

Appendix B. Process for Identifying and Preparing Additional Forms Filed with Form 990-PF

In order to comply with IRS regulations, the Foundation is required to file certain additional forms related to some of its alternative investments. Appendix B contains a discussion of the process and reasoning used to determine what forms need to be filed for a particular tax year, as well as how those forms are to be completed. A description of each additional form that the Foundation files as well as other forms that are to be considered is available at Appendix B-1.

When the Foundation initially invests in a new private equity investment, Foundation staff review the partnership documents carefully to identify the structure of the investment to the extent possible. As additional information is received from the investment manager regarding changes to the investment structure such as the use of new alternative investment vehicles (AIVs), the Foundation staff considers the effect that such changes might have on additional forms to be filed in the future related to the investment. However, the Foundation staff relies heavily and, in some cases, exclusively on the information reported on the K-1 for completing additional forms. This is because transactions with foreign entities are not available or apparent in general information reported by the partnership and the details required for reporting are part of daily operations known only to the partnership. General knowledge about the organizational structure and capital calls may assist us in our analysis of K-1s and preparation of additional forms. However, details of investment agreements and other private information about transactions are not disclosed outside of the organization. For example, the Foundation is typically not made aware of shares purchased, whether a transfer of cash was a tax-free transaction, details of dividend distributions, and tax details on the sale of an investment. For these details, the Foundation must rely on the reporting provided by the investment in the K-1, or Foundation staff may need to follow up with contacts at the investment for additional details related to a transaction.

Most required additional form filings are identified by the Accountant during analysis and entry of K-1s from the foundation's investments. Information about the K-1 process for preparation of the Foundation's Form 990-PF is available at Appendix A.

During the initial analysis of the K-1, the accountant reads through each K-1 to determine whether there is additional information to be reported. If the K-1 includes reporting regarding additional form filing, the Accountant prepares the additional form in Intelliforms utilizing the information provided in the K-1. A copy of the K-1 is made as support for each additional form filing. Additional forms typically include Forms 926, 8621, 8865, and 8886. If another additional form appears to be required, the Accountant flags the page on the K-1 to discuss with the Controller and/or the Vice President for Finance. If additional information or clarification is required to complete an additional form, the Accountant follows up with the partnership.

If Form 926 information is reported on the K-1, the Accountant prepares Form 926 using the information provided in the K-1.

If Form 8865 information is reported on the K-1, the Accountant prepares Form 8865 using the information provided in the K-1. The Accountant follows up with the reporting partnership regarding any additional information required to complete Form 8865. Form 8865 Schedule O is also prepared using the information provided in the K-1.

If Form 8886 information is reported on the K-1, the Accountant prepares Form 8886 using the information provided in the K-1. A general Form 8886 is also prepared each year to encompass all of the Foundation's investment activities that might be reportable. This Form 8886 is filed with both Form 990-T and Form 990-PF.

Form 8621 is filed to report Qualified Electing Fund (QEF) income. Most U.S. taxpayers, including individuals and for-profit entities, are required to make a QEF election with respect to ownership in a passive foreign investment company (PFIC). If this election is made, the taxpayer is subject to U.S. federal income tax on the taxpayer's pro rata share of capital gain and ordinary earnings of the corporation. However, because the Foundation is a nonprofit entity, it cannot make the QEF election unless the dividends of the corporation are treated as UBTI. When the Foundation cannot make the QEF election, its pro rata share of income is not included on the Foundation's tax return in the year it is earned by the corporation. Rather, income is reported on the tax return when the Foundation receives a distribution of accumulated earnings from the corporation.

QEF income may be reported in one of two ways on a K-1. QEF income may be included in the front page of the K-1, or it may be excluded from the income amounts on page 1 of the K-1 with a footnote disclosure of the QEF amounts. If there is Form 8621 reporting on the K-1, the Accountant enters the capital gain, ordinary earnings, and distribution information into the Form 8621 tracking spreadsheet file. If there are distributions of accumulated earnings, then the Foundation needs to report that amount on its tax return. If there are no distributions, or if there were no accumulated earnings to distribute, then no income is to be reported by the Foundation on its tax return for the current year. The Accountant then determines whether QEF income was included in the amounts on page 1 of the K-1. If QEF income amounts were included on page 1 of the K-1 but it has been determined that the Foundation is not subject to QEF, then an adjusting line is included in the K-1 summary spreadsheet to exclude this amount as income on the 990-PF. Similarly, if no QEF income amounts were included in the K-1 but it is determined that the Foundation is subject to QEF, an adjusting line is included in the K-1 summary spreadsheet to include this amount as income on the 990-PF.

Whether or not it is determined that the Foundation needs to report income in the current year related to a particular PFIC, the Foundation files Form 8621. A statement is attached to every Form 8621 indicating that Section 1291 rules do not apply to the Foundation under Treas. Reg. 1.1291-1(e). For additional information regarding the filing of Form 8621, see Appendix B-1.

Some private equity investments organized as foreign corporations provide a PFIC Annual Information Statement. In these cases, the PFIC statement is used in the same way that K-1 Form 8621 reporting would be used. The Accountant enters the capital gain, ordinary earnings, and distributions for the current year from the PFIC statement into the 8621 tracking spreadsheet to determine whether there was a distribution of accumulated earnings for the year. If it is determined that there was no distribution of accumulated earnings, then Form 8621 is prepared with no income, and no amounts are included on the K-1 summary spreadsheet. If it is determined that there were distributions of accumulated earnings, then Form 8621 is prepared to reflect that amount, and the amount is also included on the K-1 summary spreadsheet. The remainder of Form 8621 is prepared utilizing information received from the partnership as well as information from the prior year Form 8621 filed. Some of these investments are structured as offshore blocker corporations. In these cases, a statement (Statement 1) is attached to Form 926 in further explanation of the response to Part II, Question 8. Statement 1 is included in Appendix B.

Private equity investments organized as foreign partnerships may provide a pro forma K-1, or they may provide neither a K-1 nor a PFIC statement. For information regarding the alternative reporting that may be provided by these private equity investments, please see Appendices A and A-2. In these cases, the Accountant first refers to the Tax Permanent File to determine whether there is information regarding the investment in question. Any notes regarding unusual reporting will be in this file. If there is no information in the file, the Accountant brings the matter to the attention of the Controller and the Vice President of Finance. A course of action is then determined. This typically includes a call with a representative of the partnership to discuss the structure of the investment and related reporting requirements that the Foundation might be subject to.

For information regarding additional forms filed for the Foundation's hedge fund investments, please see Appendix C.

A listing of the additional forms is prepared by the Accountant while the forms are being prepared, and it is compared to the prior year's listing to identify inconsistencies. These filing inconsistencies are investigated by the Accountant to determine whether there may be additional filing requirements that were missed during initial preparation of the additional forms.

The additional forms along with any supporting documentation are provided to the Controller for review. Changes are made, research is completed, and follow up is done with the partnerships regarding any issues that the Controller identifies during review. When the Controller has cleared back her changes to the additional forms, the forms are provided to the Vice President for Finance for further review, along with any questions that the Controller and Accountant had which remain unresolved. Follow up and research are completed, and changes are made per the Vice President's review. The additional form listing is also reviewed by the Controller and the Vice President for Finance.

The additional forms are reviewed by the Deloitte professional who reviews the tax return. Additional research and/or follow up with the partnerships is done per that person's review, and changes are also made to the forms in accordance with her review.

Once all of the additional forms have been reviewed and appear to be in their final state, they are set aside to be included in the return. When they are collated with the rest of the return, the Accountant compares the forms being included in the return to the listing that was previously prepared and reviewed. After the return has been paginated and copied, the Accountant fills in the page numbers for each additional form on the additional form listing for easy reference in the future.

THE LYNDE AND HARRY BRADLEY FOUNDATION, INC.
1241 NORTH FRANKLIN PLACE
MILWAUKEE, WI 53202

39-6037928
STATEMENT 1

The transferee corporation is an offshore blocker corporation. The investment is through a private equity partnership. We do not have sufficient information to determine if the foreign corporation is a controlled foreign corporation. However, we believe it is very unlikely the transferee is a controlled foreign corporation.

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Section 1291 rules do not apply to the Foundation under Trea. Reg. 1.1291-1 (e).

Appendix B-1: Information on Additional Forms

Note: The below discussion applies to forms filed for tax years ending 12/31/2011 and earlier. It does not incorporate revisions to these forms that occurred for tax year 2012 or later.

926: Return by a U.S. Transferor of Property to a Foreign Corporation	<p>Form 926 is completed for all transfers to foreign corporations during the year, including transfers to hedge fund investments. The form is completed using the tax reporting information provided by the investment. If the tax reporting is silent, the Permanent File includes information regarding the standard responses to be used for Part I of the form. The capital statement provided by the investment may be used to determine the transfer amount(s) to be included in Part III as well as the ownership percentages to be included in Part IV, and subscription documents may be used to complete Part II. Follow up with a contact at the investment may be necessary to complete Form 926.</p> <p>A statement may be attached to Form 926 as an additional explanation for the response to Part II, Question 8, which asks whether the transferee foreign corporation is a controlled foreign corporation. This statement indicates that the Foundation does not have sufficient information to determine whether the foreign corporation is a controlled foreign corporation, but that the Foundation believes this is very unlikely.</p> <p>Form 926 is a form frequently filed by the Foundation; about 50 were filed for the year ended 12/31/2011.</p>
Form 8621: Information Return by a Shareholder of a Passive Foreign Investment Company or Qualified Electing Fund	<p>Form 8621 is completed to report the Foundation's PFIC activities, whether or not there is income to be included on the tax return from the activity. The first section of Form 8621 contains identifying information for the PFIC investment. This is completed using tax reporting information from the investment, and may require follow up with the contact at the investment.</p> <p>A PFIC is a foreign company with 75% or more of gross income being passive (dividends, interest, royalties, or rents), or with 50% of assets producing passive income. A QEF election is an election that a taxpayer makes to include PFIC income in its taxable income for the year. In some cases, a domestic partnership in which the Foundation is invested may make a QEF election on behalf of its partners.</p> <p>PFIC reporting for private foundations is different from that of other taxpayers. The Foundation reports income when it is distributed rather than when the income is reported by the PFIC. Using the tax reporting information provided by the investment, as well as the capital statement if necessary, the Form 8621 Tracking Spreadsheet is completed to determine whether the Foundation has reportable income for the tax year. This spreadsheet includes the Foundation's pro-rata share of income, as well as contributions and distributions for each year that the Foundation has had the PFIC investment. The tracking spreadsheet is used to determine the amount of the year's distributions that represents accumulated earnings versus the amount of the distributions that represents a return of capital from the PFIC investment. Once these amounts have been</p>

Form 8621 (cont'd)	<p>determined, the portion of the distribution that represents income is reported on Part IV, Line 10a of Form 8621, and all of the other lines in Parts I – V of the form are left blank. If no distributions were made during the year, or if the distributions were all considered a return of capital, then all of the lines in Parts I – V are left blank.</p> <p>An exception to the above scenario in which all lines are left blank would exist if Mark-to-Market PFIC information is provided in the tax reporting from the investment, in which case lines in Part III would be completed. This reporting very rarely occurs.</p> <p>A statement is attached to each Form 8621 indicating that the Section 1291 rules do not apply to the Foundation under Trea. Reg. 1.1291-1(e).</p> <p>When a PFIC investment is sold, any remaining accumulated earnings and profit from the PFIC is reported on Form 8621 and included in taxable income, and the tax basis of the PFIC is increased by that amount in calculating any gain/loss on the disposition of the PFIC. The accumulated earnings are reported on Part IV, line 10a, and the gain/loss on the disposition of the PFIC is reported on Part IV, line 10f. Lines 11a – 11f of Part IV also need to be completed, including the attached described in Part IV, line 11a. Parts I – III and Part V of the form are left blank.</p> <p>About 20 of these forms were filed for the year ended 12/31/2011.</p>
Form 8865: Return of U.S. Persons With Respect to Certain Foreign Partnerships	<p>Form 8865 is completed to report the Foundation's contribution(s) to a foreign partnership during the year. K-1 footnotes will typically include information regarding the Form 8865 if the form may need to be filed. In this case, the footnotes will include the majority of the information to complete the form. This will include information to complete Form 8865 Schedule O, which summarizes the property transferred to the Foreign Partnership during the year as well as the Foundation's ownership percentage in the partnership after the transfer.</p> <p>In some cases, the investment itself is the foreign partnership to which the Foundation has made contributions during the year. An understanding of the structures of the Foundation's investment is necessary in determining whether this is the case. In such cases, the tax reporting information provided by the investment may still assist in the completion of the Form 8865, but it may not provide line by line information for completion of the form. Follow up with a contact at the investment may be necessary to complete Form 8865 if not all pertinent information is included in the tax reporting information. A comparison of current year to prior year filings may assist in ensuring that all required Forms 8865 are being filed for the current year.</p> <p>The Foundation also had two investments for the 2011 tax year that made contributions to foreign partnerships, but which filed the Form 8865 on the partners' behalf. When it is unclear whether Form 8865 needs to be filed based on knowledge of the investment structure, its activities during the year, and its tax reporting, the Foundation staff confirm with a contact whether the form has been filed on the partners' behalf. If the intermediary investment has filed Form</p>

	<p>8865, then the Foundation does not need to file the form with respect to that contribution to a foreign partnership.</p> <p>This form is signed by the Foundation's CEO and the external tax return reviewer.</p> <p>Seven of these forms were filed for the year ended 12/31/2011.</p>
Form 8886: Reportable Transaction Disclosure Statement	<p>Form 8886 is completed to disclose reportable transactions for the year. Information regarding reportable transactions in which the Foundation was a participant is provided in the tax reporting from the investments. This is typically included in K-1 footnotes. In such cases, the form is completed using the detail provided in the footnotes. A detailed description to be included on Page 2 of the form is sometimes not included in the information provided by the investment. In this case, the Accountant, Controller, and VP for Finance come up with language to be used, which is usually very similar to language on prior year forms. The description is reviewed by the external tax reviewer, who might suggest adjustments.</p> <p>A general Form 8886 is also completed each year to encompass any reportable transactions that might not be identified on the other forms. Completion of this form is modeled on the prior year general Form 8886, with adjustments to language and thresholds as seen fit based on a reading of the current year form instructions and input from the external tax reviewer.</p> <p>In addition to being filed with the Foundation's Form 990PF, the general Form 8886 and any investment-specific Forms 8886 that relate to investments which produce UBTI are attached to the Foundation's Form 990T.</p> <p>In addition to being filed with the Form 990PF and the Form 990T, all Forms 8886 are also filed separately with the Internal Revenue Service.</p> <p>The Foundation filed one general Form 8886 and one investment-specific Form 8886 for the year ended 12/31/2011.</p>
Other	<p>The following forms have not been filed by the Foundation in the past, but may need to be filed in the future:</p> <p>Form 8938: Statement of Specified Foreign Financial Assets – This form is used to report specified foreign financial assets if the total value of all specified foreign financial assets is more than the appropriate reporting threshold. For tax years ending before 1/1/2013, only individuals must file Form 8938. The IRS anticipates issuing regulations in the future that would require other taxpayers to file this form.</p> <p>Form 3520: Annual Return to Report Transactions With Foreign Trusts and Receipt of Certain Foreign Gifts – This form is filed to report transfers to a foreign trust and/or the receipt of foreign gifts. The Foundation has not had these activities in the past, but may need to consider the additional filing requirement should the Foundation have such activity in the future.</p>

Other (cont'd)

Form 5471: Information Return of U.S. Persons With Respect to Certain Foreign Corporations – This form is used to report information about foreign corporations with substantial U.S. ownership. The Foundation does not have substantial control over any foreign corporations, but should be aware of this filing requirement in case this should ever be the case. Note that two of the Foundation's investments do file Form 5471 because they have substantial control of Foreign Corporations in which they are invested. The Foundation receives Form 5471 as the tax reporting information from those investments.

Form 8858: Information Return of U.S. Persons With Respect to Foreign Disregarded Entities – This form is filed if a U.S. person owns a foreign corporation that is, or has elected to be treated as, a disregarded entity. The Foundation does not have any such investments at this time.

Form 5713: International Boycott Report – This form is filed if the taxpayer is one of the following:

- Has operations in or related to a boycotting country
- Is a member of a controlled group of which a member has operations in or related to a boycotting country
- Is a U.S. Shareholder with ownership of 10% or more of a foreign corporation that has operations in or related to a boycotting country
- Is a partner in a partnership that has operations in or related to a boycotting country
- Is treated as the owner of a trust that has operations in or related to a boycotting country

At this time, the Foundation is not aware of any investments with activities in boycotting countries which would require the Foundation to file Form 5713.

Form TD F 90-22.1 – This form is filed to disclose the existence of foreign bank or other financial accounts. The Foundation has determined that it is not required to file this form, as it does not hold a financial interest in, or signature or other authority over, any financial accounts that are required to be disclosed. Should the Foundation's holdings change, this may need to be reassessed. Also, if the scope of accounts requiring disclosure changes, the Foundation may need to reassess whether or not it is required to file this form.