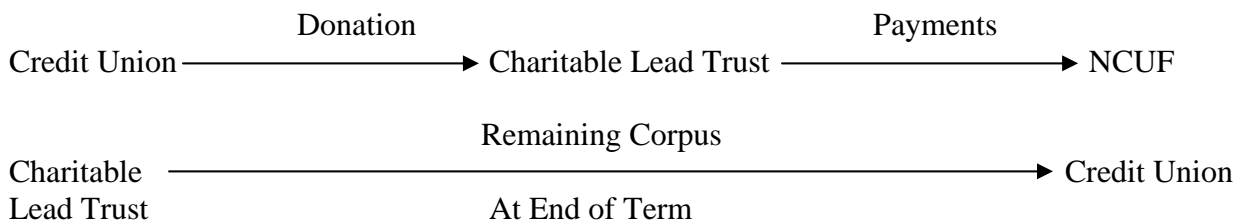


NCUF Charitable Lead Trust

MEMBERS Trust Company, FSB, Trustee

What Is a Charitable Lead Trust?

Charitable Lead Trusts, which are commonly used to make charitable contributions, allows a donor to customize a gift and investment plan to meet a charitable intent as well as individual goals of the donor. Under the terms of the NCUF Charitable Lead Trust, NCUF will receive an annual payment equal to set percentage of the ETF Income Portfolio. These payments will continue for a three to five year period (payout period) as selected by the donor credit union. At the maturity of the payout period, the donor credit union may renew the term or terminate the trust, and receive the remaining assets including any appreciation over the payments to NCUF. Please see the diagram below:



A written trust agreement will establish the terms of the trust.

How Is the Annual Payment to NCUF Calculated?

NCUF will receive an annual payment equal to a set percentage of the value of the trust as of the first business day of the calendar year. The percentage is set by the donor credit union, but is not to be less than 1% of the value of the trust. This payment is a contractual obligation of the trust and cannot be changed during the payout period. The payments in the first year and the year of termination are pro-rated based on the number of days the trust is in force. For example, a \$1 million gift on Sept 30 with a 1% payment would pay NCUF \$2,520 for the first year ($1M \times 92/365 \times 1\%$). At the end of year 1, the trust would be valued and year 2's payments would be calculated.

What Is the Maturity of the Trust?

The payments to NCUF will continue for either three or five years as selected by the donor credit union. At the end of the term, the donor credit union may elect to renew or terminate the trust and receive the remaining assets in the trust. While the trust is irrevocable for the payout period, the donor credit union may elect to terminate the trust early; however, the trust will pay NCUF the present value of the remaining annual payments. So while the donor credit union is transferring funds into a trust, it maintains control and ultimate ownership over the funds by retaining the power to terminate the trust early or to elect not to renew the trust.

Who and How Will the Assets in The Charitable Lead Trust Be Managed?

MEMBERS Trust Company, FSB, owned and managed by America's Credit Unions since 1987, will act as the trustee and manage the assets. Since this charitable vehicle constitutes a

fiduciary account, investment management will comply with prudent investment standards and allocate investments across equities and bonds using Exchange-Traded Funds (ETFs). This approach is similar to the investment management of assets a credit union may have in a defined pension plan or SERP. MEMBERS Trust Company, FSB, will prepare an Investment Policy Statement which the credit union will agree to, establishing the investment objectives and ranges for asset allocation among Exchange -Traded Funds. After the trust is established, any change to the Investment Policy Statement will require the approval of both the donor credit union and NCUF.

How Will the Charitable Lead Trust Be Booked By The Donor Credit Union?

Similar to assets held in a Separate Employee Retirement Plan, auditors with MEMBERS Trust Company indicate the contribution shall be recorded as an Other Asset or Charitable Investment Asset, and not a Part 703 Investment. Market value accounting (mark to market) should be used to record the market fluctuations. Any income not paid out to NCUF should be recognized on the income statement of the donor credit union. Of course, each donor credit union should consult with its own auditors to determine the accounting treatment for the Charitable Lead Trust.

How Is the Charitable Lead Trust Taxed?

This trust will be set up as a Grantor Charitable Lead Trust, so all income will be reported to the donor credit union on a 1099. Consequently, the Charitable Lead Trust will not incur federal income tax liability.

Will The Donor Credit Union Receive Statements?

The Donor Credit Union will receive statements from MEMBERS Trust Company listing the investments, payments, performance returns, and market value. Statements and transactional history for the trust will also be accessible online.

Why Contribute To The Charitable Lead Trust Rather Than CDs or Part 703 Investments?

NCUF and MEMBERS Trust Company determined that in this low rate environment, credit unions would like a charitable giving program with investment features used by foundations across the country. The Charitable Lead Trust addresses the financial needs of both NCUF and the donor credit. By providing a more standard charitable investment, we believe a sustainable funding mechanism can be established with benefits to NCUF and the donor credit union. The Charitable Lead Trust is for donor credit unions that want to match an investment strategy with the intended objective of providing support to NCUF over a long term horizon. But, the plus with this vehicle is that while the intention may be for long term support, the donor credit union retains control as outline above.

For more information, please contact Jason Ritzenthaler, CFA, VP, MEMBERS Trust Company, FSB at 888-727-9191 ext. 705 or e-mail Jason.Ritzenthaler@Memberstrust.com.