



10 November 1978

Mr. Ian Macdonald,
Trust Officer,
National Trust Company,
21 King Street East,
Toronto, Ontario
M5C 1B3

Dear Mr. Macdonald,

I am writing in reply to your letter of October 12th on behalf of a client who is considering a possible gift to the National Research Council which might be directed toward "unbudgeted experiments in visionary projects". I find this a very imaginative and exciting suggestion. Your client is obviously someone who understands and appreciates the importance of nurturing promising ideas and projects with flexible seed money at the right time. In these days of tightly programmed and controlled budgets it is difficult to find the necessary flexibility to be opportunistic and to back high risk but highly promising projects.

You will gather from the above that I am personally most enthusiastic about your client's proposal and I feel sure this reaction would be fully shared by my colleagues on Council. Over the years NRC has established and administered Special Funds from contributions of a number of private donors. These funds were used for urgent and promising projects and gave the President of NRC a great deal of flexibility to get promising projects underway quickly and to sustain them until on-going funding could be provided through the normal (but slow) budgetary process. Many very successful World War II research projects could not have been launched had the Special Trust Fund not existed. This particular fund was exhausted shortly after the end of the War. I mention this by way of an example of an earlier experience of a Trust Fund which served Canada and the Council well.

The general terms of the proposed bequest suggested by your client appear to me to be very appropriate for the purpose for which the funds are intended, that is, non-budgetary seed money, and I do not foresee any difficulties in carrying

...2

them out. Given that at present the normal budgetary process takes 18 months or more it may be desirable if necessary to carry such projects up to 12 months, rather than the suggested six months, but it should definitely not exceed twelve months.

I find the concept of this kind of Fund to promote innovative ideas, either at the research stage or at the entrepreneurial exploitation stage, so important and attractive that I would be interested in having your Client's reaction to establishing an on-going Trust Fund for the purpose. With an initial contribution as proposed, if this were used in an imaginative way and given some visibility by NRC, I feel sure it would attract additional contributions from time to time. There is no doubt in my mind that modest amounts of seed money used in this way would be an important lever to stimulating innovating ideas and be of enormous benefit to the country.

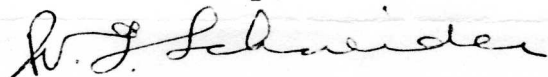
In respect of your specific questions such a gift could be made to the NRC by virtue of Section 13(f) of the NRC Act, a copy of which is enclosed for your ready reference. By virtue of subsection 5(e) of the Succession Duty Act (Ontario) no duty is to be levied on property devised or bequeathed to the Dominion of Canada. Under section 9(i) of the National Research Council Act the Council is an agent of the Crown in right of Canada and can only act as an Agent of the Crown. The bequest is in effect a bequest to the Dominion of Canada and exempt from duty for that reason.

Should your client wish to make this gift during his lifetime the provisions of the Income Tax Act would apply and the Department of National Revenue, I am sure, would be please to provide information and advice on any questions bearing on this matter.

The exact title of our organization is the National Research Council of Canada. In similar cases other Trust companies have found it helpful to provide us with a draft of the specific provisions envisaged (with deletion of your client's name if appropriate) for a review by our solicitors to ensure that problems do not subsequently arise.

Once again I wish to thank you for your inquiry and express my enthusiasm for the specific proposal.

Yours sincerely,



W.G. Schneider

Encl.