

Question #1: HOW DOES ONE KNOW THAT THE FAMILY TRUST OR FOUNDATION IS EXEMPT?

The family Trust is generally a non-exempt entity. It is its non-exempt nature that gives it certain advantages -- e.g., freedom from the rules of self-dealing or limitations as to purpose - that has caused it to be included in this model arrangement.

The family foundation may apply for and receive a determination of exemption like any other foundation. (See #5551 of I.R.S.)

Question #2: CHARITABLE FOUNDATIONS ARE ALWAYS REFERRED TO. DO WE NEED MORE EVIDENCE CONCERNING EDUCATIONAL RESEARCH AND DEVELOPMENT?

No, "Charitable" is a shorthand expression for all organizations exempt under Section 501 (c) (3) of the Internal Revenue Code, the section which exempts, among other things, the charities, as well as scientific, educational, religious, literary, etc. The expression is used for convenience and even encouraged by some because they feel it hides the true nature of those organizations.

Question #3: EXPLAIN BY EXAMPLES WHEN A PAYMENT OR INVESTMENT IS MADE BY EACH OF THE THREE ENTITIES, OR BY YOU, WHICH ENTITY SHOULD MAKE THE PAYMENT?

As a general rule is that the party who benefits or who has the property interest, is the party who makes the payment. For examples, if a foundation is leasing property it is normal to expect the foundation like any lessee to pay for up-keep, utilities,