EXPLANATION OF ENDOWMENT AGREEMENT

Thank you for considering a gift to the UW Foundation that will make a lasting impact at the University of Wyoming for generations to come. This explanation is intended to help you understand the form document we use to create endowed funds.

An endowed fund, also called an endowment or permanent fund, is a trust. A trust is an arrangement where a person, commonly known as the settlor, transfers property to another person or entity, commonly known as the trustee, to be held for the benefit of another person or entity, commonly known as the beneficiary, according to the settlor's intent as outlined in a document, commonly known as a trust instrument. In the case of an endowment fund at the UW Foundation, a donor transfers assets to the UW Foundation which acts as a trustee and manages the fund for the benefit of the University of Wyoming, the beneficiary. The endowment agreement outlines a donor's intent regarding how annual distributions from the endowment fund must be used and the UW Foundation's responsibilities as trustee.

The following explains each paragraph of the endowment agreement form:

Preamble: This section of the agreement states who the donor(s) and trustee are and outlines how the endowment will be funded.

Paragraph 1: This is the most important paragraph as it outlines your intent for how the distributions from the fund will be used, also known as the designation. The provisions in this paragraph can be changed by you over time if necessary.

Paragraph 2: This paragraph allows the entity receiving the funds to save up distributions over a period of years. For example, if the fund you create is an excellence fund to support the visual arts program, the director of the Art Department could save up the annual distribution from the fund for a few years to purchase a piece of equipment.

Paragraph 3: This paragraph allows other donors to make gifts to your fund. Development officers often visit with donors that want their gift to have a permanent impact but do not have the ability to create an endowed fund of their own. In those instances, we can guide a donor to an existing fund that closely matches their own goals.

Paragraph 4: As Heraclitus said, "change is the only constant in life." As such we want to be prepared for changes in the future of higher education. You are making a gift and we want to make sure that gift has the greatest impact possible. Therefore, this paragraph gives the Foundation, as trustee of your trust, the power to make a modification if the fund is no longer practical or is no longer providing a benefit to UW as you intended. For example, decades ago, donors often created student loan funds instead of scholarship funds. The idea was that it would be a growing source of dollars to help students pay for their education at UW. Decades after these student loan funds were created, the federal government began offering federally backed student loans. As a result, the student loan funds that donors created were no longer used by students. Luckily, if something like this happens with the purpose of your fund, the provisions in Paragraph 4 allow the Foundation to make a change in order to ensure that your dollars continue to make an impact for generations to come here at UW in a way that is most closely related to your original intent.

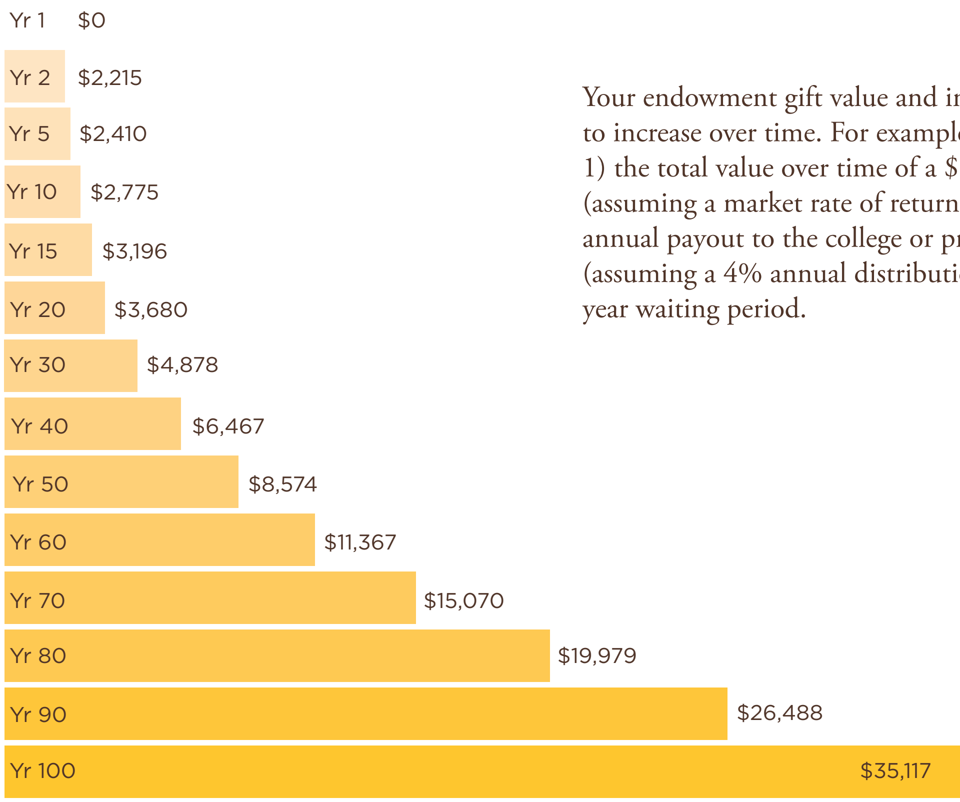
Paragraph 5: This paragraph allows the Foundation to invest your gift along with other assets in order to maximize its earning potential while minimizing risk. It also ensures that your fund will be managed in a way to be consistent with federal tax laws.

Paragraph 6: Piggybacking on Paragraph 5, this paragraph gives ensures that your dollars will be invested responsibly and provides safeguards to your fund in difficult market years. It also allows the Foundation to collect a reasonable fee for administering the fund.

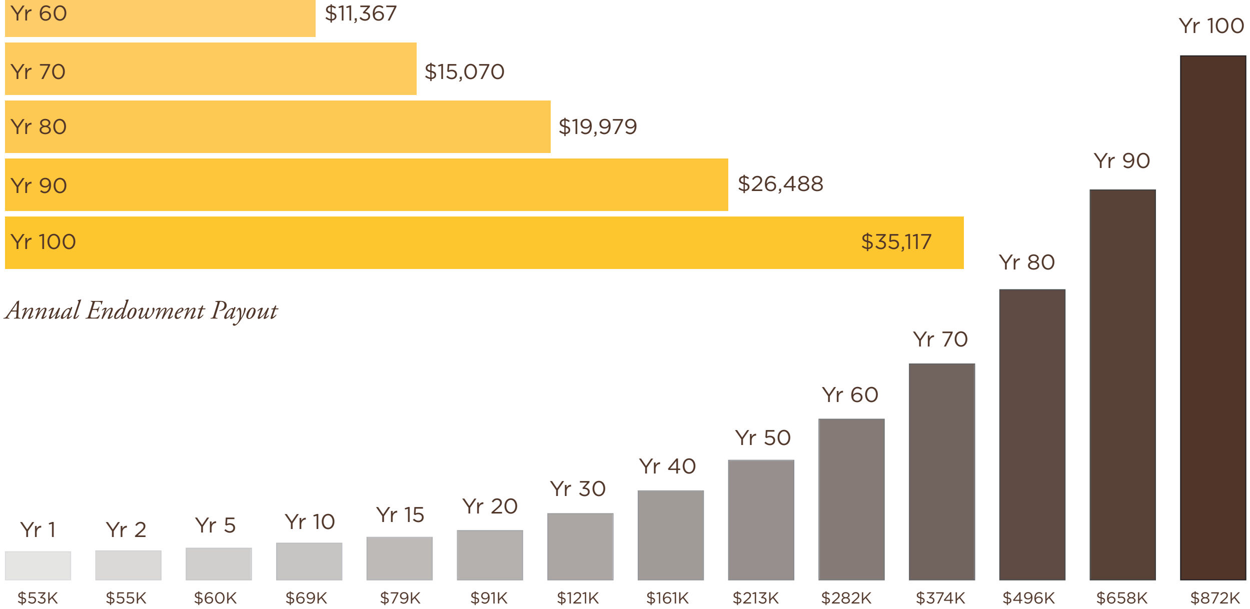
Paragraph 7: Donors often choose to create their fund through payments over a period of time. For example a gift of $50,000 can be paid over a 5 year period at $10,000 per year. This paragraph provides a plan for the unlikely situation where a donor is no longer able to pay their pledge and the fund does not reach the endowed minimum. In these situations, a fund cannot be endowed and as such then becomes an expendable fund.

THE LIFE OF AN ENDOWMENT

Your endowment gift value and impact have the ability to increase over time. For example, the charts below show 1) the total value over time of a $50,000 endowment (assuming a market rate of return of 7%) and 2) the annual payout to the college or program of your choice (assuming a 4% annual distribution) after the initial one-year waiting period.



Annual Endowment Payout



Value of Endowment

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