparison of Applicable Private Foundation Rules

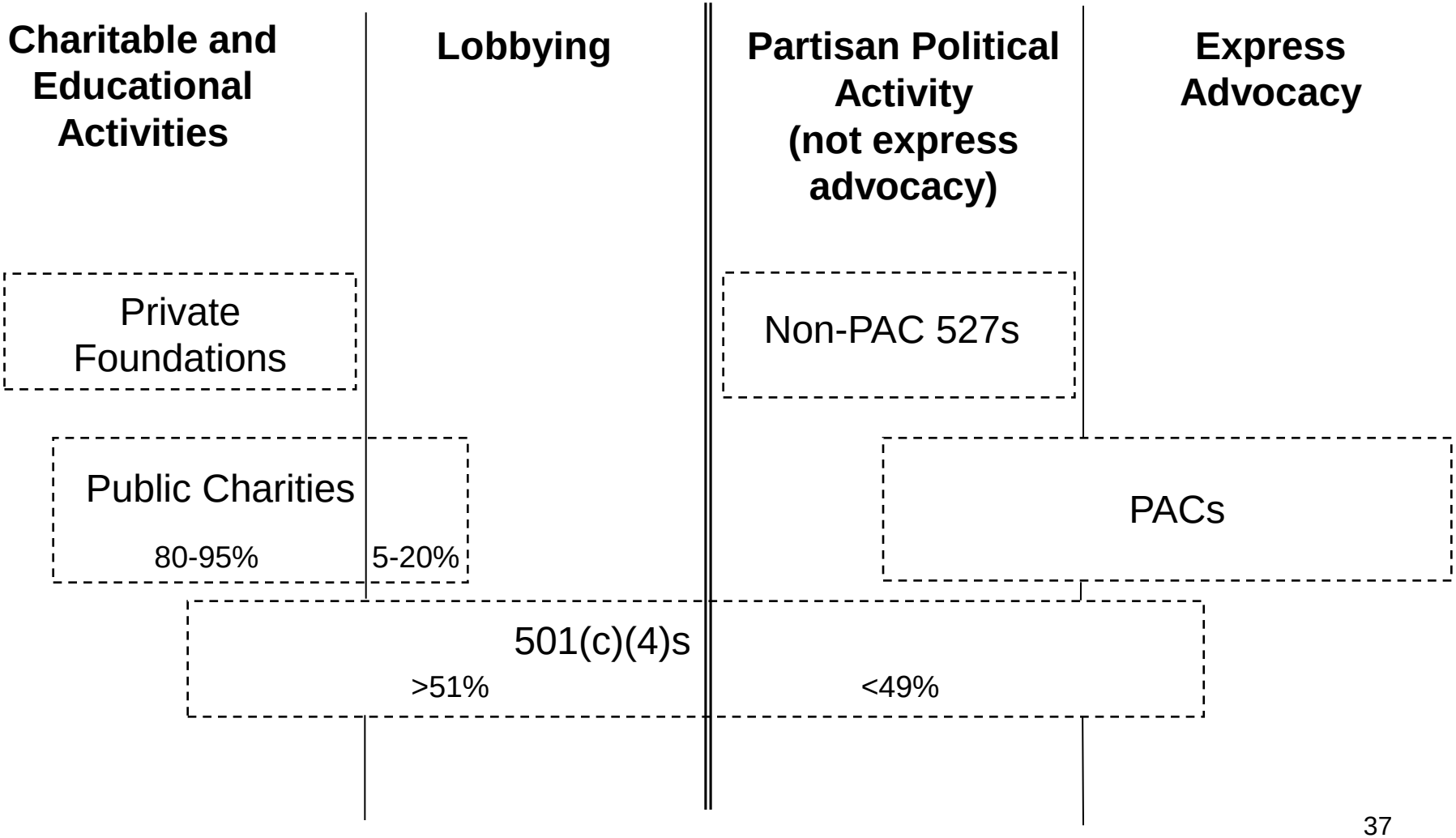
Provision	PRI	MRI
Investment Income Tax	✓	✓
Self-Dealing	✓	✓
Counts Toward Payout	✓	-
→ Part of Asset Base	-	✓
Excess Business Holdings	-	✓
Jeopardizing Investment	-	✓
Expenditure Responsibility	✓	-
Prudent Investor Standards	-	✓
UBIT Rules	-	✓

Advocacy and Political Engagement: Legal Landscape

Educational Activity v. Lobbying/Issue Advocacy v. Political Activity

- Educational Activity: designed to influence how the general public and legislators think about an issue. Appropriate for a 501(c)(3) public charity or 501(c)(4) under IRS rules.
- Lobbying/Issue Advocacy: designed to influence how a legislator votes (either directly or through members of the general public). Appropriate for a 501(c)(3) public charity or 501(c)(4) under IRS rules – but may trigger federal or state lobbying or election law disclosure.
- Political activity: designed to influence which candidates a voter votes for. Appropriate for a 501(c)(4) (not a 501(c)(3)) under tax rules – but FEC rules also apply and restrict activity.

IRS Educational, Lobbying and Political Activity Spectrum



Education, Lobbying and Electioneering

- Lobbying by public charities: limited to an insubstantial part of activities – too much lobbying may result in loss of tax exemption.
  - How much lobbying is too much?
    - Facts and circumstances analysis (5% of time/expenditures considered safe) OR
    - Measured according to the "501(h)" test: dollar limit for lobbying expenditures based on the 501(c)(3)'s budget – separate sublimits for "grassroots lobbying" and "direct lobbying"
- Federal lobbying activities may trigger registration under Lobbying Disclosure Act ("LDA") – but LDA does not limit the amount of lobbying
  - Note: state lobbying activities may trigger registration under state law
- "Electioneering" communications (TV/cable/satellite/radio ads containing the names of federal candidates 30 days before a primary/convention or 60 days before a general election, regardless of content of communication), trigger filing of Form 9 with the Federal Election Commission ("FEC") disclosing expenditures and, if raised funds for that particular communication, disclosing donors

Education, Lobbying and Electioneering

- Lobbying by private foundations: subject to excise tax on all lobbying – results in a de facto prohibition on lobbying activities
- Grants by private foundation to public charities that engage in lobbying: may be considered a taxable expenditure if the grantee engages in lobbying activities
  - General support grant: not lobbying, unless the grant is earmarked
  - Specific project grant **("project grant rule"):** not lobbying unless (1) grant is earmarked for lobbying, or (2) grant is more than the amount budgeted by the grantee for the non-lobbying portion
    - Not required to make a subsequent inquiry as to whether the public charity's budget was accurate as to the non-lobbying portion of the project
    - Only required to consider the amount of own grant – not required to consider whether grants from other private foundations combined would exceed the non-lobbying portion of the project
  - BUT a grantee's subsequent actions may cause the grant to be a lobbying expenditure if (1) the PF's "primary purpose" in making the grant was for lobbying or (2) when grant was made, the PF knew/should have known that the public charity's primary purpose in preparing the communication to be funded by the grant was for lobbying

Education, Lobbying and Electioneering

- Exception to definition of lobbying.
  - Nonpartisan analysis, study, or research: may conduct, distribute where it (1) is a full and fair examination of the facts and issues (may advocate a particular viewpoint or conclusion with respect to specific legislation), (2) is broadly distributed to members of the public or legislative decision makers – not merely those on one "side," (3) there is no "call to action."
  - Requests for technical advice: may provide technical assistance or advice to a governmental body, committee or subdivision if it (1) is in response to a written request, (2) the request comes from the body or leader of that body (not the staff, a general individual member, or the members from one party), and (3) the response is made available to all members of the body, committee or subdivision.

Education, Lobbying and Electioneering

- Exception to lobbying rules (cont'd).
  - Discussion of broad policy issues: may conduct an examination or discussion of broad social, economic, or similar policy issues whose resolution would require legislation – even where specific legislation is pending – provided that the communication does not address specific legislation
- Political activities: strictly prohibited for public charities and private foundations! Cannot promote, attack, support or oppose any candidate for public office – any such political activity results in penalty tax and may result in loss of tax exemption.
  - Public charities may conduct non-partisan voter education, voter registration (within rules) and get-out-the-vote drives.
  - Under certain limitations, a private foundation may fund or carry out such activities.

CASE STUDIES

Case Study: Biotech "Venture Philanthropy"

- Roughly 15 years ago, the Cystic Fibrosis Foundation (a public charity) invested $150 million in a biotech company to entice it to research new drug therapies for the lung disease (i.e. targeting by direct investment).

- On November 19, 2014, the Foundation announced that it sold its royalty rights in the new drug, developed as a result of its original investment, for $3.3 billion (compare to the Foundation's $130 million annual budget).

- However, critics are concerned that the investment's profitability will complicate the Foundation's mission, and entice it to drive up costs of emerging drug therapies, thus driving up royalties

- The Foundation's CEO defended the investment as "de-risking" the research opportunity for biotech companies. He said, "this is a transformational time for our patients and [it will] accelerate our mission."

Source: Andrew Pollack, *Deal by Cystic Fibrosis Foundation Raises Cash and Some Concern*, N.Y. TIMES, Nov. 19, 2014, available at http://www.nytimes.com/2014/11/19/business/for-cystic-fibrosis-foundation-venture-yields-windfall-in-hope-and-cash.html?_r=0.

Case Study: Pledge Guarantee for Health

- The last decade has seen dramatic increases in donor funding for global health, from approximately $10 billion to more than $22 billion per year.
- Bottlenecks in grant disbursement are common, with funding varying in both timing and magnitude from year to year.
- Without cash in the bank, recipients of grants (including foreign governments) cannot procure health products until they receive the grants from donors.
  - It can take 6-14 months for committed funding to disperse, presenting a challenge for grant recipients.
- This volatility in health financing results in inefficient ordering patterns (having to pay Cash on Delivery, ordering at last minute, rush shipments), inaccurate forecasts, higher costs per-item, stock-outs, and emergency shipments – all of which increase product and distribution costs.
- The Brookings Institution estimates that for every $1.00 of overseas development assistance, up to $0.28 in extra value could be captured through more predictable and accessible donor funding.

Case Study: Pledge Guarantee for Health

- Pledge Guarantee for Health ("PGH") is a financial tool that borrows several ideas from trade finance developed by the commercial sector, but applies them to the procurement of health commodities like anti-malaria bed nets, contraceptives and essential medicines, enabling grant recipients to obtain short-term, low-cost commercial credit on the basis of pending aid commitments.
- A donor serves as a guarantor to lending institutions and manufacturers to ensure they will be paid on-time and in-full. This stretches the value of donor dollars and hastens the delivery of these commodities to the people who need them.
- With PGH, a participating bank issues a letter of credit to a supplier on behalf of a grant recipient. The supplier receives payment from the bank when its receivable is due, and the bank recoups its capital when the donor disburses its funding.

Case Study: Pledge Guarantee for Health

- PGH plays an instrumental role in both facilitating the transaction and providing a guarantee of the bank loan.
- By smoothing out the unpredictability and instability of the funding source, PGH delivers value for money by removing the risks in the procurement process that lead to price premiums and emergency production.
- In public health terms, this results in faster, more efficient purchasing of life-saving commodities while also empowering governments to negotiate reduced per-item costs.
- Bottom line: innovative use of a foundation's balance sheet.

Other Recent PRI Examples

- **Energy:** The MacArthur Foundation announced on June 25, 2014, that it committed $25 million to "support and expand innovative energy efficiency financing programs specifically designed to meet the challenges and needs of multifamily housing in the United States."

- **Education:** The Bill and Melinda Gates Foundation made a $2.5 million direct equity investment in 2013 to "catalyze development of teacher evaluation tools and deploy such tools in state education systems that serve a significant portion of low-income students."

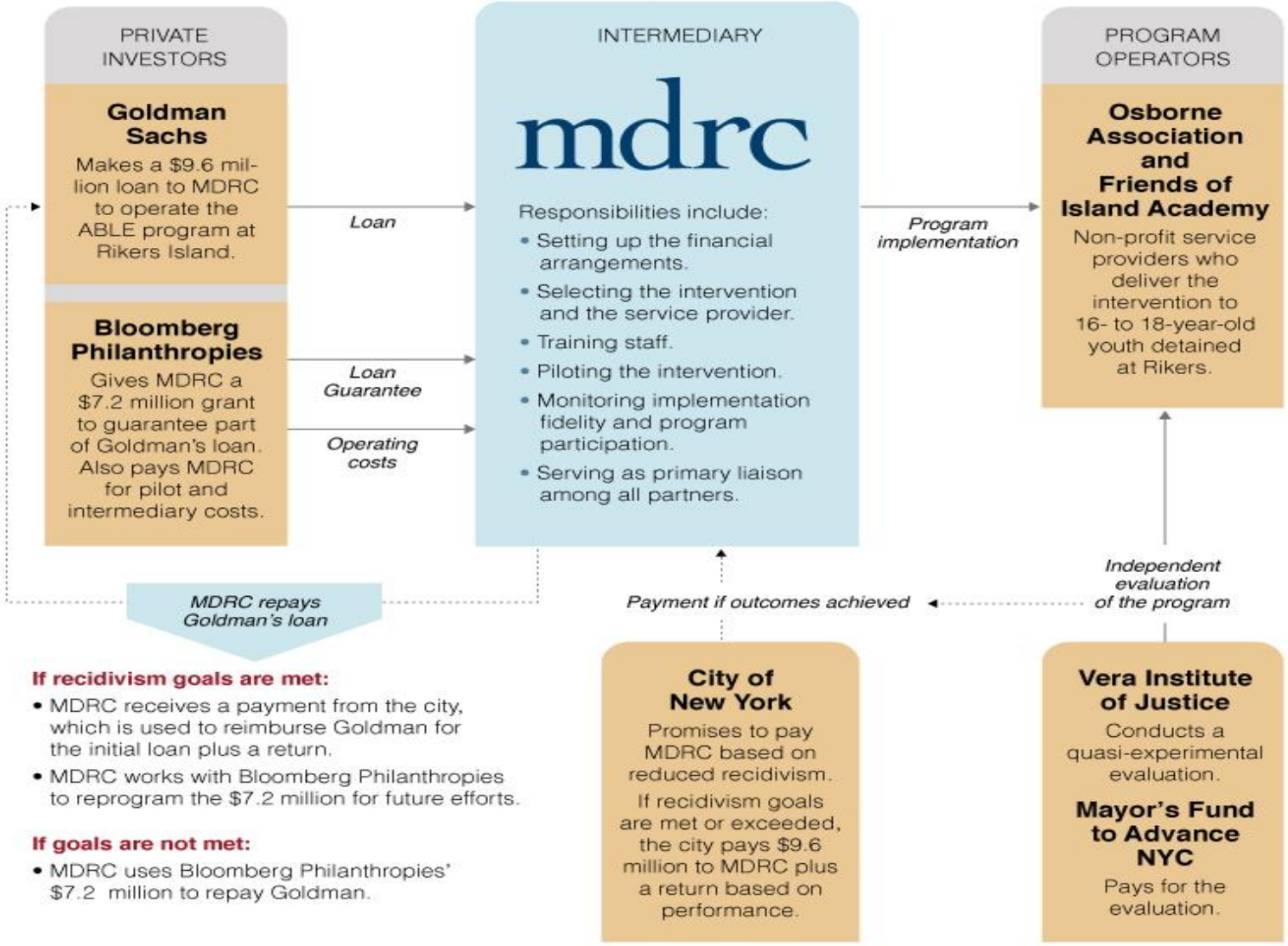
- **Environment:** The David and Lucile Packard Foundation provided a $6.2 million loan to facilitate the purchase of 318 acres in San Mateo County, California, "providing connectivity to other protected lands and preserving important natural resources."

Sources: The Bill and Melinda Gates Foundation, 2013 Form 990-PF; The David and Lucile Packard Foundation, 2012 Form 990-PF; MacArthur Foundation Press Release, "MacArthur to Provide $25 Million to Finance Energy Efficiency Improvements in U.S. Multi-Family Housing," June 25, 2014.

Other Recent PRI Examples

- **Agriculture:** A US Private Foundation gives multi-year grant to US public charity to provide technical assistance to coffee farmers in East Africa. The Foundation then invests in an East African-based hedge fund that, by its terms, can only make PRI-qualifying investments in the agricultural sector. The hedge fund invests in business that will further enhance the productivity, profitability and sustainability of coffee farms in the region. Some tranches may be structured to qualify as MRIs or investments with market-based returns.

Case Study: Social Impact Bond



Integrated Charitable, Advocacy and Political Programming (example):

- The Smith Family Foundation (SFF) supports school reform efforts in State X (new teacher evaluation systems, adoption and implementation of the Common Core standards, blended learning efforts with technology, etc).
- SFF is providing grants to school districts (or foundations associated with school districts) in State X to implement programs based on SFF's reform agenda.
- SFF is also funding colleges and universities to do case studies of these efforts and track student performance in districts where such efforts are being implemented.

Integrated Programming

- SFF also makes general support grants and uses the project grant rule in making grants to charities that lobby on school reform issues.
- SFF funds studies that can be used in lobbying efforts.
- SFF funds charities that do voter education on school reform issues, nonpartisan get-out-the-vote efforts ("if you care about our public schools, get out and vote on November 4th").
- SFF makes mission investments in an education technology company and provides a PRI low-interest rate loan to that same company on the condition that it adapts its existing content to help at-risk, minority students.

Integrated Programming

- SFF and Smith family members participate in a series of convenings — SFF with other c3s and family members with c4s and 527s — to promote education reform.
- Members of the Smith Family fund c4 organizations, including c4 affiliates of c3s that SFF funds, that engage in lobbying activities and some partisan get-out-the-vote and voter registration efforts.
- Smith Family members also make political contributions to school board candidates and in state and local elections supporting candidates who agree with the family's and the foundation's education reform agenda.
- Must avoid c3s making contributions to c4 or 527 activities.

Contact:

James P. Joseph, Partner
Arnold & Porter LLP
Washington, D.C.
(202) 942-5355
james.joseph@aporter.com