

11/28/2012

Robert A. Ficalora
President, Royal Poinciana Playhouse Foundation
221 Ocean Terrace
Palm Beach, FL 33480
561-840-0696 (Palm Beach) 360-485-2692 (cell)

To:
Sidney and Robert Spiegel
340 Royal Poinciana Way Suite 326
Palm Beach, FL 33480
561-832-8502

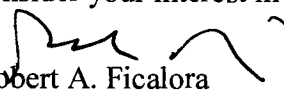
Dear Sirs,

I called your office at the Plaza on Monday, Nov 26th and had a brief talk with Mr. Sidney Spiegel, who didn't remember our meeting in October of 2010, or the letters and information that I had forwarded to him (see www.royalpoincianaplayhouse.org). I attempted to explain that his difficulties with the restrictive covenants that were placed upon Plaza property in 1979 when he purchased it could best (and most profitably) be overcome by donating the playhouse property to an IRS 501(c)(3) operating foundation.

It wasn't easy or cheap, and it took until November 1st 2012 to get approved, but the Royal Poinciana Playhouse Foundation has now been fully certified as an Operating Foundation by the United States Internal Revenue Service (see attached). What I wanted to talk about on Monday was the proposal that I developed during the IRS deliberations to use the Foundation to free you of the 1979 restrictive covenants and establish the coveted "further development possibilities" mentioned in the 1979 agreement and that you litigated to a final judgment before Judge David F. Crow on the tenth day of July, 2007. His holding is important that to get such possibilities negotiations need to take place with the Town Council. When I pointed this out to Councilman Michael Pucillo in the context of a proposal using the new foundation, he recommended that I talk with you.

The proposal is intended to give you the maximum tax and development benefits while delivering a world-class arts education and production campus. The 12 acre Plaza property would be divided with about two acres to be donated to the foundation from the fig tree North to Royal Poinciana Way and west to the Intra-coastal. We would approach the Florida department of transportation to build us parking garages along the northern edge of the Plaza property to serve the Playhouse and the dramatic new development that will be possible on the remaining ten acres of plaza property. Plans would also be approved by the Town for a four story building at the site of the Hibel building and an outdoor stage by the fig tree to dramatically increase the appraised value of the property to be donated.

I fly out to New York on Saturday December 1st and will return to Palm Beach after Christmas. Please consider your interest in my proposal. I can be reached at 360-485-2692.


Robert A. Ficalora

President
Royal Poinciana Playhouse Foundation
Cc: Councilman Michael Pucillo

INTERNAL REVENUE SERVICE
P. O. BOX 2508
CINCINNATI, OH 45201

DEPARTMENT OF THE TREASURY

Date: **NOV 01 2012**

ROYAL POINCIANA PLAYHOUSE
FOUNDATION INC
221 OCEAN TERRACE
PALM BEACH, FL 33480

Employer Identification Number:
27-2054146
DLN:
200320177
Contact Person:
MARGARITA D BARRAGAN ID# 95118
Contact Telephone Number:
(877) 829-5500
Accounting Period Ending:
June 30
Effective Date of Exemption:
August 3, 2010
Addendum Applies:
No

Dear Applicant:

We are pleased to inform you that upon review of your application for tax exempt status we have determined that you are exempt from Federal income tax under section 501(c)(3) of the Internal Revenue Code. Contributions to you are deductible under section 170 of the Code. You are also qualified to receive tax deductible bequests, devises, transfers or gifts under section 2055, 2106 or 2522 of the Code. Because this letter could help resolve any questions regarding your exempt status, you should keep it in your permanent records.

Based on the information you submitted with your application, we have determined you are likely to qualify as a private operating foundation described in section 4942(j)(3) of the Code. Accordingly, you are treated as a private operating foundation for your first year. After that, you will be treated as a private operating foundation as long as you continue to meet the requirements of section 4942(j)(3). You are required to file Form 990-PF annually.


Please see enclosed Publication 4221-PF, Compliance Guide for 501(c)(3) Private Foundations, for some helpful information about your responsibilities as an exempt organization.

Letter 1075 (DO/CG)

ROYAL POINCIANA PLAYHOUSE

We have sent a copy of this letter to your representative as indicated in your power of attorney.

Sincerely,

A handwritten signature in black ink that reads "Holly O. Paz". The signature is written in a cursive, slightly slanted style.

Holly O. Paz
Director, Exempt Organizations
Rulings and Agreements

Enclosure: Publication 4221-PF

What is a private foundation?

Every organization that qualifies for tax-exempt status under section 501(c)(3) of the Code is further classified as either a public charity or a private foundation. Under section 508, every organization is automatically classified as a private foundation unless it meets one of the exceptions listed in section 509(a). Private foundations typically have a single major source of funding (usually gifts from one family or corporation rather than funding from many sources) and most have as their primary activity the making of grants to other charitable organizations and to individuals, rather than the direct operation of charitable programs.

What are the different types of private foundations?

For tax purposes, it may be necessary to distinguish between the particular types of private foundations: private operating foundations, exempt operating foundations and grant-making (or non-operating) private foundations. Some tax law provisions apply to all types of private foundations, while other rules only apply to particular types of private foundations. The organization's exemption letter will indicate whether the organization has been classified as a private foundation, a private operating foundation or an exempt operating foundation. Private operating foundations and exempt operating foundations are relatively uncommon.

A **private operating foundation** is a private foundation that devotes most of its resources to the active conduct of its exempt activities as distinguished from the more common **grant-making foundation** that generally makes grants to other organizations for exempt purposes. A museum that is supported by a limited number of individuals would generally be an example of an operating foundation. A private foundation that makes grants to public charities or individuals in order to carry out its exempt purposes would generally be a private non-operating or grant-making foundation. However, grant-making private foundations may conduct their own programs as well.

While most of the restrictions and requirements that apply to private foundations also apply to private operating foundations, there are tax advantages to being classified as a private operating foundation. For example, charitable contributions to a private operating foundation qualify for a higher charitable deduction limit on the donor's tax return.

In order to demonstrate that it is a private operating foundation, an organization must meet an assets test, a support test, or an endowment test and demonstrate that it distributes substantially all (85% or more) of the lesser of its adjusted net income or minimum investment return directly for the active conduct of activities that further its exempt purposes.

Certain private operating foundations, referred to as **exempt operating foundations**, are exempt from the excise tax on net investment income that applies to other operating and grant-making foundations. This type of operating foundation must have been publicly supported for at least 10 years and have a broadly representative board with limited participation by disqualified persons. This type of private operating foundation is extremely rare.

A nonexempt charitable trust that has not obtained tax-exempt status under section 501(c)(3) is also treated as a private foundation where its unexpired interests are solely devoted to one or more charitable purposes and it has been allowed to receive tax-deductible, charitable contributions.

