

SIRF Question: Grantor Annuity Trust (Michael Karfunkel 2005 GRAT). Both Hod and Chesed Foundation of America have made loans to it. *What was this loan for? Who benefitted from the loan? How does this loan avoid the prohibitions on self-dealing when the beneficiaries are clearly his family?* Also: a GRAT is clearly constructed to have only the initial funding date but MK on 7/22/13 form 4 it is disclosed that he funded it again. *Why?*

Karfunkel Reply: Grantor Retained Annuity Trust

You say with respect to the Michael Karfunkel 2005 GRAT that: “Both Hod and Chesed Foundation of America have made loans to it...” This is inaccurate. There have been no loans made to the GRAT by Hod, the Chesed Foundation of America, Michael Karfunkel or George Karfunkel. What you may be confusing is in 2008, from the GRAT, AFSI shares were donated to Hod. However, because of a lag time with respect to updating the transfer agent’s records, dividend payments on those shares, instead of being sent to Hod, continued to be made to the GRAT. The Foundation, on its books, showed the dividends as income and also noted them as a receivable to be paid by the GRAT. Ultimately, the transfer agent’s records were updated and subsequent dividend payments on the donated AFSI shares were sent to Hod. The GRAT as well paid Hod the dividend funds that Hod should have received, thereby satisfying the Hod receivable. The GRAT was created with a single funding, no other. With respect to Michael Karfunkel’s 7/22/13 Form 4 to which you refer: the GRAT incorrectly made a distribution to the Hod Foundation instead of the GRAT’s beneficiary. This error was corrected by Hod reversing the distribution back to the GRAT. The GRAT then was able to make the proper distribution to its beneficiary.