

## STEM Gift Annuity Disclosure Statement

**T**HANK YOU for considering a charitable gift annuity with STEM Int'l! This description is intended to provide you with information concerning the structure of a charitable gift annuity and the federal tax consequences of making such a gift. We believe this information to be correct under existing law at the time of preparation, however, we encourage you to consult your own legal or tax advisor to determine the specific tax effect of such a gift given your own individual circumstances.

A gift annuity allows you to simultaneously make a charitable gift and provide for guaranteed payments for life to yourself and/or another person. Here are the basic features of a charitable gift annuity to STEM:

- ◆ With a charitable gift annuity, you contribute your gift directly to STEM, and we agree to pay you a fixed amount for life. Rates are based upon the recommendations of the American Council on Gift Annuities. Current rates range from 6.0 to 11.3 percent for beneficiaries age 65 and older. These rates may be slightly lower than those offered by commercial annuities from insurance companies, however, commercial annuities do not generate a charitable contribution tax deduction.
  - ◆ A charitable gift annuity is easy to create. The gift agreement is a simple contract between STEM and you that guarantees fixed payments for life. These payments become one of our general obligations, backed not only by the principal of your gift, but by STEM assets. STEM maintains a separate gift annuity reserve fund and commits to making your payments on time according to the schedule outlined in the "Charitable Gift Annuity Agreement."
  - ◆ Since you are making a charitable gift, you may be entitled to income, gift and estate tax deductions. You will receive a charitable tax deduction when you create the gift annuity based on the fair market value of the assets you contributed minus the present value of the annuity payments you may expect to receive over your lifetime.
  - ◆ If you fund your charitable gift annuity with appreciated securities, no upfront capital gains tax is payable. You can contribute appreciated but low-yielding assets and put the entire amount of your gift to work earning income for you. Only a portion of your capital gain will be reportable, and the tax will be spread out over your annuity payments.
  - ◆ STEM will provide you with information on the specific federal income tax reporting requirements in your circumstances and will send you a Form 1099-R annually for inclusion with your tax return.
  - ◆ STEM makes payments monthly, quarterly, semi-annually, or annually, and the payments cease with the payment preceding the death of the last annuitant.
  - ◆ The Philanthropy Protection Act of 1995 exempts charitable gift annuity funds from registration under federal securities laws provided we give donors written information describing the material terms of the investment and operation of the gift annuity funds. We believe our "STEM Gift Annuity Disclosure Statement" satisfies this requirement.
  - ◆ Some states regulate the issuance of charitable gift annuities to residents of those states, and require registration and other reporting. STEM is in the process of registering in such states.
  - ◆ Please feel free to contact STEM's Vice President and Chief Operating Officer, Julie Tanning, at (952) 996-1355 or toll-free 1-877-783-6646 for additional information.
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