

Some had inherited substantial interests in business, as was the case with the Ford Foundation. Others had purchased control of businesses. A Tax-exempt cancer research organization, for example, had acquired a variety of industrial firms. Mr. Royal Little and the operations of his Textron trusts were given due attention. In fact, the record lists about 40 different types of businesses controlled by educational and charitable organizations." Patman Report, Page 1. (1962)

"Many foundations have become a vehicle for trading in securities and dodging the capital gain tax. Capital gains of foundations are not only tax exempt but they are permitted to place them in the principal account instead of the income account." -- Patman Report, Page 130 (1962).

A-14 The Foundation may provide "FRIENDLY" loans.

Speaking of loans to persons allowed by the tax law, the report says: "The advantages to the borrower of such a loan by a foundation -- and the corollary value of the favor done by the foundation to the director or donor who arranged the loan - can, nevertheless, be considerable. The delays, inconveniences, and formalities of applying for a bank loan can be eliminated; embarrassing questions can be avoided; the assurance that one's obligation resides in friendly hands can be secured." - Treasury Report, Page 51.

B. Benefits in operating business resulting from control over an exempt foundation.

B-1 Keep control in friendly hands over the generations.

"Foundations have commonly been established as convenient vehicles for maintaining control of a private corporation within a family while substantially diminishing the burden of income, gift, and estate taxes for the family." - Treasury Report, Page 37.

"It is true of course that the foundation's donor is parted with legal title to the money, securities or property donated and in that sense is no longer beneficial owner of the foundations, but there can be little doubt that the typical family foundation exists solely to accomplish the donor's goals. Its funds come indirectly from him and, were it not for the foundation, they would come directly from his pocket. In either case, the foundation's assets are directly and totally within his control. If the foundation owns securities, the donor-controller in effect can vote the securities, can cause them to be sold or pledged,