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Return of Organization Exempt From Income Tax

OMB No 1545-0047

2010**Open to Public Inspection**Department of the Treasury
Internal Revenue Service

► The organization may have to use a copy of this return to satisfy state reporting requirements

A For the 2010 calendar year, or tax year beginning , 2010, and ending ,

B Check if applicable* ☐ Address change ☐ Name change ☐ Initial return ☐ Terminated ☐ Amended return ☐ Application pending	C Name of organization Foundation for Research		D Employer Identification Number 88-0234196
	Doing Business As		E Telephone number (775) 687-0245
	Number and street (or P.O. box if mail is not delivered to street address) Room/suite 402 N. Division St.		
	City, town or country State ZIP code + 4 Carson City NV 89703		
F Name and address of principal officer Robert M. Wallace Same as C above		G Gross receipts \$ 41,052,234.	
I Tax-exempt status ☒ 501(c)(3) ☐ 501(c) () (insert no) ☐ 4947(a)(1) or ☐ 527		H(a) Is this a group return for affiliates? ☐ Yes ☒ No H(b) Are all affiliates included? ☐ Yes ☐ No If 'No,' attach a list (see instructions)	
J Website: ► N/A		H(c) Group exemption number ►	
K Form of organization ☒ Corporation ☐ Trust ☐ Association ☐ Other ►		L Year of Formation 1989	M State of legal domicile NV

Part I Summary

Activities & Governance	1 Briefly describe the organization's mission or most significant activities <u>Foundation for Research is a charitable non-profit corporation established to support medical and scientific research.</u>			
	2 Check this box ☐ if the organization discontinued its operations or disposed of more than 25% of its net assets			
	3 Number of voting members of the governing body (Part VI, line 1a)	3 5		
	4 Number of independent voting members of the governing body (Part VI, line 1b)	4 0		
	5 Total number of individuals employed in calendar year 2010 (Part V, line 2a)	5 4		
	6 Total number of volunteers (estimate if necessary)	6 0		
	7a Total unrelated business revenue from Part VIII, column (C), line 12	7a 0.		
	b Net unrelated business taxable income from Form 990-T, line 34	7b 0.		
	Revenue	8 Contributions and grants (Part VIII, line 1h)	Prior Year	Current Year
		9 Program service revenue (Part VIII, line 2g)		
10 Investment income (Part VIII, column (A), lines 3, 4, and 7d)		-25,298,094.	3,444,405.	
11 Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e)				
12 Total revenue - add lines 8 through 11 (must equal Part VIII, column (A), line 12)		-25,298,094.	3,444,405.	
13 Grants and similar amounts paid (Part IX, column (A), lines 1-3)		6,213,750.	7,270,000.	
14 Benefits paid to or for members (Part IX, column (A), line 4)				
15 Salaries, other compensation, employee benefits (Part IX, column (A), lines 5-10)		743,882.	726,783.	
16a Professional fundraising fees (Part IX, column (A), line 11e)				
b Total fundraising expenses (Part IX, column (D), line 25)				
Expenses	17 Other expenses (Part IX, column (A), lines 11a-11d, 11f-24f)	595,633.	513,739.	
	18 Total expenses Add lines 13-17 (must equal Part IX, column (A), line 25)	7,553,265.	8,510,522.	
	19 Revenue less expenses Subtract line 18 from line 12	-32,851,359.	-5,066,117.	
	20 Total assets (Part X, line 16)	Beginning of Current Year	End of Year	
Net Assets or Fund Balances	21 Total liabilities (Part X, line 26)	96,971,447.	98,426,765.	
	22 Net assets or fund balances Subtract line 21 from line 20	876,318.	755,724.	
		96,095,129.	97,671,041.	

Part II Signature Block

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than officer) is based on all information of which preparer has any knowledge.

Sign Here	Signature of officer <u>Robert M. Wallace</u> Date <u>July 20, 2011</u>			
	Type or print name and title Robert M. Wallace President			
Paid Preparer Use Only	Print/Type preparer's name	Preparer's signature	Date	Check ☐ if PTIN self-employed
	Firm's name ►			
	Firm's address ►			
	Firm's EIN ►			
Phone no				

May the IRS discuss this return with the preparer shown above? (see instructions)

☐ Yes ☒ No**BAA For Paperwork Reduction Act Notice, see the separate instructions.**

TEEA0101 12/21/10

Form **990** (2010)

SCANNED AUG 09 2011

Part III Statement of Program Service Accomplishments

Check if Schedule O contains a response to any question in this Part III

☒

- 1 Briefly describe the organization's mission.

See Schedule O

- 2 Did the organization undertake any significant program services during the year which were not listed on the prior Form 990 or 990-EZ?

☐ Yes ☒ No

If 'Yes,' describe these new services on Schedule O

- 3 Did the organization cease conducting, or make significant changes in how it conducts, any program services?

☐ Yes ☒ No

If 'Yes,' describe these changes on Schedule O

- 4 Describe the exempt purpose achievements for each of the organization's three largest program services by expenses. Section 501(c)(3) and 501(c)(4) organizations and section 4947(a)(1) trusts are required to report the amount of grants and allocations to others, the total expenses, and revenue, if any, for each program service reported

4a (Code:) (Expenses \$ 4,025,000. including grants of \$ 4,025,000.) (Revenue \$)See Schedule O4b (Code:) (Expenses \$ 2,675,000. including grants of \$ 2,675,000.) (Revenue \$)

Foundation for Research is a supporting organization to Clayton
Foundation for Research (Clayton). The organization grants funds to
Clayton for its general support. Clayton uses such funds in carrying
out its primary mission (i.e., to conduct medical research in
conjunction with hospitals for the purpose of discovering the cause,
prevention and cure of diseases for the benefit of mankind).

4c (Code:) (Expenses \$ 360,000. including grants of \$ 360,000.) (Revenue \$)

The Gene and Protein Therapy grant to Oregon Health & Science University
focuses on inappropriate cell division and cell death within the eye.
Much of the work is devoted to intraocular angiogenesis, with particular
attention to: 1) the signals that control this process, 2) the development of
animal models of human ocular disease, and 3) development of potential
therapies. Patent applications have been filed by RDF on several discoveries
arising out of this research. Licensing efforts by RDF have resulted in a
license to a commercial company that is interested in rights to this
technology in order to bring a product to the market for the treatment
of macular degeneration.

- 4d Other program services (Describe in Schedule O)

(Expenses \$ 595,085. including grants of \$ 210,000.) (Revenue \$)4e Total program service expenses ▶ 7,655,085.

Part IV Checklist of Required Schedules

	Yes	No
1 Is the organization described in section 501(c)(3) or 4947(a)(1) (other than a private foundation)? If 'Yes,' complete Schedule A	X	
2 Is the organization required to complete Schedule B, Schedule of Contributors? (see instructions)		X
3 Did the organization engage in direct or indirect political campaign activities on behalf of or in opposition to candidates for public office? If 'Yes,' complete Schedule C, Part I		X
4 Section 501(c)(3) organizations. Did the organization engage in lobbying activities, or have a section 501(h) election in effect during the tax year? If 'Yes,' complete Schedule C, Part II		X
5 Is the organization a section 501(c)(4), 501(c)(5), or 501(c)(6) organization that receives membership dues, assessments, or similar amounts as defined in Revenue Procedure 98-19? If 'Yes,' complete Schedule C, Part III	N/A	
6 Did the organization maintain any donor advised funds or any similar funds or accounts where donors have the right to provide advice on the distribution or investment of amounts in such funds or accounts? If 'Yes,' complete Schedule D, Part I		X
7 Did the organization receive or hold a conservation easement, including easements to preserve open space, the environment, historic land areas or historic structures? If 'Yes,' complete Schedule D, Part II		X
8 Did the organization maintain collections of works of art, historical treasures, or other similar assets? If 'Yes,' complete Schedule D, Part III		X
9 Did the organization report an amount in Part X, line 21, serve as a custodian for amounts not listed in Part X; or provide credit counseling, debt management, credit repair, or debt negotiation services? If 'Yes,' complete Schedule D, Part IV		X
10 Did the organization, directly or through a related organization, hold assets in term, permanent, or quasi-endowments? If 'Yes,' complete Schedule D, Part V	X	
11 If the organization's answer to any of the following questions is 'Yes,' then complete Schedule D, Parts VI, VII, VIII, IX, or X as applicable		
a Did the organization report an amount for land, buildings and equipment in Part X, line 10? If 'Yes,' complete Schedule D, Part VI	X	
b Did the organization report an amount for investments— other securities in Part X, line 12 that is 5% or more of its total assets reported in Part X, line 16? If 'Yes,' complete Schedule D, Part VII	X	
c Did the organization report an amount for investments— program related in Part X, line 13 that is 5% or more of its total assets reported in Part X, line 16? If 'Yes,' complete Schedule D, Part VIII		X
d Did the organization report an amount for other assets in Part X, line 15 that is 5% or more of its total assets reported in Part X, line 16? If 'Yes,' complete Schedule D, Part IX		X
e Did the organization report an amount for other liabilities in Part X, line 25? If 'Yes,' complete Schedule D, Part X		X
f Did the organization's separate or consolidated financial statements for the tax year include a footnote that addresses the organization's liability for uncertain tax positions under FIN 48 (ASC 740)? If 'Yes,' complete Schedule D, Part X		X
12a Did the organization obtain separate, independent audited financial statements for the tax year? If 'Yes,' complete Schedule D, Parts XI, XII, and XIII	X	
b Was the organization included in consolidated, independent audited financial statements for the tax year? If 'Yes,' and if the organization answered 'No' to line 12a, then completing Schedule D, Parts XI, XII, and XIII is optional		X
13 Is the organization a school described in section 170(b)(1)(A)(ii)? If 'Yes,' complete Schedule E		X
14a Did the organization maintain an office, employees, or agents outside of the United States?		X
b Did the organization have aggregate revenues or expenses of more than \$10,000 from grantmaking, fundraising, business, and program service activities outside the United States? If 'Yes,' complete Schedule F, Parts I and IV		X
15 Did the organization report on Part IX, column (A), line 3, more than \$5,000 of grants or assistance to any organization or entity located outside the United States? If 'Yes,' complete Schedule F, Parts II and IV		X
16 Did the organization report on Part IX, column (A), line 3, more than \$5,000 of aggregate grants or assistance to individuals located outside the United States? If 'Yes,' complete Schedule F, Parts III and IV		X
17 Did the organization report a total of more than \$15,000 of expenses for professional fundraising services on Part IX, column (A), lines 6 and 11e? If 'Yes,' complete Schedule G, Part I (see instructions)		X
18 Did the organization report more than \$15,000 total of fundraising event gross income and contributions on Part VIII, lines 1c and 8a? If 'Yes,' complete Schedule G, Part II		X
19 Did the organization report more than \$15,000 of gross income from gaming activities on Part VIII, line 9a? If 'Yes,' complete Schedule G, Part III		X
20 a Did the organization operate one or more hospitals? If 'Yes,' complete Schedule H		X
b If 'Yes' to line 20a, did the organization attach its audited financial statements to this return? Note. Some Form 990 filers that operate one or more hospitals must attach audited financial statements (see instructions)	N/A	

Part IV Checklist of Required Schedules (continued)

		Yes	No
21	Did the organization report more than \$5,000 of grants and other assistance to governments and organizations in the United States on Part IX, column (A), line 1? <i>If 'Yes,' complete Schedule I, Parts I and II</i>	X	
22	Did the organization report more than \$5,000 of grants and other assistance to individuals in the United States on Part IX, column (A), line 2? <i>If 'Yes,' complete Schedule I, Parts I and II</i>		X
23	Did the organization answer 'Yes' to Part VII, Section A, line 3, 4, or 5 about compensation of the organization's current and former officers, directors, trustees, key employees, and highest compensated employees? <i>If 'Yes,' complete Schedule J</i>	X	
24a	Did the organization have a tax-exempt bond issue with an outstanding principal amount of more than \$100,000 as of the last day of the year, and that was issued after December 31, 2002? <i>If 'Yes,' answer lines 24b through 24d and complete Schedule K. If 'No,' go to line 25</i>		X
24b	Did the organization invest any proceeds of tax-exempt bonds beyond a temporary period exception?	N/A	
24c	Did the organization maintain an escrow account other than a refunding escrow at any time during the year to defease any tax-exempt bonds?	N/A	
24d	Did the organization act as an 'on behalf of' issuer for bonds outstanding at any time during the year?	N/A	
25a	Section 501(c)(3) and 501(c)(4) organizations. Did the organization engage in an excess benefit transaction with a disqualified person during the year? <i>If 'Yes,' complete Schedule L, Part I</i>		X
25b	Is the organization aware that it engaged in an excess benefit transaction with a disqualified person in a prior year, and that the transaction has not been reported on any of the organization's prior Forms 990 or 990-EZ? <i>If 'Yes,' complete Schedule L, Part I</i>		X
26	Was a loan to or by a current or former officer, director, trustee, key employee, highly compensated employee, or disqualified person outstanding as of the end of the organization's tax year? <i>If 'Yes,' complete Schedule L, Part II</i>		X
27	Did the organization provide a grant or other assistance to an officer, director, trustee, key employee, substantial contributor, or a grant selection committee member, or to a person related to such an individual? <i>If 'Yes,' complete Schedule L, Part III</i>		X
28	Was the organization a party to a business transaction with one of the following parties (see Schedule L, Part IV instructions for applicable filing thresholds, conditions, and exceptions):		
28a	A current or former officer, director, trustee, or key employee? <i>If 'Yes,' complete Schedule L, Part IV</i>		X
28b	A family member of a current or former officer, director, trustee, or key employee? <i>If 'Yes,' complete Schedule L, Part IV</i>		X
28c	An entity of which a current or former officer, director, trustee, or key employee (or a family member thereof) was an officer, director, trustee, or direct or indirect owner? <i>If 'Yes,' complete Schedule L, Part IV</i>	X	
29	Did the organization receive more than \$25,000 in non-cash contributions? <i>If 'Yes,' complete Schedule M</i>		X
30	Did the organization receive contributions of art, historical treasures, or other similar assets, or qualified conservation contributions? <i>If 'Yes,' complete Schedule M</i>		X
31	Did the organization liquidate, terminate, or dissolve and cease operations? <i>If 'Yes,' complete Schedule N, Part I</i>		X
32	Did the organization sell, exchange, dispose of, or transfer more than 25% of its net assets? <i>If 'Yes,' complete Schedule N, Part II</i>		X
33	Did the organization own 100% of an entity disregarded as separate from the organization under Regulations sections 301.7701-2 and 301.7701-3? <i>If 'Yes,' complete Schedule R, Part I</i>		X
34	Was the organization related to any tax-exempt or taxable entity? <i>If 'Yes,' complete Schedule R, Parts II, III, IV, and V, line 1</i>	X	
35	Is any related organization a controlled entity within the meaning of section 512(b)(13)?	X	
a	Did the organization receive any payment from or engage in any transaction with a controlled entity within the meaning of section 512(b)(13)? <i>If 'Yes,' complete Schedule R, Part V, line 2</i>	☒ Yes ☐ No	
36	Section 501(c)(3) organizations. Did the organization make any transfers to an exempt non-charitable related organization? <i>If 'Yes,' complete Schedule R, Part V, line 2</i>		X
37	Did the organization conduct more than 5% of its activities through an entity that is not a related organization and that is treated as a partnership for federal income tax purposes? <i>If 'Yes,' complete Schedule R, Part VI</i>		X
38	Did the organization complete Schedule O and provide explanations in Schedule O for Part VI, lines 11 and 19? Note. All Form 990 filers are required to complete Schedule O	X	

BAA

Form 990 (2010)

Part V Statements Regarding Other IRS Filings and Tax ComplianceCheck if Schedule O contains a response to any question in this Part V ☐

		Yes	No
1 a Enter the number reported in Box 3 of Form 1096. Enter -0- if not applicable	1 a 8		
b Enter the number of Forms W-2G included in line 1a. Enter -0- if not applicable	1 b 0		
c Did the organization comply with backup withholding rules for reportable payments to vendors and reportable gaming (gambling) winnings to prize winners?	1 c X		
2 a Enter the number of employees reported on Form W-3, Transmittal of Wage and Tax Statements, filed for the calendar year ending with or within the year covered by this return	2 a 4		
b If at least one is reported on line 2a, did the organization file all required federal employment tax returns? Note. If the sum of lines 1a and 2a is greater than 250, you may be required to e-file. (see instructions)	2 b X		
3 a Did the organization have unrelated business gross income of \$1,000 or more during the year?	3 a		X
b If 'Yes,' has it filed a Form 990-T for this year? If 'No,' provide an explanation in Schedule O	3 b N/A		
4 a At any time during the calendar year, did the organization have an interest in, or a signature or other authority over, a financial account in a foreign country (such as a bank account, securities account, or other financial account)?	4 a		X
b If 'Yes,' enter the name of the foreign country: See instructions for filing requirements for Form TD F 90-22.1, Report of Foreign Bank and Financial Accounts			
5 a Was the organization a party to a prohibited tax shelter transaction at any time during the tax year?	5 a		X
b Did any taxable party notify the organization that it was or is a party to a prohibited tax shelter transaction?	5 b		X
c If 'Yes,' to line 5a or 5b, did the organization file Form 8886-T?	5 c N/A		
6 a Does the organization have annual gross receipts that are normally greater than \$100,000, and did the organization solicit any contributions that were not tax deductible?	6 a		X
b If 'Yes,' did the organization include with every solicitation an express statement that such contributions or gifts were not tax deductible?	6 b N/A		
7 Organizations that may receive deductible contributions under section 170(c).			
a Did the organization receive a payment in excess of \$75 made partly as a contribution and partly for goods and services provided to the payor?	7 a		X
b If 'Yes,' did the organization notify the donor of the value of the goods or services provided?	7 b N/A		
c Did the organization sell, exchange, or otherwise dispose of tangible personal property for which it was required to file Form 8282?	7 c		X
d If 'Yes,' indicate the number of Forms 8282 filed during the year	7 d N/A		
e Did the organization receive any funds, directly or indirectly, to pay premiums on a personal benefit contract?	7 e		X
f Did the organization, during the year, pay premiums, directly or indirectly, on a personal benefit contract?	7 f		X
g If the organization received a contribution of qualified intellectual property, did the organization file Form 8899 as required?	7 g N/A		
h If the organization received a contribution of cars, boats, airplanes, or other vehicles, did the organization file a Form 1098-C?	7 h N/A		
8 Sponsoring organizations maintaining donor advised funds and section 509(a)(3) supporting organizations. Did the supporting organization, or a donor advised fund maintained by a sponsoring organization, have excess business holdings at any time during the year?	8 N/A		
9 Sponsoring organizations maintaining donor advised funds.			
a Did the organization make any taxable distributions under section 4966?	9 a N/A		
b Did the organization make a distribution to a donor, donor advisor, or related person?	9 b N/A		
10 Section 501(c)(7) organizations. Enter:			
a Initiation fees and capital contributions included on Part VIII, line 12	10 a N/A		
b Gross receipts, included on Form 990, Part VIII, line 12, for public use of club facilities	10 b N/A		
11 Section 501(c)(12) organizations. Enter:			
a Gross income from members or shareholders	11 a N/A		
b Gross income from other sources (Do not net amounts due or paid to other sources against amounts due or received from them)	11 b N/A		
12 a Section 4947(a)(1) non-exempt charitable trusts. Is the organization filing Form 990 in lieu of Form 1041?	12 a N/A		
b If 'Yes,' enter the amount of tax-exempt interest received or accrued during the year	12 b N/A		
13 Section 501(c)(29) qualified nonprofit health insurance issuers.			
a Is the organization licensed to issue qualified health plans in more than one state? Note. See the instructions for additional information the organization must report on Schedule O	13 a N/A		
b Enter the amount of reserves the organization is required to maintain by the states in which the organization is licensed to issue qualified health plans	13 b N/A		
c Enter the amount of reserves on hand	13 c N/A		
14 a Did the organization receive any payments for indoor tanning services during the tax year?	14 a		X
b If 'Yes,' has it filed a Form 720 to report these payments? If 'No,' provide an explanation in Schedule O	14 b N/A		

Part VI Governance, Management and Disclosure For each 'Yes' response to lines 2 through 7b below, and for a 'No' response to line 8a, 8b, or 10b below, describe the circumstances, processes, or changes in Schedule O. See instructions.

Check if Schedule O contains a response to any question in this Part VI ☒

Section A. Governing Body and Management

	Yes	No
1 a Enter the number of voting members of the governing body at the end of the tax year	1 a 5	
b Enter the number of voting members included in line 1a, above, who are independent	1 b 0	
2 Did any officer, director, trustee, or key employee have a family relationship or a business relationship with any other officer, director, trustee or key employee? <i>See Schedule O</i>	2 X	
3 Did the organization delegate control over management duties customarily performed by or under the direct supervision of officers, directors or trustees, or key employees to a management company or other person?	3	X
4 Did the organization make any significant changes to its governing documents since the prior Form 990 was filed?	4	X
5 Did the organization become aware during the year of a significant diversion of the organization's assets?	5	X
6 Does the organization have members or stockholders?	6	X
7 a Does the organization have members, stockholders, or other persons who may elect one or more members of the governing body?	7 a	X
b Are any decisions of the governing body subject to approval by members, stockholders, or other persons?	7 b	X
8 Did the organization contemporaneously document the meetings held or written actions undertaken during the year by the following:		
a The governing body?	8 a X	
b Each committee with authority to act on behalf of the governing body?	8 b X	
9 Is there any officer, director or trustee, or key employee listed in Part VII, Section A, who cannot be reached at the organization's mailing address? <i>If 'Yes,' provide the names and addresses in Schedule O</i>	9	X

Section B. Policies (This Section B requests information about policies not required by the Internal Revenue Code.)

	Yes	No
10 a Does the organization have local chapters, branches, or affiliates?	10 a	X
b If 'Yes,' does the organization have written policies and procedures governing the activities of such chapters, affiliates, and branches to ensure their operations are consistent with those of the organization?	10 b N/A	
11 a Has the organization provided a copy of this Form 990 to all members of its governing body before filing the form?	11 a X	
b Describe in Schedule O the process, if any, used by the organization to review this Form 990.		
12 a Does the organization have a written conflict of interest policy? <i>If 'No,' go to line 13</i>	12 a X	
b Are officers, directors or trustees, and key employees required to disclose annually interests that could give rise to conflicts?	12 b X	
c Does the organization regularly and consistently monitor and enforce compliance with the policy? <i>If 'Yes,' describe in Schedule O how this is done</i>	12 c X	
13 Does the organization have a written whistleblower policy?	13 X	
14 Does the organization have a written document retention and destruction policy?	14 X	
15 Did the process for determining compensation of the following persons include a review and approval by independent persons, comparability data, and contemporaneous substantiation of the deliberation and decision?		
a The organization's CEO, Executive Director, or top management official	15 a X	
b Other officers of key employees of the organization	15 b X	
<i>If 'Yes' to line 15a or 15b, describe the process in Schedule O. (See instructions.)</i>		
16 a Did the organization invest in, contribute assets to, or participate in a joint venture or similar arrangement with a taxable entity during the year?	16 a	X
b If 'Yes,' has the organization adopted a written policy or procedure requiring the organization to evaluate its participation in joint venture arrangements under applicable federal tax law, and taken steps to safeguard the organization's exempt status with respect to such arrangements?	16 b N/A	

Section C. Disclosure

17 List the states with which a copy of this Form 990 is required to be filed ► NONE

18 Section 6104 requires an organization to make its Forms 1023 (or 1024 if applicable), 990, and 990-T (501(c)(3)s only) available for public inspection. Indicate how you make these available. Check all that apply.

☐ Own website ☐ Another's website ☒ Upon request

19 Describe in Schedule O whether (and if so, how) the organization makes its governing documents, conflict of interest policy, and financial statements available to the public.

20 State the name, physical address, and telephone number of the person who possesses the books and records of the organization:

► J. Russell Beekman 1325 Altimotive Way, Suite 175 Reno NV 89502 (775) 329-3111

Part VII Compensation of Officers, Directors, Trustees, Key Employees, Highest Compensated Employees, and Independent ContractorsCheck if Schedule O contains a response to any question in this Part VII. ☐**Section A. Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees****1a** Complete this table for all persons required to be listed. Report compensation for the calendar year ending with or within the organization's tax year.

- List all of the organization's **current** officers, directors, trustees (whether individuals or organizations), regardless of amount of compensation. Enter -0- in columns (D), (E), and (F) if no compensation was paid.
- List all of the organization's **current** key employees, if any. See instructions for definition of "key employee."
- List the organization's five **current** highest compensated employees (other than an officer, director, trustee, or key employee) who received reportable compensation (Box 5 of Form W-2 and/or Box 7 of Form 1099-MISC) of more than \$100,000 from the organization and any related organizations.
- List all of the organization's **former** officers, key employees, and highest compensated employees who received more than \$100,000 of reportable compensation from the organization and any related organizations.
- List all of the organization's **former** directors or trustees that received, in the capacity as a former director or trustee of the organization, more than \$10,000 of reportable compensation from the organization and any related organizations.

List persons in the following order: individual trustees or directors; institutional trustees; officers; key employees; highest compensated employees; and former such persons.

☐ Check this box if neither the organization nor any related organization compensated any current officer, director, or trustee.

(A) Name and Title	(B) Average hours per week (describe hours for related organizations in Schedule O)	(C) Position (check all that apply)						(D) Reportable compensation from the organization (W-2/1099-MISC)	(E) Reportable compensation from related organizations (W-2/1099-MISC)	(F) Estimated amount of other compensation from the organization and related organizations
		Individual trustee or director	Institutional trustee	Officer	Key employee	Highest compensated employee	Former			
(1) Thomas J. Brorby Trustee, Chairman	*	X						61,680	118,220	22,221
(2) Robert M. Wallace Trustee, President	**	X		X				138,780	272,420	60,568
(3) Jarred W. Sloan Trustee, V.P., Treasurer	**	X		X				113,080	298,120	60,636
(4) C.W. Wellen Trustee, Vice President	**	X		X				102,800	257,000	41,304
(5) Dudley R. Dobie, Jr. Trustee	*	X						61,680	118,220	1,017
(6) Andrew MacKenzie Vice President, Secretary	***			X				0	0	0
(7) John Russell Beekman V. Pres, Asst. Treasurer	****			X				85,860	0	39,906
(8) Joan S. Dunlap Assistant Secretary	**			X				0	128,500	45,310
(9) * Works an average of 15 hours per week for										
(10) Clayton Foundation for Research and its related group of supporting entities.										
(11) ** Works an average of 40 hours per week for										
(12) Clayton Foundation for Research and its related group of supporting entities.										
(13) *** Works an average of 2 hours per week for the										
(14) Foundation and other Nevada based supporting entities of Clayton Foundation for Research										
(15) **** Works an average of 40 hours per week for the										
(16) Foundation and other Nevada based supporting entities of Clayton Foundation for Research.										

Part VII Section A. Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees (cont)

(A) Name and title	(B) Average hours per week (describe hours for related organizations in Sch O)	(C) Position (check all that apply)						(D) Reportable compensation from the organization (W-2/1099-MISC)	(E) Reportable compensation from related organizations (W-2/1099-MISC)	(F) Estimated amount of other compensation from the organization and related organizations
		Individual trustee or director	Institutional trustee	Officer	Key employee	Highest compensated employee	Former			
(18) _____										
(19) _____										
(20) _____										
(21) _____										
(22) _____										
(23) _____										
(24) _____										
(25) _____										
(26) _____										
(27) _____										
(28) _____										
(29) _____										
1 b Sub-total										
c Total from continuation sheets to Part VII, Section A										
d Total (add lines 1b and 1c)										

2 Total number of individuals (including but not limited to those listed above) who received more than \$100,000 in reportable compensation from the organization **▶**

3 Did the organization list any **former** officer, director or trustee, key employee, or highest compensated employee on line 1a? If 'Yes,' complete Schedule J for such individual

	Yes	No
3		X
4	X	
5		X

4 For any individual listed on line 1a, is the sum of reportable compensation and other compensation from the organization and related organizations greater than \$150,000? If 'Yes' complete Schedule J for such individual

5 Did any person listed on line 1a receive or accrue compensation from any unrelated organization or individual for services rendered to the organization? If 'Yes,' complete Schedule J for such person

Section B. Independent Contractors

1 Complete this table for your five highest compensated independent contractors that received more than \$100,000 of compensation from the organization

(A) Name and business address	(B) Description of services	(C) Compensation
Callan Associates 101 California St., Suite 3500 San Francisco CA 94111	Investment Management Ser.	117,709.

2 Total number of independent contractors (including but not limited to those listed above) who received more than \$100,000 in compensation from the organization **▶ 1**

Part VIII Statement of Revenue

			(A) Total revenue	(B) Related or exempt function revenue	(C) Unrelated business revenue	(D) Revenue excluded from tax under sections 512, 513, or 514
CONTRIBUTIONS, GIFTS, GRANTS AND OTHER SIMILAR AMOUNTS	1a Federated campaigns	1a				
	b Membership dues	1b				
	c Fundraising events	1c				
	d Related organizations	1d				
	e Government grants (contributions)	1e				
	f All other contributions, gifts, grants, and similar amounts not included above	1f				
	g Noncash contributions included in lns 1a-1f: \$					
h Total. Add lines 1a-1f						
PROGRAM SERVICE REVENUE	Business Code					
	2a					
	b					
	c					
	d					
	e					
	f All other program service revenue					
g Total. Add lines 2a-2f						
OTHER REVENUE	3 Investment income (including dividends, interest and other similar amounts)		2,329,652.			2,329,652.
	4 Income from investment of tax-exempt bond proceeds					
	5 Royalties					
	6a Gross Rents					
	b Less: rental expenses					
	c Rental income or (loss)					
	d Net rental income or (loss)					
	7a Gross amount from sales of assets other than inventory					
	b Less: cost or other basis and sales expenses					
	c Gain or (loss)					
	d Net gain or (loss)		1,114,753.			1,114,753.
	8a Gross income from fundraising events (not including \$ of contributions reported on line 1c). See Part IV, line 18					
	b Less: direct expenses					
	c Net income or (loss) from fundraising events					
	9a Gross income from gaming activities See Part IV, line 19					
	b Less: direct expenses					
	c Net income or (loss) from gaming activities					
	10a Gross sales of inventory, less returns and allowances					
	b Less: cost of goods sold					
c Net income or (loss) from sales of inventory						
Miscellaneous Revenue		Business Code				
11a						
b						
c						
d All other revenue						
e Total. Add lines 11a-11d						
12 Total revenue. See instructions			3,444,405.			3,444,405.

Part IX Statement of Functional Expenses

Section 501(c)(3) and 501(c)(4) organizations must complete all columns

All other organizations must complete column (A) but are not required to complete columns (B), (C), and (D)

Do not include amounts reported on lines 6b, 7b, 8b, 9b, and 10b of Part VIII.	(A) Total expenses	(B) Program service expenses	(C) Management and general expenses	(D) Fundraising expenses
1 Grants and other assistance to governments and organizations in the U.S. See Part IV, line 21	7,270,000.	7,270,000.		
2 Grants and other assistance to individuals in the U.S. See Part IV, line 22				
3 Grants and other assistance to governments, organizations, and individuals outside the U.S. See Part IV, lines 15 and 16				
4 Benefits paid to or for members				
5 Compensation of current officers, directors, trustees, and key employees	623,229.	311,614.	311,615.	
6 Compensation not included above, to disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B)	84,010.	42,005.	42,005.	
7 Other salaries and wages				
8 Pension plan contributions (include section 401(k) and section 403(b) employer contributions)				
9 Other employee benefits				
10 Payroll taxes	19,544.	9,772.	9,772.	
11 Fees for services (non-employees):				
a Management				
b Legal	22,567.	11,284.	11,283.	
c Accounting	15,400.		15,400.	
d Lobbying				
e Professional fundraising services. See Part IV, line 17				
f Investment management fees	286,133.		286,133.	
g Other	8,414.		8,414.	
12 Advertising and promotion				
13 Office expenses	10,038.		10,038.	
14 Information technology				
15 Royalties				
16 Occupancy	20,580.		20,580.	
17 Travel	12,802.	6,401.	6,401.	
18 Payments of travel or entertainment expenses for any federal, state, or local public officials				
19 Conferences, conventions, and meetings				
20 Interest				
21 Payments to affiliates				
22 Depreciation, depletion, and amortization	119.		119.	
23 Insurance	129,667.		129,667.	
24 Other expenses. Itemize expenses not covered above (List miscellaneous expenses in line 24f. If line 24f amount exceeds 10% of line 25, column (A) amount, list line 24f expenses on Schedule O.)				
a Business meals	505.	252.	253.	
b Retiree health plan accrual	7,514.	3,757.	3,757.	
c				
d				
e				
f All other expenses				
25 Total functional expenses. Add lines 1 through 24f	8,510,522.	7,655,085.	855,437.	
26 Joint costs. Check here ☐ if following SOP 98-2 (ASC 958-720). Complete this line only if the organization reported in column (B) joint costs from a combined educational campaign and fundraising solicitation				

Part X Balance Sheet

		(A) Beginning of year		(B) End of year
ASSETS	1 Cash — non-interest-bearing	10,387.	1	7,902.
	2 Savings and temporary cash investments	185,600.	2	85,022.
	3 Pledges and grants receivable, net		3	
	4 Accounts receivable, net	504,800.	4	330,741.
	5 Receivables from current and former officers, directors, trustees, key employees, and highest compensated employees. Complete Part II of Schedule L		5	
	6 Receivables from other disqualified persons (as defined under section 4958(f)(1)), persons described in section 4958(c)(3)(B), and contributing employers and sponsoring organizations of section 501(c)(9) voluntary employees' beneficiary organizations (see instructions)		6	
	7 Notes and loans receivable, net		7	
	8 Inventories for sale or use		8	
	9 Prepaid expenses and deferred charges	121,141.	9	86,490.
	10a Land, buildings, and equipment: cost or other basis. Complete Part VI of Schedule D	10a 9,046.		
	b Less: accumulated depreciation	10b 9,046.	119.	10c 0.
	11 Investments — publicly traded securities	89,899,400.	11	91,666,610.
	12 Investments — other securities. See Part IV, line 11	6,250,000.	12	6,250,000.
	13 Investments — program-related. See Part IV, line 11		13	
	14 Intangible assets		14	
	15 Other assets. See Part IV, line 11		15	
16 Total assets. Add lines 1 through 15 (must equal line 34)	96,971,447.	16	98,426,765.	
LIABILITIES	17 Accounts payable and accrued expenses	162,568.	17	185,724.
	18 Grants payable	713,750.	18	570,000.
	19 Deferred revenue		19	
	20 Tax-exempt bond liabilities		20	
	21 Escrow or custodial account liability. Complete Part IV of Schedule D		21	
	22 Payables to current and former officers, directors, trustees, key employees, highest compensated employees, and disqualified persons. Complete Part II of Schedule L		22	
	23 Secured mortgages and notes payable to unrelated third parties.		23	
	24 Unsecured notes and loans payable to unrelated third parties		24	
	25 Other liabilities. Complete Part X of Schedule D	0.	25	0.
	26 Total liabilities. Add lines 17 through 25	876,318.	26	755,724.
NET ASSETS OR FUND BALANCES	Organizations that follow SFAS 117, check here ☒ and complete lines 27 through 29 and lines 33 and 34.			
	27 Unrestricted net assets	-860,708.	27	715,204.
	28 Temporarily restricted net assets		28	
	29 Permanently restricted net assets	96,955,837.	29	96,955,837.
	Organizations that do not follow SFAS 117, check here ☐ and complete lines 30 through 34.			
	30 Capital stock or trust principal, or current funds		30	
	31 Paid-in or capital surplus, or land, building, or equipment fund		31	
	32 Retained earnings, endowment, accumulated income, or other funds		32	
	33 Total net assets or fund balances.	96,095,129.	33	97,671,041.
	34 Total liabilities and net assets/fund balances.	96,971,447.	34	98,426,765.

BAA

Form 990 (2010)

Part XI Reconciliation of Net Assets

Check if Schedule O contains a response to any question in this Part XI

☒

1	Total revenue (must equal Part VIII, column (A), line 12)	1	3,444,405.
2	Total expenses (must equal Part IX, column (A), line 25)	2	8,510,522.
3	Revenue less expenses Subtract line 2 from line 1	3	-5,066,117.
4	Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A))	4	96,095,129.
5	Other changes in net assets or fund balances (explain in Schedule O)	5	6,642,029.
6	Net assets or fund balances at end of year Combine lines 3, 4, and 5 (must equal Part X, line 33, column (B))	6	97,671,041.

Part XII Financial Statements and Reporting

Check if Schedule O contains a response to any question in this Part XII

☐

- 1 Accounting method used to prepare the Form 990: ☐ Cash ☒ Accrual ☐ Other _____
If the organization changed its method of accounting from a prior year or checked 'Other,' explain in Schedule O
- 2a Were the organization's financial statements compiled or reviewed by an independent accountant?
- b Were the organization's financial statements audited by an independent accountant?
- c If 'Yes' to line 2a or 2b, does the organization have a committee that assumes responsibility for oversight of the audit, review, or compilation of its financial statements and selection of an independent accountant?
If the organization changed either its oversight process or selection process during the tax year, explain in Schedule O.
- d If 'Yes' to line 2a or 2b, check a box below to indicate whether the financial statements for the year were issued on a separate basis, consolidated basis, or both:
☒ Separate basis ☐ Consolidated basis ☐ Both consolidated and separate basis
- 3a As a result of a federal award, was the organization required to undergo an audit or audits as set forth in the Single Audit Act and OMB Circular A-133?
- b If 'Yes,' did the organization undergo the required audit or audits? If the organization did not undergo the required audit or audits, explain why in Schedule O and describe any steps taken to undergo such audits.

	Yes	No
2a		X
2b	X	
2c	X	
3a		X
3b	N/A	

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Form 990 (2010)

SCHEDULE A
(Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

Public Charity Status and Public Support

Complete if the organization is a section 501(c)(3) organization or a section 4947(a)(1) nonexempt charitable trust.

► Attach to Form 990 or Form 990-EZ. ► See separate instructions.

OMB No 1545-0047

2010

Open to Public Inspection

Name of the organization

Foundation for Research

Employer identification number

88-0234196

Part I Reason for Public Charity Status (All organizations must complete this part.) See instructions.

The organization is not a private foundation because it is (For lines 1 through 11, check only one box.)

- 1 ☐ A church, convention of churches or association of churches described in **section 170(b)(1)(A)(i).**
 - 2 ☐ A school described in **section 170(b)(1)(A)(ii).** (Attach Schedule E.)
 - 3 ☐ A hospital or a cooperative hospital service organization described in **section 170(b)(1)(A)(iii).**
 - 4 ☐ A medical research organization operated in conjunction with a hospital described in **section 170(b)(1)(A)(iii).** Enter the hospital's name, city, and state: _____
 - 5 ☐ An organization operated for the benefit of a college or university owned or operated by a governmental unit described in **section 170(b)(1)(A)(iv).** (Complete Part II.)
 - 6 ☐ A federal, state, or local government or governmental unit described in **section 170(b)(1)(A)(v).**
 - 7 ☐ An organization that normally receives a substantial part of its support from a governmental unit or from the general public described in **section 170(b)(1)(A)(vi).** (Complete Part II.)
 - 8 ☐ A community trust described in **section 170(b)(1)(A)(vi).** (Complete Part II.)
 - 9 ☐ An organization that normally receives: (1) more than 33-1/3% of its support from contributions, membership fees, and gross receipts from activities related to its exempt functions — subject to certain exceptions, and (2) no more than 33-1/3% of its support from gross investment income and unrelated business taxable income (less section 511 tax) from businesses acquired by the organization after June 30, 1975. See **section 509(a)(2).** (Complete Part III.)
 - 10 ☐ An organization organized and operated exclusively to test for public safety. See **section 509(a)(4).**
 - 11 ☒ An organization organized and operated exclusively for the benefit of, to perform the functions of, or carry out the purposes of one or more publicly supported organizations described in **section 509(a)(1)** or **section 509(a)(2).** See **section 509(a)(3).** Check the box that describes the type of supporting organization and complete lines 11e through 11h.
 - a ☐ Type I
 - b ☒ Type II
 - c ☐ Type III — Functionally integrated
 - d ☐ Type III — Other
- e ☒ By checking this box, I certify that the organization is not controlled directly or indirectly by one or more disqualified persons other than foundation managers and other than one or more publicly supported organizations described in **section 509(a)(1)** or **section 509(a)(2)**
- f If the organization received a written determination from the IRS that is a Type I, Type II or Type III supporting organization, check this box ☒
- g Since August 17, 2006, has the organization accepted any gift or contribution from any of the following persons?

- (i) A person who directly or indirectly controls, either alone or together with persons described in (ii) and (iii) below, the governing body of the supported organization?
- (ii) A family member of a person described in (i) above?
- (iii) A 35% controlled entity of a person described in (i) or (ii) above?

	Yes	No
11 g (i)		X
11 g (ii)		X
11 g (iii)		X

h Provide the following information about the supported organization(s)

(i) Name of supported organization	(ii) EIN	(iii) Type of organization (described on lines 1-9 above or IRC section (see instructions))	(iv) Is the organization in column (i) listed in your governing document?		(v) Did you notify the organization in column (i) of your support?		(vi) Is the organization in column (i) organized in the U.S.?		(vii) Amount of support
			Yes	No	Yes	No	Yes	No	
(A) See Part IV									
(B)									
(C)									
(D)									
(E)									
Total									

BAA For Paperwork Reduction Act Notice, see the Instructions for Form 990 or 990-EZ.

Schedule A (Form 990 or 990-EZ) 2010

Part II Support Schedule for Organizations Described in Sections 170(b)(1)(A)(iv) and 170(b)(1)(A)(vi)

(Complete only if you checked the box on line 5, 7, or 8 of Part I or if the organization failed to qualify under Part III. If the organization fails to qualify under the tests listed below, please complete Part III.)

N/A

Section A. Public Support

Calendar year (or fiscal year beginning in) ▶	(a) 2006	(b) 2007	(c) 2008	(d) 2009	(e) 2010	(f) Total
1 Gifts, grants, contributions, and membership fees received. (Do not include 'unusual grants'.)						
2 Tax revenues levied for the organization's benefit and either paid to it or expended on its behalf						
3 The value of services or facilities furnished by a governmental unit to the organization without charge						
4 Total. Add lines 1 through 3						
5 The portion of total contributions by each person (other than a governmental unit or publicly supported organization) included on line 1 that exceeds 2% of the amount shown on line 11, column (f)						
6 Public support. Subtract line 5 from line 4						

Section B. Total Support

Calendar year (or fiscal year beginning in) ▶	(a) 2006	(b) 2007	(c) 2008	(d) 2009	(e) 2010	(f) Total
7 Amounts from line 4.						
8 Gross income from interest, dividends, payments received on securities loans, rents, royalties and income from similar sources						
9 Net income from unrelated business activities, whether or not the business is regularly carried on						
10 Other income. Do not include gain or loss from the sale of capital assets (Explain in Part IV.)						
11 Total support. Add lines 7 through 10						
12 Gross receipts from related activities, etc (see instructions)					12	
13 First five years. If the Form 990 is for the organization's first, second, third, fourth, or fifth tax year as a section 501(c)(3) organization, check this box and stop here ▶ ☐						

Section C. Computation of Public Support Percentage

14 Public support percentage for 2010 (line 6, column (f) divided by line 11, column (f))	14	%
15 Public support percentage from 2009 Schedule A, Part II, line 14	15	%
16a 33-1/3% support test – 2010. If the organization did not check the box on line 13, and the line 14 is 33-1/3% or more, check this box and stop here. The organization qualifies as a publicly supported organization ▶ ☐		
b 33-1/3% support test – 2009. If the organization did not check a box on line 13 or 16a, and line 15 is 33-1/3% or more, check this box and stop here. The organization qualifies as a publicly supported organization ▶ ☐		
17a 10%-facts-and-circumstances test – 2010. If the organization did not check a box on line 13, 16a, or 16b, and line 14 is 10% or more, and if the organization meets the 'facts-and-circumstances' test, check this box and stop here. Explain in Part IV how the organization meets the 'facts-and-circumstances' test. The organization qualifies as a publicly supported organization ▶ ☐		
b 10%-facts-and-circumstances test – 2009. If the organization did not check a box on line 13, 16a, 16b, or 17a, and line 15 is 10% or more, and if the organization meets the 'facts-and-circumstances' test, check this box and stop here. Explain in Part IV how the organization meets the 'facts-and-circumstances' test. The organization qualifies as a publicly supported organization ▶ ☐		
18 Private foundation. If the organization did not check a box on line 13, 16a, 16b, 17a, or 17b, check this box and see instructions ▶ ☐		

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Schedule A (Form 990 or 990-EZ) 2010

Part III Support Schedule for Organizations Described in Section 509(a)(2)

N/A

(Complete only if you checked the box on line 9 of Part I or if the organization failed to qualify under Part II. If the organization fails to qualify under the tests listed below, please complete Part II.)

Section A. Public Support

Calendar year (or fiscal yr beginning in) ▶	(a) 2006	(b) 2007	(c) 2008	(d) 2009	(e) 2010	(f) Total
1 Gifts, grants, contributions and membership fees received. (Do not include any 'unusual grants'.)						
2 Gross receipts from admissions, merchandise sold or services performed, or facilities furnished in any activity that is related to the organization's tax-exempt purpose						
3 Gross receipts from activities that are not an unrelated trade or business under section 513						
4 Tax revenues levied for the organization's benefit and either paid to or expended on its behalf						
5 The value of services or facilities furnished by a governmental unit to the organization without charge						
6 Total. Add lines 1 through 5						
7a Amounts included on lines 1, 2, and 3 received from disqualified persons						
b Amounts included on lines 2 and 3 received from other than disqualified persons that exceed the greater of \$5,000 or 1% of the amount on line 13 for the year						
c Add lines 7a and 7b						
8 Public support. (Subtract line 7c from line 6.)						

Section B. Total Support

Calendar year (or fiscal yr beginning in) ▶	(a) 2006	(b) 2007	(c) 2008	(d) 2009	(e) 2010	(f) Total
9 Amounts from line 6						
10a Gross income from interest, dividends, payments received on securities loans, rents, royalties and income from similar sources						
b Unrelated business taxable income (less section 511 taxes) from businesses acquired after June 30, 1975						
c Add lines 10a and 10b						
11 Net income from unrelated business activities not included in line 10b, whether or not the business is regularly carried on						
12 Other income. Do not include gain or loss from the sale of capital assets. (Explain in Part IV.)						
13 Total support. (Add lines 9, 10c, 11, and 12.)						
14 First five years. If the Form 990 is for the organization's first, second, third, fourth, or fifth tax year as a section 501(c)(3) organization, check this box and stop here ▶ ☐						

Section C. Computation of Public Support Percentage

15 Public support percentage for 2010 (line 8, column (f) divided by line 13, column (f))	15	%
16 Public support percentage from 2009 Schedule A, Part III, line 15	16	%

Section D. Computation of Investment Income Percentage

17 Investment income percentage for 2010 (line 10c, column (f) divided by line 13, column (f))	17	%
18 Investment income percentage from 2009 Schedule A, Part III, line 17	18	%
19a 33-1/3% support tests – 2010. If the organization did not check the box on line 14, and line 15 is more than 33-1/3%, and line 17 is not more than 33-1/3%, check this box and stop here . The organization qualifies as a publicly supported organization ▶ ☐		
b 33-1/3% support tests – 2009. If the organization did not check a box on line 14 or line 19a, and line 16 is more than 33-1/3%, and line 18 is not more than 33-1/3%, check this box and stop here . The organization qualifies as a publicly supported organization ▶ ☐		
20 Private foundation. If the organization did not check a box on line 14, 19a, or 19b, check this box and see instructions ▶ ☐		

PART IV

Schedule A, Part I, Line 11h - Provide the information about the organizations the organization supports

[illegible]

**SCHEDULE D
(Form 990)**Department of the Treasury
Internal Revenue Service
Name of the organization**Supplemental Financial Statements**

- Complete if the organization answered 'Yes' to Form 990, Part IV, lines 6, 7, 8, 9, 10, 11, or 12.
► Attach to Form 990. ► See separate instructions.

OMB No 1545-0047

2010**Open to Public Inspection**

Employer identification number

Foundation for Research

88-0234196

Part I Organizations Maintaining Donor Advised Funds or Other Similar Funds or Accounts. Complete if the organization answered 'Yes' to Form 990, Part IV, line 6. **N/A**

	(a) Donor advised funds	(b) Funds and other accounts
1 Total number at end of year		
2 Aggregate contributions to (during year)		
3 Aggregate grants from (during year)		
4 Aggregate value at end of year		

5 Did the organization inform all donors and donor advisors in writing that the assets held in donor advised funds are the organization's property, subject to the organization's exclusive legal control? ☐ Yes ☐ No

6 Did the organization inform all grantees, donors, and donor advisors in writing that grant funds can be used only for charitable purposes and not for the benefit of the donor or donor advisor, or for any other purpose conferring impermissible private benefit? ☐ Yes ☐ No

Part II Conservation Easements. Complete if the organization answered 'Yes' to Form 990, Part IV, line 7. **N/A**

1 Purpose(s) of conservation easements held by the organization (check all that apply).

☐ Preservation of land for public use (e.g., recreation or education)	☐ Preservation of an historically important land area
☐ Protection of natural habitat	☐ Preservation of a certified historic structure
☐ Preservation of open space	

2 Complete lines 2a through 2d if the organization held a qualified conservation contribution in the form of a conservation easement on the last day of the tax year

	Held at the End of the Tax Year
a Total number of conservation easements	2a
b Total acreage restricted by conservation easements	2b
c Number of conservation easements on a certified historic structure included in (a)	2c
d Number of conservation easements included in (c) acquired after 8/17/06, and not on a historic structure listed in the National Register	2d

3 Number of conservation easements modified, transferred, released, extinguished, or terminated by the organization during the tax year ► _____

4 Number of states where property subject to conservation easement is located ► _____

5 Does the organization have a written policy regarding the periodic monitoring, inspection, handling of violations, and enforcement of the conservation easements it holds? ☐ Yes ☐ No

6 Staff and volunteer hours devoted to monitoring, inspecting, and enforcing conservation easements during the year ► _____

7 Amount of expenses incurred in monitoring, inspecting, and enforcing conservation easements during the year ► \$ _____

8 Does each conservation easement reported on line 2(d) above satisfy the requirements of section 170(h)(4)(B)(i) and section 170(h)(4)(B)(ii)? ☐ Yes ☐ No

9 In Part XIV, describe how the organization reports conservation easements in its revenue and expense statement, and balance sheet, and include, if applicable, the text of the footnote to the organization's financial statements that describes the organization's accounting for conservation easements

Part III Organizations Maintaining Collections of Art, Historical Treasures, or Other Similar Assets. Complete if the organization answered 'Yes' to Form 990, Part IV, line 8. **N/A**

1a If the organization elected, as permitted under SFAS 116 (ASC 958), not to report in its revenue statement and balance sheet works of art, historical treasures, or other similar assets held for public exhibition, education, or research in furtherance of public service, provide, in Part XIV, the text of the footnote to its financial statements that describes these items.

b If the organization elected, as permitted under SFAS 116 (ASC 958), to report in its revenue statement and balance sheet works of art, historical treasures, or other similar assets held for public exhibition, education, or research in furtherance of public service, provide the following amounts relating to these items:

(i) Revenues included in Form 990, Part VIII, line 1 ► \$ _____

(ii) Assets included in Form 990, Part X ► \$ _____

2 If the organization received or held works of art, historical treasures, or other similar assets for financial gain, provide the following amounts required to be reported under SFAS 116 (ASC 958) relating to these items:

a Revenues included in Form 990, Part VIII, line 1 ► \$ _____

b Assets included in Form 990, Part X ► \$ _____

Part III Organizations Maintaining Collections of Art, Historical Treasures, or Other Similar Assets (continued)

3 Using the organization's acquisition, accession, and other records, check any of the following that are a significant use of its collection items (check all that apply):

- a** ☐ Public exhibition
b ☐ Scholarly research
c ☐ Preservation for future generations

- d** ☐ Loan or exchange programs
e ☐ Other _____

4 Provide a description of the organization's collections and explain how they further the organization's exempt purpose in Part XIV

5 During the year, did the organization solicit or receive donations of art, historical treasures, or other similar assets to be sold to raise funds rather than to be maintained as part of the organization's collection? ☐ Yes ☐ No

Part IV Escrow and Custodial Arrangements. Complete if organization answered 'Yes' to Form 990, Part IV, line 9, or reported an amount on Form 990, Part X, line 21. N/A

1a Is the organization an agent, trustee, custodian, or other intermediary for contributions or other assets not included on Form 990, Part X? ☐ Yes ☐ No

b If 'Yes,' explain the arrangement in Part XIV and complete the following table:

	Amount
1c	
1d	
1e	
1f	

- c** Beginning balance
d Additions during the year
e Distributions during the year
f Ending balance

2a Did the organization include an amount on Form 990, Part X, line 21? ☐ Yes ☐ No

b If 'Yes,' explain the arrangement in Part XIV.

Part V Endowment Funds. Complete if the organization answered 'Yes' to Form 990, Part IV, line 10.

	(a) Current year	(b) Prior year	(c) Two years back	(d) Three years back	(e) Four years back
1a Beginning of year balance	96,955,837.	96,955,837.	96,955,837.		
b Contributions					
c Net investment earnings, gains, and losses					
d Grants or scholarships					
e Other expenditures for facilities and programs					
f Administrative expenses					
g End of year balance	96,955,837.	96,955,837.	96,955,837.		

2 Provide the estimated percentage of the year end balance held as:

- a** Board designated or quasi-endowment ▶ 0.00 %
b Permanent endowment ▶ 100.00 %
c Term endowment ▶ 0.00 %

3a Are there endowment funds not in the possession of the organization that are held and administered for the organization by:

- (i) unrelated organizations
(ii) related organizations

	Yes	No
3a(i)		X
3a(ii)		X
3b	N/A	

b If 'Yes' to 3a(ii), are the related organizations listed as required on Schedule R?

4 Describe in Part XIV the intended uses of the organization's endowment funds.

Part VI Land, Buildings, and Equipment. See Form 990, Part X, line 10.

Description of investment	(a) Cost or other basis (investment)	(b) Cost or other basis (other)	(c) Accumulated depreciation	(d) Book value
1a Land				
b Buildings				
c Leasehold improvements				
d Equipment	9,046.		9,046.	0.
e Other				

Total. Add lines 1a through 1e (Column (d) must equal Form 990, Part X, column (B), line 10(c)) ▶ 0.

BAA

Schedule D (Form 990) 2010

Part VII Investments—Other Securities. See Form 990, Part X, line 12.

(a) Description of security or category (including name of security)	(b) Book value	(c) Method of valuation Cost or end-of-year market value
(1) Financial derivatives		
(2) Closely-held equity interests	6,250,000.	Cost
(3) Other		
(A) -----		
(B) -----		
(C) -----		
(D) -----		
(E) -----		
(F) -----		
(G) -----		
(H) -----		
(I) -----		
Total. (Column (b) must equal Form 990 Part X, column (B) line 12.)	6,250,000.	

Part VIII Investments—Program Related. (See Form 990, Part X, line 13)

N/A

(a) Description of investment type	(b) Book value	(c) Method of valuation. Cost or end-of-year market value
(1)		
(2)		
(3)		
(4)		
(5)		
(6)		
(7)		
(8)		
(9)		
(10)		
Total. (Column (b) must equal Form 990, Part X, column (B) line 13.)		

Part IX Other Assets. (See Form 990, Part X, line 15)

N/A

(a) Description	(b) Book value
(1)	
(2)	
(3)	
(4)	
(5)	
(6)	
(7)	
(8)	
(9)	
(10)	
Total. (Column (b) must equal Form 990, Part X, column (B), line 15.)	

Part X Other Liabilities. (See Form 990, Part X, line 25)

(a) Description of liability	(b) Amount
(1) Federal income taxes	0.
(2)	
(3)	
(4)	
(5)	
(6)	
(7)	
(8)	
(9)	
(10)	
(11)	
Total. (Column (b) must equal Form 990, Part X, column (B) line 25.)	0.

2. FIN 48 (ASC 740) Footnote. In Part XIV, provide the text of the footnote to the organization's financial statements that reports the organization's liability for uncertain tax positions under FIN 48 (ASC 740)

Part XI Reconciliation of Change in Net Assets from Form 990 to Audited Financial Statements

1	Total revenue (Form 990, Part VIII, column (A), line 12)	3,444,405.
2	Total expenses (Form 990, Part IX, column (A), line 25)	8,510,522.
3	Excess or (deficit) for the year Subtract line 2 from line 1	-5,066,117.
4	Net unrealized gains (losses) on investments	6,649,615.
5	Donated services and use of facilities	
6	Investment expenses	
7	Prior period adjustments	
8	Other (Describe in Part XIV)	
9	Total adjustments (net). Add lines 4 through 8	6,649,615.
10	Excess or (deficit) for the year per audited financial statements. Combine lines 3 and 9	1,583,498.

Part XII Reconciliation of Revenue per Audited Financial Statements With Revenue per Return

1	Total revenue, gains, and other support per audited financial statements	1	9,807,887.
2	Amounts included on line 1 but not on Form 990, Part VIII, line 12:		
a	Net unrealized gains on investments	2a	6,649,615.
b	Donated services and use of facilities	2b	
c	Recoveries of prior year grants	2c	
d	Other (Describe in Part XIV)	2d	
e	Add lines 2a through 2d	2e	6,649,615.
3	Subtract line 2e from line 1	3	3,158,272.
4	Amounts included on Form 990, Part VIII, line 12, but not on line 1:		
a	Investments expenses not included on Form 990, Part VIII, line 7b	4a	286,133.
b	Other (Describe in Part XIV.)	4b	
c	Add lines 4a and 4b	4c	286,133.
5	Total revenue Add lines 3 and 4c. (This must equal Form 990, Part I, line 12.)	5	3,444,405.

Part XIII Reconciliation of Expenses per Audited Financial Statements With Expenses per Return

1	Total expenses and losses per audited financial statements	1	8,224,389.
2	Amounts included on line 1 but not on Form 990, Part IX, line 25:		
a	Donated services and use of facilities	2a	
b	Prior year adjustments	2b	
c	Other losses	2c	
d	Other (Describe in Part XIV.)	2d	
e	Add lines 2a through 2d	2e	
3	Subtract line 2e from line 1	3	8,224,389.
4	Amounts included on Form 990, Part IX, line 25, but not on line 1:		
a	Investments expenses not included on Form 990, Part VIII, line 7b	4a	286,133.
b	Other (Describe in Part XIV.)	4b	
c	Add lines 4a and 4b	4c	286,133.
5	Total expenses. Add lines 3 and 4c. (This must equal Form 990, Part I, line 18.)	5	8,510,522.

Part XIV Supplemental Information

Complete this part to provide the descriptions required for Part II, lines 3, 5, and 9; Part III, lines 1a and 4; Part IV, lines 1b and 2b; Part V, line 4; Part X, line 2; Part XI, line 8; Part XII, lines 2d and 4b; and Part XIII, lines 2d and 4b. Also complete this part to provide any additional information.

Part XIV Supplemental Information (continued)

Part V, Line 4 The Board of Trustees of the Foundation has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original donor contribution as of the contribution date of the donor-restricted endowment funds. As a result of this interpretation the Foundation classifies as permanently restricted net assets the original value of the donated contribution to the permanent endowment. Accordingly, only the income, including net realized and unrealized gains, is to be used for the Foundation's activities, except where such assets must be distributed in order to maintain the Foundation's tax-exempt status.

SCHEDULE I
(Form 990)

Department of the Treasury
Internal Revenue Service

**Grants and Other Assistance to Organizations,
Governments and Individuals in the United States**

Complete if the organization answered 'Yes,' to Form 990, Part IV, lines 21 or 22.
▶ Attach to Form 990.

OMB No 1545-0047

2010

Open to Public Inspection

Name of the organization

Foundation for Research

Employer identification number

88-0234196

1 Does the organization maintain records to substantiate the amount of the grants or assistance, the grantees' eligibility for the grants or assistance, and the selection criteria used to award the grants or assistance?

☒ Yes ☐ No

2 Describe in Part IV the organization's procedures for monitoring the use of grant funds in the United States

Part III Grants and Other Assistance to Governments and Organizations in the United States. Complete if the organization answered 'Yes' to Form 990, Part IV, line 21 for any recipient that received more than \$5,000. Check this box if no one recipient received more than \$5,000.

Part II can be duplicated if additional space is needed

1 (a) Name and address of organization or government	(b) EIN	(c) IRC section if applicable	(d) Amount of cash grant	(e) Amount of non-cash assistance	(f) Method of valuation (book, FMV, appraisal, other)	(g) Description of non-cash assistance	(h) Purpose of grant or assistance
(1) Research Development Foundation 402 N. Division Street Carson City NV 89703	88-0234325	501 (c) (3)	4,025,000.	0. N/A			General Support
(2) Clayton Foundation for Research One Riverway, Suite 1500 Houston TX 77056	74-1541767	501 (c) (3)	2,675,000.	0. N/A			General Support
(3) Oregon Health Sciences University 3181 SW Sam Jackson Park Portland OH 97201	93-1176109	170 (b) (1) (A) (V)	360,000.	0. N/A			Medical Research
(4) North Carolina State University Box 7214 Raleigh NC 27695	56-6000756	170 (b) (1) (A) (V)	210,000.	0. N/A			Medical Research
(5) -----							
(6) -----							
(7) -----							
(8) -----							

2 Enter total number of section 501(c)(3) and government organizations

4

3 Enter total number of other organizations

0

BAA For Paperwork Reduction Act Notice, see the Instructions for Form 990.

TEEA3901 10/29/10

Schedule I (Form 990) 2010

Part III

Grants and Other Assistance to Individuals in the United States. Complete if the organization answered 'Yes' to Form 990, Part IV, line 22.
Part III can be duplicated if additional space is needed.

(a) Type of grant or assistance	(b) Number of recipients	(c) Amount of cash grant	(d) Amount of non-cash assistance	(e) Method of valuation (book, FMV, appraisal, other)	(f) Description of non-cash assistance
1					
2					
3					
4					
5					
6					
7					

Part IV

Supplemental Information. Complete this part to provide the information required in Part I, line 2, and any other additional information.

Pt I Line 2 The Foundation For Research is limited to supporting activities of the Clayton Foundation for Research, a medical research organization described in Section 170(b)(1)(A)(iii) and hospitals, medical and scientific schools and organizations which conduct or support medical or scientific research described in Section 501(c)(3) of the Internal Revenue Code and classified as other than private foundations under Sections 509(a)(1) or 509(a)(2) of the Code. The Foundation does not make any grants or loans to individuals.

Research Development Foundation and Clayton Foundation For Research submit an annual budget which is approved by the Foundation's Board at the beginning of the year.

Schedule I (Form 990) - Part IV - Supplemental Information (continued)
Schedule I (Form 990) - Part IV - Supplemental Information (Continuation Sheet)

As the needs arise during the year these two entities submit requests during the year for the approved grant amounts.

The hospitals and medical and scientific schools submit a budget request to the Board of Trustees which is reviewed each year. If these budgets are for ongoing grants the grantee also includes a report on the progress of their research. Once these budgets are approved they are normally funded on a quarterly basis to the grantee. At the end of the year the grantee submits a report to the Foundation as to how the grant was utilized. In addition, the scientists frequently make reports to the Foundation at its board meetings, and/or the Foundation Trustees make on-site visits to the research institutions.

SCHEDULE J
(Form 990)Department of the Treasury
Internal Revenue Service**Compensation Information****For certain Officers, Directors, Trustees, Key Employees, and Highest
Compensated Employees**

- **Complete if the organization answered 'Yes' to Form 990, Part IV, line 23.**
► **Attach to Form 990. ► See separate instructions.**

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2010**Open to Public
Inspection**

Name of the organization

Foundation for Research

Employer identification number

88-0234196**Part III Questions Regarding Compensation**

- 1 a** Check the appropriate box(es) if the organization provided any of the following to or for a person listed in Form 990, Part VII, Section A, line 1a. Complete Part III to provide any relevant information regarding these items

- ☒ First-class or charter travel
☐ Travel for companions
☐ Tax indemnification and gross-up payments
☐ Discretionary spending account

- ☐ Housing allowance or residence for personal use
☐ Payments for business use of personal residence
☐ Health or social club dues or initiation fees
☐ Personal services (e g , maid, chauffeur, chef)

- b** If any of the boxes on line 1a are checked, did the organization follow a written policy regarding payment or reimbursement or provision of all of the expenses described above? If 'No,' complete Part III to explain

- 2** Did the organization require substantiation prior to reimbursing or allowing expenses incurred by all officers, directors, trustees, and the CEO/Executive Director, regarding the items checked in line 1a?

- 3** Indicate which, if any, of the following the organization uses to establish the compensation of the organization's CEO/Executive Director. Check all that apply

- ☒ Compensation committee
☒ Independent compensation consultant
☐ Form 990 of other organizations

- ☒ Written employment contract
☒ Compensation survey or study
☒ Approval by the board or compensation committee

- 4** During the year, did any person listed in Form 990, Part VII, Section A, line 1a with respect to the filing organization or a related organization:

- a** Receive a severance payment or change-of-control payment from the organization or a related organization?
b Participate in, or receive payment from, a supplemental nonqualified retirement plan?
c Participate in, or receive payment from, an equity-based compensation arrangement?

If 'Yes' to any of lines 4a-c, list the persons and provide the applicable amounts for each item in Part III

Only section 501(c)(3) and 501(c)(4) organizations must complete lines 5-9.

- 5** For persons listed in Form 990, Part VII, Section A, line 1a, did the organization pay or accrue any compensation contingent on the revenues of:

- a** The organization?
b Any related organization?

If 'Yes' to line 5a or 5b, describe in Part III

- 6** For persons listed in Form 990, Part VII, Section A, line 1a, did the organization pay or accrue any compensation contingent on the net earnings of:

- a** The organization?
b Any related organization?

If 'Yes' to line 6a or 6b, describe in Part III.

- 7** For persons listed in Form 990, Part VII, Section A, line 1a, did the organization provide any non-fixed payments not described in lines 5 and 6? If 'Yes,' describe in Part III

- 8** Were any amounts reported in Form 990, Part VII, paid or accrued pursuant to a contract that was subject to the initial contract exception described in Regulations section 53.4958-4(a)(3)? If 'Yes,' describe in Part III

- 9** If 'Yes' to line 8, did the organization also follow the rebuttable presumption procedure described in Regulations section 53.4958-6(c)?

	Yes	No
1a	X	
2	X	
3		
4a		X
4b		X
4c		X
5a		X
5b		X
6a		X
6b		X
7		X
8		X
9	N/A	

BAA For Paperwork Reduction Act Notice, see the Instructions for Form 990.

Schedule J (Form 990) 2010

Part II Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees. Use duplicate copies if additional space is needed.

For each individual whose compensation must be reported in Schedule J, report compensation from the organization on row (i) and from related organizations, described in the instructions, on row (ii). Do not list any individuals that are not listed on Form 990, Part VII.

Note. The sum of columns (B)(i)-(iii) must equal the applicable column (D) or column (E) amounts on Form 990, Part VII, line 1a.

	(A) Name	(B) Breakdown of W-2 and/or 1099-MISC compensation			(C) Retirement and other deferred compensation	(D) Nontaxable benefits	(E) Total of columns (B)(i)-(D)	(F) Compensation reported in prior Form 990 or Form 990-EZ
		(i) Base compensation	(ii) Bonus & incentive compensation	(iii) Other reportable compensation				
1	Thomas J. Brorby, Trustee, Chairman	(i) 61,680 (ii) 118,220	0 0	0 0	0 0	0 22,221	61,680 140,441	60,000 137,342
2	Robert M. Wallace, Trustee, President	(i) 138,780 (ii) 272,420	0 0	0 0	0 0	0 49,003	138,780 321,423	146,250 313,495
3	Jared W. Sloan, Trustee, V.P., Treasurer	(i) 113,080 (ii) 298,120	0 0	0 0	0 0	0 52,926	113,080 351,046	117,500 342,312
4	C.W. Wellen, Trustee, Vice President	(i) 102,800 (ii) 257,000	0 0	0 0	0 0	0 6,168	102,800 263,168	127,613 396,934
5	Dudley R. Dobie, Jr., Trustee	(i) 61,680 (ii) 118,220	0 0	0 0	0 0	0 1,017	61,680 119,237	60,000 116,017
6		(i) 0 (ii) 0	0 0	0 0	0 0	0 0	0 0	0 0
7		(i) 0 (ii) 0	0 0	0 0	0 0	0 0	0 0	0 0
8		(i) 0 (ii) 0	0 0	0 0	0 0	0 0	0 0	0 0
9		(i) 0 (ii) 0	0 0	0 0	0 0	0 0	0 0	0 0
10		(i) 0 (ii) 0	0 0	0 0	0 0	0 0	0 0	0 0
11		(i) 0 (ii) 0	0 0	0 0	0 0	0 0	0 0	0 0
12		(i) 0 (ii) 0	0 0	0 0	0 0	0 0	0 0	0 0
13		(i) 0 (ii) 0	0 0	0 0	0 0	0 0	0 0	0 0
14		(i) 0 (ii) 0	0 0	0 0	0 0	0 0	0 0	0 0
15		(i) 0 (ii) 0	0 0	0 0	0 0	0 0	0 0	0 0
16		(i) 0 (ii) 0	0 0	0 0	0 0	0 0	0 0	0 0

Part III Supplemental Information

Complete this part to provide the information, explanation, or descriptions required for Part I, lines 1a, 1b, 4c, 5a, 5b, 6a, 6b, 7, and 8. Also complete this part for any additional information.

Pt I Line 1a Foundation representatives on Foundation business may travel first class under

the travel policy approved by the Board but such persons sometimes fly economy,

depending upon routes and convenience of flight schedules. The policy does not permit

charter travel, and no charter travel was provided to any such persons.

SCHEDULE L
(Form 990 or 990-EZ)Department of the Treasury
Internal Revenue Service**Transactions With Interested Persons**

- Complete if the organization answered
'Yes' on Form 990, Part IV, line 25a, 25b, 26, 27, 28a, 28b, or 28c,
or Form 990-EZ, Part V, line 38a or 40b.
► Attach to Form 990 or Form 990-EZ. ► See separate instructions.

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2010**Open to Public
Inspection**

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Part I Excess Benefit Transactions (section 501(c)(3) and section 501(c)(4) organizations only).
Complete if the organization answered 'Yes' on Form 990, Part IV, line 25a or 25b, or Form 990-EZ, Part V, line 40b.

N/A

1	(a) Name of disqualified person	(b) Description of transaction	(c) Corrected?	
			Yes	No
(1)				
(2)				
(3)				
(4)				
(5)				
(6)				

2 Enter the amount of tax imposed on the organization managers or disqualified persons during the year under section 4958

► \$

3 Enter the amount of tax, if any, on line 2, above, reimbursed by the organization

► \$

Part II Loans to and/or From Interested Persons.

Complete if the organization answered 'Yes' on Form 990, Part IV, line 26 or Form 990-EZ, Part V, line 38a.

N/A

(a) Name of interested person and purpose	(b) Loan to or from the organization?		(c) Original principal amount	(d) Balance due	(e) In default?		(f) Approved by board or committee?		(g) Written agreement?	
	To	From			Yes	No	Yes	No	Yes	No
(1)										
(2)										
(3)										
(4)										
(5)										
(6)										
(7)										
(8)										
(9)										
(10)										
Total				► \$						

Part III Grants or Assistance Benefitting Interested Persons.

Complete if the organization answered 'Yes' on Form 990, Part IV, line 27.

N/A

(a) Name of interested person	(b) Relationship between interested person and the organization	(c) Amount and type of assistance
(1)		
(2)		
(3)		
(4)		
(5)		
(6)		
(7)		
(8)		
(9)		
(10)		

BAA For Paperwork Reduction Act Notice, see the Instructions for Form 990 or 990-EZ.

Schedule L (Form 990 or 990-EZ) 2010

**SCHEDULE O
(Form 990)**

Department of the Treasury
Internal Revenue Service

Supplemental Information to Form 990

► Attach to Form 990. To be completed by organizations to provide additional information for responses to specific questions for the Form 990 or to provide any additional information.

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Open to Public
Inspection

Name of the organization **Foundation for Research**

Employer identification number
88-0234196

Part I, Line 4 – Independent Voting Members

Part VI, Line 1b – Independent Voting Members

The recommendation regarding independent members of the governing board of a charity is described and discussed in detail in the report entitled "Principles for Good Governance and Ethical Practice, A Guide for Charities and Foundations", Reference Edition, that was published in October 2007 by the Panel on the Nonprofit Sector. This panel was convened by Independent Sector and its recommendations have been cited with approval by the Internal Revenue Service. Such report concludes that the principle with respect to independent directors does not apply to various types of organizations, including supporting organizations such as the Foundation, as to which the requirements of IRC Section 509(a)(3) require common Board members. In this regard, Footnote 27 on page 23 expressly states as follows: "This principle [a substantial majority of the Board should be independent] does not apply to private foundations; medical research institutions...; supporting organizations or subsidiaries that are required by law...to include representatives of the supported organizations or sponsoring charities on their board... [footnote listing continues with several other specific types of Section 501(c)(3) organizations]."

Part III, Line 1 - Briefly describe the organization's mission:

As a supporting organization to the Clayton Foundation for Research ("Clayton"), the organization's primary mission is to fund medical research for the purpose of discovering the cause, prevention and cure of diseases for the benefit of mankind. The secondary mission is to transfer the resulting medical research discoveries from the laboratory to the use of the general public by patenting and licensing such technology for development into drugs or other products for the use and benefit of mankind through Clayton's other supporting entities.

Part III, Line 4a

Research Development Foundation ("RDF") is another supporting organization to the Clayton Foundation for Research ("Clayton"). The organization grants funds to RDF for its general support. RDF uses such funds in carrying out the secondary mission of Clayton (i.e., to advance medical and scientific research through the transfer of technology from the laboratory to public use by obtaining patents and licenses and administering patents arising out of discoveries made pursuant to research conducted or sponsored by Clayton and its supporting organizations.) RDF's current patent portfolio contains hundreds of patent applications and issued patents on discoveries that have been made in the course of the various research projects that have been conducted by Clayton or funded by the organization and another supporting entity of Clayton over the years. RDF has entered into numerous licenses of such discoveries to pharmaceutical and startup companies, and six of such discoveries have already led to products that have been brought to market by the licensee and are benefiting mankind.

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Part III, Line 4d: Other Program Services

In addition to the three grants described above, the Foundation funded one other medical research grant at North Carolina State University. Research plans and budgets for all research projects funded by grants are reviewed and approved on an annual basis by the Foundation's Board.

Part VI, Section A, Line 2 – Business relationships between Officers, Directors and Trustees**Schedule L, Part IV – Business transactions involving interested parties**

Mr. Andrew MacKenzie, Vice President and Secretary of the Foundation, is a partner in the law firm of Allison, MacKenzie, Pavlakis, Wright and Fagan, Ltd. Allison, MacKenzie, Pavlakis, Wright and Fagan, Ltd. is engaged to represent the Foundation in various legal and administrative matters, as well as leasing office space to the Foundation at current market rental rates.

Mr. Thomas J. Brorby, who became a trustee of the Foundation on July 1, 1998 (and was elected Chairman of the Board effective May 1, 2008), has provided legal services to the Foundation or its supported organization since 1965. Mr. Dudley R. Dobie, Jr., who became a trustee of the Foundation on March 1, 2005, has provided legal services to the Foundation since 1997. Mr. Brorby and Mr. Dobie are members of the law firm of Brorby, Crozier & Dobie, P.C. ("B,C&D"). Such firm is engaged to furnish legal services to the Foundation on an hourly basis in connection with various matters upon the request of Foundation trustees and officers other than Mr. Brorby and Mr. Dobie. The Foundation's relationship with B,C&D pre-dates the naming of either Mr. Brorby or Mr. Dobie as trustees. In their capacity as members of the Board of the Foundation, Mr. Brorby and Mr. Dobie do not participate in any decisions involving assignment of work to B,C&D and are not involved in the review and approval of the detailed monthly invoices sent by B,C&D to the Foundation. In their capacity with B,C&D, Mr. Brorby and Mr. Dobie do not participate in the preparation of the monthly statements of amounts billed to the Foundation. The other trustees (with Mr. Brorby and Mr. Dobie abstaining) have approved this arrangement with full knowledge of Mr. Brorby's and Mr. Dobie's position as a member of and a holder of a financial interest in B,C&D.

Several written opinions have been obtained from well recognized independent accounting and consulting firms as to the reasonableness of the legal fees being paid to B,C&D by the Foundation. In addition, all steps listed in the regulations under IRC Section 4958 (including approval by a compensation committee composed of

Name of the organization Foundation For Research	Employer Identification Number 88-0234196
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disinterested persons) have been taken to obtain the rebuttable presumption that compensation paid to B,C&D is reasonable. More specifically, the Foundation periodically engages an independent consulting firm to review the legal fees paid to B,C&D. Such consulting firm examines the relevant facts and collects information and data from the Foundation and B,C&D. It also collects and analyzes compensation data from a peer group of comparable unrelated attorneys and law firms that it selects for comparability purposes. Such consulting firm then renders a written report and opinion containing its conclusions and recommendations. Such report (including a thorough description of the facts and the comparability analysis and data) is provided to the Foundation's Compensation Committee. Such committee, which has the sole authority to approve the compensation arrangement with B,C&D (including hourly rates), constitutes an authorized body composed of persons that do not have a conflict of interest with respect to such compensation arrangements under the rules and requirements set forth in Reg. 53.4958-6(c)(1). The committee meets and reviews the consulting firm's report and the comparability analysis and data. At the meeting, the committee has the opportunity to ask questions and request additional information from a Foundation representative on the committee (who recuses himself from the meeting before any action is taken). After review of the relevant documents and data and after deliberations, the independent committee members make the determination with respect to the amount and reasonableness of the compensation arrangement. Such determination is binding on B,C&D. Detailed minutes of each Compensation Committee meeting are contemporaneously prepared and maintained in the Foundation's files.

Form 990, Part VI, Section B, Line 11 – Was a copy of the Form 990 provided to the organization's governing body before it was filed? All organizations must describe in Schedule O the process, if any, the organization uses to review the Form 990.

Form 990 is prepared by the Foundation's accounting staff and sent to the Brorby, Crozier & Dobie law firm for review by a tax partner. Each trustee is also given a copy of the return for review. The return is then presented by the Treasurer at a board meeting of the trustees prior to filing. During such presentation there is a discussion of the answers to key questions and of the required disclosures in Form 990. Once satisfied with the content of the Form 990, the trustees approve the return for filing with the Internal Revenue Service, and the return is signed and dated by the appropriate officer of the Foundation.

Name of the organization Foundation For Research	Employer Identification Number 88-0234196
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Form 990, Part VI, Section B, Line 12c – Does the organization regularly and consistently monitor and enforce compliance with the policy? If 'yes,' describe in Schedule O how this is done.

Annually, the trustees and officers review the Conflicts of Interest Policy adopted by the Foundation. At a meeting of the Board each year, both the trustees and the officers sign and date a statement which affirms that such person has received a copy of the conflict of interest policy, has read and understands the policy, has agreed to comply with the policy, and understands that the Foundation is a charitable organization and that in order to maintain its federal tax exemption it must engage primarily in activities which accomplish one or more of its tax-exempt purposes.

It is the policy of the Foundation to assure that any conflicts of interest or potential conflicts of interest are fully disclosed to the Board before a decision is made or before the Foundation enters into a proposed transaction. Where necessary to determine whether a conflict of interest exists, after disclosure of the financial interest and all material facts, and after any discussion with the interested person, he or she leaves the Board meeting while the determination of whether a conflict of interest exists is discussed. If the Board determines that a conflict exists, the Board then determines whether the transaction or arrangement is fair and reasonable and should be permitted despite the conflict (or not) as being in the best interests of the Foundation. In instances where the Board has determined that a member has failed to disclose an actual or possible conflict of interest, it will take appropriate disciplinary and/or corrective action.

Name of the organization Foundation For Research	Employer Identification Number 88-0234196
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Form 990, Part VI, Section B, Line 15 – Did the process for determining compensation of the following persons include a review and approval by independent persons, comparability data, and contemporaneous substantiation of the deliberation and decision:

- a. The organization's CEO, Executive Director, or top management official?**
- b. Other officers of key employees of the organization?**

Describe the process in Schedule O

Several written opinions have been obtained from well recognized independent accounting and consulting firms as to the reasonableness of the compensation being paid to the officers and trustees of the Foundation (including amounts paid by related organizations). In addition, all steps listed in the regulations under IRC Section 4958 (including approval by a compensation committee composed of disinterested persons) have been taken to obtain the rebuttable presumption that compensation paid to the trustees and officers is reasonable. More specifically, the Foundation periodically engages an independent consulting firm to review the compensation of the officers and trustees of the Foundation and the group of related and supporting entities. Such consulting firm examines the relevant facts and collects information and data from the Foundation. It also collects and analyzes compensation data from a peer group of unrelated non-profit and for-profit organizations that it selects for comparability purposes. Such firm then renders a written report and opinion containing its conclusions and recommendations. Such report (including a thorough description of the facts and the comparability analysis and data) is provided to the Foundation's Compensation Committee. Such committee, which has the sole authority to approve officer and trustee compensation, constitutes an authorized body composed of persons that do not have a conflict of interest with respect to such compensation arrangements under the rules and requirements set forth in Reg. 53.4958-6(c)(1). The committee meets and reviews the consulting firm's report and the comparability analysis and data. At the meeting, the committee has the opportunity to ask questions and request additional information from a Foundation representative on the committee (who recuses himself from the meeting before any action is taken). After review of the relevant documents and data and after deliberations, the independent committee members make the determination with respect to the amount and reasonableness of the officer and trustee compensation arrangements. Such determination is binding on the trustees and officers of the Foundation. Detailed minutes of each Compensation Committee meeting are contemporaneously prepared and maintained in the Foundation's files.

Name of the organization Foundation For Research	Employer Identification Number 88-0234196
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Form 990, Part VI, Section C, Line 19 – Describe in Schedule O whether (and if so, how) the organization makes its governing documents, conflict of interest policy, and financial statements available to the public.

No documents available to the public.

Part XI, Ln. 5 - Other changes in net assets or fund balances

Net unrealized capital gain	\$6,649,615
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Post retirement related changes other than periodic cost	<u>(7,586)</u>
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	<u>\$6,642,029</u>
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SCHEDULE R
(Form 990)

Department of the Treasury
Internal Revenue Service

Name of the organization

Foundation for Research

Related Organizations and Unrelated Partnerships

► Complete if the organization answered 'Yes' to Form 990, Part IV, line 33, 34, 35, 36, or 37.
► Attach to Form 990. ► See separate instructions.

OMB No 1545-0047

2010

Open to Public
Inspection

Employer identification number

88-0234196

Part I Identification of Disregarded Entities (Complete if the organization answered 'Yes' to Form 990, Part IV, line 33.)

(a) Name, address, and EIN of disregarded entity	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Total income	(e) End-of-year assets	(f) Direct controlling entity
(1) -----					
(2) -----					
(3) -----					
(4) -----					
(5) -----					
(6) -----					

Part II Identification of Related Tax-Exempt Organizations (Complete if the organization answered 'Yes' to Form 990, Part IV, line 34 because it had one or more related tax-exempt organizations during the tax year.)

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Exempt Code section	(e) Public charity status (if section 501 (c)(3))	(f) Direct controlling entity	(g) Sec 512(b)(13) controlled entity?	
						Yes	No
(1) <u>Clayton Foundation for Research</u> 74-1541767 One Riverway, Suite 1500, Houston TX 77056	Conduct Medical Research	TX	501 (c) 3	Line 4	N/A		X
(2) <u>Clayton Foundation Company</u> 74-6035675 One Riverway, Suite 1500, Houston TX 77056	Title Holding Company	TX	501 (c) 2	N/A	Clayton Foundation for Research	X	
(3) <u>Clayton Medical Research Foundation, Inc.</u> 51-0306704 402 N. Division Street, Carson City NV 89703	Medical Research	DE	501 (c) 3	Line 11, Type 2	N/A		X
(4) <u>Clayton Land Holding Co. Inc.</u> 74-2073575 402 N. Division Street, Carson City NV 89703	Title Holding Company	CA	501 (c) 2	N/A	Clayton Medical Research Foundation	X	
(5) <u>Research Development Foundation</u> 88-0234325 402 N. Division Street, Carson City NV 89703	Technology Transfer	NV	501 (c) 3	Line 11, Type 2	N/A		X
(6) <u>Institut Clayton de la Recherche</u> ----- Case Postale 745, Geneva, SZ	Medical Research	SZ	Exempt Swiss Charity	Line 11, Type 2 (if U S entity)	N/A		X
(7) -----							

Part III Identification of Related Organizations Taxable as a Partnership (Complete if the organization answered 'Yes' to Form 990, Part IV, line 34 because it had one or more related organizations treated as a partnership during the tax year.)

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Direct controlling entity	(e) Predominant income (related, unrelated, excluded from tax under sections 512-514)	(f) Share of total income	(g) Share of end-of-year assets	(h) Dispropor- tionate allocations?		(i) Code V-UBI amount in box 20 of Schedule K-1 (Form 1065)	(j) General or managing partner?		(k) Percentage ownership
							Yes	No		Yes	No	
(1) ----- ----- ----- -----												
(2) ----- ----- ----- -----												
(3) ----- ----- ----- -----												

Part IV Identification of Related Organizations Taxable as a Corporation or Trust (Complete if the organization answered 'Yes' to Form 990, Part IV, line 34 because it had one or more related organizations treated as a corporation or trust during the tax year.)

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Direct controlling entity	(e) Type of entity (C corp, S corp, or trust)	(f) Share of total income	(g) Share of end-of-year assets	(h) Percentage ownership
(1) Foundation Services, Inc. 88-0374369 402 N. Division Street Carson City, NV 89703	Holding Company	NV	N/A	C	0.	0.	0.00
(2) Clayton Biotechnologies, Inc. 76-0377287 One Riverway, Suite 1520 Houston, TX 77056	Technology Transfer	NV	Foundation Services Inc.	C	0.	0.	0.00
(3) See Continuation Sheet for Schedule R, Part IV ----- ----- -----							

Part V Transactions With Related Organizations (Complete if the organization answered 'Yes' to Form 990, Part IV, line 34, 35, 35a, or 36.)

Note. Complete line 1 if any entity is listed in Parts II, III, or IV of this schedule.

1 During the tax year did the organization engage in any of the following transactions with one or more related organizations listed in Parts II-IV?

	Yes	No
a Receipt of (i) interest (ii) annuities (iii) royalties (iv) rent from a controlled entity	1a	X
b Gift, grant, or capital contribution to other organization(s)	1b	X
c Gift, grant, or capital contribution from other organization(s)	1c	X
d Loans or loan guarantees to or for other organization(s)	1d	X
e Loans or loan guarantees by other organization(s)	1e	X
f Sale of assets to other organization(s)	1f	X
g Purchase of assets from other organization(s)	1g	X
h Exchange of assets	1h	X
i Lease of facilities, equipment, or other assets to other organization(s)	1i	X
j Lease of facilities, equipment, or other assets from other organization(s)	1j	X
k Performance of services or membership or fundraising solicitations for other organization(s)	1k	X
l Performance of services or membership or fundraising solicitations by other organization(s)	1l	X
m Sharing of facilities, equipment, mailing lists, or other assets	1m	X
n Sharing of paid employees	1n	X
o Reimbursement paid to other organization for expenses	1o	X
p Reimbursement paid by other organization for expenses	1p	X
q Other transfer of cash or property to other organization(s)	1q	X
r Other transfer of cash or property from other organization(s)	1r	X

2 If the answer to any of the above is 'Yes,' see the instructions for information on who must complete this line, including covered relationships and transaction thresholds.

(a) Name of other organization	(b) Transaction type (a-r)	(c) Amount involved	(d) Method of determining amount involved
(1) Research Development Foundation	b	4,025,000.	Cash amount Transferred
(2) Clayton Foundation For Research	b	2,675,000.	Cash amount Transferred
(3) Clayton Foundation for Research	o	120,438.	Allocation by accounting dept.

(4)

(5)

(6)

BAA

Part III Unrelated Organizations Taxable as a Partnership (Complete if the organization answered 'Yes' to Form 990, Part IV, line 37.) N/A

Provide the following information for each entity taxed as a partnership through which the organization conducted more than five percent of its activities (measured by total assets or gross revenue) that was not a related organization. See Instructions regarding exclusion for certain investment partnerships.

(a) Name, address, and EIN of entity	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Are all partners section 501(c)(3) organizations?		(e) Share of end-of-year assets	(f) Disproportionate allocations?		(g) Code V-UBI amount in box 20 of Schedule K-1 Form (1065)	(h) General or managing partner?	
			Yes	No		Yes	No		Yes	No
(1) ----- ----- ----- -----										
(2) ----- ----- ----- -----										
(3) ----- ----- ----- -----										
(4) ----- ----- ----- -----										
(5) ----- ----- ----- -----										
(6) ----- ----- ----- -----										
(7) ----- ----- ----- -----										
(8) ----- ----- ----- -----										

Part VII Supplemental Information

Complete this part to provide additional information for responses to questions on Schedule R (see instructions).

N/A