TAX EXEMPT AND
GOVERNMENT ENTITIES
DIVISION

DEPARTMENT OF THE TREASURY
INTERNAL REVENUE SERVICE
WASHINGTON, D.C. 20224

Release Number: **201231014**
Release Date: 8/3/2012
Date: May 9, 2012

Contact Person:

Identification Number:

Telephone Number:

Employer Identification Number:

UIL: 507.01-00, 4941.00-00, 4944.00-00, 4945.00-00

Legend:

Foundation =
Foundation I =
Foundation II =
Successor Trusts =

Dear

This is in response to your ruling request regarding the proper treatment of your division and transfer of all of your net assets to Successor Trusts under §§ 507, 4941, 4944, and 4945 of the Internal Revenue Code ("***Code***").

Facts:

You represent you are a charitable lead unitrust within the meaning of § 2055(e)(2)(B) and a nonexempt split-interest trust within the meaning of § 4947(a)(2). You will be funded from a revocable trust. Your assets consist of a beneficial interest in the revocable trust which will be distributed to you in fulfillment of a bequest (the "***Assets***"). You have no liabilities other than any arising from your trust agreement. Your trustees have different charitable philosophies and divergent charitable goals, and they believe that their charitable endeavors will be more efficiently managed separately, by dividing you into Successor Trusts, each of which will be a charitable lead unitrust within the meaning of § 2055(e)(2)(B) and a nonexempt split-interest trust within the meaning of § 4947(a)(2). To accomplish this objective, your trustees propose to transfer pro rata approximately two-thirds of your net Assets to one of the Successor Trusts ("***Trust I***") and one-third of your net Assets to the other Successor Trust ("***Trust II***"). The assets that you are to receive from the revocable trust and that you propose to transfer to the Successor Trusts constitute all of your net Assets. You will be transferring all of your rights, title, and interest in such assets for no consideration and not out of current income. These transfers are referred to hereafter collectively as the "**Transfers**."

You have three trustees, all of whom are siblings. Two of those siblings will govern Trust I and the third sibling and his wife will govern Trust II. Your trustees propose to make the Transfers immediately upon receipt of the distribution from the revocable trust. You will obtain an order of a state court of jurisdiction approving the Transfers and the associated restructuring. After

completion of the Transfers, you will not have any assets. Not earlier than one day after final distribution of the net Assets, you will provide voluntary notice to the Secretary of your intention to terminate your private foundation status under § 507(a)(1).

Your sole income beneficiary is Foundation. The remainder beneficiaries are the heirs of the grantor of the revocable trust (i.e. the siblings). You must pay a fixed percentage of your net Assets to Foundation annually for your sixteen (16) year charitable term. You have not received any assets since your formation, nor are you expecting to receive any assets prior to your termination other than the Assets, and you have not performed any activities since your formation other than administrative acts such as bookkeeping, filing tax returns, and the like. Upon expiration of your sixteen year charitable term your residue is to be distributed to the heirs of the revocable trust's grantor.

Your trustees also govern the revocable trust and Foundation. The same two siblings governing Trust I, and their spouses, govern Foundation I. The third sibling governing Trust II, and his spouse and their child, govern Foundation II. Simultaneous with your division, Foundation will divide and transfer pro rata two-thirds of its net assets to Foundation I and one-third to Foundation II, and then terminate and dissolve; a transaction we approved in a separate private letter ruling. Foundation, Foundation I, and Foundation II are recognized as § 501(c)(3) tax-exempt organizations classified as private foundations under § 509(a), all with the same or similar exempt purposes. None are operating foundations within the meaning of § 4942(j)(3).

The trust instruments for the Successor Trusts will have the same provisions as your trust instrument, as amended with the following material changes. Two siblings will be trustees of Trust I and the third sibling and his wife will be the trustees of Trust II. Two thirds of your corpus will fund Trust I and one third of your corpus will fund Trust II. The charitable lead beneficiary will be redesignated from Foundation so that Foundation I will be the charitable lead beneficiary of Trust I and Foundation II will be the charitable lead beneficiary of Trust II. We note that the identity of the remainder beneficiary does not change in either trust instrument, nor are income or remainder interests altered in any way. We also note that your trustees will not have the discretion to commute and prepay the charitable 'lead' annuity interest prior to the expiration of the specified term of the annuity, nor will the trustees of Trust I or Trust II have such discretion.

Your trustees and the Successor Trusts' trustees have each represented that they have not notified the Secretary of your intention to terminate and none of them has received notification from the Secretary that any of your statuses as private foundations under § 4947(a)(2) has been terminated pursuant to § 507(a)(2). The respective trustees have each represented that they (i) made a full disclosure of the factual situation to the Service, (ii) made reasonable attempts to ascertain whether the Transfers are a violation of Chapter 42, (iii) to the best of their knowledge and information, believe that the Transfers are not violations of Chapter 42, and (iv) have not committed either willful repeated acts (or failures to act) or committed a willful and flagrant act (or failure to act) which gives rise to tax under Chapter 42. You have represented that the Successor Trusts are effectively controlled, directly or indirectly, by the same person or persons that effectively control you within the meaning of § 1.507-3(a)(9) of the regulations.

You do not currently have grants that require the exercise of expenditure responsibility within the meaning of § 4945(h) nor do you intend to make any such grants. You do not have any outstanding pledges. Your trustees have agreed to allocate any charitable pledges made prior to

your final distributions between the Successor Trusts as may be agreed to by your trustees. Such pledges will become part of the Assets.

Rulings Requested:

You have requested the following rulings:

1. The proposed Transfers from you to Successor Trusts will each constitute a "significant disposition of assets to one or more private foundations" within the meaning of § 1.507-3(a)(1) and (c) which are nonexempt split-interest trusts under § 4947(a)(2).
2. The proposed Transfers from you to Successor Trusts will not result in a termination of private foundation status under § 507(a) as a nonexempt split-interest trust under § 4947(a)(2), but will constitute a transfer between private foundations (all of which are nonexempt split-interest trusts under § 4947(a)(2)) within the contemplation of § 507(b)(2).
3. The proposed Transfers from you to Successor Trusts will not constitute either a notification of your intent to voluntarily terminate your status as a private foundation under § 507(a)(1) as a nonexempt split-interest trust under § 4947(a)(2), or "willful repeated acts (or failures to act) or a willful and flagrant act (or failure to act)," within the meaning of § 507(a)(2) such that you will, therefore, not be subject to tax under § 507(c).
4. The proposed Transfers from you to Successor Trusts do not constitute self-dealing transactions and are not subject to excise tax under § 4941.
5. The proposed Transfers from you to Successor Trusts will not constitute jeopardizing investments for purposes of § 4944.
6. The proposed Transfers from you to Successor Trusts will not constitute taxable expenditures under § 4945(d), and you will not be required to exercise expenditure responsibility under § 4945(h) with respect to the proposed Transfers.

Law:

Section 501(c)(3) provides an exemption from federal tax for organizations that are organized and operated exclusively for religious, charitable, scientific, testing for public safety, literary, or educational purposes, no part of the net earnings of which inures to the benefit of any private shareholder or individual.

Section 507(a)(1) states that a private foundation may voluntarily terminate its private foundation status by notifying the Secretary of its intention to voluntarily terminate its private foundation status pursuant to § 507(a)(1) and by paying any termination tax under § 507(c).

Section 507(a)(2) states that an organization's private foundation status may involuntarily be terminated by the Secretary if there have been either willful repeated acts (or failures to act), or a willful and flagrant act (or failure to act), giving rise to liability for tax under Chapter 42, and the Secretary notifies such organization that, by reason of these acts, such organization is liable for the tax imposed by subsection 507(c), and either such organization pays the tax imposed by subsection 507(c) (or any portion not abated under subsection 507(g)) or the entire amount of such tax is abated under subsection 507(g).

Section 507(d)(1) provides, in part, a formula to compute for purposes of subsection (c) the aggregate tax benefit resulting from the § 501(c)(3) status of any private foundation.

Section 507(c) imposes on an organization that voluntarily terminates its private foundation status an excise tax equal to the lower of: (1) the aggregate tax benefits that have resulted from the private foundation's exempt status under § 501(c)(3), or (2) the value of the net assets of the private foundation.

Section 509(a) defines the term "private foundation" to mean a domestic or foreign organization described in § 501(c)(3) other than one described in paragraph (1), (2), (3), or (4) of § 509(a).

Section 4941(a) imposes an excise tax on acts of self-dealing between a private foundation and any of its disqualified persons, as defined in § 4946.

Section 4944(a) imposes a tax on any investment that jeopardizes any exempt purpose of a § 501(c)(3) private foundation.

Section 4945(a) imposes a tax on each taxable expenditure, payable by the private foundation. In addition, § 4945(a)(2) imposes a tax on each foundation manager who agrees to make a taxable expenditure unless that agreement is not willful and is due to reasonable cause.

Section 4945(d) defines the term "taxable expenditure" to include any amount paid or incurred by a private foundation "(4) as a grant to an organization unless-- (A) such organization-- (i) is described in paragraph (1) or (2) of § 509(a), (ii) is an organization described in § 509(a)(3) (other than an organization described in clause (i) or (ii) of § 4942(g)(4)(A)), or (iii) is an exempt operating foundation (as defined in § 4940(d)(2)), or (B) the private foundation exercises expenditure responsibility with respect to such grant in accordance with subsection (h)" of § 4945 or "(5) for any purpose other than one specified in § 170(c)(2)(B)."

Section 4945(h) states that the term "expenditure responsibility" means that a private foundation is responsible to exert all reasonable efforts and to establish adequate procedures--(1) to see that a grant is spent solely for the purpose for which made, (2) to obtain full and complete reports from the grantee on how the funds are spent, and (3) to make full and detailed reports with respect to such expenditures to the Secretary.

Section 4946 defines the term "disqualified person" with respect to a private foundation.

Section 4947(a)(2) states that in the case of a trust which is not exempt from tax under § 501(a), not all of the unexpired interests in which are devoted to one or more of the purposes described in § 170(c)(2)(B), and which has amounts in trust for which a deduction was allowed under §§ 170, 545(b)(2), 642(c), 2055, 2106(a)(2), or 2522, § 507 (relating to termination of private foundation status), § 508(e) (relating to governing instruments) to the extent applicable to a trust described in this paragraph, § 4941 (relating to taxes on self-dealing), § 4943 (relating to taxes on excess business holdings) except as provided in subsection (b)(3), § 4944 (relating to investments which jeopardize charitable purpose) except as provided in subsection (b)(3), and § 4945 (relating to taxes on taxable expenditures) shall apply as if such trust were a private foundation. This paragraph shall not apply with respect to-- (A) any amounts payable under the terms of such trust to income beneficiaries, unless a deduction was allowed under § 170(f)(2)(B), 642(c), 2055(e)(2)(B), or 2522(c)(2)(B), (B) any amounts in trust other than amounts for which a deduction was allowed under § 170, 545(b)(2), 642(c), 2055, 2106(a)(2), or 2522, if such other amounts are

segregated from amounts for which no deduction was allowable, or (C) any amounts transferred in trust before May 27, 1969.

Section 1.507-1(b)(1) provides in part that in order to terminate its private foundation status under paragraph (a)(1) of § 1.507-1, an organization must submit a statement of its intent to terminate its private foundation status under § 507(a)(1). Such statement must set forth in detail the computation and amount of tax imposed under § 507(c).

Section 1.507-1(b)(7) provides, in part, that neither a transfer of all of the assets of a private foundation nor a significant disposition of assets (as defined in § 1.507-3(c)(2)) by a private foundation (whether or not any portion of such significant disposition of assets is made to another private foundation) shall be deemed to result in a termination of the transferor private foundation under § 507(a) unless the transferor private foundation elects to terminate pursuant to § 507(a)(1) or § 507(a)(2) is applicable.

Section 1.507-1(c)(1) provides that for purposes of § 507(a)(2)(A) , the term "willful repeated acts (or failures to act)" means at least two acts or failures to act, both of which are voluntary, conscious, and intentional.

Section 1.507-1(c)(2) provides that for purposes of § 507(a)(2)(A), a "willful and flagrant act (or failure to act)" is one which is voluntarily, consciously, and knowingly committed in violation of any provision of Chapter 42 (other than § 4940 or 4948(a)) and which appears to a reasonable man to be a gross violation of any such provision.

Section 1.507-1(c)(5) provides that no motive to avoid the restrictions of the law or the incurrence of any tax is necessary to make an act (or failure to act) willful. However, a foundation's act (or failure to act) is not willful if the foundation (or a foundation manager, if applicable) does not know that it is an act of self-dealing, a taxable expenditure, or other act (or failure to act) to which Chapter 42 applies. Rules similar to the regulations under Chapter 42 (see, for example, § 53.4945-1(a)(2)(iii)) shall apply in determining whether a foundation or a foundation manager knows that an act (or failure to act) is an act of self-dealing, a taxable expenditure, or other such act (or failure to act).

Section 1.507-3(a)(4) states that if a private foundation incurs a liability for one or more of the taxes imposed under Chapter 42 (or any penalty resulting therefrom) prior to, or as a result of, making a transfer of assets described in § 507(b)(2) to one or more private foundations, in any case where transferee liability applies, each transferee foundation shall be treated as receiving the transferred assets subject to such liability to the extent that the transferor foundation does not satisfy such liability.

Section 1.507-3(a)(5) states that, except as provided in subparagraph (9) of that paragraph, a private foundation is required to meet the distribution requirements of § 4942 for any taxable year in which it makes a § 507(b)(2) transfer of all or part of its net assets to another private foundation.

Section 1.507-3(a)(7) provides that except as provided in subparagraph (9) of that paragraph, where the transferor has disposed of all of its assets, during any period in which the transferor has no assets, § 4945(d)(4) and (h) shall not apply to the transferee or the transferor with respect to

any expenditure responsibility grants made by the transferor. However, the exception contained in this subparagraph shall not apply with respect to any information reporting requirements imposed by § 4945 and the regulations thereunder for any year in which any such transfer is made.

Section 1.507-3(a)(9)(i) states that If a private foundation transfers all of its net assets to one or more private foundations which are effectively controlled (within the meaning of § 1.482-1(a)(3)), directly or indirectly, by the same person or persons which effectively controlled the transferor private foundation, for purposes of Chapter 42 (§ 4940 *et seq.*) and part II of subchapter F of chapter 1 (§§ 507 through 509), such a transferee private foundation shall be treated as if it were the transferor. However, where proportionality is appropriate, such a transferee private foundation shall be treated as if it were the transferor in the proportion which the fair market value of the assets (less encumbrances) transferred to such transferee bears to the fair market value of the assets (less encumbrances) of the transferor immediately before the transfer. Subdivision (ii) states that subdivision (i) of this subparagraph shall not apply to the requirements under §§ 6033 and 6104, which must be complied with by the transferor private foundation, nor to the requirement under § 6043 that the transferor file a return with respect to its liquidation, dissolution, or termination.

Section 1.507-3(c)(1) states that a transfer of assets is described in § 507(b)(2) if it is made by a private foundation to another private foundation pursuant to any liquidation, merger, redemption, recapitalization, or other adjustment, organization, or reorganization, which includes any other significant disposition of assets to one or more private foundations.

Section 1.507-3(c)(2) defines the term "significant disposition of assets to one or more private foundations" as any disposition or series of dispositions where the cumulative total of dispositions is 25 percent or more of the fair market value of the net assets of the foundation at the beginning of the taxable year.

Section 1.507-3(d) states that unless a private foundation voluntarily gives notice pursuant to § 507(a)(1), a transfer of assets described in § 507(b)(2) will not constitute a termination of the transferor's private foundation status under § 507(a)(1). Such a transfer must, nevertheless, satisfy the requirements of any pertinent provisions of Chapter 42. See subparagraphs (5) through (7) of § 1.507-3(a). However, if such transfer constitutes an act or failure to act which is described in § 507(a)(2)(A), then such transfer will be subject to the provisions of § 507(a)(2) rather than § 507(b)(2). For example, X, a private nonoperating foundation, transfers all of its net assets to Y, a private operating foundation, in 1971. X does not file the notice referred to in § 507(a)(1) and the transfer does not constitute either a willful and flagrant act (or failure to act), or one of a series of willful repeated acts (or failures to act), giving rise to liability for tax under Chapter 42. Under these circumstances, the transfer is described in § 507(b)(2) and the provisions of § 1.507-3(a) apply with respect to Y. The private foundation status of X has not been terminated under § 507(a).

Section 1.507-4(b) states that private foundations that make transfers described in § 507(b)(2) are not subject to the tax imposed under § 507(c) with respect to such transfers unless the provisions of § 507(a) become applicable.

Section 4945(a) imposes an excise tax on each taxable expenditure of a private foundation and in certain circumstances on the agreement of any foundation manager to the making of a taxable expenditure by a private foundation.

Section 53.4945-1(a)(2)(iii) of the excise tax regulations states that a foundation manager shall be considered to have agreed to an expenditure "knowing" that it is a taxable expenditure only if: (a) he has actual knowledge of sufficient facts so that, based solely upon such facts, such expenditure would be a taxable expenditure, (b) he is aware that such an expenditure under these circumstances may violate the provisions of federal tax law governing taxable expenditures, and (c) he negligently fails to make reasonable attempts to ascertain whether the expenditure is a taxable expenditure, or he is in fact aware that it is such an expenditure.

Section 53.4946-1(a)(8) of the excise tax regulations states that, for purposes of § 4941 only, the term "disqualified person" shall not include any organization which is described in § 501(c)(3) (other than an organization described in § 509(a)(4)).

Rev. Rul. 2002-28, 2002-1 C.B. 941, rules on the implications of § 507(b)(2) transfers under §§ 4940, 4941, 4942, 4943, 4944, and 4945, for private foundations in various situations.

Analysis:

Of your three trustees, one sibling has a differing charitable philosophy and divergent charitable goals from the other two siblings. The proposed Transfers into Trust I and Trust II will allow the two sibling groups to direct the respective investment and exempt uses of those assets independent of the other. You have represented that an appropriate state court of jurisdiction will issue an order approving the Transfers and associated restructuring as described herein.

Because you are a charitable lead unitrust which has amounts in trust for which a deduction was allowed under § 2055(e)(2)(B) and are a nonexempt split-interest trust within the meaning of § 4947(a)(2), § 507 (relating to termination of private foundation status), § 508(e) (relating to governing instruments) to the extent applicable to a trust described in this paragraph, § 4941 (relating to taxes on self-dealing), § 4943 (relating to taxes on excess business holdings) except as provided in subsection (b)(3), § 4944 (relating to investments which jeopardize charitable purpose) except as provided in subsection (b)(3), and § 4945 (relating to taxes on taxable expenditures) shall apply as if you were a private foundation.

Rulings 1, 2, and 3:

Section 507(b)(2) describes a transfer from one private foundation to another private foundation according to any liquidation, merger, redemption, recapitalization, or other adjustment, organization or reorganization. Section 1.507-3(c)(1) describes the terms "other adjustment, organization, or reorganization" as including any partial liquidation or any other significant distribution of assets to one or more private foundations, other than transfers for full and adequate consideration or distributions out of current income. The term "significant disposition of assets to one or more private foundations" is defined by § 1.507-3(c)(2) as any disposition or series of dispositions where the aggregate value transferred is 25 percent or more of the fair market value of the net assets of the foundation at the beginning of the taxable year. Since you are transferring all of your assets to

the Successor Trusts, for no consideration, and not out of current income, your proposed transfers will qualify as a significant disposition of assets under § 507(b)(2).

Pursuant to § 1.507-4(b), a private foundation that makes a transfer described in § 507(b)(2) is not subject to the tax imposed under § 507(c) with respect to such transfer. However, § 507(a) states that the status of any organization as a private foundation shall be terminated only if the organization notifies the Secretary of its intent to accomplish such termination or, with respect to the organization, there have been either willful repeated acts (or failures to act), or a willful and flagrant act (or failure to act), giving rise to liability for tax under Chapter 42, and the Secretary notifies such organization that, by reason of § 507(a)(2)(A), such organization is liable for the tax imposed by § 507(c). As discussed in the paragraph above, your transfers will constitute a significant distribution of assets described in § 507(b)(2). You have not notified the Secretary of your intent to terminate your status as a private foundation, and you have represented that you have not committed willful repeated acts (or failures to act) or committed a willful and flagrant act (or failure to act) which gives rise to tax under Chapter 42. Therefore, your proposed transfers of assets to the Foundations under § 507(b)(2) will not constitute either a notification of your intent to voluntarily terminate your status as a private foundation under § 507(a)(1), or "willful repeated acts (or failures to act) or a willful and flagrant act (or failure to act)," within the meaning of § 507(a)(2), such that you will therefore not be subject to tax under § 507(c).

The Successor Trusts have the same governing provisions as you, with the exceptions noted above, and collectively, the same income beneficiaries, and remainder beneficiaries. In addition, each income beneficiary and remainder beneficiary is entitled to the same benefits both before and after your division, with the exceptions noted above. Further, you are transferring all of your assets to the Successor Trusts pursuant to a transfer described in § 507(b)(2). Thus, you have not terminated your private foundation status under § 507(a)(1) as a result of your division, because no notice of termination was filed or was required to be filed. See § 1.507-1(b)(6).

Accordingly, the proposed transfers also will not terminate your private foundation status under § 507(a) but will constitute a transfer between private foundations within the contemplation of § 507(b)(2). Accordingly, the excise tax imposed under § 507(c) will not apply.

Ruling 4:

Section 4941(a) imposes an excise tax on each act of self-dealing between a disqualified person and a private foundation. Under § 53.4946-1(a)(8), a "disqualified person" does not include organizations that are exempt under § 501(c)(3) other than organizations also described in § 509(a)(4). Section 4947(a)(2) and § 53.4947-1(c)(1)(ii) provide that a split-interest trust generally is subject to the provisions of § 4941 (among other provisions) in the same manner as if such trust were a private foundation, but, under § 4947(a)(2)(A), not with respect to any amounts payable under the terms of such trust to income beneficiaries, unless a deduction was allowed for those amounts under §§ 170(f)(2)(B), 642(c), 2055(e)(2)(B), or 2522(e)(2)(B). Both CRATs and CRUTs and charitable lead trusts are split-interest trusts for this purpose and are, thus, subject to the rules of § 4941.

Your remainder beneficiaries are disqualified persons with respect to you under § 4946 because they are your trustees. The only interest that the remainder beneficiaries have in you is the right to the payment of the remainder interest. As a result of your division, Trust I and Trust II each will

hold a pro rata share of each of your assets, and each remainder beneficiary will receive his or her remainder interest from only one of these separate trusts. The remainder interest payments a remainder beneficiary will receive from Trust I or Trust II will remain equivalent to that remainder beneficiary's share of all remainder interests in you under the terms of your trust agreement.

The remainder beneficiaries will not receive any additional interest in your assets, and therefore no self-dealing transaction will occur within the meaning of § 4941(d). Your annual unitrust payments will remain preserved exclusively for charitable interests, and there will be no increase in the remainder interests at the expense of the charitable interest. Additionally, the pro rata division of your assets between Trust I and Trust II is not a sale or exchange between a private foundation and a disqualified person. Rather, it is a division of a charitable lead trust authorized under § 507(b)(2). Also, the Transfers will involve no other transactions with the remainder beneficiaries that affect your principal; and, accordingly, no self-dealing transaction will occur by reason of your division. Accordingly, the proposed Transfers from you to Successor Trusts will not constitute self-dealing transactions and will not be subject to excise tax under § 4941.

Ruling 5:

Section 4944 imposes an excise tax on investments that jeopardize a private foundation's charitable purpose. In the discussion of Ruling 2, above, we determined that your transfers to the Successor Trusts, which lack consideration and are not out of current income, will not constitute investments or sales or other dispositions of investment property. You are materially similar to the trust described in Situation 2 of Rev. Rul. 2002-28, *supra*, where a charitable trust transferred all of its assets and liabilities to a organization exempt under section 501(c)(3) and classified as a private foundation under section 509(a). Therefore, as explained in Rev. Rul. 2002-28, your transfers to the Successor Trusts will not constitute investments that jeopardize your exempt purposes and will not be subject to tax under § 4944.

Ruling 6:

Section 4945(d) imposes an excise tax on each taxable expenditure made by a private foundation as a grant to an organization unless the private foundation exercises expenditure responsibility with respect to the grant in accordance with subsection (h). However, since you will transfer all of your assets to the Successor Trusts, which you represent will be effectively controlled, directly or indirectly, by the same persons that effectively control you, for purposes of Chapter 42, the Successor Trusts will be treated as if they were you.

The transfers of your assets to the Successor Trusts will not be expenditures that require expenditure responsibility by you, pursuant either to § 1.507-3(a)(9) (if you and the Successor Trusts are controlled by the same person or persons) or § 1.507-3(a)(7) (if you and the Successor Trusts are not controlled by the same person or persons). Because you will have made no prior distributions for which expenditure responsibility is required, the Successor Trusts will assume no preexisting expenditure responsibility from you under § 1.507-3(a)(9). Thus, the proposed Transfers from you to Successor Trusts will not constitute taxable expenditures under § 4945(d), and you will not be required to exercise expenditure responsibility under § 4945(h) with respect to the proposed Transfers.

Conclusion:

Based on the foregoing, we rule as follows:

1. The proposed Transfers from you to the Successor Trusts will each constitute a "significant disposition of assets to one or more private foundations" within the meaning of § 1.507-3(a)(1) and (c) which are nonexempt split-interest trusts under § 4947(a)(2).
2. The proposed Transfers from you to the Successor Trusts will not result in a termination of private foundation status under § 507(a) as a nonexempt split-interest trust under § 4947(a)(2), but will constitute a transfer between private foundations (all of which are nonexempt split-interest trusts under § 4947(a)(2)) within the contemplation of § 507(b)(2).
3. The proposed Transfers from you to the Successor Trusts will not constitute either a notification of your intent to voluntarily terminate your status as a private foundation under § 507(a)(1) as a nonexempt split-interest trust under § 4947(a)(2), or "willful repeated acts (or failures to act) or a willful and flagrant act (or failure to act)," within the meaning of § 507(a)(2) such that you will, therefore, not be subject to tax under § 507(c).
4. The proposed Transfers from you to the Successor Trusts will not constitute self-dealing transactions and will not be subject to excise tax under § 4941.
5. The proposed Transfers from you to the Successor Trusts will not constitute jeopardizing investments for purposes of § 4944.
6. The proposed Transfers from you to the Successor Trusts will not constitute taxable expenditures under § 4945(d), and you will not be required to exercise expenditure responsibility under § 4945(h) with respect to the proposed Transfers.

This ruling will be made available for public inspection under § 6110 after certain deletions of identifying information are made. For details, see enclosed Notice 437, *Notice of Intention to Disclose.* A copy of this ruling with deletions that we intend to make available for public inspection is attached to Notice 437. If you disagree with our proposed deletions, you should follow the instructions in Notice 437.

This ruling is directed only to the organization that requested it. Section 6110(k)(3) provides that it may not be used or cited by others as precedent.

This ruling is based on the facts as they were presented and on the understanding that there will be no material changes in these facts. This ruling does not address the applicability of any section of the Code or regulations to the facts submitted other than with respect to the sections described. Because it could help resolve questions concerning your federal income tax status, this ruling should be kept in your permanent records.

If you have any questions about this ruling, please contact the person whose name and telephone number are shown in the heading of this letter.

In accordance with the Power of Attorney currently on file with the Internal Revenue Service, we are sending a copy of this letter to your authorized representative.

Sincerely,

Theodore R. Lieber
Manager, Exempt Organizations
Technical Group 3

Enclosure
Notice 437