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EXTENDED TO JANUARY 31, 2018

Form **990-PF**Department of the Treasury
Internal Revenue Service**Return of Private Foundation**

or Section 4947(a)(1) Trust Treated as Private Foundation

Do not enter social security numbers on this form as it may be made public.

Information about Form 990-PF and its separate instructions is at www.irs.gov/form990pf.

OMB No 1545-0052

2016

Open to Public Inspection

For calendar year 2016 or tax year beginning

, and ending

Name of foundation

**ALBERT & ETHEL HERZSTEIN
CHARITABLE FOUNDATION**

A Employer identification number

74-6070484

Number and street (or P.O. box number if mail is not delivered to street address)

6131 WESTVIEW

Room/suite

B Telephone number

713-681-7868

City or town, state or province, country, and ZIP or foreign postal code

HOUSTON, TX 77055C If exemption application is pending, check here ☐

G Check all that apply:

☐ Initial return☐ Initial return of a former public charity☐ Final return☐ Amended return☐ Address change☐ Name changeD 1. Foreign organizations, check here ☐2. Foreign organizations meeting the 85% test, check here and attach computation ☐

H Check type of organization:

☒ Section 501(c)(3) exempt private foundation☐ Section 4947(a)(1) nonexempt charitable trust ☐ Other taxable private foundationE If private foundation status was terminated under section 507(b)(1)(A), check here ☐

I Fair market value of all assets at end of year

J Accounting method:

☐ Cash☒ Accrual☐ Other (specify)F If the foundation is in a 60-month termination under section 507(b)(1)(B), check here ☐

(from Part II, col (c), line 16)

\$ 102,588,494. (Part I, column (d) must be on cash basis)**Part I Analysis of Revenue and Expenses**

(The total of amounts in columns (b), (c), and (d) may not necessarily equal the amounts in column (a).)

	(a) Revenue and expenses per books	(b) Net investment income	(c) Adjusted net income	(d) Disbursements for charitable purposes (cash basis only)
Revenue				
1 Contributions, gifts, grants, etc., received			N/A	
2 Check <input checked="" type="checkbox"/> if the foundation is not required to attach Sch. B				
3 Interest on savings and temporary cash investments				
4 Dividends and interest from securities	3,773,087.	3,773,087.		STATEMENT 1
5a Gross rents				
b Net rental income or (loss)				
6a Net gain or (loss) from sale of assets not on line 10	1,059,970.			
b Gross sales price for all assets on line 6a	8,577,142.			
7 Capital gain net income (from Part IV, line 2)		1,059,970.		
8 Net short-term capital gain				
9 Income modifications				
10a Gross sales less returns and allowances				
b Less Cost of goods sold				
c Gross profit or (loss)				
11 Other income	274,574.	329,556.		STATEMENT 2
12 Total. Add lines 1 through 11	5,107,631.	5,162,613.		
Operating and Administrative Expenses				
13 Compensation of officers, directors, trustees, etc	292,555.	117,022.		175,533.
14 Other employee salaries and wages	205,217.	74,157.		131,060.
15 Pension plans, employee benefits	57,368.	22,947.		34,421.
16a Legal fees STMT 3	3,851.	963.		2,888.
b Accounting fees STMT 4	47,500.	11,732.		35,768.
c Other professional fees STMT 5	42,929.	38,776.		4,153.
17 Interest				
18 Taxes STMT 6	103,282.	0.		0.
19 Depreciation and depletion	6,628.	6,628.		
20 Occupancy	6,704.	1,676.		5,028.
21 Travel, conferences, and meetings	34,771.	19,124.		15,647.
22 Printing and publications	1,571.	393.		1,178.
23 Other expenses STMT 7	187,890.	93,513.		94,377.
24 Total operating and administrative expenses. Add lines 13 through 23	990,266.	386,931.		500,053.
25 Contributions, gifts, grants paid	4,066,685.			4,066,685.
26 Total expenses and disbursements. Add lines 24 and 25	5,056,951.	386,931.		4,566,738.
27 Subtract line 26 from line 12:				
a Excess of revenue over expenses and disbursements	50,680.			
b Net investment income (if negative, enter -0-)		4,775,682.		
c Adjusted net income (if negative, enter -0-)			N/A	

623501 11-23-16 LHA For Paperwork Reduction Act Notice, see instructions.

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Part II Balance Sheets		Attached schedules and amounts in the description column should be for end-of-year amounts only		Beginning of year	End of year	
				(a) Book Value	(b) Book Value	(c) Fair Market Value
Assets	1	Cash - non-interest-bearing		140,351.	178,418.	178,418.
	2	Savings and temporary cash investments		1,750,876.	1,474,368.	1,474,368.
	3	Accounts receivable ▶ 757,720.		875,292.	757,720.	757,720.
		Less: allowance for doubtful accounts ▶				
	4	Pledges receivable ▶				
		Less: allowance for doubtful accounts ▶				
	5	Grants receivable				
	6	Receivables due from officers, directors, trustees, and other disqualified persons				
	7	Other notes and loans receivable ▶				
		Less: allowance for doubtful accounts ▶				
	8	Inventories for sale or use				
	9	Prepaid expenses and deferred charges		56,214.		
	10a	Investments - U.S. and state government obligations STMT 9		19,805.	19,815.	19,815.
	b	Investments - corporate stock STMT 10		38,130,119.	37,844,761.	37,844,761.
	c	Investments - corporate bonds STMT 11		300,404.	328,584.	328,584.
	11	Investments - land, buildings, and equipment, basis ▶				
	Less: accumulated depreciation ▶					
12	Investments - mortgage loans					
13	Investments - other					
14	Land, buildings, and equipment, basis ▶ 87,753.					
	Less: accumulated depreciation ▶ 64,935.		8,018.	22,818.	22,818.	
15	Other assets (describe ▶ STATEMENT 12)		45,987,902.	61,962,010.	61,962,010.	
16	Total assets (to be completed by all filers - see the instructions. Also, see page 1, item I)		87,268,981.	102,588,494.	102,588,494.	
Liabilities	17	Accounts payable and accrued expenses		11,377.		
	18	Grants payable				
	19	Deferred revenue				
	20	Loans from officers, directors, trustees, and other disqualified persons				
	21	Mortgages and other notes payable				
	22	Other liabilities (describe ▶)				
23	Total liabilities (add lines 17 through 22)		11,377.	0.		
Net Assets or Fund Balances		Foundations that follow SFAS 117, check here ▶ <input checked="" type="checkbox"/> and complete lines 24 through 26 and lines 30 and 31.				
	24	Unrestricted		87,257,604.	102,588,494.	
	25	Temporarily restricted				
	26	Permanently restricted				
		Foundations that do not follow SFAS 117, check here ▶ <input type="checkbox"/> and complete lines 27 through 31.				
	27	Capital stock, trust principal, or current funds				
	28	Paid-in or capital surplus, or land, bldg., and equipment fund				
	29	Retained earnings, accumulated income, endowment, or other funds				
30	Total net assets or fund balances		87,257,604.	102,588,494.		
31	Total liabilities and net assets/fund balances		87,268,981.	102,588,494.		

Part III Analysis of Changes in Net Assets or Fund Balances

1	Total net assets or fund balances at beginning of year - Part II, column (a), line 30 (must agree with end-of-year figure reported on prior year's return)	1	87,257,604.
2	Enter amount from Part I, line 27a	2	50,680.
3	Other increases not included in line 2 (itemize) ▶ SEE STATEMENT 8	3	15,280,210.
4	Add lines 1, 2, and 3	4	102,588,494.
5	Decreases not included in line 2 (itemize) ▶	5	0.
6	Total net assets or fund balances at end of year (line 4 minus line 5) - Part II, column (b), line 30	6	102,588,494.

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Part IV Capital Gains and Losses for Tax on Investment Income

(a) List and describe the kind(s) of property sold (e.g., real estate, 2-story brick warehouse; or common stock, 200 shs. MLC Co.)	(b) How acquired P - Purchase D - Donation	(c) Date acquired (mo., day, yr.)	(d) Date sold (mo., day, yr.)
1a SEE ATTACHED SCHEDULE	P		
b			
c			
d			
e			

(e) Gross sales price	(f) Depreciation allowed (or allowable)	(g) Cost or other basis plus expense of sale	(h) Gain or (loss) (e) plus (f) minus (g)
a 8,577,142.		7,517,172.	1,059,970.
b			
c			
d			
e			

(i) F.M.V. as of 12/31/69	(j) Adjusted basis as of 12/31/69	(k) Excess of col. (i) over col. (j), if any	(l) Gains (Col. (h) gain minus col. (k), but not less than -0-) or Losses (from col. (h))
a			1,059,970.
b			
c			
d			
e			

2 Capital gain net income or (net capital loss)	{ If gain, also enter in Part I, line 7 If (loss), enter -0- in Part I, line 7 }	2	1,059,970.
3 Net short-term capital gain or (loss) as defined in sections 1222(5) and (6): If gain, also enter in Part I, line 8, column (c). If (loss), enter -0- in Part I, line 8	{ }	3	N/A

Part V Qualification Under Section 4940(e) for Reduced Tax on Net Investment Income

(For optional use by domestic private foundations subject to the section 4940(a) tax on net investment income.)

If section 4940(d)(2) applies, leave this part blank.

Was the foundation liable for the section 4942 tax on the distributable amount of any year in the base period?

☐ Yes ☒ No

If "Yes," the foundation does not qualify under section 4940(e). Do not complete this part.

1 Enter the appropriate amount in each column for each year; see the instructions before making any entries.

(a) Base period years Calendar year (or tax year beginning in)	(b) Adjusted qualifying distributions	(c) Net value of noncharitable-use assets	(d) Distribution ratio (col. (b) divided by col. (c))
2015	4,788,091.	92,755,758.	.051620
2014	5,156,610.	100,268,267.	.051428
2013	4,582,496.	99,541,600.	.046036
2012	4,462,077.	92,276,573.	.048355
2011	3,422,180.	89,001,043.	.038451

2 Total of line 1, column (d)	2	.235890
3 Average distribution ratio for the 5-year base period - divide the total on line 2 by 5, or by the number of years the foundation has been in existence if less than 5 years	3	.047178
4 Enter the net value of noncharitable-use assets for 2016 from Part X, line 5	4	94,568,220.
5 Multiply line 4 by line 3	5	4,461,539.
6 Enter 1% of net investment income (1% of Part I, line 27b)	6	47,757.
7 Add lines 5 and 6	7	4,509,296.
8 Enter qualifying distributions from Part XII, line 4	8	4,566,738.

If line 8 is equal to or greater than line 7, check the box in Part VI, line 1b, and complete that part using a 1% tax rate.
See the Part VI instructions.

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Part VI Excise Tax Based on Investment Income (Section 4940(a), 4940(b), 4940(e), or 4948 - see instructions)

1a Exempt operating foundations described in section 4940(d)(2), check here <input type="checkbox"/> and enter "N/A" on line 1. Date of ruling or determination letter: _____ (attach copy of letter if necessary-see instructions)			
b Domestic foundations that meet the section 4940(e) requirements in Part V, check here <input checked="" type="checkbox"/> and enter 1% of Part I, line 27b		1	47,757.
c All other domestic foundations enter 2% of line 27b. Exempt foreign organizations enter 4% of Part I, line 12, col. (b).			
2 Tax under section 511 (domestic section 4947(a)(1) trusts and taxable foundations only. Others enter -0-)		2	0.
3 Add lines 1 and 2		3	47,757.
4 Subtitle A (income) tax (domestic section 4947(a)(1) trusts and taxable foundations only. Others enter -0-)		4	0.
5 Tax based on investment income. Subtract line 4 from line 3. If zero or less, enter -0-		5	47,757.
6 Credits/Payments:			
a 2016 estimated tax payments and 2015 overpayment credited to 2016		6a	
b Exempt foreign organizations - tax withheld at source		6b	
c Tax paid with application for extension of time to file (Form 8868)		6c	60,000.
d Backup withholding erroneously withheld		6d	
7 Total credits and payments. Add lines 6a through 6d		7	60,000.
8 Enter any penalty for underpayment of estimated tax. Check here <input type="checkbox"/> if Form 2220 is attached		8	1,427.
9 Tax due. If the total of lines 5 and 8 is more than line 7, enter amount owed		9	
10 Overpayment. If line 7 is more than the total of lines 5 and 8, enter the amount overpaid		10	10,816.
11 Enter the amount of line 10 to be: Credited to 2017 estimated tax <input checked="" type="checkbox"/> 10,816. Refunded <input type="checkbox"/>		11	0.

Part VII-A Statements Regarding Activities

	Yes	No
1a During the tax year, did the foundation attempt to influence any national, state, or local legislation or did it participate or intervene in any political campaign?		X
b Did it spend more than \$100 during the year (either directly or indirectly) for political purposes (see instructions for the definition)? If the answer is "Yes" to 1a or 1b, attach a detailed description of the activities and copies of any materials published or distributed by the foundation in connection with the activities		X
c Did the foundation file Form 1120-POL for this year?		X
d Enter the amount (if any) of tax on political expenditures (section 4955) imposed during the year: (1) On the foundation. <input checked="" type="checkbox"/> \$ 0. (2) On foundation managers. <input checked="" type="checkbox"/> \$ 0.		
e Enter the reimbursement (if any) paid by the foundation during the year for political expenditure tax imposed on foundation managers. <input checked="" type="checkbox"/> \$ 0.		
2 Has the foundation engaged in any activities that have not previously been reported to the IRS? If "Yes," attach a detailed description of the activities		X
3 Has the foundation made any changes, not previously reported to the IRS, in its governing instrument, articles of incorporation, or bylaws, or other similar instruments? If "Yes," attach a conformed copy of the changes		X
4a Did the foundation have unrelated business gross income of \$1,000 or more during the year?	X	
b If "Yes," has it filed a tax return on Form 990-T for this year?	X	
5 Was there a liquidation, termination, dissolution, or substantial contraction during the year? If "Yes," attach the statement required by General Instruction T.		X
6 Are the requirements of section 508(e) (relating to sections 4941 through 4945) satisfied either: • By language in the governing instrument, or • By state legislation that effectively amends the governing instrument so that no mandatory directions that conflict with the state law remain in the governing instrument?	X	
7 Did the foundation have at least \$5,000 in assets at any time during the year? If "Yes," complete Part II, col (c), and Part XV	X	
8a Enter the states to which the foundation reports or with which it is registered (see instructions) <input checked="" type="checkbox"/> TX		
b If the answer is "Yes" to line 7, has the foundation furnished a copy of Form 990-PF to the Attorney General (or designate) of each state as required by General Instruction G? If "No," attach explanation	X	
9 Is the foundation claiming status as a private operating foundation within the meaning of section 4942(j)(3) or 4942(j)(5) for calendar year 2016 or the taxable year beginning in 2016 (see instructions for Part XIV)? If "Yes," complete Part XIV		X
10 Did any persons become substantial contributors during the tax year? If "Yes," attach a schedule listing their names and addresses		X

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Part VII-A Statements Regarding Activities (continued)

	Yes	No
11 At any time during the year, did the foundation, directly or indirectly, own a controlled entity within the meaning of section 512(b)(13)? If "Yes," attach schedule (see instructions)	X	
12 Did the foundation make a distribution to a donor advised fund over which the foundation or a disqualified person had advisory privileges? If "Yes," attach statement (see instructions)		X
13 Did the foundation comply with the public inspection requirements for its annual returns and exemption application? Website address ► WWW.HERZSTEINFOUNDATION.ORG	X	
14 The books are in care of ► L. MICHAEL HAJTMAN Telephone no. ► 713-681-7868 Located at ► 6131 WESTVIEW, HOUSTON, TX ZIP+4 ► 77055		
15 Section 4947(a)(1) nonexempt charitable trusts filing Form 990-PF in lieu of Form 1041 - Check here and enter the amount of tax-exempt interest received or accrued during the year ► 15 N/A		
16 At any time during calendar year 2016, did the foundation have an interest in or a signature or other authority over a bank, securities, or other financial account in a foreign country? See the instructions for exceptions and filing requirements for FinCEN Form 114. If "Yes," enter the name of the foreign country ►	X	

Part VII-B Statements Regarding Activities for Which Form 4720 May Be Required

File Form 4720 if any item is checked in the "Yes" column, unless an exception applies.

	Yes	No
1a During the year did the foundation (either directly or indirectly):		
(1) Engage in the sale or exchange, or leasing of property with a disqualified person?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	
(2) Borrow money from, lend money to, or otherwise extend credit to (or accept it from) a disqualified person?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	
(3) Furnish goods, services, or facilities to (or accept them from) a disqualified person?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	
(4) Pay compensation to, or pay or reimburse the expenses of, a disqualified person?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	
(5) Transfer any income or assets to a disqualified person (or make any of either available for the benefit or use of a disqualified person)?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	
(6) Agree to pay money or property to a government official? (Exception. Check "No" if the foundation agreed to make a grant to or to employ the official for a period after termination of government service, if terminating within 90 days.)	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	
b If any answer is "Yes" to 1a(1)-(6), did any of the acts fail to qualify under the exceptions described in Regulations section 53.4941(d)-3 or in a current notice regarding disaster assistance (see instructions)? Organizations relying on a current notice regarding disaster assistance check here ► <input type="checkbox"/>	1b	X
c Did the foundation engage in a prior year in any of the acts described in 1a, other than excepted acts, that were not corrected before the first day of the tax year beginning in 2016?	1c	X
2 Taxes on failure to distribute income (section 4942) (does not apply for years the foundation was a private operating foundation defined in section 4942(j)(3) or 4942(j)(5)):		
a At the end of tax year 2016, did the foundation have any undistributed income (lines 6d and 6e, Part XIII) for tax year(s) beginning before 2016? If "Yes," list the years ► _____, _____, _____	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	
b Are there any years listed in 2a for which the foundation is not applying the provisions of section 4942(a)(2) (relating to incorrect valuation of assets) to the year's undistributed income? (If applying section 4942(a)(2) to all years listed, answer "No" and attach statement - see instructions.)	N/A	2b
c If the provisions of section 4942(a)(2) are being applied to any of the years listed in 2a, list the years here. ► _____, _____, _____		
3a Did the foundation hold more than a 2% direct or indirect interest in any business enterprise at any time during the year?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	
b If "Yes," did it have excess business holdings in 2016 as a result of (1) any purchase by the foundation or disqualified persons after May 26, 1969; (2) the lapse of the 5-year period (or longer period approved by the Commissioner under section 4943(c)(7)) to dispose of holdings acquired by gift or bequest; or (3) the lapse of the 10-, 15-, or 20-year first phase holding period? (Use Schedule C, Form 4720, to determine if the foundation had excess business holdings in 2016)	3b	X
4a Did the foundation invest during the year any amount in a manner that would jeopardize its charitable purposes?	4a	X
b Did the foundation make any investment in a prior year (but after December 31, 1969) that could jeopardize its charitable purpose that had not been removed from jeopardy before the first day of the tax year beginning in 2016?	4b	X

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Part VII-B Statements Regarding Activities for Which Form 4720 May Be Required (continued)

5a During the year did the foundation pay or incur any amount to:

(1) Carry on propaganda, or otherwise attempt to influence legislation (section 4945(e))?

☐ Yes ☒ No

(2) Influence the outcome of any specific public election (see section 4955); or to carry on, directly or indirectly, any voter registration drive?

☐ Yes ☒ No

(3) Provide a grant to an individual for travel, study, or other similar purposes?

☐ Yes ☒ No

(4) Provide a grant to an organization other than a charitable, etc., organization described in section 4945(d)(4)(A)? (see instructions)

☒ Yes ☐ No

(5) Provide for any purpose other than religious, charitable, scientific, literary, or educational purposes, or for the prevention of cruelty to children or animals?

☐ Yes ☒ No

b If any answer is "Yes" to 5a(1)-(5), did any of the transactions fail to qualify under the exceptions described in Regulations section 53.4945 or in a current notice regarding disaster assistance (see instructions)?

Organizations relying on a current notice regarding disaster assistance check here

☐

c If the answer is "Yes" to question 5a(4), does the foundation claim exemption from the tax because it maintained expenditure responsibility for the grant?

SEE STATEMENT 16

☒ Yes ☐ No

If "Yes," attach the statement required by Regulations section 53.4945-5(d)

6a Did the foundation, during the year, receive any funds, directly or indirectly, to pay premiums on a personal benefit contract?

☐ Yes ☒ No

b Did the foundation, during the year, pay premiums, directly or indirectly, on a personal benefit contract?

If "Yes" to 6b, file Form 8870

6b X

7a At any time during the tax year, was the foundation a party to a prohibited tax shelter transaction?

☐ Yes ☒ No

b If "Yes," did the foundation receive any proceeds or have any net income attributable to the transaction?

N/A

7b

Part VIII Information About Officers, Directors, Trustees, Foundation Managers, Highly Paid Employees, and Contractors

1 List all officers, directors, trustees, foundation managers and their compensation.

(a) Name and address	(b) Title, and average hours per week devoted to position	(c) Compensation (If not paid, enter -0-)	(d) Contributions to employee benefit plans and deferred compensation	(e) Expense account, other allowances
SEE STATEMENT 15		292,555.	24,000.	0.

2 Compensation of five highest-paid employees (other than those included on line 1). If none, enter "NONE."

(a) Name and address of each employee paid more than \$50,000	(b) Title, and average hours per week devoted to position	(c) Compensation	(d) Contributions to employee benefit plans and deferred compensation	(e) Expense account, other allowances
NONE				

Total number of other employees paid over \$50,000

0

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Part VIII Information About Officers, Directors, Trustees, Foundation Managers, Highly Paid Employees, and Contractors (continued)

3 Five highest-paid independent contractors for professional services. If none, enter "NONE."

(a) Name and address of each person paid more than \$50,000	(b) Type of service	(c) Compensation
NONE		
Total number of others receiving over \$50,000 for professional services		0

Part IX-A Summary of Direct Charitable Activities

List the foundation's four largest direct charitable activities during the tax year. Include relevant statistical information such as the number of organizations and other beneficiaries served, conferences convened, research papers produced, etc.	Expenses
1 N/A	
	0.
2	
3	
4	

Part IX-B Summary of Program-Related Investments

Describe the two largest program-related investments made by the foundation during the tax year on lines 1 and 2.	Amount
1 NONE	
	0.
2	
All other program-related investments. See instructions.	
3	
Total. Add lines 1 through 3	0.

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Part X Minimum Investment Return (All domestic foundations must complete this part. Foreign foundations, see instructions)

1	Fair market value of assets not used (or held for use) directly in carrying out charitable, etc., purposes:		
a	Average monthly fair market value of securities	1a	37,066,671.
b	Average of monthly cash balances	1b	5,003,774.
c	Fair market value of all other assets	1c	53,937,900.
d	Total (add lines 1a, b, and c)	1d	96,008,345.
e	Reduction claimed for blockage or other factors reported on lines 1a and 1c (attach detailed explanation)	1e	0.
2	Acquisition indebtedness, applicable to line 1 assets	2	0.
3	Subtract line 2 from line 1d	3	96,008,345.
4	Cash deemed held for charitable activities. Enter 1 1/2% of line 3 (for greater amount, see instructions)	4	1,440,125.
5	Net value of noncharitable-use assets. Subtract line 4 from line 3. Enter here and on Part V, line 4	5	94,568,220.
6	Minimum investment return. Enter 5% of line 5	6	4,728,411.

Part XI Distributable Amount (see instructions) (Section 4942(j)(3) and (j)(5) private operating foundations and certain foreign organizations check here ☐ and do not complete this part.)

1	Minimum investment return from Part X, line 6	1	4,728,411.
2a	Tax on investment income for 2016 from Part VI, line 5	2a	47,757.
b	Income tax for 2016. (This does not include the tax from Part VI.)	2b	1,828.
c	Add lines 2a and 2b	2c	49,585.
3	Distributable amount before adjustments. Subtract line 2c from line 1	3	4,678,826.
4	Recoveries of amounts treated as qualifying distributions	4	0.
5	Add lines 3 and 4	5	4,678,826.
6	Deduction from distributable amount (see instructions)	6	0.
7	Distributable amount as adjusted. Subtract line 6 from line 5. Enter here and on Part XIII, line 1	7	4,678,826.

Part XII Qualifying Distributions (see instructions)

1	Amounts paid (including administrative expenses) to accomplish charitable, etc., purposes:		
a	Expenses, contributions, gifts, etc. - total from Part I, column (d), line 26	1a	4,566,738.
b	Program-related investments - total from Part IX-B	1b	0.
2	Amounts paid to acquire assets used (or held for use) directly in carrying out charitable, etc., purposes	2	
3	Amounts set aside for specific charitable projects that satisfy the:		
a	Suitability test (prior IRS approval required)	3a	
b	Cash distribution test (attach the required schedule)	3b	
4	Qualifying distributions. Add lines 1a through 3b. Enter here and on Part V, line 8, and Part XIII, line 4	4	4,566,738.
5	Foundations that qualify under section 4940(e) for the reduced rate of tax on net investment income. Enter 1% of Part I, line 27b	5	47,757.
6	Adjusted qualifying distributions. Subtract line 5 from line 4	6	4,518,981.

Note: The amount on line 6 will be used in Part V, column (b), in subsequent years when calculating whether the foundation qualifies for the section 4940(e) reduction of tax in those years.

Form 990-PF (2016)

**ALBERT & ETHEL HERZSTEIN
CHARITABLE FOUNDATION**

Form 990-PF (2016)

74-6070484

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Part XIII Undistributed Income (see instructions)

	(a) Corpus	(b) Years prior to 2015	(c) 2015	(d) 2016
1 Distributable amount for 2016 from Part XI, line 7				4,678,826.
2 Undistributed income, if any, as of the end of 2016				
a Enter amount for 2015 only			3,425,074.	
b Total for prior years:		0.		
3 Excess distributions carryover, if any, to 2016:				
a From 2011				
b From 2012				
c From 2013				
d From 2014				
e From 2015				
f Total of lines 3a through e	0.			
4 Qualifying distributions for 2016 from Part XII, line 4: ▶ \$ 4,566,738.				
a Applied to 2015, but not more than line 2a			3,425,074.	
b Applied to undistributed income of prior years (Election required - see instructions)		0.		
c Treated as distributions out of corpus (Election required - see instructions)	0.			
d Applied to 2016 distributable amount				1,141,664.
e Remaining amount distributed out of corpus	0.			
5 Excess distributions carryover applied to 2016 (If an amount appears in column (d), the same amount must be shown in column (a).)	0.			0.
6 Enter the net total of each column as indicated below:				
a Corpus. Add lines 3f, 4c, and 4e. Subtract line 5	0.			
b Prior years' undistributed income. Subtract line 4b from line 2b		0.		
c Enter the amount of prior years' undistributed income for which a notice of deficiency has been issued, or on which the section 4942(a) tax has been previously assessed		0.		
d Subtract line 6c from line 6b. Taxable amount - see instructions		0.		
e Undistributed income for 2015. Subtract line 4a from line 2a. Taxable amount - see instr.			0.	
f Undistributed income for 2016. Subtract lines 4d and 5 from line 1. This amount must be distributed in 2017				3,537,162.
7 Amounts treated as distributions out of corpus to satisfy requirements imposed by section 170(b)(1)(F) or 4942(g)(3) (Election may be required - see instructions)	0.			
8 Excess distributions carryover from 2011 not applied on line 5 or line 7	0.			
9 Excess distributions carryover to 2017. Subtract lines 7 and 8 from line 6a	0.			
10 Analysis of line 9:				
a Excess from 2012				
b Excess from 2013				
c Excess from 2014				
d Excess from 2015				
e Excess from 2016				

**ALBERT & ETHEL HERZSTEIN
CHARITABLE FOUNDATION**

Form 990-PF (2016)

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Part XIV Private Operating Foundations (see instructions and Part VII-A, question 9) N/A

1 a If the foundation has received a ruling or determination letter that it is a private operating foundation, and the ruling is effective for 2016, enter the date of the ruling ▶

b Check box to indicate whether the foundation is a private operating foundation described in section ☐ 4942(j)(3) or ☐ 4942(j)(5)

	Tax year	Prior 3 years			(e) Total
	(a) 2016	(b) 2015	(c) 2014	(d) 2013	
2 a Enter the lesser of the adjusted net income from Part I or the minimum investment return from Part X for each year listed					
b 85% of line 2a					
c Qualifying distributions from Part XII, line 4 for each year listed					
d Amounts included in line 2c not used directly for active conduct of exempt activities					
e Qualifying distributions made directly for active conduct of exempt activities.					
Subtract line 2d from line 2c					
3 Complete 3a, b, or c for the alternative test relied upon:					
a "Assets" alternative test - enter:					
(1) Value of all assets					
(2) Value of assets qualifying under section 4942(j)(3)(B)(i)					
b "Endowment" alternative test - enter 2/3 of minimum investment return shown in Part X, line 6 for each year listed					
c "Support" alternative test - enter:					
(1) Total support other than gross investment income (interest, dividends, rents, payments on securities loans (section 512(a)(5)), or royalties)					
(2) Support from general public and 5 or more exempt organizations as provided in section 4942(j)(3)(B)(iii)					
(3) Largest amount of support from an exempt organization					
(4) Gross investment income					

Part XV Supplementary Information (Complete this part only if the foundation had \$5,000 or more in assets at any time during the year-see instructions.)

1 Information Regarding Foundation Managers:

a List any managers of the foundation who have contributed more than 2% of the total contributions received by the foundation before the close of any tax year (but only if they have contributed more than \$5,000). (See section 507(d)(2).)

NONE

b List any managers of the foundation who own 10% or more of the stock of a corporation (or an equally large portion of the ownership of a partnership or other entity) of which the foundation has a 10% or greater interest.

NONE

2 Information Regarding Contribution, Grant, Gift, Loan, Scholarship, etc., Programs:

Check here ☐ if the foundation only makes contributions to preselected charitable organizations and does not accept unsolicited requests for funds. If the foundation makes gifts, grants, etc. (see instructions) to individuals or organizations under other conditions, complete items 2a, b, c, and d.

a The name, address, and telephone number or e-mail address of the person to whom applications should be addressed:

SEE STATEMENT 17

b The form in which applications should be submitted and information and materials they should include:

c Any submission deadlines:

d Any restrictions or limitations on awards, such as by geographical areas, charitable fields, kinds of institutions, or other factors:

ALBERT & ETHEL HERZSTEIN
CHARITABLE FOUNDATION

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Part XV Supplementary Information (continued)

3 Grants and Contributions Paid During the Year or Approved for Future Payment				
Recipient	If recipient is an individual, show any relationship to any foundation manager or substantial contributor	Foundation status of recipient	Purpose of grant or contribution	Amount
Name and address (home or business)				
a Paid during the year				
SEE ATTACHED STATEMENT OF DONATIONS VARIOUS VARIOUS, TX 77055	NONE	501(C)(3)	CHARITABLE	4,066,685.
Total			3a	4,066,685.
b Approved for future payment				
NONE				
Total			3b	0.

Form 990-PF (2016)

Part XVI-A Analysis of Income-Producing Activities

Enter gross amounts unless otherwise indicated.

Enter gross amounts unless otherwise indicated.		Unrelated business income		Excluded by section 512, 513, or 514		(e)
		(a) Business code	(b) Amount	(c) Exclu- sion code	(d) Amount	Related or exempt function income
1 Program service revenue:						
a _____						
b _____						
c _____						
d _____						
e _____						
f _____						
g Fees and contracts from government agencies						
2 Membership dues and assessments						
3 Interest on savings and temporary cash investments						
4 Dividends and interest from securities				14	3,773,087.	
5 Net rental income or (loss) from real estate:						
a Debt-financed property						
b Not debt-financed property						
6 Net rental income or (loss) from personal property						
7 Other investment income		211110	14,542.	14	260,031.	
8 Gain or (loss) from sales of assets other than inventory				18	1,059,971.	
9 Net income or (loss) from special events						
10 Gross profit or (loss) from sales of inventory						
11 Other revenue:						
a _____						
b _____						
c _____						
d _____						
e _____						
12 Subtotal. Add columns (b), (d), and (e)			14,542.		5,093,089.	0.
13 Total. Add line 12, columns (b), (d), and (e)						13 5,107,631.

(See worksheet in line 13 instructions to verify calculations.)

Part XVI-B Relationship of Activities to the Accomplishment of Exempt Purposes

[illegible]

Part XVII Information Regarding Transfers To and Transactions and Relationships With Noncharitable Exempt Organizations

1 Did the organization directly or indirectly engage in any of the following with any other organization described in section 501(c) of the Code (other than section 501(c)(3) organizations) or in section 527, relating to political organizations?		Yes	No
a Transfers from the reporting foundation to a noncharitable exempt organization of:			
(1) Cash	1a(1)		X
(2) Other assets	1a(2)		X
b Other transactions:			
(1) Sales of assets to a noncharitable exempt organization	1b(1)		X
(2) Purchases of assets from a noncharitable exempt organization	1b(2)		X
(3) Rental of facilities, equipment, or other assets	1b(3)		X
(4) Reimbursement arrangements	1b(4)		X
(5) Loans or loan guarantees	1b(5)		X
(6) Performance of services or membership or fundraising solicitations	1b(6)		X
c Sharing of facilities, equipment, mailing lists, other assets, or paid employees	1c	X	
d If the answer to any of the above is "Yes," complete the following schedule. Column (b) should always show the fair market value of the goods, other assets, or services given by the reporting foundation. If the foundation received less than fair market value in any transaction or sharing arrangement, show in column (d) the value of the goods, other assets, or services received.			

[illegible]

2a Is the foundation directly or indirectly affiliated with, or related to, one or more tax-exempt organizations described in section 501(c) of the Code (other than section 501(c)(3)) or in section 527?

☒ Yes ☐ No

b If "Yes," complete the following schedule.

(a) Name of organization	(b) Type of organization	(c) Description of relationship
HERZSTEIN INVESTMENTS, INC.	501(C)(2)	SEE STATEMENT 19

Sign Here	Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge				May the IRS discuss this return with the preparer shown below (see Instr.)? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	
	Signature of officer or trustee <i>[Signature]</i>		Date <i>11.15.2017</i>	Title PRESIDENT		
Paid Preparer Use Only	Print/Type preparer's name		Preparer's signature <i>[Signature]</i>	Date <i>11.8.17</i>	Check <input type="checkbox"/> if self-employed	PTIN
	GREGORY VAUGHN, CPA					P01302940
	Firm's name ▶ LAPORTE, APAC				Firm's EIN ▶ 72-1088864	
	Firm's address ▶ 1770 ST. JAMES PLACE, SUITE 250 HOUSTON, TX 77056-3432				Phone no. 713-963-8008	

Form 990-PF (2016)

FORM 990-PF DIVIDENDS AND INTEREST FROM SECURITIES STATEMENT 1

SOURCE	GROSS AMOUNT	CAPITAL GAINS DIVIDENDS	(A) REVENUE PER BOOKS	(B) NET INVEST- MENT INCOME	(C) ADJUSTED NET INCOME
DIVIDENDS AND INTEREST	3,773,087.	0.	3,773,087.	3,773,087.	
TO PART I, LINE 4	3,773,087.	0.	3,773,087.	3,773,087.	

FORM 990-PF OTHER INCOME STATEMENT 2

DESCRIPTION	(A) REVENUE PER BOOKS	(B) NET INVEST- MENT INCOME	(C) ADJUSTED NET INCOME
OTHER PARTNERSHIP INCOME	273,466.	0.	
ROYALTY INCOME	1,091.	116,546.	
OTHER INCOME	17.	213,010.	
TOTAL TO FORM 990-PF, PART I, LINE 11	274,574.	329,556.	

FORM 990-PF LEGAL FEES STATEMENT 3

DESCRIPTION	(A) EXPENSES PER BOOKS	(B) NET INVEST- MENT INCOME	(C) ADJUSTED NET INCOME	(D) CHARITABLE PURPOSES
FIZER, BECK, WEBSTER- MISC LEGAL	3,851.	963.		2,888.
TO FM 990-PF, PG 1, LN 16A	3,851.	963.		2,888.

FORM 990-PF	ACCOUNTING FEES	STATEMENT	4
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DESCRIPTION	(A) EXPENSES PER BOOKS	(B) NET INVEST- MENT INCOME	(C) ADJUSTED NET INCOME	(D) CHARITABLE PURPOSES
LAPORTE CPAS AND BUSINESS ADVISORS	47,500.	11,732.		35,768.
TO FORM 990-PF, PG 1, LN 16B	47,500.	11,732.		35,768.

FORM 990-PF	OTHER PROFESSIONAL FEES	STATEMENT	5
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DESCRIPTION	(A) EXPENSES PER BOOKS	(B) NET INVEST- MENT INCOME	(C) ADJUSTED NET INCOME	(D) CHARITABLE PURPOSES
INVESTMENT MANAGEMENT FEES	37,390.	37,390.		0.
OTHER PROFESSIONAL EXPENSES	5,539.	1,386.		4,153.
TO FORM 990-PF, PG 1, LN 16C	42,929.	38,776.		4,153.

FORM 990-PF	TAXES	STATEMENT	6
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DESCRIPTION	(A) EXPENSES PER BOOKS	(B) NET INVEST- MENT INCOME	(C) ADJUSTED NET INCOME	(D) CHARITABLE PURPOSES
EXCISE TAXES	56,430.	0.		0.
990T UNRELATED BUSINESS INCOME TAX	46,852.	0.		0.
TO FORM 990-PF, PG 1, LN 18	103,282.	0.		0.

FORM 990-PF OTHER EXPENSES STATEMENT 7

DESCRIPTION	(A) EXPENSES PER BOOKS	(B) NET INVEST- MENT INCOME	(C) ADJUSTED NET INCOME	(D) CHARITABLE PURPOSES
MANAGMENT EXPENSES	17,551.	17,551.		0.
OFFICE EXPENSE	70,161.	24,556.		45,605.
D&O AND OFFICERS INSURANCE	13,327.	5,931.		7,396.
EXECUTIVE OFFICERS INSURANCE	12,555.	3,139.		9,416.
EMPLOYEE HEALTH INSURANCE	35,652.	26,739.		8,913.
SOFTWARE LICENSE FEES	24,807.	11,163.		13,644.
SUBSCRIPTIONS	7,616.	1,904.		5,712.
BANK SERVICE FEES	3,339.	1,336.		2,003.
GIFTS	0.	0.		0.
MEMBERSHIP FEES & DUES	1,897.	948.		949.
MISCELLANEOUS	985.	246.		739.
TO FORM 990-PF, PG 1, LN 23	187,890.	93,513.		94,377.

FORM 990-PF OTHER INCREASES IN NET ASSETS OR FUND BALANCES STATEMENT 8

DESCRIPTION	AMOUNT
UNREALIZED GAINS ON ASSETS	15,278,127.
PRIOR PERIOD ADJUSTMENT	2,083.
TOTAL TO FORM 990-PF, PART III, LINE 3	15,280,210.

FORM 990-PF U.S. AND STATE/CITY GOVERNMENT OBLIGATIONS STATEMENT 9

DESCRIPTION	U.S. GOV'T	OTHER GOV'T	BOOK VALUE	FAIR MARKET VALUE
VANGUARD TREASURY FD	X		19,815.	19,815.
TOTAL U.S. GOVERNMENT OBLIGATIONS			19,815.	19,815.
TOTAL STATE AND MUNICIPAL GOVERNMENT OBLIGATIONS				
TOTAL TO FORM 990-PF, PART II, LINE 10A			19,815.	19,815.

FORM 990-PF	CORPORATE STOCK	STATEMENT 10
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DESCRIPTION	BOOK VALUE	FAIR MARKET VALUE
VANGUARD STOCK FUNDS	10,449,660.	10,449,660.
STEINBERG FUNDS	2,101,363.	2,101,363.
MATTHEWS PACIFIC TIGER FUND	1,814,836.	1,814,836.
T ROWE PRICE FUNDS	3,881,343.	3,881,343.
CALAMOS STOCK PORTFOLIO	963,303.	963,303.
SALIENT PARTNERS FUNDS	1,999,921.	1,999,921.
MATRIX INCOME FUNDS	926,847.	926,847.
SOUTH TEXAS MM FUND	0.	0.
DFA FUNDS	1,773,111.	1,773,111.
BLACKSTONE MINERALS	13,934,377.	13,934,377.
TOTAL TO FORM 990-PF, PART II, LINE 10B	37,844,761.	37,844,761.

FORM 990-PF	CORPORATE BONDS	STATEMENT 11
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DESCRIPTION	BOOK VALUE	FAIR MARKET VALUE
CALAMOS CORPORATE BOND PORTFOLIO	318,030.	318,030.
T ROWE PRICE FUNDS	10,554.	10,554.
TOTAL TO FORM 990-PF, PART II, LINE 10C	328,584.	328,584.

FORM 990-PF	OTHER ASSETS	STATEMENT 12
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DESCRIPTION	BEGINNING OF YR BOOK VALUE	END OF YEAR BOOK VALUE	FAIR MARKET VALUE
PARTNERSHIPS	5,653,114.	8,387,010.	8,387,010.
INVESTMENT IN HERZSTEIN INVESTMENTS, INC	40,334,788.	53,575,000.	53,575,000.
TO FORM 990-PF, PART II, LINE 15	45,987,902.	61,962,010.	61,962,010.

FORM 990-PF

TRANSFERS FROM CONTROLLED ENTITIES
PART VII-A, LINE 11

STATEMENT 13

NAME OF CONTROLLED ENTITY

EMPLOYER ID NO

HERZSTEIN INVESTMENTS INC

76-0694434

ADDRESS

6131 WESTVIEW
HOUSTON, TX 77055

DESCRIPTION OF TRANSFER

DIVIDEND - DISTRIBUTION OF NET INCOME FROM A SECTION 501(C)(2)
ORGANIZATION.AMOUNT
OF TRANSFER

2,230,627.

TOTAL AMOUNT OF TRANSFERS FROM CONTROLLED ENTITIES

2,230,627.

FORM 990-PF

LIST OF CONTROLLED ENTITIES
PART VII-A, LINE 11

STATEMENT 14

NAME OF CONTROLLED ENTITY

EMPLOYER ID NO

HERZSTEIN INVESTMENTS INC

76-0694434

ADDRESS

EXCESS BUSINESS HOLDING [] YES [X] NO

6131 WESTVIEW
HOUSTON, TX 77055

FORM 990-PF

PART VIII - LIST OF OFFICERS, DIRECTORS
TRUSTEES AND FOUNDATION MANAGERS

STATEMENT 15

NAME AND ADDRESS	TITLE AND AVRG HRS/WK	COMPEN- SATION	EMPLOYEE BEN PLAN CONTRIB	EXPENSE ACCOUNT
RICHARD LOEWENSTERN 6131 WESTVIEW HOUSTON, TX 77055	CHAIRMAN/DIRECTOR 5.00	30,000.	0.	0.
GEORGE STRAKE JR 6131 WESTVIEW HOUSTON, TX 77055	VICE PRES/DIRECTOR 5.00	25,000.	0.	0.
L. MICHAEL HAJTMAN 6131 WESTVIEW HOUSTON, TX 77055	PRESIDENT 40.00	172,555.	24,000.	0.
NATHAN TOPEK 6131 WESTVIEW HOUSTON, TX 77055	VICE PRES/DIRECTOR 5.00	25,000.	0.	0.
STEVE SHELDON 6131 WESTVIEW HOUSTON, TX 77055	DIRECTOR 5.00	20,000.	0.	0.
MIKE VIATOR 6131 WESTVIEW HOUSTON, TX 77055	DIRECTOR 5.00	20,000.	0.	0.
TOTALS INCLUDED ON 990-PF, PAGE 6, PART VIII		292,555.	24,000.	0.

FORM 990-PF

EXPENDITURE RESPONSIBILITY STATEMENT
PART VII-B, LINE 5C

STATEMENT 16

GRANTEE'S NAME

FULSHEAR CEMETERY ASSOCIATION INC

GRANTEE'S ADDRESS4522 IVANHOE STREET
FULSHEAR, TX 77027

<u>GRANT AMOUNT</u>	<u>DATE OF GRANT</u>	<u>AMOUNT EXPENDED</u>	<u>VERIFICATION DATE</u>
15,000.	05/19/16	15,000.	08/15/16

PURPOSE OF GRANT

TOWARDS SUPPORT OF THE PROTECTION AND RESTORATION PROJECT.

DATES OF REPORTS BY GRANTEE

08/10/2016

GRANTEE'S NAME

NEW ULM VOLUNTEER FIRE DEPARTMENT

GRANTEE'S ADDRESSP.O. BOX 14
NEW ULM, TX 78950

<u>GRANT AMOUNT</u>	<u>DATE OF GRANT</u>	<u>AMOUNT EXPENDED</u>
5,000.	12/02/16	

PURPOSE OF GRANT

SUPPORT OF GENERAL OPERATIONS

DATES OF REPORTS BY GRANTEE

NONE RECEIVED AS OF 12/31/2016

GRANTEE'S NAME

SAN JUAN COUNTY HISTORICAL SOCIETY

GRANTEE'S ADDRESSP.O. BOX 154, COURHOUSE SQUARE
SILVERTON, CO 81433

<u>GRANT AMOUNT</u>	<u>DATE OF GRANT</u>	<u>AMOUNT EXPENDED</u>	<u>VERIFICATION DATE</u>
2,000.	08/03/16	2,000.	10/10/16

PURPOSE OF GRANT

TOWARDS SUPPORT OF GENERAL OPERATIONS.

DATES OF REPORTS BY GRANTEE

10/10/2016

GRANTEE'S NAME

SAN JUAN COUNTY HISTORICAL SOCIETY

GRANTEE'S ADDRESSP.O. BOX 154, COURHOUSE SQUARE
SILVERTON, CO 81433

<u>GRANT AMOUNT</u>	<u>DATE OF GRANT</u>	<u>AMOUNT EXPENDED</u>	<u>VERIFICATION DATE</u>
2,000.	12/02/16	2,000.	03/29/17

PURPOSE OF GRANT

TOWARDS SUPPORT OF GENERAL OPERATIONS.

DATES OF REPORTS BY GRANTEE

03/16/2017

FORM 990-PF

GRANT APPLICATION SUBMISSION INFORMATION
PART XV, LINES 2A THROUGH 2D

STATEMENT 17

NAME AND ADDRESS OF PERSON TO WHOM APPLICATIONS SHOULD BE SUBMITTED

MICHAEL HAJTMAN
6131 WESTVIEW
HOUSTON, TX 77055

TELEPHONE NUMBER

(713) 681-7868

FORM AND CONTENT OF APPLICATIONS

AMT REQUESTED, CHARITABLE PURPOSE & TAX EXEMPT STATUS OF REQUESTING
ORGANIZATION.

ANY SUBMISSION DEADLINES

NONE

RESTRICTIONS AND LIMITATIONS ON AWARDS

NONE

990-PF	INVOLVEMENT WITH NONCHARITABLE ORGANIZATIONS	STATEMENT 18
	PART XVII, LINE 1, COLUMN (D)	

NAME OF NONCHARITABLE EXEMPT ORGANIZATION

HERZSTEIN INVESTMENTS, INC.

DESCRIPTION OF TRANSFERS, TRANSACTIONS, AND SHARING ARRANGEMENTS

SHARING SPACE AND EMPLOYEES WITH A 501(C)(2) ORGANIZATION

990-PF	AFFILIATION WITH TAX-EXEMPT ORGANIZATIONS PART XVII, LINE 2, COLUMN (C)	STATEMENT 19
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NAME OF AFFILIATED OR RELATED ORGANIZATION

HERZSTEIN INVESTMENTS, INC.

DESCRIPTION OF RELATIONSHIP WITH AFFILIATED OR RELATED ORGANIZATION

ALBERT & ETHEL HERZSTEIN CHARITABLE FOUNDATION IS THE SOLE OWNER AND MAINTAINS CONTROL OVER HERZSTEIN INVESTMENTS, INC., A TITLE-HOLDING CORPORATION, AS DESCRIBED IN SECTION 501(C)(2) OF THE CODE.