

THE AMERICAN GIFT FUND

Program Disclosure

The American Gift Fund ("AGF") is a public charity exempt from federal income taxation under Section 501(c)(3) of the Internal Revenue Code which receives donations and makes grants for a variety of charitable purposes. AGF sponsors a charitable gift program in which a donor who makes a contribution to AGF has the privilege of recommending the charities to which AGF may make grants from the proceeds of the donor's contributions and the earnings on them. AGF will establish an account on its books in the donor's name which tracks the value of such proceeds and earnings (see **Donors' Accounts** below). The donor then can recommend grants up to the total amount of his or her account. The assets AGF owns which the donors' accounts collectively track make up a donor advised fund that AGF calls "The American Gift Fund". In this brochure, that fund is referred to as the "Fund".

The Fund was established to allow donors to make charitable donations at the most suitable times for them tax-wise while spreading grants from those donations to specific charities over time spans the donors prefer - without the costs and administrative burdens separate charitable foundations bear.

Donors may make gifts to AGF for their Fund accounts at any time. The gifts are immediately deductible for federal income, estate or gift tax purposes upon acceptance by AGF. The full value of outright gifts is deductible, subject to ceilings and conditions affecting the donors described in "Tax Considerations" below.

All gifts to AGF are irrevocable.

Only cash or securities may be donated to AGF. Although the Fund normally accepts publicly traded securities, the trustee of AGF may also accept certain closely-held or restricted stocks. In any case, the trustee will review each lifetime donation, whether of cash or securities, before accepting it and will notify prospective donors promptly of the acceptance or rejection of each proposed gift to AGF. Donations, both cash and securities, must also be delivered to the trustee in a form and manner which is acceptable to the trustee.

The minimum initial contribution is \$25,000. Subsequent gifts may be made in the amount of at least \$250. Each donor must complete and sign an Application (which is included with this brochure) when he or she makes an initial gift.

The donor may, in a Grant Recommendation (one of which is included with this brochure):

- Recommend to AGF one or more United States charities to which AGF will make grants from the assets allocated to the donor's account.
- Recommend one or more categories of charitable purposes for which charities sharing those purposes and selected by AGF or one or more charities selected by AGF will receive grants from the donor's account.
- Recommend the amounts to be distributed to the charities and the times at which the distributions are to be made.

In his or her Application, the donor:

- May designate one or more family members or other persons to make recommendations of charities to AGF in the donor's place or after the donor's death.



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- May recommend one or more charities to AGF to receive the balance of the donor's account at the donor's death.
- May recommend that his or her initial contribution be invested to meet one or more of three investment objectives: Growth, Total Return and Preservation. The minimum part of an initial contribution allocable to an investment objective is \$1,000

After a donor has made a contribution to AGF, AGF will:

- Establish and maintain a book-entry account in the donor's name on AGF's books. The account records will show the number of units of the Fund's investment portfolios in which AGF invested the donor's gifts of cash and the proceeds from the sale of the Donor's gifts of securities.
- Review the donor's recommended charities to assure that distributions to them comply with AGF's standards for charitable grants.
- Send quarterly account statements to the donor.

A donor may change his or her recommendations of categories of charitable interest, of charities and of the amounts and timing of distributions to charities from the donor's contributions by sending a new signed Grant Recommendation to AGF.

ADMINISTRATION OF THE FUND

AGF is managed by a Board of Directors of three members, a majority of whom must be independent of AGF's trustee. The Board appoints the trustee. The Board selects all the charities to which AGF will make grants and fixes the amounts and times of such grants. In addition, the Board has overall responsibility for the Fund's investments, but the trustee provides the day-to-day management of the Fund's assets as well as administration of the Fund. The Board of Directors has the right to change the terms of the gift program described in this brochure at any times. Board members serve until their death, resignation, removal or adjudication of incompetency. Vacancies on the Board will be filled by a majority of the remaining independent members.

The Board has appointed RBC Trust Company (Delaware) Limited ("RBC"), a trust company located in Wilmington, Delaware, to serve as trustee of AGF pursuant to a written agreement. AGF pays RBC a fee from Fund assets allocated to each account for providing administrative services to the Fund at the annual rates set forth below:

<u>Quarter-end Account Balance</u>	<u>Annual Fee Rate</u>
First \$100,000	1.00%
Next \$200,000	0.70%
Next \$700,000	0.60%
Next \$3,000,000	0.47%
Next \$6,000,000	0.44%
Above \$10,000,000	0.35%

AGF pays RBC a minimum fee of \$500 per year for a donor's account the value of which is less than \$100,000. RBC, not the Fund, pays compensation to financial advisers which assist RBC in servicing donors' accounts.



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In addition, AGF pays RBC a fee from Fund assets for providing investment management services at the annual rate of 1.0% of the Fund's assets. When RBC hires another investment adviser as subadviser to provide investment advice for or management of the assets allocated to a specific donor's account (see **Other Investment Advisers** under the **Investments** section below), RBC normally charges no investment management fee, but reserves the right at any time or times to charge one. Should RBC charge a fee, the total investment management fees will not exceed the annual rate of 1.0%. The investment adviser is compensated either by AGF's paying the other adviser's fee, which shall not exceed the annual rate of 1.0% of the account's value, or, if it is a broker-dealer and not being paid an advisory fee, by commissions, mark-downs and mark-ups on securities transactions for the account, sales charges on mutual fund shares purchased for the account and annual payments from the mutual funds held by the account. If RBC hires an affiliate as subadviser, the affiliate will receive such fees or commissions and other payments.

DONORS' ACCOUNTS

When a donor makes his or her initial donation, AGF will establish an account on its books in the donor's name or another name selected by the donor and acceptable to AGF. For example, John Doe's account may be simply called "John Doe" or may be named "The John Doe Foundation" or "The Janet Doe Memorial Fund".

AGF will invest each gift of cash the donor makes and the proceeds from the sale of each gift of securities the donor makes in the manner outlined in **OTHER INFORMATION** below. Investments in each portfolio (described in **INVESTMENTS** below) are divided into units of equal value on the Fund's books. Units will be allocated to a donor's account in proportion to the amount of cash realized from the donor's gifts which AGF invests in a portfolio. Units representing grants AGF makes from the Fund and fees charged to the account will be removed from the account at the end of a month. The investments are assets of AGF; donors do not own any interest in them.

After a donor's account has been established, its minimum value must always be not less than \$500.

Charges payable only from one or some of the accounts will be paid by removing the units allocated to such accounts at the end of a month. If, at any time before the first anniversary of a donor's initial donation, grants from the units allocated to the donor's account from the donor's contributions exceed 5% of the donor's contributions before that date, the Fund will pay the trustee a fee from those units equal to 1% of the value of the donor's contributions utilized for such grants. In addition to the Fund, AGF has established a Board of Directors Account to which donations that donors prefer not be allocated to their accounts will be assigned. The Board will make grants from the Board of Directors Account to charities having purposes that fall within the areas of charitable interest described below.

If the amount of a donation is less than a minimum set forth in this brochure or the value of a donor's account falls below the \$500 minimum and the donor does not make an additional donation sufficient to meet the minimum after notification by the trustee, AGF may contribute the donation or assets represented by the units allocated to the donor's account to charities or reallocate those units to the Board of Directors Account. If AGF is unable to communicate with a donor, it may contribute the donation or assets or reallocate the units as described above. Therefore, donors ought to notify AGF of any address changes.

GRANTS TO CHARITIES

Donors may suggest charitable purposes for which, or charities to which, the Board of Directors will make grants from the donors' accounts by (1) selecting one or more areas of charitable interest proposed by AGF; (2) recommending one or more charities designated by AGF as being focused on those areas of interest; and (3) recommending other charities with which the donors are familiar. In the alternative, as noted in the preceding section, a donor may recommend that his or her gift to the Fund be added to AGF's Board of Directors Account.



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Areas of Charitable Interest

AGF has developed a list of specific categories of charitable purposes, such as children's cancer research, preservation of wilderness and rivers, and art education, of charities to which AGF will make grants. A donor may, in a Grant Recommendation, request that his or her donation be used for grants to organizations whose purposes fall within one or more categories the donor specifies or may cancel a previous request. The Board of Directors will consider every such request and, in addition, welcomes recommendations from donors for additional categories of charitable purposes.

Charities in Specific Categories

With respect to some categories on the list of charitable interests, the Board of Directors has selected one or more charitable organizations whose programs are designed to meet the purpose of the category. A donor may, in a Grant Recommendation, request that his or her donation be used for grants to such organizations or may cancel a previous request. The Board of Directors will consider every such request, but has the power to disapprove or approve any request.

Recommendations

A donor may, in a Grant Recommendation, recommend one or more charities to receive grants in amounts up to the balance of the amount in the donor's account or may cancel a previous request. Each recommended charitable organization must be one described in Section 170(b)(1)(A) of the Internal Revenue Code, which includes religious, educational, hospital, medical research and governmental charitable organizations at the time of the grant. The Board of Directors will review each recommendation both when it is made and at the time the recommended grant is to be made to determine the recommended charity's status under Section 170(b)(1)(A). Although the Board does not favor making grants to donor-advised funds maintained by other charities, the Board will consider making one should a donor recommend it. The Board has the power to approve or disapprove any recommendation.

ADMINISTRATION OF GRANTS

Amounts and Times of Charitable Distributions

A donor may also recommend, in a Grant Recommendation, the amounts and times of grants for his or her recommended charitable purposes or to his or her recommended charities, whether a lump sum grant or a periodic grant of a fixed amount or of a percentage of the value of the account. The minimum amount of a single recommended distribution is \$250. The minimum amount of a fixed periodic distribution is \$250. A donor may also recommend (in the original or a subsequent Application) that the entire balance of assets attributable to the donor's contributions to the Fund be distributed to the recommended charities after AGF has received satisfactory evidence of the donor's death. The Board has the power to approve or disapprove any recommended amount and timing of a grant. Grants from certain small accounts for which RBC has appointed a subadviser (see **Other Investment Advisers in Investments** below) may be limited to four per calendar quarter.

AGF will send a notice to the donor or other person having the authority to make recommendations with respect to the donor's account if a recommended charity is not one described in Section 170(b)(1)(A) or the Board does not approve a recommendation with respect to the account. If a person with the authority to make recommendations concerning the donor's account fails to make recommendations which the Board approves, the Fund will distribute assets of the donor's account to such charities in such amounts and at such times as the Board determines in its uncontrolled discretion.



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Minimum Average Annual Grants

The purpose of the American Gift Fund is to promote philanthropy by seeking charitable contributions that can be used to support qualified organizations. AGF expects that grants from the Fund will exceed 5% of its average net assets on a fiscal five-year rolling basis. If that level of grant activity is not attained, AGF will identify the accounts with respect to which grants over the same five-year period totaled less than 5% of each account's average assets. AGF will then contact the donor advisers of these accounts to request that they recommend grants of at least this amount. If a donor adviser does not provide qualified grant recommendations within 60 days of such request, AGF reserves the right to transfer up to 5% of assets from the donor adviser's named account to AGF's Board of Directors Account.

Successor and Substitute Grant Advisers

In the Application or in a subsequent Grant Recommendation a donor may designate an individual (who is not a minor), a corporation or a charity exempt under Section 501(c)(3) of the Internal Revenue Code to replace the donor in making recommendations of charities and the amounts and timing of grants until the donor gives written revocation of such other person's authority. Similarly, in the Application or in a subsequent Grant Recommendation, a donor may designate an individual (including a minor), corporation or exempt charity to make such recommendations after AGF has received satisfactory evidence of the donor's death. A minor's authority shall be exercised by the minor's guardian.

If more than one donor establishes an account, the surviving donors shall have the authority to make and change recommendations. Only the last surviving donor shall have the right to designate a successor to make recommendations after the donors' deaths.

Grants

One advantage the Fund offers is to give donors a way to create endowments, memorials or special funds for charities they prefer without the cost and time of setting up and administering a private foundation. For instance, a scholarship fund can be established, provided grants are made to exempt charitable organizations which administer the scholarship payments from the fund. Moreover, other persons besides the donor can make gifts to the Fund which can be recorded as part of the donor's account.

Whenever AGF makes a grant (or makes initial distribution of a periodic payment grant) from the Fund, AGF will notify the charitable recipient of the donor's name, address and account name, unless the donor has requested anonymity.

Grants can be used only for charitable purposes and not for the benefit of a donor or person having the right to make grant recommendations with respect to a donor's account. Grants may not be used to satisfy a donor's or grant adviser's (or their family's) legally binding pledge to another charitable organization or other legal obligation or to provide a private benefit to the donor or donor's grant adviser (or their family), such as paying dues or membership fees for them, purchasing tickets for them to a benefit or purchasing goods for them at charitable auctions. Grants may not be used for lobbying, political contributions or to support political campaigns. Moreover, grants may not be made to an organization described in Section 509(a)(3) of the Internal Revenue Code (a so-called supporting organization) or to a private foundation.

To assure that all grant funds are used exclusively for charitable purposes in accordance with the Fund's guidelines, AGF will conduct an investigation when it has reason to believe that grant funds are being used for the private benefit of the donor advisor. AGF reserves the right to take appropriate legal action if it determines that grant funds have been diverted for improper purposes.



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If it becomes necessary to terminate the Fund, the Board of Directors will distribute the Fund's assets attributable to the donors' accounts to the qualified organizations the donors have most recently recommended and, in the absence of such a recommendation, as the Board determines.

INVESTMENTS

Investment Portfolios

Fund investments are presently held in several portfolios which have different investment objectives. Securities contributed to the Gift Fund and awaiting sale are held separately.

The Growth Portfolio seeks long-term growth of capital by investing primarily in common stocks and securities convertible into such stocks or in mutual funds primarily holding such stocks and securities.

The Total Return Portfolio's objective is to seek steady growth of capital and current income. Donors' accounts having this objective will be assigned a mix, determined by the trustee from time to time, of units of the Growth and Preservation Portfolios.

The Preservation Portfolio seeks to preserve the value of its portfolio and to seek a reasonable level of current income by investing primarily in fixed income obligations or in mutual funds primarily holding such obligations.

Any portfolio may hold shares of money market mutual funds in which the proceeds of sale of other securities held in the portfolio and distributions received with respect to such securities are invested for the short term.

If the donor does not allocate his or her initial contribution to one or more of the portfolios, the trustee will make the allocation. If a recommended allocation is less than the minimum amount required for a portfolio, the trustee will notify the donor and make the allocation itself unless the donor responds promptly with an acceptable allocation. Subsequent donations for the donor's account will be allocated among the portfolios in the same proportions as the account's current allocation. The Board of Directors has ultimate responsibility for investment of the Fund's assets. In order to manage the assets so as to provide for the many charities to which grants from the Fund will be made over optimal periods of time, either the Board or the trustee may change the allocation of the assets associated with a donor's account among the Growth, Total Return and Preservation objectives at any time or times.

AGF's portfolios managed by RBC are at present invested in mutual funds which have annual expense ratios (the percentage of a mutual fund's asset value disbursed for operating expenses) ranging on August 31, 2016 from 0.09% to 0.93% annually. Such expenses are in effect charges against donors' accounts but none of those expenses represent payments to RBC. Investment subadvisers (see **Other Investment Advisers** below) may also invest assets of the accounts they manage in mutual funds, all of which will have operating expenses as well. Such subadvisers may receive annual payments from some of these mutual funds, payments which are part of the funds' operating expenses.

Other Investment Advisers

If a donor's account is worth at least \$1 million, the donor or other person then having the power to make grant recommendations may recommend that RBC, AGF's trustee and investment manager, engage an investment advisory firm the donor or such other person has selected as investment subadviser for the assets in the donor's account. This may allow the account's investment program to be tailored more precisely to the schedule of grant recommendations the donor is contemplating. RBC will evaluate the recommended firm and determine whether to hire it. Before RBC hires the firm, AGF's Board must also approve it. RBC will monitor the subadviser's performance to determine whether or not to retain it. Such



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subadvisers may include affiliates of RBC. AGF reserves the right to permit RBC to engage subadvisers, including RBC Wealth Management, an affiliate of RBC, for selected smaller accounts. The subadviser may either provide investment advice for the account or discretionary investment management of the account. See **Administration of the Fund** above for information on subadvisers' compensation. For more information about recommending a subadviser, please call AGF or have your financial adviser call AGF at 800-240-4248 or e-mail AGF at Christine.March@RBC.Com.

OTHER INFORMATION

Donations are normally accepted by AGF when received. AGF will sell donated securities at such times and prices as its trustee believes, in its discretion, will maximize the proceeds it can obtain from their sales. The sales price, less costs incurred in connection with the sale, including brokerage commissions and, in the case of securities without a ready market, other expenses, including legal and appraisal fees, will constitute the proceeds of sale. AGF holds the proceeds of sales and donations of cash by donors until the portfolios' next valuation date at which time they are invested in the portfolios. Valuation dates are the only dates on which investments in (and withdrawals from) the portfolios may be made. At present, the valuation dates are the last day of each month; the trustee of AGF may at any time select other dates instead.

A portfolio's investments are represented by units of equal value in the portfolio. Once investments have been made in a portfolio after a month-end valuation date, the trustee allocates units with a total value equal to each donation of cash the donor made during that month and the proceeds received that month from the sale of the donor's donated securities to the donor's book entry account. Please note that the value of donated securities may fluctuate after AGF receives them and before it can sell them, that the Fund will probably incur costs in selling donated securities and that investments in the Fund can only be made on a valuation date after AGF has received a donor's contribution. Therefore, the value of the donor's account may be higher or lower than the value of the donor's gift to AGF.

PLANNING CONSIDERATIONS

Not only may donors make outright gifts and bequests to AGF, they may also name the Fund as the remainder beneficiary of a charitable remainder trust or current beneficiary of a charitable lead trust, the beneficiary of an IRA or the beneficiary of a life insurance policy. In addition, a donor may make a bequest to AGF in his or her will; AGF will accept cash bequests only. These gifts and bequests can be administered as part of the donor's Fund account with a person designated by the donor having the privilege of recommending grants from the account's assets.

TAX CONSIDERATIONS

Upon acceptance of a donor's gift by AGF, the donor becomes entitled to a federal income tax and gift tax deduction. A federal estate tax deduction is available for bequests to the Fund. The donor will not obtain a charitable deduction when AGF makes a charitable grant from the Fund because the Fund is distributing its own property, not the donor's.

For federal income tax purposes, an individual donor's itemized deduction for a donation to AGF is limited to 60% of his or her adjusted gross income in the case of cash gifts and 30% in the case of appreciated securities. Corporate deductions are limited to 10% of the corporation's taxable income as specially calculated. The portion of any deduction which cannot be used in a year because of that limitation can be carried forward and used for up to five years after the year of contribution.

No income, gains or other item of income or expense received or incurred by the Fund or recorded in a donor's account is attributable to the donor since he or she does not own any Fund assets.



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NOTE: Donors are urged to consult their attorneys, accountants or tax advisors with respect to questions relating to the deductibility of various types of contributions to AGF for federal and state tax purposes and how the percentage deduction limits operate in years donors make contributions of both cash and appreciated securities.

Each donor is responsible for determining the value for tax purposes of the donations he or she makes to AGF. The values of publicly traded securities given to AGF which may be shown on statements issued by AGF to donors are estimates by the trustee only and donors cannot rely on them. Individual donors must file Form 8283 with their income tax returns for gifts of more than \$500 of non-cash property. All donors must file a Form 8283 for most charitable gifts of more than \$5,000 in non-publicly traded securities.

AGF has received a ruling from the Internal Revenue Service treating it as a public charity under Section 501(c)(3) of the Internal Revenue Code exempt from federal income taxation.

STATE REGISTRATION

AGF has registered in all states which require registration and from which it is not exempt and in the District of Columbia. The following notifications are required by the states indicated:

FLORIDA - A COPY OF THE OFFICIAL REGISTRATION AND FINANCIAL INFORMATION MAY BE OBTAINED FROM THE DIVISION OF CONSUMER SERVICES BY CALLING TOLL-FREE, WITHIN THE STATE, 1-800-HELP-FLA, REGISTRATION DOES NOT IMPLY ENDORSEMENT, APPROVAL, OR RECOMMENDATION BY THE STATE.

GEORGIA - A full and fair description of The American Gift Fund's charitable program and a copy of its financial statement are available upon request addressed to its offices at Suite 200, 4550 New Linden Hill Rd., Wilmington, DE 19808 or by calling (800) 285-7056.

KANSAS - The annual financial report of The American Gift Fund, Kansas Registration No. _____, is on file with the Kansas Secretary of State.

MARYLAND - A copy of the current financial statement of The American Gift Fund is available by writing to The American Gift Fund at Suite 200, 4550 New Linden Hill Rd., Wilmington, DE 19808, or by calling (800) 285-7056. Documents and information submitted under the Maryland Charitable Solicitations Act are also available, for the cost of postage and copies, from the Maryland Secretary of State, State House, Annapolis MD 21401.

MISSISSIPPI - The official registration and financial information of The American Gift Fund may be obtained from the Mississippi Secretary of State's office by calling 1-888-236-6167. Registration by the Secretary of State does not imply endorsement by the Secretary of State.

NEW JERSEY - INFORMATION FILED WITH THE ATTORNEY GENERAL CONCERNING THIS CHARITABLE SOLICITATION MAY BE OBTAINED FROM THE ATTORNEY GENERAL OF THE STATE OF NEW JERSEY BY CALLING (973) 504-6215. REGISTRATION WITH THE ATTORNEY GENERAL DOES NOT IMPLY ENDORSEMENT.

NEW YORK - Upon request, a person may obtain from The American Gift Fund or from the Attorney General a copy of the last financial report filed with the Attorney General. Such a request should be addressed to The American Gift Fund, Suite 200, 4550 New Linden Hill Rd., Wilmington, DE 19808 or New York State Department of Law, Charities Bureau, 120 Broadway, 3rd Floor, New York, NY 10271.



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NORTH CAROLINA - Financial information about this organization and a copy of its license are available from the State Solicitation Licensing Branch at 919-807-2214 or 888-830-4989 for NC Residents.

PENNSYLVANIA - The official registration and financial information of The American Gift Fund may be obtained from the Pennsylvania Department of State by calling, toll-free, within Pennsylvania, 1-800-732-0999. Registration does not imply endorsement.

VIRGINIA - A financial statement is available from the State Office of Consumer Affairs in the Department of Agriculture and Consumer Services, 1100 Bank St., Suite 100, Richmond, VA 23219, upon request.

WASHINGTON - The American Gift Fund is registered in Washington. Information about its financial affairs is available by calling the Secretary of State, toll-free from within Washington, at 1-800-332-4483.

WEST VIRGINIA - West Virginia residents may obtain a summary of the registration and financial documents from the Secretary of State, State Capitol, Charleston, WV 25305. Registration does not imply endorsement.

WISCONSIN - The last financial statement of The American Gift Fund disclosing assets, liabilities, fund balances, revenue and expenses filed with the Wisconsin Department of Regulation and Licensing for the preceding fiscal year will be provided upon request.



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