

OVERVIEW

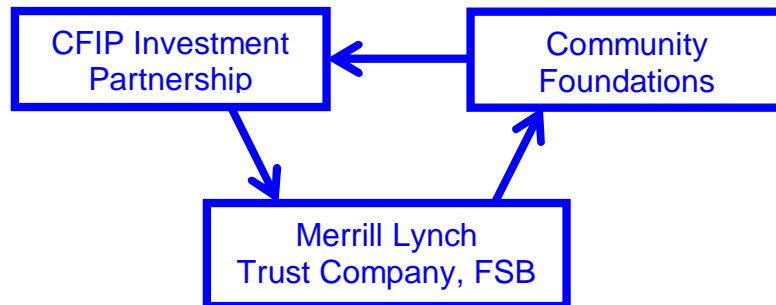
Charitable giving is an integral part of the modern American experience. Merrill Lynch Trust Company, FSB values its relationship with community foundations across the country, as being effective charitable partners for its clients. In 2003, this relationship was formalized with the launching of the Merrill Lynch Community Charitable Fund® (MLCCF) program. Through this program, Merrill Lynch Financial Advisors can match their clients' philanthropic needs with the expertise of community foundations across America.

Donor advised funds (DAFs) are a popular tool of modern philanthropy, as they allow multiple generations to be cost-effectively involved in family giving. In addition to an immediate income tax deduction, DAFs provide the donor with the ability to make ongoing grant recommendations to qualified charities and, often with the assistance of their Financial Advisor, to recommend overall investment strategy.

The MLCCF program enjoys the active participation of 69 community foundations and more than 4,300 registered Financial Advisors, and boasts 1,300 donor advised funds and more than \$280 million in contributions. In total, over \$100 million has been distributed to qualified charities.

I. MLCCF Program Components

There are three primary components of the MLCCF program: community foundations, the Community Foundations Investment Partnership (CFIP) and Merrill Lynch Trust Company, FSB (MLTC). These components are briefly explained below:



- **Community Foundations:** community-focused charities that provide a broad range of endowment management and planned giving services. They are often recognized as local philanthropic leaders and community problem solvers. To be eligible to participate in the MLCCF program, a community foundation must be a member of the Council on Foundations, have adopted National Standards, certify their most recent independent audit contains no substantial negative comment and have a staff of at least four.

- **Community Foundations Investment Partnership (CFIP):** an investment partnership which collectively invests the assets contributed to participating community foundations under the MLCCF program. The CFIP is overseen by a Management Committee, which has a designated Administrative Partner. The CFIP has an Investment Committee charged with recommending long-term strategic policy, selecting and terminating investment managers, and monitoring and evaluating the performance of each manager and the target asset allocations of each of the CFIP’s four investment pools.
- **Merrill Lynch Trust Company, FSB (MLTC):** a wholly owned subsidiary of Merrill Lynch & Company, Inc. Pursuant to an Agency Agreement with the CFIP, MLTC is providing custody, administration, liaison and investment advisory services for the MLCCF program. MLTC is also the home of the Merrill Lynch Center for Philanthropy & Nonprofit Management which created and provides support services to the MLCCF program.

II. On-Line Access to Information

The MLCCF program employs cutting edge technology to provide donors, Financial Advisors and community foundations with on-line access to program information. The MLCCF program’s technology partner, MicroEdge/NPO Solutions, Inc., maintains two program-related websites, which are linked, but restrict information based on the specific login used (pre-authentication).



- Merrill Lynch Financial Advisors have full web-enabled access to the MLCCF program through “**NPPortal.**” Through this web-site Financial Advisors can learn about the benefits of charitable giving, locate participating community foundations and open donor-advised funds.
- Community foundations and MLCCF program donors have full web-enabled access to account information through “**eDonorCentral.**” On this secure web-site donors can view their fund summary, quarterly fund statement, make grant recommendations and more. Community foundations have additional access to administrative tools and MLCCF program reports.

III. Community Foundation Support

The following community foundation support structures have been put in place to support their MLCCF-related activities and to maximize the overall donor experience.

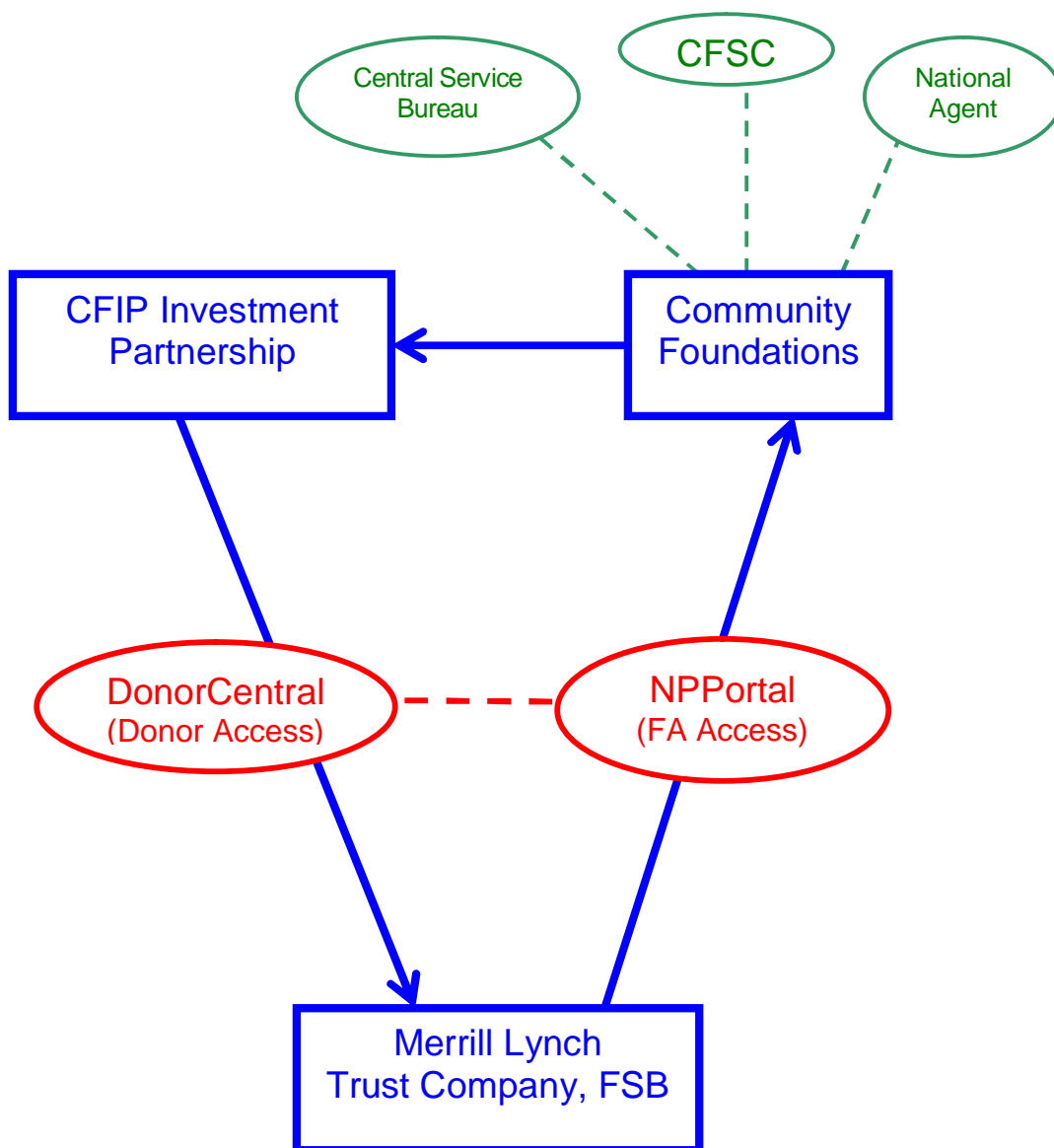


- **Community Foundations Services Corporation (CFSC):** a supporting organization to community foundations. Participating community foundations have adopted standard forms, policies and procedures, developed collaboratively with the Merrill Lynch Center for Philanthropy & Nonprofit ManagementSM. Program related websites, support materials and DAF outputs are co-branded for Merrill Lynch and the participating community foundation.
- **Central Service Bureau (CSB):** provides back office administrative services, managing account information and monthly reconciliation processes to nearly all participating community foundations. The CSB prepares gift receipts, donor statements, grant checks and posts information on-line to DonorCentral on a daily basis. The CSB reconciles Investment Manager statements, allocates earnings between participating community foundations and issues monthly CFIP partnership statements. The CSB is a service of MicroEdge, Inc.
- **National Agent (NA):** monitors community foundation MLCCF program activities, provides support services, recruits and trains all participating community foundations and maintains a program related help desk. The National Agent is currently Collis Townsend & Associates, LLC.

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MERRILL LYNCH COMMUNITY CHARITABLE FUNDSM PROGRAM

O V E R V I E W



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Community Foundation Highlights

Access to Merrill Lynch Financial Advisors

- One of America's largest financial services company
 - 16,000 Financial Advisors (FA) and 750+ offices
- Special opportunity to work with High Net Worth clients
- FAs can access foundation information from their desktop and readily open a MLCCF program DAF
- Special representation on the NPPortal with local ML offices
- Websites and MLCCF program related outputs are co-branded

MLCCF program DAFs are unrestricted endowment

- Allows up to two generations (or classes) of advisors and successor advisors
- Advisors must be living at the time the fund is created

Creation of a national Donor-Advised Fund platform

- Uniform policies and procedures create a standard of service
- Designed by community foundations incorporating best practices of field
- Central Service Bureau available for outsourced DAF administration
- National Agent provides help desk and program support

Upfront fees pay for all enrollment services

- Typically \$7,000
- Co-branding on eDonorCentral & NPPortal websites
- Co-branding on program outputs
- Unlimited staff training
- Marketing and support materials

MLCCF program fees pay for ongoing support services

- Taken out of Administrative fee charged to MLCCFs program DAFs
 - No additional out-of-pocket expense
 - Merrill Lynch paid for investment and administration services
 - Investment Partnership paid for community foundation expenses:
 - ♣ Technology, websites and Central Service Bureau
 - ♣ National Agent, Help Desk and program oversight
- Net revenues should increase as the program matures due to economies of scale

Client & Donor Highlights

Tax Benefits

- Immediate income tax deduction
- Avoids capital gains tax on gifts of appreciated securities
- Donor-Advised funds work well with other financial and estate planning vehicles
 - Charitable Remainder Trusts
 - Charitable Gift Annuities
 - Pooled Income Funds
 - Charitable Lead Trusts
- Offer distinct tax and operating advantages over private foundations

Creates an important legacy to community

- Ability to have named fund (or can be anonymous)
- Ability to make future grant recommendations, now and in future
- Ability to involve family and friends as advisors and successor advisors (up to 5 of each)
- Residual use as Unrestricted Endowment leverages impact in perpetuity

Access to Community Foundation staff and expertise

- Recognized leaders in local philanthropy
- Trained professional staff
- Independent Board of Directors
- Ability to make grants to qualifying nonprofits anywhere in the country

Access to top-flight investment management

- Community Foundation Investment Oversight
 - Independent CFIP Investment Committee
 - Uses Active (Best of breed managers) and Passive (EFTs and index funds) vehicles
- Can recommend one of four investment options
 - Aggressive Growth Growth & Income
 - Moderate Growth Preservation of Capital
- Cash management (money account)
 - Grantmaking (set-aside)
 - Money bank funds
- On-line access to MLCCF program DAF fund summaries, statements and grantmaking resources