

## Why Gates/Apollo

The Gate Apollo / (or if you choose others in combination )would bring together the expertise of the Gates Foundation and top investment mgmt firms. The fund would initially be open to donors willing to commit a minimum of 500 million dollars. ( open for discussion ) In following up on the successful pledge campaign, it would offer a solution to those wanting to give at the large level. As I said on the skype call. This would I believe be a way for Bill and Melinda to significantly leverage their giving. Provide a myriad of unique opportunities of structure down the road , and create a lasting institution , ( with partners funders families , ) dedicated to world good. The flipside is Bill./Melinda might decide that they prefer it to be only a gates operation. No outside involvement. Etc.

### -Contribution Flexibility:

The GA Donor Advised Fund would accept and hold a wide array of assets.

### -Investment Choice and True Independence:

GA's unique combination of experience in the giving space and Apollo's sophistication in the investment arena would provide many giving options not currently available on any platform

### -Flexible Investment Management:

If Bill wanted , it would be possible for donors to recommend an independent investment advisor to manage the assets in GA.

Donors would be able to expand their grant recommendations to help charities throughout the country, possible internationally. The large scale of the Gates foundation allows unique giving structures. ( too many details for this memo)

The GA Donor Advised Fund would be specifically designed to enhance opportunities for ,initially, only very large giving. ( Bill you had a better term for it ) The problems of effective giving at a large scale are unique. They include a scarcity of experience at this level of both donors and recipients. Charities are rarely set up, experienced enough and

predominately unaccustomed to accept very large donations. Though over an additional 500 billion in wealth was transferred to only the U S Forbes 400 members last year alone, there are few charities that are capable of dealing with a gift of hundred of millions of dollars.

AS you are well aware , the privilege of being able to give away serious wealth is burdened by the lack of creative new ideas and a pedestrian mindset of the smaller charitable organizations.

Benefits of the GA fund would include:

- Immediate and maximum tax benefits, timed on an individual basis. Because GA is a public charity, contributions immediately qualify for all the maximum tax benefit . Or as an adjunct a unit that would help customize timing of gifts could be set up to coordinate the timing of the tax deductions ( a very important part of the project ).

- Donors that would join would be able to partner with Bill and Melinda and share their giving and investment experience. ( many women who have wealth have few trusted advisors . being able to sit with Melinda would be a great help to them)

- Donors will of course get , potentially private equity returns. Combined with tax-free growth, which means more dollars for charitable purposes, managed by the country's top investment professionals. The GA Donor Advised Fund would let them structure their giving over time, enabling them to leverage the impact of their grants to worthwhile causes. For example they would be given the opportunity and flexibility of joining/partnering with Bill /Melinda in one of his already established 27 silos ...at the same time deciding on their privacy needs or ,on the other end of the spectrum be able to enjoy enhanced recognition as one of Bill's select partners in philanthropy.

- Privacy. As charitable giving can be quite personal, some donors may prefer a buffer between themselves and charity seekers. GA would enable them to select, recognition or privacy as desired (i.e.: privacy in contributing assets, privacy in grant-making and even anonymous grant-making)

-Simple and effective fund management. They can research charities online, sit with the Gates experts and/or recommend grants online, track their giving and investments over time and consolidate their tax reporting.

-Create a lasting legacy of giving. Donors would have access to Bill's unprecedented scope and experience in the world of giving. He has committed his future time to philanthropy and might hold private or small group meetings to explore new ideas.

## **Tax Benefits**

### **Save taxes in Four Ways**

1) Contributions are tax deductible in the year they are made. Because GA is a public charity, contributions qualify for immediate and maximum tax benefits.

- Deduction for cash: Up to 50% of adjusted gross income (AGI).
- Deduction for securities and other appreciated assets: Up to 30% of AGI.
- Five year carry forward of unused deductions.

2) Avoid capital gains on gifts of appreciated property.

3) Avoid estate taxes. ( large bequests enable the wealth holder not to have to deal with his pre death decisions)

4) Investments in GA would grow tax-free.

### **Other Tax Considerations**

When contributing the following asset types to GA, donors can deduct the full market value of the asset subject to the AGI limitations mentioned above. If contributed to private foundations, the donor's deduction would likely be limited to cost basis.

- Closely held stock (C-Corp or S-Corp).
- Real estate.

Donors who wish to support charitable organizations at a big level find themselves with few well thought out choices. The great wealth and its incumbent responsibility for charitable social good has shifted from the public sector into the private sector. This burden would then be shared by Bill's team of 1000 foundation employees and Apollo's experience managing over a hundred billion dollars.

### **Governance**

Create an identifiable person, board, committee or other decision-making body that is responsible for establishing and implementing policies and procedures and reviewing and revising them on a regular basis. Family legacys

### **Legal**

Complying with the law is both complex but essential .inadvertent violations can occur if the basic legal rules are not understood. GA would review all charities prior to fulfilling a grant recommendation. And in many cases has already begun a program in their area of interest.

### **Contributions**

Donors could make contributions of illiquid, non cash assets, i.e. closely-held stock or real estate, and would have would have the best of the best valuation professionals at their disposal. As we both are aware Smaller charities are often not equipped to handle gifts of illiquid, non-cash assets, or if accepted, the liquidation is poorly handled resulting in fewer dollars .Breaking up concentrated holdings for distribution to multiple charities creates execution challenges. Most larger charities want to liquidate gifts of illiquid, non cash assets immediately. Due to the large scale of the existing Gates foundation , accommodations could be made to greatly maximize dollars. ( details later )

### **Accountability**

With large giving, capacity becomes an issue in almost all cases. It is important to match the size of the contribution to the capacity of the charity. Capacity is a term that encompasses size, administrative capability, stability, and accountability of the board. Are the charity's administrative expenses reasonable? Does the charity have the sophistication to use a large gift effectively? Few do.

The GA fund would be an attractive alternative to creating a private foundation. Because they qualify as donations to a public charity, contributions to GA would receive a more favorable charitable deduction treatment than contributions to a private foundation. Because they are assets of a public charity, GA funds are not subject to

the self-dealing, payout, and taxable expenditure rules applicable to private foundations. Finally, because the GA owns and administers the Fund, the donor is freed of the administrative burden of creating and maintaining a private foundation and also benefits from the philanthropic and substantive expertise of the Gates Foundation

### **Donate Now, Decide Later**

A contribution to GA separates the tax event from the grant-making event. The donor would be able to recommend grants to charities on their own timetable thus reducing year-end pressures to select one or more charities to support.

**Make the Most of Their Charitable Dollars** In certain instances the donor might want their own advisor to recommend the investment strategy for the contributions to GA. This eliminates the concern about how GA might manage their money. Especially hedge fund types. ( Carl Icahn outliers )

### **Reduce Recordkeeping Frustrations**

GA would provide consolidated reporting and record keeping. Donors can make grants to multiple charities and they will need only one tax substantiation letter (for each contribution to the account). They can also review their history of grant-making online before making future gifts.

### **Leave a Lasting Legacy**

Ga can help the donor establish an enduring family legacy for philanthropy. Families can continue involvement in grant-making and investments by naming successor advisors to their account. And be seen to partner with Bill and Melinda.

### **Provide for Accountability**

GA can accept and hold a wide array of assets. Checks

- Publicly traded securities
- Closely held stock
  - C-Corp
  - [S-Corp](#)
- Life insurance
- Real estate

- IRA assets

While most donors will choose to make contributions to GA by check or by contributing publicly traded securities, some donors might make gifts from more complex assets. GA can accept and hold a wide array of assets.

GA will offer uniquely flexible investment options to help each donor meet his or her unique philanthropic objectives.

- **Investments:** The Fund may invest in a broad range of securities, and investment vehicles.
- **Investment Management:** The Apollo experience also permits donors to recommend a financial advisor for their own account above the 1 billion level. The recommended advisor can provide comfort to some investors who hesitate to give up control while they are alive.
  - Separately Managed Accounts at GA one can choose to comingle investments and contribution decisions.
  - Customization. If they so desired, they can appoint their own advisor who can recommend a tailored investment program for the Donor Advised Fund.
  - Transparency. At GA, they will always be able to access their portfolio; they know which securities are held in their Fund's portfolio.
- **Custody Flexibility:** The advisor can recommend where investments are held. Though I envision a strong bank, custody relation with one or two major banks.

### **Bequests From Wills**

This platform allows one to feel comfortable that their hard earned money will be invested and given away with the integrity backed by Bill. And at the same time delay the horrible discussion of what to do with their money before their death.

### **Enhancing Charitable Trusts with GA**

#### **Charitable Remainder Trusts**

Donors can create an opportunity for continuing family involvement by naming GA Foundation as the remainderman on a Charitable Remainder Trust. Here's how it would work:

1. A donor contributes to a CRT, receives capital gains tax benefit, income tax deduction, and lifetime income stream.
2. At termination of trust, the remainder interest is transferred to a Donor Advised Fund at American Endowment Foundation.
3. A donor's family can stay involved in these meaningful assets after the CRT terminates. The family can then recommend distributions from the Donor Advised Fund to charities over time.

### **Benefits**

- 1) Continuing family involvement.
- 2) This strategy eases the pressures associated with deciding the ultimate charities. GA, an IRS recognized 501 (c)(3) charity, qualifies for the maximum and immediate tax deduction.
- 3) The donor can use the Donor Advised Fund as the vehicle for their lifetime charitable giving.
- 4) When income from the CRT is no longer needed, the Donor Advised Fund can become the charitable overflow to the CRT.
- 5) If a donor wants to accelerate a CRT in order to give more to charity now or in the near future, he/she can collapse the CRT into GA

### **Naming GA as Income Beneficiary on a Charitable Lead Trust**

A donor contributes an asset to a CLT for a specified period (either a term of years or someone's life), and receives tax benefits.

Distributions are made annually from the CLT to the family's Donor Advised Fund.

The donor, and then children recommend distributions periodically to charities from the family Donor Advised Fund.

After specified period, the principal goes to the family (or other designated beneficiaries).

### **Benefits**

- 1) Continuing family involvement.
- 2) Provides a unique forum for families to work together.
- 3) Offers the opportunity for several generations to join in a common purpose. And partner with the very best.
- 4) May become the "link" that connects families whose branches are increasingly geographically dispersed.

### **Charitable Trust Termination**

Complete terminations of charitable remainder trusts are appealing for two primary reasons. The donors no longer want or need the income, and/or they want to give to charity in the present or near term.

At some point during the trust term, the donor(s) may decide that they no longer need the trust payments. The donor may at that point transfer to charity their right to receive future trust payments. Depending on state law, the controlling language of the trust document, and the trust maker's charitable inclinations, one possible solution is to create a GA special fund. . The donor(s) can use this Fund to recommend grants immediately, and the family can stay involved in these meaningful assets for future grant-making.

Special opportunities for GA and Gate to begin program related investments.

Program Related Investment (PRI) is a way GA can use to leverage their philanthropic dollars. Unlike grants, however, GA would get a return on its investment, through either repayment or return on equity. Also called "Mission Driven Financing". Program Related investments are alternatives to outright grants. Some foundations provide low interest loans to charities that must be repaid and therefore are available for future grant-making. Partnering with the Gates foundations the permutations are great. .

	<b>Private Foundation</b>	<b>GA Donor Advised Fund</b>
Valuation for charitable deduction: closely held stock or real estate	Cost Basis	Fair Market Value
Valuation of publicly traded securities	Fair Market Value	Fair Market Value
Income tax deduction - percentage of AGI, with 5 year carry over	30% for cash, 20% for appreciated assets	50% for cash, 30% for appreciated assets
Excise tax on investment income	1-2% of income	No excise tax
Set up expense	Costly	No set-up fees
IRS approval process	Time consuming	A Fund can be established in less than a day
Annual distribution requirement	5%	None
Investment options	Wide range	Wide range

Preparation of tax returns, IRS compliance, accounting, grants management, fiduciary oversight, legal and audit	Donor must arrange for these services	Provided by GA
Confidentiality	*None - All information is publicly available via form 990-PF	Donor has flexible options: Full recognition, or partial, or full anonymity

AT GA, we would encourage a level of donor creativity not typically available in other donor advised fund programs. An example of this creative approach to family philanthropy is the use of assets in GA to fund a charitable cause where commercial funding sources are either not available to the charity or not available at attractive terms. In a Program related investments, the donor recommends an investment from his or her Donor Advised Fund in the charity with the understanding that the investment may be recovered within an established time frame. PRI's include financing methods commonly associated with banks or other private investors, i.e. loan, loan guarantees, etc.

Program-related investments often take one of the following forms:

- At-the-market, below-market loan (most common), or interest-free loan.
- Loan guaranty or letter of credit.
- Equity investment.
- Low-interest-rate deposit with a bank or other financial institution linked to line of credit lending vehicle for charitable or other exempt purposes.

Comparison: Private Foundation with GA's Donor Advised Fund

\*Private foundations provide little confidentiality. With the advent of the Internet, information is more available than ever. Today, anyone with a computer can access Guidestar ([www.guidestar.org](http://www.guidestar.org)) to gain information on any private foundation, including a scanned version of (including investment holdings, a listing of directors (including contact information), every grant that is made (organization name and amount), and detail of administrative and investment management expenses. its 990-PF. Available information includes balance sheet detail (including investment holdings, a listing of directors (including contact

information), every grant that is made (organization name and amount), and detail of administrative and investment management expenses.

<b>Terminate a Private Foundation into a Donor Advised Fund</b>	<p>Private foundations have a number of financial and administrative disadvantages when compared to a Donor Advised Fund. These drawbacks include greater investment restrictions, mandatory distribution and reporting responsibilities; fewer tax benefits and the sometimes-heavy burden of personally administering a private foundation. <a href="#">see Comparison</a>. GA will be a public charity into which a private foundation may distribute all of its assets.</p> <p>The first step in the termination process is the establishment of a Fund at GA into which the private foundation's assets will be distributed. Second, GA will work with the donor to take the necessary steps to terminate the private foundation -- whether it is in trust or corporate form -- and arrange for the transfer of assets to the new Fund at GA</p>
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