

Kalamazoo Community Foundation Policy

Disclosure of Financial Benefits Accruing during the Gift Planning Process

The Kalamazoo Community Foundation has relationships with several investment managers/financial institutions that manage Foundation assets specifically gifted by donors. While the donor's assets may be pooled with all other Community Foundation assets, the Foundation will invest like-assets with the advisor in like amounts. Sometimes individuals associated with the firms receive a sales commission and ongoing trailing fees (trailers). In accordance with the Council on Foundations standards III-F, the occurrence of a financial benefit to a third-party participant as a result of the gift planning process requires disclosure. The Kalamazoo Community Foundation has three programs fitting the need for disclosure and they are as follows:

1. The Kalamazoo Community Foundation has partnered with the National City Charitable Gift Fund. With this charitable vehicle, the administrative fee is 1% on the first \$500,000 in assets, .8% from there to \$5 million and negotiable thereafter. This fee is calculated annually by the Foundation based upon the market value of a fund's assets as of June 30th each year. It is then assessed to the fund in January of the following year. At that time 50 basis points (50bps) of the fee is remitted to National City Bank, which is then paid as an annual trailer to the financial advisor involved in the gift planning process.

The 50bps retained by the Foundation is used to offset part of its administrative cost of providing reports and services. Normal Investment Management Fees of National City Bank are in addition to this administrative fee and assessed by the Bank from the managed assets of the fund.

2. The Kalamazoo Community Foundation has also partnered with Merrill Lynch to offer the Merrill Lynch Community Charitable Fund. The total fee for all costs is 210bps, which is divided between Merrill Lynch (100bps) and the Kalamazoo Community Foundation (110bps). The Merrill Lynch portion of the fee is used to cover all investment management fees (Consults ® Services) and to compensate financial advisors involved in the gift planning process (50bps on new investments and an annual 30bps trailer on assets held, starting in month 13 with a two-month lag.)

The Kalamazoo Community Foundation's portion of the administrative fee (110bps) is used to pay technology fees (approximately 43bps) and to support the Community Foundations Services Corporation (CFSC) that has engaged a National Agent to represent the community foundations' national program interests and to defray part of the Foundation's cost in maintaining the fund and supporting the donor.

3. Commission-based financial advisors may refer clients to the Foundation. When an endowed fund is created at the Foundation, the Foundation may place a like-amount of unrestricted assets with American Funds for investment management purposes. As an investment manager, American Funds receives an investment management fee on

aggregate Foundation assets managed. From this amount a 25bps trailing commission is paid to the client's advisor on an annual basis starting 12 months after the initial transaction that establishes the American Funds account.

In addition the client's advisor also receives directly from American Funds, a sales commission, which varies based on the amount of assets the Foundation is investing with American Funds. Because the Foundation exceeds a certain asset size there is no direct or additional charge to the client's fund for this one time commission payment.

The Foundation assesses a separate administrative fee to help defray its cost of creating and maintaining the fund and supporting the donor. The fee percentage is dependent on the type of fund. This fee is calculated annually by the Foundation based upon the market value of a fund's assets as of June 30th each year. It is then assessed to the fund in January of the following year.

In the above programs, commissions and trailing fees paid to a third-party are based on the market value of the assets at specific points in time. The market value consists of the original gift, additional gifts (if any) and market growth or decline minus fees and grants distributed.

The Kalamazoo Community Foundation also works with some local institutions to place like-amounts of gifted assets for investment management purposes. In these instances individuals working for the firms may receive their compensation from the gross assets managed by the firm, but not from the specific assets gifted by specific donors.

A copy of this Disclosure Statement will be provided to each potential donor at the time the Foundation realizes the involvement of an institution or professional advisor described in 1, 2, and 3 above. A thorough explanation will be provided to the potential donor in the gift planning process as soon as this realization occurs.

As the Foundation partners with additional financial and investment management institutions, it will amend this Disclosure Statement to appropriately include each unique situation.

We have read the disclosure statement and understand the relationship between the various financial managers and the Kalamazoo Community Foundation as well as the basis for compensating the advisors.

Donor _____

Date _____

Donor _____

Date _____