

the foundation's exemption was upheld. *William Clay, Jr. Foundation v. United States* (64-2 USTC ¶ 9650 (N.D. Tex. 1964) (CCH)).

*Example 2.*—The B foundation was able to make 12 loans totaling over \$200,000 to the donor, his relatives, and corporations controlled by the donor without losing its exempt status. *Griswold v. Commissioner* 39 T.C. 620 (1962).

*Example 3.*—The donor contributed \$65,000 to the C foundation. These funds were immediately lent to a corporation owned by the donor. Thus, the donor was able to claim an immediate deduction for funds which were invested in his business.

*Example 4.*—The D foundation lent a substantial portion of its cash to its donor on negotiable demand notes bearing interest at 5½ percent. The collateral for this loan was common stock in one of the donor's closely held corporations. The examining agent stated that the donor was using the foundation "as a bank or checking account."

*Example 5.*—The E foundation, during the 5-year period 1955-59, made 29 loans to its donor. These loans, totaling approximately \$145,000, bore interest at the rate of 4 percent and were secured by stock in a closely held corporation. Although each of these loans were repaid by the end of the foundation's accounting period, some of the funds were "relent" to the donor in the opening days of the following year. Since there were no open loans as of the last day of the foundation's accounting period, the presence of such loans was not disclosed by its balance sheet.

*Example 6.*—The donor to the F foundation organized a separate corporation for the purpose of manufacturing an article on which he owned the patent. He borrowed money from a bank, lent it to the corporation, and received secured promissory notes as evidence of the debt. Shortly thereafter, the donor contributed (and deducted) certain of these notes—amounting to \$27,500—to the foundation. The corporation subsequently abandoned the attempt to manufacture the patented article and the notes became worthless. This transaction permitted the taxpayer to obtain a large contribution deduction for what was essentially "risk capital" for his new business. If the corporation had proved to be successful, the donor, as its stockholder, would have benefited from the additional capital which was made available. However, since the corporation did not prove to be successful, it was only the charity that suffered—the donor had already obtained a deduction for his gift of the corporation's notes.

*Example 7.*—A donor contributed real estate to the G foundation. Shortly thereafter the foundation leased these properties back to the donor for rentals of approximately \$10,000 and \$12,000 for 1960 and 1961, respectively. The donor then sublet these properties to third parties for approximately \$12,000 and \$20,000 for 1960 and 1961, respectively. The donor alleged that the gain which he received was attributable to management services which he performed.

*Example 8.*—The H foundation received approximately \$400,000 in deductible contributions from the owners of a retail and wholesale grocery concern. The foundation distributed a small portion of these contributions to operating charitable