



Letter of Understanding: Requirements for Consideration and Acceptance of Special Asset Contributions

Name of Donor: _____

Description of Proposed Contribution: _____

Scope: This Letter of Understanding defines the terms acceptance of assets for which a readily determinable fair market value does not exist (that is investments not listed on national exchanges or over-the-counter markets, or for which quoted market prices are not available).

The Donor certifies and/or by signing below understands and agrees to the following terms and conditions applicable to the Donor and his/her contribution of the Asset listed above to National Charitable Endowment, Inc. ("NCE"):

- A. The Donor has received, reviewed and agrees to the terms in this Letter of Understanding.
- B. The Donor is the legal owner of the Asset, has the authority to transfer the Asset and/or if applicable, has obtained the requisite consents to transfer the Asset.
- C. The Donor is not under any legal obligation to sell the Asset.
- D. NCE must review and approve all contributions to NCE. No contribution is complete until formally accepted by NCE. NCE reserves the right to require the Donor to agree to additional terms of acceptance, if necessary.
- E. Contributions, once received and accepted by NCE become the property of NCE and cannot be returned to the donor. Once NCE accepts a contribution, it is irrevocable and not refundable.
- F. Once the Donor transfers the asset, NCE acquires the entire economic interest in the Asset and the Asset is exclusively owned and controlled by NCE.
- G. NCE, as sole owner of the Asset, maintains full discretion over all conditions of any subsequent sale, redemption, transfer or disposition of the Asset.
- H. As holder of the Asset, NCE is not and will be under no obligation to redeem, sell or otherwise transfer the Asset.
- I. In connection with NCE's sale of the Asset, NCE, as the seller, must agree with any representations, warranties, covenants, including escrows, post-closing price adjustments or "earn-outs." or indemnities to any buyer. If NCE has post-closing obligations, it may require that a portion of the proceeds be escrowed.
- J. NCE will generally not agree to make any representations, warranties or covenants, and will generally not agree to provide any indemnities, to any buyer other than representations related to NCE's (i) organizational status as a public charity in good standing with the IRS; (ii) status as an authorized holder of the Asset; (iii) authority to enter into the contemplated transactions with respect to the Asset; (iv) authority to sell the Asset; and (v) proper authorization to do so.

- K. NCE, as seller of the Asset, generally will not join in any covenants or warranties that extend post-closing, including escrows, post-closing price adjustments or “earn-outs.” If NCE has post-closing obligations, it may require that a portion of the proceeds be escrowed.
- L. If there are no other liquid assets in the donor advised fund account, the donor will make an initial charitable contribution of the greater of 1% or \$10,000 to open the account.
- M. In a situation in which there are no other liquid assets in the donor advised fund account on an ongoing basis, NCE will require that an amount of up to 5% of the donation will be held in the liquidity account. This is not a fee and is intended to allow for charitable grantmaking as well as ongoing administrative expenses, where applicable.
- N. The Donor will provide sufficient liquidity throughout the time that NCE owns the asset to cover NCE’s administrative fees (starting with the date of acceptance by NCE) and the costs associated with accepting and holding the asset as well as liquidity for anticipated distributions.
- O. NCE will recover all costs and accrued administrative fees incurred by NCE in connection with accepting the contribution including (i) actual costs related to acceptance; (ii) carrying costs between the time of the donation and the sale of the Asset; and (iii) sale of the Asset costs. Costs include, but are not limited to, legal, tax and other professional fees, NCE’s valuation costs, if any, taxes, insurance and other costs in connection with the acceptance, carrying and subsequent sale of the Asset. Costs may include reasonable reserves in connection with liabilities and other deferred costs. NCE may require the Donor to make additional contributions to cover costs.
- P. If NCE’s acceptance of the Asset, the sale of the Asset, or both, results in NCE being subject to unrelated business income tax (“UBIT”) (i.e., generally limited partnership interests, S-Corp shares, certain real estate with debt, etc.), NCE will escrow a portion of the gross sales proceeds (21%) to pay, in addition to the actual Federal and, if applicable, State UBIT liabilities, all of NCE’s costs associated with the contribution (defined herein) including tax consultancy fees incurred to research and calculate the Federal and State UBIT owed by NCE. Since the IRS can challenge NCE’s tax filing for the applicable statute of limitations period (generally 3 years from the date NCE or the entity files their tax return, including extensions), NCE will escrow the monies in the Fund’s Liquidity Account until the statute of limitations expires.
- Q. NCE will only make grants from available liquid Fund assets (funds may not be borrowed against future proceeds to make grant recommendations).
- R. The Donor’s tax deduction is generally determined under applicable law as the fair market value of the Asset at the time the contribution is considered complete (capital gain property held by the Donor for more than one year) and does not generally depend on NCE’s subsequent sale of the Asset, or the amount of or determination of the gross or Net Sales Proceeds from NCE’s sale of the Asset.
- S. The gross sales proceeds received by NCE may be different (higher or lower) from the appraised value, fair market value, or other measure of the value of the Asset at the time of the contribution.
- T. The IRS requires, in connection with certain contributions, that the Donor (i) obtain an independent “qualified appraisal” within a specified time period, and (ii) file IRS Form 8283 including appraisal information with his or her income tax return. The Donor is responsible for obtaining any required appraisal. The cost of this appraisal is the Donor’s responsibility.

- U. The Donor agrees that any tax deduction taken with respect to the donated Asset will not exceed the qualified appraised amount.
- V. NCE will acknowledge receipt of the Asset but will not agree to any valuation of the Asset. If NCE disposes of the Asset within three (3) years of receipt, it will report the amount of the gross proceeds received on IRS Form 8283, which is submitted to the IRS with a copy to the Donor.
- W. Excess business holdings rules (if applicable, depending on the asset and other factors) may require NCE sell or otherwise dispose of the asset within five years of date of acceptance.
- X. The Donor is advised to consult his/her legal/tax advisor regarding the contribution, deductibility and appraisal requirements. NCE does not provide legal or tax advice.
- Y. NCE will endeavor to encourage all donors to suggest grants annually from their DAF. To that end, NCE will review individual accounts, and if an individual account has not made a distribution for a period of over one year, the account can be deemed inactive and NCE will suggest making distributions from the account, and send notices reminding the Donor that DAFs are charitable entities intended to make regular distributions supporting charitable endeavors. NCE, as a public charity, will monitor all accounts in aggregate to determine its annual percentage distributions, and if aggregate distributions do not approximate 5% for more than one year in a row, NCE may consider amending its policy to require mandatory distributions from accounts that have not made recent distributions.

Accepted and Agreed:

National Charitable Endowment, Inc.

Donor #1: _____

By: _____

Donor #2: _____

Title: _____

Date: _____

Date: _____