
From: Larry Cohen <Larry.Cohen@bgc3.com>
Sent: Friday, August 29, 2014 4:05 PM
To: jeffrey E.
Subject: RE:

1045am PST work?

Here is draft outline:

CONVERSATION GUIDE TO INTRODUCE AND TEST NEW DONOR VEHICLE AND SOLICIT FEEDBACK FROM POTENTIAL PARTNERS

Introduction

- * It has been a pretty amazing time for our foundation. We're approaching the 15 year mark for the foundation itself, and it has been my primary focus now for over six years. There are some really complex problems to solve and we've been making a lot of progress and seeing some real impact. [Give some examples depending on possible issue alignment with prospect]
- * In addition to focusing on our core program areas in Global Health, Global Development, and Education in the United States, Melinda and I, along with Warren, are putting a lot of energy into thinking about Giving and Philanthropy more broadly.
- * We live in an amazing time. There are big problems to solve, but we've learned so much about how to address them. There are a lot of potential resources that if properly directed could make a massive difference.
- * But there are significant barriers to giving effectively and so we're looking at what we might be able to do help.
- * We've done this through several different initiatives. I think you are familiar with the Giving Pledge, which has been great, and I'm happy to update you on that if you'd like. But I really want to focus on something new that we've been thinking about, which is creating a new vehicle to help donors manage their charitable resources. It's a way to leverage some of the work we've already done and let people more seamlessly integrate their giving.

* We are still at early stages in shaping this, and I'd really like to get your candid feedback on what might or might not be appealing about what we are doing. I'd like to walk you through the concept and then run through some questions.

The New Donor Vehicle

* As I think about engaging in philanthropy I see three main buckets of issues:

- o First is the actual charitable giving. There are a number of important questions for people to think through in terms of what issues they care about, what are the best ways to address those issues, who are the best partners, how do they know it's working and so on.
- o The second is on effectively managing the investment of those charitable dollars before they go out the door so that you actually have the maximum resources available and then can give necessary and appropriate guidance.
- o The third is around the financial implications. How much are you actually going to give and when. What family considerations are there? What are the tax implications for what you do and when you do it?
- o That all leads to question of how to structure all of this to most effectively address questions in the first three categories.

* There are a lot of different ways to manage giving in the U.S. We landed on doing this through a private foundation. We have a fairly unique structure where we created two separate entities. The first one manages the investments and then funds the second entity which allocates the money. It's worked very well for our particular circumstances, but it's complicated and not right for most people. There are a LOT of extra tax rules to follow for private foundations and we never expected that we'd have over 1,000 people working there.

* Alternatives to creating a private foundation include setting up a Donor Advised Fund or Supporting Organizations. Each has advantages in terms of tax efficiency and influence over investments and expenditures.

* And while there are plenty of resources to help with the question of where to give, it's not a very mature market and it can be a tricky space to navigate.

- * So that's why I'm testing this new mechanism.

- * The goals would be to:

- o Maximize tax efficiency for the donors.
- o Enable sufficient flexibility in terms of management of the investment resources.
- o Allocate the resources against issues and organizations that we know will have a tremendous impact but also give the donors flexibility in terms of areas of focus.
- o Avoid fees and complexity
- o Do this in a way that is viewed favorably

HOW IT WORKS

- * In order to address these goals I'm looking at creating a new vehicle that would tie together how a donor could manage the investment of charitable dollars and facilitate the charitable expenditures.

- * If we can do this at the right scale the impact would be incredible.

- * New Donor Vehicle.

- o We will identify an existing public charity with exceptional experience and reputation in managing donor advised funds and similar donor vehicles.

- o We will create a new public charity affiliate to that existing organization, where the foundation will have significant influence by appointing a minority of the board.

- o Doing this with an existing public charity will allow us to leverage existing infrastructure and keep the administration of the vehicle lean.
- o This new organization will sponsor donor-advised funds into which you can contribute. It will also serve as the parent of a supporting organization into which you can contribute.
- o Whether a donor-advised fund or a supporting organization is the right vehicle for you will depend on the assets you want to contribute and the amount of ongoing influence you would like to have, but in both cases you would be entitled to the more favorable charitable contribution deduction available for contributions to a public charity (as compared to a private foundation).
 - * A donor-advised fund is a separate fund on the books of a public charity. You have the opportunity to have substantial influence over the investment and distribution of funds in the DAF, but legal control rests with the board of the sponsoring organization.
 - * A supporting organization is a separate legal entity controlled by a public charity. While the law requires its parent to elect a majority of the board of directors, you or your designee can hold minority board seats and exercise substantial influence over the investment and distribution of funds in the supporting organization.

- o So that's how this would address managing the investments. In terms of the expenditures, the DAF and/or supporting organization will make required minimum distributions each year of 5%. This is the standard for private foundations. Our idea would be that at least 3% would go to a new public charity which works in parallel with the foundation. Distributions of the other 2% would be at the donor's discretion.
- o The foundation will create and control this affiliated public charity whose mission will be aligned with that of the foundation.
- o Our affiliate will distribute those funds to further our foundation objectives, so that your funding becomes additive to ours and is distributed with the same rigor and focus as our own.

From: jeffrey E. [mailto:jeevacation@gmail.com]
Sent: Friday, August 29, 2014 8:45 AM
To: Larry Cohen
Subject:

today? time?

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please note

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