

BASICS OF THE INTEF INVESTMENT STRUCTURE

The purpose of the Structure is to turn traditional equity investments in things like stocks, ETF's and other widely-held instruments into cash generators for public charities and other exempt entities while still preserving or even enhancing investors' after-tax returns. It does this by diverting a portion of the invested capital to participating charities and then handing investors a valuable set of tax benefits to make up the loss. These benefits accrue to investors gradually over time while charities get most of their cash upfront in the form of tax-free capital gain income.

How much income? Using a \$1 billion Structure-based fund as an example, charities should receive roughly \$300 million immediately in addition to smaller amounts at the end of the eight-year term. The remaining \$700 million goes directly into S&P 500 stocks or whichever underlying investment has been chosen and because of the tax benefits, investors' after-tax returns still track those of a traditional investment where every dollar (i.e., \$1 billion) is exposed to the market. In some cases, the Structure's returns could be even stronger. To be clear, this means investors can purchase an equity instrument that raises significant capital for public charities and still earn themselves a full market return, or better, in the process.

All this adds up to a tremendous charitable punch that investors can deliver just by making some of their normal portfolio allocations via a fund that utilizes the Structure—not as a replacement for bespoke giving to individual charities but as a much larger adjunct to it. Organizations served may include relief agencies, cultural institutions, environmental organizations and others. (The Structure can also be set up to provide direct support to subdivisions or units of state & local governments.) Investors will then be able to indicate preferences for the categories and causes they'd like to support most. Additional categories and geographic concentrations can also be added for greater charitable focus.