

C-6 Miscellaneous Benefits of Foundation

Your n-f-p exempt status has financing advantages.

- (a) Federal financing under Small Business Act, National Housing Act, the National Institutes of Health, Hill-Burton Act and numerous others.
- (b) Financing through private sources is assisted by the foundation's freedom from tax liens and its inability to milk corporate assets through excessive salaries or high dividends. There is also the availability of not only your own untaxed surpluses but that of other foundations.

"Despite the fact that the IRS disapproves of the use of borrowed funds for the purpose of financing purchases of mortgages and other types of investments, the Noyes Foundation has been constantly engaged in churning money by borrowing at one rate and lending it at a higher rate. From 1951 through 1962, the foundation borrowed over \$5 million for such purposes. (See page 64 for details of such transactions." --Patman Report, Page VII. 2nd Installment.

"On March 29, 1957, the Noyes Foundation borrowed from the Bankers Trust Co., \$550,000 on a note due March 31, 1958, bearing interest at 4-1/2 percent annually. Payment of the note was guaranteed by Mr. Charles F. Noyes. This sum was borrowed for the express purpose of making a loan in the same amount to the Glickman Corporation, of New York City, at 10 percent interest. The transaction enabled the Foundation to receive interest of \$55,000 per year at an interest expense of only \$24,750 annually. Hence, with no cash outlay the Foundation received a net return of \$30,250 per year. At these interest rates, it is not surprising that the Glickman Corporation has been in deep financial distress. The loan was paid off in full by the Glickman Corp. on February 1, 1960. (See pp. 61, 61)" --Patman Report, PP. VII and VIII. 2nd.

"Some Ford Foundation loans were made at what appear to be preferential rates of interest. Why, for example, was the Duke Power Co., of Charlotte, N. C., charged only 2.65 percent interest on \$3 million, 20 year loan, while other borrowers paid 6-1/2 percent? Duke Power, incidentally, is owned 57% by Duke Endowment, another tax-exempt foundation." ---Patman Report, Page 79., 1st installment.

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