CHARITABLE GIFT ANNUITY DISCLOSURE STATEMENT

DESCRIPTION OF CHARITY

University of Maine System

YOUR GIFT

A charitable gift annuity is a popular planned giving vehicle that allows you to receive a fixed income stream for your life and to make a significant contribution to the University of Maine System ("System"). In return for your gift, the System promises to pay you (and/or beneficiary of your choice) a fixed sum, for life. This promise is a general obligation of the System and is not backed by any particular assets of the System. Payments to you under your gift annuity contract may begin shortly after you make your gift, or, if the gift annuity is one providing for deferred payment, at a later date specified by you.

The minimum contribution to fund a current gift annuity is **$10,000** and the minimum amount to fund a deferred gift annuity is **$5,000.** The minimum amount for an additional gift annuity from the same donor is **$2,500.** Your gift may be in the form of cash or appreciated securities held by you for more than one year. **As a general rule, the annuitant must be at least 60 years old at the time a current gift annuity is established, and at least 50 years old at the time a deferred gift annuity is established.**

FEDERAL TAX CONSEQUENCES

Income Tax. A gift annuity provides you with an immediate income tax deduction equal to the difference between the amount of your contribution and the present value of the annuity (the income stream) to be paid to you or other individual annuitants. The value of the annuity is based upon the size of the annuity payments, the age of the annuitant(s) and the interest rate (published monthly by the IRS) in effect at the time of the contribution. A higher interest rate increases the amount of your charitable deduction.

If you use cash to fund your gift annuity, you can deduct the value of the charitable portion of your contribution, together with your other cash gifts made during the taxable year, in an amount up to 50 percent of your adjusted gross income. If the value of your total cash gifts to public charities exceeds 50 percent of your adjusted gross income, you can carry over the excess to offset income for up to five years.

If you use appreciated securities (held by you for more than one year) to fund your gift annuity, the value of your contribution and the resulting income tax deduction is based on the full fair market value of the securities on the date of the gift. Your current year deduction for all gifts of appreciated assets may not exceed 30 percent of your adjusted gross income, with a five-year carryover for any excess.

Unlike other life income gift vehicles, a transfer of appreciated assets to the System in exchange for a gift annuity will result in the recognition of some taxable gain. If you are the only, or the first, annuitant, and the annuity is nonassignable, you may be able to defer the gain, however, and recognize it proportionately over the course of your lifetime, instead of being taxed on the entire amount at the time of the gift.

The annuity will ordinarily be made in quarterly payments and will be constant over the lifetime of the one or two annuitants. A portion of each payment will be taxable as ordinary income. If you fund the annuity with appreciated assets and you are eligible to defer the gain as described above, a portion of each payment will be taxable as capital gain to you. Finally, a portion of each annuity payment may be tax free, representing a return of the investment in the contract. If the annuitant outlives his/her life expectancy as projected by the IRS, the entire annuity payment will become taxable as ordinary income.

Gift and Estate Tax. If you name other individuals as either current or future annuitants and you do not reserve the right to revoke their interests, the value of their interests will be a taxable gift at the time the annuity is established. If the only annuitant named is your spouse, his or her interest may be qualified for the gift and estate tax marital deduction. If the annuitant is your grandchild, or a person who is treated as being two generations or more removed from you, your gift may be subject to the generation skipping transfer tax.

Acknowledgment. You will receive a separate acknowledgment from the System detailing the value of your gift in compliance with the charitable deduction substantiation rules for purposes of your charitable income tax deduction.

INVESTMENT INFORMATION

Commingling. Your gift may be commingled, or pooled, for investment purposes with the System’s endowment funds, with the assets of charitable trusts in which The System has an interest, and/or with other charitable gifts made to the System. The purpose of commingling is to permit the collective management of the System’s investment assets and the collective administration of its investment activities.

Investments. It is expected that the pool will invest in a diversified portfolio of assets which may include both debt and equity securities in such proportions as seem advisable from time to time in light of current market and economic conditions, as well as other real and personal property and cash to the extent deemed advisable. There are no limitations or restrictions on the investments of the pool.

There are no specific limitations or restrictions on the types of investments that the pool may make, but the System, in managing the assets of the pool directly and/or in selecting the pool’s professional investment managers, has an obligation to exercise ordinary business care and prudence under the facts and circumstances prevailing at the time of the action or decision considering long-term and short-term needs of the the System. **Note that Maine charities are subject to this standard of care, and, to the extent UMS acts as a charity, it may also be subject to this standard.**

Investment in securities and other assets necessarily involves risk, which can be substantial, and it is expected that the value of the pool's assets will fluctuate over time. If such value were to decrease significantly, and if the value of the System's other assets also decreased (or such assets were subject to senior claims), it is possible that the System would be unable to make the payments required under your gift annuity. While such a situation is not expected to arise, it is a risk that you should take into account in deciding whether or not to establish a charitable gift annuity.

A charitable gift annuity is not insurance under the laws of Maine and is not subject to regulation by the Maine Superintendent of the Bureau of Insurance or protected by an insurance guaranty association.

INDIVIDUAL INFORMATION

The consequences of a charitable gift are dependent in significant part on the individual donor's particular circumstances. The general discussion of charitable gift annuities set forth above does not address every issue, nor does it take into consideration the type of assets you are contributing in exchange for your charitable gift annuity, the particular terms of your annuity, your individual tax situation or your estate and gift tax planning objectives. Additionally, there are other factors, such as state and local taxes, which may be relevant to your gift. With respect to these considerations, as well as for a description of other ways to structure charitable gifts, you should consult with your tax and estate planning advisers.

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Donor Signature

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Date of Receipt