

OVERVIEW – CHARITABLE GIFT ANNUITY PROGRAM

General Terms

The Evanston Community Foundation (ECF) will offer gift annuities in accordance with the following policies:

- Maximum interest rates will follow guidelines set by the American Council on Gift Annuities (ACGA rates)
- \$10,000 minimum per contract
- \$50,000 maximum in annuity contracts per annuitant or couple
- Age 60 or more when payments begin
- Age 55 or more to establish a deferred gift annuity
- Maximum of two income beneficiaries per gift annuity (an IRS requirement)
- Donors and beneficiaries must be Illinois residents when the contract is established.
- At termination the remainder may be added to one or more funds of the Evanston Community Foundation.

Payout Rates

Charitable gift annuities and deferred gift annuities administered by ECF will have payout rates set in accordance with current guidelines of the American Council on Gift Annuities (ACGA) which sponsors the actuarial work used to determine rates. ACGA's actuarial models are updated and rates are reviewed each spring, with any change effective in July. The ACGA rates assume all annuitants are female and further hedges the risk by reducing actual ages by 1.5 years. ACGA is an organization whose members are charities. ECF will be joining ACGA when our program begins.

ACGA rates are set to make approximately one-half of the original principal available for charitable purposes when the annuity concludes. If investment earnings and life expectancy are exactly as assumed, 50% of the initial gift will remain for the charitable purpose. If earnings are less than assumed or the beneficiaries live longer than anticipated, the remainder may be less, or may even be fully exhausted. Conversely, positive investment results and/or shorter life expectancies may result in a remainder greater than the original gift. Theoretically, the income portion of the gift (which the IRS calls the "investment in contract") is exhausted before the charitable remainder is invaded, but the income and remainder portions are not segregated for investment purposes.

Investment of CGA Principal

100% of the annuity principal received on each contract will be added to the gift annuity pooled fund. The fund will be invested in accordance with the Evanston Community Foundation's Investment and Spending Policy. It should be noted that ACGA bases its rates on a balanced portfolio which consists of 40% equities, 55% fixed investments and 5% cash. As of July 2, 2006, ACGA assumes that the recommended portfolio will produce a 6.25% return and incur a 1% administrative fee for a net return of 5.25%. The Investment committee will consider development of alternative investment guidelines specific to pooled CGA assets as those assets grow.

Application of Proceeds at Termination

When the gift annuity contract is written, ECF donors will stipulate (subject to ECF approval) the use of the remainder. The remainder may be added to one, or apportioned among one or more, endowed funds of the Evanston Community Foundation.

In the event the market value at termination exceeds the amount of the contract, i.e., the original gift, then the excess may be allocated partly to a CGA reserve fund (if one is in place at that time), partly to the stipulated purpose, and partly to ECF's general endowment, subject to any reserve requirements at the time and investment committee guidance.

Administration

ECF will provide illustrations to each donor and his/her advisors explaining the benefits of a charitable gift annuity, including the payment rate and estimated tax deduction, draft the gift annuity contract, receive the gift and deposit it into the annuity pool, account for each contract individually and for the pool as a whole, mail checks to the annuitant, prepare and mail the annual 1099 to the annuitant and distribute the principal accordingly. These tasks may be performed either by ECF directly or by a financial services firm qualified by the ECF Investment Committee and the Board of Directors. ECF will collect an annual administrative fee of 1% of the gift annuity pooled fund.