PHILANTHROPY PROTECTION ACT OF 1995 RECOMMENDED DISCLOSURE MATERIALS

1.	Campus cover letter	Letter to be supplied by the campus, including campus gift fee structure and offer of additional information about gift asset management and administration.
2.	Regents' cover sheet	Information about The Regents, University officers, address, investment management of Regents' funds and funds held in trust for charitable purposes. (Includes "Administration of Funds" page).

3. Gift-Vehicle Sheets

   A. Charitable trusts sheet (for CRUTs, CRATs, and other stand-alone trusts)

   B. Two pooled income fund sheets
   Information on which investment funds are employed, reports to donors and beneficiaries, provisions governing distribution and fees. The most recent Annual Pooled Income Fund Reports, prepared once a year at calendar year-end and distributed to the campuses, should be provided to donors. (It is recommended that the actual PIF trust agreement be included as well).

   C. Charitable gift annuities sheet
   The charitable gift annuity sheet describes the pooled investment of the California and non-California reserve funds, assets, fees. No individual investment pool sheet is required.

4. Planned Giving Investments (PGI) Performance Summary
Discloses the performance benchmark for each fund and summarizes performance against the benchmark.

   Go to http://www.ucop.edu/investment-office/investment-reports/index.html for the latest summary of the three Regents' planned giving investment pools.

5. Acknowledgment from donor regarding receipt of disclosure materials: It is recommended to require an acknowledgment from the donor indicating that disclosure materials have been received and read. The acknowledgment may be in the form of a counter-signed cover letter, signed biographical data sheet, or other form.

Similar data to be provided for Campus Foundation and its investment vehicles.

THE REGENTS OF THE UNIVERSITY OF CALIFORNIA
1111 Franklin Street
Oakland, California 94607-5200

Michael V. Drake, M.D., President
Charles F. Robinson, General Counsel
Jagdeep Bachher, Chief Investment Officer

The Regents of the University of California (The Regents) is a public corporation established under the California Constitution to govern the University of California. The Regents acts as trustee for charitable remainder trusts, charitable lead trusts, and pooled income funds in which the University of California has an interest, and also enters into charitable gift annuity agreements and manages reserve funds associated with those annuities.

It is the policy of The Regents, where possible, to pool for investment purposes the gift funds received from various donors to establish these life-income producing vehicles. The Chief Investment Officer of the Regents invests and manages these funds on behalf of the University and the beneficiaries.

The gift funds are invested along with other assets of the University in investment pools, each of which is benchmarked against a specific market index. The investment of these pools is directed by the Chief Investment Officer of the Regents. Some direct costs of administering and managing the investment pools may be paid from the pools. These investment pools are exempt from the registration requirements of the federal securities laws, pursuant to an exemption for collective investment funds and similar funds maintained by charitable organizations.

Administration of planned gifts is handled by BNY Mellon Wealth Management in Boston. Administration includes calculation and distribution of life-income payments, tax preparation and mailings, and general stewardship of the planned giving program.

On receipt of planned gifts by The Regents, the assets may be invested on a temporary basis by BNY Mellon in the Dreyfus Government Cash Management Fund – Institutional Shares. Additional information about that fund is available at https://im.bnymellon.com/us/en/intermediary/funds/262006208.[1] New gifts are generally moved into The Regents' investment pools on a monthly basis.

[1] If you would like hard copy information about the Dreyfus Government Cash Management Fund, please ask the University contact person listed on your cover letter.

Donors are encouraged to consult their own legal and tax advisors regarding the risks, tax treatment and other aspects of contributing to such planned gifts.

Information follows about the administration of the planned gift vehicles and the individual investment funds.

ADMINISTRATION OF FUNDS

Investment of funds The Chief Investment Officer of the Regents invests the funds held under planned giving trusts or annuity contracts.

Administration of planned gifts Endowment and Investment Accounting, in the Office of the President of the University, maintains records of planned gifts and coordinates payments and reports/statements to beneficiaries and donors with BNY Mellon in Boston.

(Annuity Trusts, Unitrusts, and Lead Trusts)

The Regents of the University of California serves as trustee for a number of charitable remainder and lead trusts. Assets of these trusts are invested by the Chief Investment Officer of the Regents in indexed investment pools. According to the specific characteristics of an individual trust and the needs of the related beneficiary, the asset allocation is assigned separately among the UC Regents PG (Planned Giving) Russell 3000 Index Pool, the UC Regents PG EAFE International Index Pool, and the UC Regents PG Fixed Income Pool.
However, on receipt of the assets by The Regents, the funds may be invested on a temporary basis by BNY Mellon in the Dreyfus Government Cash Management Fund – Institutional Shares. Go to http://www.ucop.edu/investment-office/investment-reports/index.html for the latest summary of the three Regents' planned giving investment pools.

The income from the assets of each trust is distributed in accordance with the terms of the individual trust agreements and the California Principal and Income Act.

Types of Trusts

A **Charitable Remainder Annuity Trust** (CRAT) is a creation of the Tax Reform Act of 1969. It is established by the transfer of money or property to an irrevocable trust that pays a fixed annuity payment (equal to at least 5% of the initial fair market value of the assets placed intrust) to income beneficiary(ies) for life or for a specified number of years. The payout is required whether or not income earned by the annuity trust is sufficient to meet the trust's payout requirement. When the income is insufficient, the difference is taken from the corpus of the trust. Upon termination of the trust, the remaining corpus is distributed for the charitable purpose specified by the donor.

A **Charitable Remainder Unitrust** (CRUT) is also a creation of the 1969 Act. A CRUT is established by the transfer of money or property to an irrevocable trust that pays a variable "unitrust" amount to the income beneficiary(ies) each year, for life or for a term of years. The unitrust amount paid each year is calculated as a fixed percentage (which must be at least 5%) of the market value of the assets of the trust; each year's unitrust calculation is based on the trust's actual market value that year. If the income earned by the trust is insufficient to meet the trust's unitrust payout requirement, the difference is taken from the corpus of the trust. Upon termination of the trust, the remaining corpus is distributed for the charitable purpose specified by the donor.

There are also variations on a standard charitable remainder unitrust where income payments are dependent upon the income generated by the trust.

- *Net-Income Charitable Remainder Unitrust (NICRUT)*: The recipient receives the lesser of the trust's net income for that year <u>or</u> the fixed percentage of the trust assets valued annually. [IRC 664(d)(2) and (d)(3)]

- *Net Income with Make-up Charitable Remainder Unitrust (NIMCRUT):* The recipient receives the lesser of the trust's net income for that year or the fixed percentage; and in addition, in a year when the trust's net income exceeds the fixed percentage, such excess is used to make up for past deficiencies in years when the net income was less than the fixed percentage. [IRC 664(d)(2) and (d)(3)]

- *Flip Charitable Remainder Unitrust (Flip CRUT)***:** Commencing in 1999, federal tax law also recognized another type of charitable remainder trust often referred to as a "Flip CRUT." Initially, the trust operates as a net-income unitrust paying the lesser of income or the fixed percentage to the income beneficiary(ies). However, after the occurrence of a "triggering event" (which is defined in the trust document), the trust converts (flips) to a standard unitrust. [Treas. Reg. 1.664-3(a)(l)(i)(c)]

A **Charitable Lead Trust** is the reverse of a charitable remainder trust; it pays an income interest to a charitable organization for a specified period of time, then distributes the principal to non-charitable beneficiaries. The annual payments to charity are either fixed amounts determined at the outset of the trust, or a unitrust amount based on a percentage of the trust's asset value each year.

Reports and Fees

California trust law permits the direct costs of converting gift assets into cash for investment purposes to be recovered from trust principal; it is the policy of The Regents to do so.

Annual reports, including information on a trust's income and the valuation of its assets, are provided routinely to beneficiaries and to donors upon request.

The Regents does not charge any fees for its services as trustee during the term of the trust. When the trust terminates, The Regents' policy permits the assessment of a one-time fee on the charitable remainder of the trust before it is distributed to the campus and purpose designated by the donor. The fee is set to recoup direct out-of-pocket costs of administering the trust, and is presently equal to 0.35% (thirty-five basis points) of the trust's remaining principal at termination, multiplied by the number of months The Regents invested and managed the trust, divided by 12. Expressed as a formula, this fee is calculated as: 0.0035 x (Value of Corpus at Termination) x (number of months invested, divided by 12). The fee covers a portion of the accounting and tax preparation costs over the life of the trust agreement.

The gift fee assessed by the individual campus is described in the cover letter to this disclosure packet.

UC LONG TER7M INCOME FUND
(Pooled Income Fund)

A pooled income fund is a planned giving vehicle that commingles the gifts of many donors in a single common trust. All of the net income from the assets is distributed each year on a pro-rata basis to the donors or their designees. On the death of the last beneficiary of each pooled income fund agreement, the pro-rated principal of the trust attributed to that individual agreement is severed from the pool and distributed for the charitable purpose specified by the donor.

The UC Long-Term Income Fund is a pooled income fund with an investment objective to produce a relatively high and stable level of current income. This income is provided by a diversified investment portfolio of high-quality fixed income securities. Emphasis is placed on intermediate-term corporate, government and mortgage-backed securities. The value of the assets held by the Fund will necessarily fluctuate from time to time with changes in the market and economic conditions, and there can be no guarantee that any specific investment results will be achieved.

The Regents of the University of California is the trustee of the UC Long-Term Income Fund. Money and the proceeds of property transferred to the UC Long-Term Income Fund are invested in the UC Regents PG Fixed Income Pool, an investment pool of The Regents. The investment of the pool is directed by the Chief Investment Officer of the Regents. However, on receipt of gifts by The Regents, the funds are invested on a temporary basis by BNY Mellon in theDreyfus Government Cash Management Fund – Institutional Shares.

Distributions of investment income are made monthly from the investment pool to the UC Long-Term Income Fund. The UC Long-Term Income Fund issues payments to beneficiaries of their pro-rata share of net income on a quarterly basis, on or before the end of the month following the close of each quarter. All payments are made by check or ACH direct deposit.

Beneficiaries receive an annual report, which reviews the performance of the pool in the previous three years, the fund's assets, number of units and unit value, number of participants, income earned and distributed, income per unit, and rate of return based on market value according to the IRS-prescribed formula. Donors may receive this report upon request.

The Regents does not charge any fees for its services as trustee of the Fund. The Regents' policy permits the assessment of a one-time fee on the distribution of the charitable remainder when it is severed from the pool for distribution to the campus and purpose designated by the donor. The fee is set to recoup direct out-of-pocket costs of administering the Fund, and is presently equal to 0.35% (thirty-five basis points) of the principal severed from the pool on the death of the last income beneficiary, multiplied by the number of months The Regents managed and invested the individual pooled income fund agreement, divided by 12. Expressed as a formula, this fee is calculated as: 0.0035 x (Value of principal at termination) x (number of months invested, divided by 12). The fee covers a portion of the accounting and tax preparation costs over the life of the individual pooled income fund agreement.

The gift fee assessed by the individual campus is described in the cover letter to this disclosure packet.

UC BALANCED GROWTH FUND
(Pooled Income Fund)

A pooled income fund is a planned giving vehicle that commingles the gifts of many donors in a single common trust. All of the net income from the assets is distributed each year on a pro-rata basis to the donors or their designees. On the death of the last beneficiary of each pooled income fund agreement, the pro-rated principal of the trust attributed to that individual agreement is severed from the pool and distributed for the charitable purpose specified by the donor.

The UC Balanced Growth Fund is a pooled income fund with an investment objective to produce a moderate level of current income that should grow over time. It is anticipated that the income will grow in line with or in excess of the rate of inflation. The Fund will maintain a balanced portfolio comprised of a diversified mix of U.S. and international stocks and intermediate-term corporate, government and mortgage-backed fixed-income securities. The value of the assets held by the Fund will necessarily fluctuate from time to time with changes in market and economic conditions, and there can be no guarantee that any specific investment results will be achieved.

The Regents of the University of California is the trustee of the UC Balanced Growth Fund. Money and the proceeds of property transferred to the UC Balanced Growth Fund are invested in the investment pools of The Regents. The investment of the pools is directed by the Chief Investment Officer of the Regents. The UC Balanced Growth Fund is allocated as follows: UC Regents PG Russell 3000 Index Pool, 40 percent; UC Regents PG EAFE International Index Pool, 10 percent; and UC Regents PG Fixed Income Pool, 50 percent. However, on receipt of gifts by The Regents, the funds are invested on a temporary basis by BNY Mellon in the Dreyfus Government Cash Management Fund – Institutional Shares.

Distributions of investment income are made monthly from the investment pools to the UC Balanced Growth Fund. The UC Balanced Growth Fund issues payments to beneficiaries of their pro-rata share of net income on a quarterly basis, on or before the end of the month following the close of the quarter. All payments are made by check or ACH direct deposit.

Beneficiaries receive an annual report, which reviews the performance of the Fund in the previous three years, the Fund's assets, number of units and unit value, number of participants, income earned and distributed, income per unit, and rate of return based on market value according to the IRS-prescribed formula. Donors may receive this report upon request.

The Regents does not charge any fees for its services as trustee of the Fund. The Regents' policy permits the assessment of a one-time fee on charitable remainder when it is severed from the pool for distribution to the campus and purpose designated by the donor. The fee is set to recoup direct out-of-pocket costs of administering the Fund, and is presently equal to 0.35% (thirty-five basis points) of the principal severed from the pool upon the death of the last income beneficiary, multiplied by the number of months The Regents managed and invested the individual pooled income fund agreement, divided by 12. Expressed as a formula, this fee is calculated as: 0.0035 x (Value of principal at termination) x (number of months invested, divided by 12). The fee covers a portion of the accounting and tax preparation costs over the life of the individual pooled income fund agreement.

The gift fee assessed by the individual campus is described in the cover letter to this disclosure packet.

CHARITABLE GIFT ANNUITIES

A charitable gift annuity is a contract between a charitable institution and a donor. In exchange for a gift, the institution agrees to pay a fixed lifetime annuity to a maximum of two beneficiaries.

The Regents of the University of California has a Certificate of Authority from the California Department of Insurance to enter into charitable gift annuity agreements with California donors. Money and the proceeds of property transferred to The Regents in consideration for charitable gift annuities are invested in a reserve fund managed by the Chief Investment Officer of the Regents that is comprised of equities and fixed income securities and invested in investment pools of The Regents. The reserve fund for California charitable gift annuities has the following asset allocation: UC Regents PG Russell 3000 Index Pool, 50 percent; UC Regents PG EAFE International Index Pool, 15 percent; and UC Regents PG Fixed Income Pool, 35 percent. However, on receipt of the assets by The Regents, the funds may be invested on a temporary basis by BNY Mellon in the Dreyfus Government Cash Management Fund – Institutional Shares. The market value of the California reserve fund as of December 2020 was $34.9 million.

The Regents also enters into charitable gift annuity agreements with donors in a number of states outside California. (The Regents has registered with insurance authorities in a number of other states based on donor requests, and some states do not require charities to register in order to enter into annuity agreements with donors in the state.) Funds received in consideration for charitable gift annuities from non-California donors are invested in a Non-California reserve fund. The management and investment of the Non-California reserve fund are similar to the California gift annuity portfolio (with differences based upon state requirements). The Non-California reserve fund as of December 2020 was $3.9 million.

In addition to the two reserve funds, gift annuities are backed by other funds available to the President of the University.

The annuity amount is based on the age of the annuitant(s) (a maximum of two annuitants to each annuity agreement) and the corresponding annuity rate recommended by the American Council on Gift Annuities. Annuity payments are made according to the schedule of the individual gift annuity contract on a monthly, quarterly or annual basis. All payments are made by check or ACH direct deposit.

Following the death of the annuitant(s), The Regents severs the assets in the reserve fund allocable to that annuity agreement (the “residuum”) and uses that amount for the charitable purpose designated by the donor. The Regents’ policy permits the assessment of a one-time fee on the residuum when it is severed from the reserve fund for distribution to the campus and purpose designated by the donor.

The fee is set to recoup direct out-of-pocket costs of administering the gift annuity contract and reserve pool, and is presently equal to 0.35% (thirty-five basis points) of the assets severed from the reserve fund upon the death of the last annuitant, multiplied by the number of months The Regents managed the annuity agreement and invested in the reserve fund, divided by 12.

Expressed as a formula, this fee is calculated as: 0.0035 x (Residuum of annuity contract) x (number of months invested, divided by 12). The fee covers a portion of the accounting and tax preparation costs over the life of the annuity agreement.

The gift fee assessed by the individual campus is described in the cover letter to this disclosure packet.