

# Catholic Community Services

*We champion the positive development of children and adults,  
strengthen families and build community.*

Dear Friends,

I am pleased to present the enclosed investment documents for the CCS Life Fund. The Fund will not only be a good investment, it will allow Catholic Community Services to offer a place of health, hope, and learning for hundreds of young children and families facing significant adversity.

I would welcome the opportunity to meet and give you a tour of the Center and to answer any questions you may have. We look forward to welcoming you to the Center and sharing the stories of those helped by your investment for years to come. Thank you for your partnership and generosity in helping our community to flourish.

Blessings,



Joshua K. Graves  
Executive Director  
Catholic Community Services



# **The Catholic Community Services (CCS) Life Fund**

## **Executive Summary**

**This is intended to be an executive summary of the Catholic Community Services Pooled Income Fund (the “CCS Life Fund”). It is not a solicitation for gifts to the Fund or an offer to sell units in the Fund. No steps have been taken toward registration of the Fund under federal or state securities laws. Interested donors should request a copy of the Fund’s Offering Summary and Disclosure Statement.**

### **Purpose:**

The CCS Life Fund will be used to renovate a 27,555 square foot commercial building and transform it into a Family Resource and Child Development Center (the Center).

The Center will serve pre-school age children and their families. Right now, thousands of children in our community are struggling with the effects of homelessness, poverty, trauma, disabilities – and are unable to receive the services they need.

The Center is designed to help children facing adversity and their families and teachers by bringing together services and care providers already working in our community in a single, convenient and accessible location.

### **The Place:**

Located at 3737 Portland Rd NE, Salem, Oregon, adjacent to the Catholic Community Services main building, the Center will be on the site developed decades ago by Furrough’s Lumber Yard and Retail Store and later occupied by St. Vincent de Paul Store and Food Bank. This historic and familiar address is ideally located near downtown Salem and Keizer, Interstate 5, and the Kroc Center. It is on Cherriots Bus Line and offers plenty of parking.

### **The CCS Life Fund Opportunity**

The CCS Life Fund is a Real Estate Pooled Income Fund. As a member of the CCS Life Fund you can expect to receive income from the fund for your life while sharing your values and your blessings to help young children facing adversity and their families.

To become a member, you make a donation to the Fund of appreciated real estate, cash, marketable securities or other assets and, in return, the Fund pays you an income for life.

With this gift you can boost your retirement income and feel secure because you receive reliable, predictable payments for as long as you live – and all the while your gift will be helping children and their parents receive the help they desperately need to flourish.

### **How it works:**

A limited number of units are being offered as ownership participation for the CCS Life Fund. Owners of shares will become participating members in this Real Estate Pooled Income Fund (REPIF) – a concept somewhat similar to a charitable gift annuity.

The Fund will own the building and land. The current appraised value of the building and land is \$3,000,000. Three hundred shares will be offered at \$10,000 each for a total of \$3,000,000.

Income from your investment in the CCS Life Fund is based on the annual net income of the Fund and is expected to begin at 6% of your investment annually. Additionally, an annual cost of living adjustment will help compensate for inflation, and your share of building depreciation may help shelter some of your income. Eventually, at end of your life, your units in the Fund will be donated to Catholic Community Services where it will continue to help lift up those in our community who need us most; but, during your lifetime it will be working to produce income for you.

Catholic Community Services Foundation plans to lease the building from CCS and invest more than \$4,000,000 to renovate the building and transform it into the Family Resource and Child Development Center. Lease income will be the source of the Life Fund members return on their investments and cover all property management and other expenses of the Fund.

### **Why might the Life Fund be a good investment for us?**

Do you own appreciated stocks that you would like to convert to an income producing instrument, but want to avoid the asset loss of capital gain taxes?

Do you own appreciated real estate that you want to liquidate but need to avoid capital gain taxes?

Do you want or need more income than your current investments offer?

Do you want to share your values and your blessings to help children facing adversity and their families while continuing to receive an income from your gift for the rest of your life?

### **Risks:**

Like all investments, there are risks involved in purchasing shares in the CCS Life Fund. Only donors comfortable with those risks should make a donation to the Fund. Please read carefully the enclosed Offering Summary and Disclosure Statement and related documents and seek the counsel of your personal legal and financial advisors before donating to the Fund.

### **How do I purchase my shares or learn more?**

Contact:

Mona Hayes  
(503) 871-5657  
communications@ccswv.org

**OFFERING SUMMARY AND DISCLOSURE STATEMENT**  
**(August 13, 2019)**

**Catholic Community Services Pooled Income Fund**

**SECTION 1**  
**INTRODUCTION**

Catholic Community Services of the Mid-Willamette Valley and Central Coast, Inc., an Oregon nonprofit corporation ("CCS"), will create, maintain, and control the Catholic Community Services Pooled Income Fund (the "Fund"), a pooled income fund as defined in Internal Revenue Code ("Code") section 642(c)(5). CCS is a tax-exempt public benefit corporation described in Code sections 170(b)(1)(A) and 501(c)(3).

The Fund was formed to raise capital to purchase a building that will be known as the Family Resource and Child Development Center (the "Building," or the "Project"), located on the CCS campus in Salem, Oregon. The Fund will purchase the Building from Catholic Community Services Foundation ("CCSF") and lease the Building back to CCSF for a 25-year period on a triple-net lease basis at a rental amount intended to produce a six percent (6%) or higher net rate of return to the Fund. The Fund will not charge a management fee. The net income shall be distributed to the income beneficiaries of the Fund, who are designated by the contributors to the fund ("Contributors"). The assets of the Fund will be held, distributed, and administered by CCS or its successor as the trustee of the Fund (the "Trustee").

As more fully described below in Section 4 (Description of the Fund), a pooled income fund typically is a trust that is established and supervised by a public charity. Contributors make an irrevocable gift to a common trust fund. In general, each Contributor is entitled to take an income tax deduction in the amount of the present value of the remainder passing to charity. The contributed assets are commingled with other Contributors' gifts to create a single fund similar to a mutual fund. The Contributors retain or create for the benefit of themselves or beneficiaries a life income interest in a pro rata portion of the Fund's annual net income. The amount of income paid to the income beneficiaries varies based on the Fund's earnings. When the Contributors or the other designated beneficiaries die, a portion of Fund assets is severed on the books of the pooled income fund and passes to CCS as the charitable remainder beneficiary.

A contribution to the Fund is not an investment in the traditional sense because the contributor irrevocably relinquishes ownership of the contributed property at the time it is contributed. Certain risks are involved in connection with the anticipated income stream. See Section 10 (Risk Factors).

There has been no registration with respect to the Fund under federal or state securities laws. See Section 12 (Miscellaneous). An investment in the Fund has not been approved or disapproved by the Securities and Exchange Commission or any state securities agency, and no regulatory body has passed upon or endorsed the accuracy, adequacy, or completeness of this offering summary or the Fund. Any representation to the contrary is unlawful.

Contributors may be required by the Trustee to represent that they have sufficient net worth and liquidity to bear the total relinquishment of their contribution and have the sophistication to evaluate the terms of this offering dependent on the value of the proposed contribution. See Section 2 (Suitability Standards). In general, contributions are to be in the form of cash or securities (but not securities exempt from federal income tax). Noncash gifts, however, will be considered by the Trustee based upon the Trustee's assessment of marketability and other factors. See Section 7 (Funding of the Project). The goal is to raise contributions to the Fund in the total amount of \$3,000,000. It is intended that no further contributions will be accepted after \$3,000,000 has been contributed to the Fund. However, the Trustee reserves the right to expand the capacity of the Project by investing in additional buildings or land if it deems that to be in the interest of CCS and Fund beneficiaries. See Section 6 (Description of Lease).

The Trustee also reserves the right to exchange Fund life income interests held by beneficiaries for gift annuities of equivalent economic value if the Trustee, within its sole and absolute discretion, deems such an exchange to be in the best interests of the Fund. An example of such an exchange would be a scenario in which only a small number of income beneficiaries remain in the Fund after a period of time.

There are numerous real estate, investment, economic, and other risks associated with contributing to the Fund. See Section 10 (Risk Factors). Although this Offering Summary includes information about the tax consequences of contributions to the Fund, Contributors should consult their own attorneys or other professional advisors concerning legal, tax, and other matters relating to proposed contributions to the Fund. In addition, potential Contributors should read this entire document before contributing to the Fund. A contribution to the Fund by a Contributor ordinarily should not exceed 25 percent of that Contributor's total net worth, exclusive of home, home furnishings, and automobiles.

## **SECTION 2 SUITABILITY STANDARDS**

In general, but not exclusively, this Offering Summary is made to "accredited investors." The Fund may require that each prospective Contributor represent in writing that he or she is a suitable investor under applicable federal and state securities laws. As defined in Section 501 of Regulation D, adopted pursuant to the Securities Act of 1933, an "accredited investor" includes any natural person who represents in writing that he or she either has a net worth (or joint net worth with a spouse) of more than \$1,000,000 (excluding the value of the primary residence), or has an individual income in excess of \$200,000 in each of the two most recent years or joint income with that person's spouse in excess of \$300,000 in each of those years and reasonably expects to reach to same income level in the current year. 17 C.F.R. 340.501(a)(5)-(6). For purposes of qualifying as an accredited investor, "income" means individual adjusted gross income for federal income tax purposes, plus certain additions specified under applicable regulations. The Trustee has the option to receive contributions from a potential Contributor, even if such person is not an accredited investor.

The Trustee reserves the right to reject contributions in whole or in part notwithstanding compliance with such standards and to restrict the size of contributions. See Section 7 (Funding of the Project).

### **SECTION 3 FURTHER INFORMATION**

**This Offering Summary is a general description of the terms of the offering and the proposed operation of the Fund. All potential Contributors will be given a copy of this Offering Summary and requested to sign a receipt in the form attached as Exhibit E.** Contributors are urged to read the entire Offering Summary and the attached Exhibits. Copies of the leases, appraisals, and related documents described in this Offering Summary are available upon request.

Potential Contributors having questions or wishing to have additional information should contact:

Steve Nass, CFO  
Catholic Community Services  
Direct: (503) 856-7058  
Mobile: (503) 931-4654  
E-mail: [stevenass@ccswv.org](mailto:stevenass@ccswv.org)

### **SECTION 4 DESCRIPTION OF THE FUND**

A trust agreement (the "Trust Agreement") was entered into effective August 13, 2019, between CCS, as Trustor, and CCSF, as Trustee, creating the Catholic Community Services Pooled Income Fund under the laws of the state of Oregon. Contributions to the Fund will be managed by the Trustee of the Fund pursuant to the terms and conditions of the Trust Agreement. A copy of the Trust Agreement is attached to this Offering Summary as Exhibit A.

The Fund provides a vehicle through which Contributors can (a) make charitable contributions of the remainder interest of their gifts to CCS and claim charitable income tax deductions for such interests, (b) receive income from the Fund during their lives, or designate other income beneficiaries to receive such income during such beneficiaries' lives, (c) preserve a part of such income from federal income tax liability through depreciation deductions, and (d) obtain estate and gift tax deductions.

The amount of a Contributor's charitable deduction for income, estate, and gift tax purposes is based on the present value of the remainder interest in property transferred to the Fund. The fair market value of the remainder interest is computed by subtracting the present value of the life income interest(s) from the fair market value of the contributed property on the date of transfer.

In general, a Contributor recognizes no gain or loss on the transfer of property to the Fund, provided the transferred property is not subject to any indebtedness. Sale of the transferred property by the Fund generally will cause no tax consequences for the Contributor.

A Contributor must retain for himself or herself (or create for one or more other beneficiaries who are living on the date of transfer) a life income interest in a pro rata share of

the Fund. The term of each income interest is limited to the life of the beneficiary or beneficiaries for whom the interest is created. All income beneficiaries of the Fund are required to be at least 60 years of age or older, but the Trustee reserves the right to waive this requirement. In the event that two beneficiaries of the income interest are designated, such beneficiaries may enjoy their shares of income concurrently, consecutively, or both concurrently and consecutively. An income beneficiary or beneficiaries may make a gift of his, her, or their income interest to CCS, in which case such income interest is removed for accounting purposes from the Fund, the portion of principal allocable to that interest is transferred to CCS, and CCS is entitled to receive all income allocable to the severed income interest until the Fund terminates.

The Fund will distribute net income and will pass through unallocated depreciation (in excess of the reserve) to the holders of income interests on a pro rata basis. See Section 11 (Federal Tax Aspects). Individual income beneficiaries will receive such distributions for life, and at the death of the last income beneficiary of any one income interest, the trust corpus allocable to such income interest will pass permanently to CCS as remainderman of the Fund.

**Internal Revenue Service ("IRS") regulations require that a life income beneficiary may not sell or assign his or her life income interest in the Fund, but may transfer such interest only to CCS. Contributions to the Fund cannot later be borrowed against by the Contributor, nor can contributions be revoked or changed by the Contributor.**

A Contributor may retain the right to revoke the interest of any designated income beneficiary in the Contributor's will. Revocation of the income interest of the sole income beneficiary will accelerate the vesting in CCS of its remainder interest in the trust corpus allocable to that interest.

**The only source of income to the Fund is from the Fund's investments. CCS has no obligation to make payments to income beneficiaries from assets of CCS or from other assets other than the payment of rent as described below.**

The Fund projects annual cash distributions in most years to each Contributor's income beneficiaries to be six percent (6%) or more of the value of that Contributor's contribution at the time it was transferred to the Fund. See Section 7 (Funding of the Project) and Section 13 (Financial Forecast). The distributable net income ("DNI") of the Fund for each calendar year will be taxable to the income beneficiaries under the rules set forth in the Internal Revenue Code and the regulations thereunder. See Section 11 (Federal Tax Aspects). To the extent that such DNI arises from rental activities (which would constitute a return on the Fund's investment in the Building), such income will constitute passive income for federal income tax purposes based upon Code section 469 and the regulations thereunder. Thus, for ordinary income tax purposes, income from the Fund will offset passive losses that income beneficiaries may have from other sources.

The Trustee will be entitled to claim depreciation on the Building as the owner of the property. See Section 5 (Description of the Project). A portion of this depreciation deduction will be passed, pro rata, to the income beneficiaries. The Trustee, however, is required

to create a depreciation reserve, thereby decreasing or eliminating the deprecation pass-through available to income beneficiaries. See Section 11 (Federal Tax Aspects). It is nonetheless anticipated that the depreciation deductions generated by the Building will in part offset the income generated by the Building for federal income tax purposes.

Contributions to the Fund generally must be reported for gift tax purposes, but gift taxes usually will not be owed if the only income beneficiaries are the Contributor or his or her spouse. Similarly, when a Contributor's estate tax is calculated, the value of the remainder interest passing to CCS generally will be included in the Contributor's gross estate if he or she retained an income interest, but will be offset by an estate tax charitable deduction. Contributors should seek the advice of legal counsel on the availability of the marital deduction when naming a spouse as an income beneficiary, and should consider retaining a testamentary right of rescission for this purpose.

The anticipated tax consequences of a contribution to the Fund are described in Section 11 (Federal Tax Aspects).

## **SECTION 5 DESCRIPTION OF THE PROJECT**

The initial Project involves the purchase and renovation of a building at 3737 Portland Road Northeast, Salem, Marion County, Oregon 97301, on the CCS campus. The building will be known as the Family Resource and Child Development Center, and will consist of 27,555 square feet of commercial space, including community gathering areas, offices, classrooms, and private spaces for parent meetings and physical and mental therapy.

The total anticipated cost of construction is estimated to be \$4,830,770, of which \$3,000,000 will be provided by the Fund. The remaining \$1,830,770 will be provided by CCSF as tenant improvements.

Upon completion of the Building, the Fund will lease the Building for a term of 25 years to CCSF. Copies of the lease and related documents are available upon request.

The Trustee reserves the right to expand the capacity of the Project by investing in additional buildings and land and following the same basic structure of the transactions, if the Trustee deems that to be in the best interests of the Fund.

## **SECTION 6 DESCRIPTION OF THE LEASE**

Immediately following completion of the Building, the Fund will lease the Building to CCSF for a rent of \$0.70 per square foot per month, amounting to roughly \$235,000 per year. The Lease will be for a term of 25 years and will pass through to CCSF all ongoing costs and expenses related to the Building, including all responsibility for insurance and taxes. In addition, CCSF will be responsible for maintenance and repair of all capital items including normal wear and tear that exceed the amount of the depreciation reserve allocated by the Trustee for such purposes. It is anticipated that CCSF will sublease portions of the building to other users. Under the terms of the Trust Agreement, the Trustee must create a depreciation reserve to



protect against the obsolescence of the Building. It is contemplated the Fund will fulfill its responsibility with respect to maintenance and repair by applying the amounts allocated to the depreciation reserve for such capital repairs and improvements. CCSF is responsible, at its sole cost and expense, for all items of capital or structural repair and maintenance that exceed the amount of the depreciation reserve allocated by the Fund for such purposes.

The annual rent due under the Lease will be increased annually by 2 percent. The Financial Forecast anticipates that a part of this increased income may be available for distribution as additional net income. See Section 13 (Financial Forecast).

## **SECTION 7 FUNDING OF THE PROJECT**

7.1 Contributions to the Fund. Contributions to the Fund must be made by an instrument of transfer ("Donor Agreement"), substantially in one of the forms attached as Exhibits B through D. In addition to identifying the property being contributed, the Donor Agreement shall designate the income beneficiary or beneficiaries and the share and timing of income to be distributed to each.

It is anticipated that contributions will be accepted by the Fund until the earlier of (a) the date upon which \$3,000,000 has been contributed to the Fund or (b) the date the Trustee determines, in its sole discretion, that it is appropriate to discontinue receiving contributions.

The Trustee will accept contributions of cash or securities (other than securities exempt from federal income tax). Contributions of real property or stock of closely-held companies may be accepted by the Trustee on a case-by-case basis when accompanied by an appraisal acceptable to the Trustee. The Trustee may require an additional appraisal of any contributed property. The Trustee reserves the right, in its sole discretion, to decline contributions to the Fund that it does not believe would serve the best interests of the Contributors, the income beneficiaries, the remainderman, and the Fund. For example, the Trustee might decline to accept a gift of real property which, in the Trustee's opinion, may be difficult to sell in the foreseeable future for its appraised value. In any event, the Trustee will not accept contributions of tangible personal property or property encumbered by any indebtedness. Contributors' initial contributions will be accepted in the minimum amount of \$10,000 each. The Trustee may accept or reject any contribution, regardless of amount or character, notwithstanding anything to the contrary in this Offering Summary.

Each contribution to the Fund will be assigned a certain number of units of participation ("Units") based on the fair market value of the contribution on the date contributed to the Fund. Once determined, the number of Units assigned to any particular contribution will not change, but the value of a Unit will change as the value of the Fund's total assets changes. The value of a Unit may be ascertained at any time by dividing the fair market value of all property then in the Fund by the number of Units then in the Fund.

The Fund's assets will be valued on the first day of each taxable year of the Fund, and quarterly on the last business day of each March, June, September, and December. The fair market value of property in the Fund on any date between such quarterly dates will be determined

by adjusting the fair market value of property in the Fund for the days elapsed since the preceding quarterly date.

Long-term capital gains from the sale of Fund assets and from liquidating dividends and distributions shall be allocated to principal and all such gains, dividends, and distributions shall be permanently set aside for the benefit of CCS. Stock distributions and other receipts or expenses shall be allocated to income or to principal as the Trustee determines. The income beneficiaries of the Fund are entitled to receive each year the excess of the Fund's income receipts over its income disbursements. Such net income will be determined on an accrual basis and an estimated amount will generally be payable quarterly, with the final payment for the year being made no later than sixty-five days after the end of the fiscal year. All principal receipts of the Fund will be retained by the Fund and principal disbursements will be paid only out of the principal assets of the Fund.

7.2 Loans to the Fund. The Fund anticipates an immediate initial borrowing of \$3,000,000 from CCSF (the "Loan") to purchase the Building and to cover start-up costs and expenses. The Loan will be repaid in monthly installments of interest only at an annual interest rate of six percent (6%) per annum and will be secured by a first lien on the Building. The entire principal, together with any accrued yet unpaid interest will be due and payable on December 31, 2025. The Fund may prepay the Loan in part or in full from time to time before the due date, without penalty, and it is anticipated (based upon the Financial Forecast) that all funds borrowed by the Fund from CCSF will be repaid by December 31, 2025. The Trustee, with the concurrence of CCS, shall also have the option of exchanging contributed assets with CCSF in reduction of the principal balance on the Loan. Interest will be an expense to be paid from income received by the Fund from the Lease.

The Trust Agreement authorizes the Trustee to borrow from CCSF or other sources any additional monies beyond those contemplated above, which the Trustee, in its sole discretion, deems appropriate to fulfill the purposes of the Fund. While no added borrowing is contemplated in the financial projects, any such borrowing of additional monies could reduce the projected return anticipated for the income beneficiaries.

## **SECTION 8 INVESTMENTS OF THE PROJECT**

At any time during its existence, it is expected that the Fund can and will invest part or all of its assets according to general fiduciary principles governing trusts created in the state of Oregon. Such investments may include money market instruments, stocks, bonds, and other vehicles (but not tax-exempt vehicles), which will produce "portfolio income" for the income beneficiaries of the Fund. As discussed below in Section 11 (Federal Tax Aspects), this portfolio income cannot be offset for federal income tax purposes by "passive losses." Despite its stated intention to invest in the Building, which would produce "passive income" from rents for the income beneficiaries of the Fund, the Trustee reserves the unilateral right, regardless of anything in this Offering Summary to the contrary, to invest in any type of asset at any time during the Fund's existence.

**SECTION 9**  
**SUMMARY OF SOURCES AND USES OF FUNDS**  
**(Family Resource and Child Development Center)**

See Section 13 for complete Financial Forecast.

Sources:

Pooled Income Fund (62.103%)	\$3,000,000
CCSF (37.897%)	<u>\$1,830,700</u>
Total Sources	\$4,830,700

Uses:

Acquisition and Construction Costs	\$3,500,000
Direct Contracts	\$460,902
Development Costs	<u>\$869,798</u>
Total Uses	\$4,830,700

**SECTION 10**  
**RISK FACTORS**

While CCS as creator of the Fund has a strong financial interest to see that the Fund is successful, Contributors to the Fund nevertheless should be aware that there may be multiple risk factors, which could conceivably include the following:

10.1 Non-Tax Risks.

(a) Risks of Real Estate Ownership. The Fund will be subject to the risks generally inherent in the ownership, operation, and rental of real estate. For example, the Fund could be subject to the risk that CCSF may be unable to meet its obligations under the Lease. The Fund may also incur the risk that CCSF will not continue as a tenant of the Building beyond the lease term. After the lease term ends, it is possible that the Fund would not be able to find a tenant other than CCSF. Without leases, and if the Building was the Fund's only asset, the Fund would have no income. Even if another tenant were obtained, there could be no assurance that the lease entered into would be on terms sufficiently favorable to permit the Fund to meet the projections. See Section 13 (Financial Forecast).

(b) Risks Connected with Financing. The Fund is leveraging its investment in the Building by borrowing from CCSF to purchase the Building and finance construction. The annual rent payable by CCSF to the Fund exceeds the annual interest cost payable on the entire initial borrowing by the Fund to finance the acquisition. If the Fund is unable to secure sufficient donations fully to repay the Loan by its due date, the Fund could sell a portion of its assets to CCSF in order to satisfy the remaining principal balance of the Loan. If the market value of the assets sold were to be less than their book value, this could result in a reduction in distributable net income.

(c) Risk of Lack of Control. No Contributor and no income beneficiary of the Fund will have any right to vote on matters relating to the leasing or management of the Building or the management of the Fund's business or affairs.

(d) Risk of Loss Not Covered Under the Leases. Under the terms of the Lease, CCSF will arrange for comprehensive insurance for the Building, including extended liability and fire coverage. CCSF shall be responsible for deductible amounts, which must be incurred in the event of a loss. The Lease requires CCSF to rebuild if the Building is totally destroyed. If CCSF chooses not to rebuild, the Fund may sue CCSF but could receive only a monetary award. Similarly, if the Building were taken by power of eminent domain, the Fund could collect a monetary award, but would be left without ownership of the Building. Such a loss would result in at least a temporary loss of income and depreciation, until the cash assets were reinvested.

(e) Risk of Lack of Diversification. While the Fund has some diversification as to location and type of properties, this does not represent a diversified investment portfolio. Thus, any event affecting the Building is likely to affect the Fund.

(f) Risk of Loss of Income to Income Beneficiaries by Reason of Loans and Taxes. If the Fund for any reason were to borrow money beyond the projected \$3,000,000, or if the timing of the borrowing does not coincide with expectations, the income passing to the income beneficiaries could be reduced in order to pay interest and principal, which are due on such borrowing. Also, if the Fund itself were subject to any taxation as set forth below in Section 11 (Federal Tax Aspects), the income passing to income beneficiaries could be reduced as a result of such taxation.

(g) Operating Expense Increases. The cost of operating the Fund could increase as salaries and fees increase and as costs of other items rise. The Lease provides for a 2 percent increase annually in the rental income received by the Trustee. Operating expenses are estimated to increase by 2 percent annually. However, if operating expenses were to increase by an amount greater than the increase in rental income, this could result in a reduction in the amount of income available to be allocated to income beneficiaries.

(h) Other Risks. The non-tax risks described above are some, but not necessarily all, of the possible non-tax risks associated with a contribution to the Fund. Other non-tax risks not mentioned in this Offering Summary may exist.

(i) Tax Risks. See Section 11 (Federal Tax Aspects).

## SECTION 11 FEDERAL TAX ASPECTS

**This section summarizes the material federal tax matters relating to the pooled income fund. This summary is not intended as a substitute for professional tax advice and careful tax planning. Each Contributor to the Fund represents that he or she has been advised to obtain independent professional tax advice. This summary is written to support the promotion or marketing of the Fund. This summary (including any attachments) is not intended or written to be used, and cannot be used, for the purpose of avoiding penalties**

**imposed under the Internal Revenue Code. The conclusion to each material federal tax issue reached in this Section 11 is a "more likely than not" conclusion and includes a discussion of the reasons for each conclusion in accordance with Treasury Department Circular No. 230 (31 C.F.R. § 1035 (Rev. 6-2014)).**

11.1 Gift Tax Consequences to Contributor. When the Contributor makes a contribution to the Fund and retains a lifetime income interest, the Contributor makes a gift of the remainder interest in the donated property to CCS. The Contributor may take the gift tax charitable deduction in an amount equal to the actuarial present value of the remainder interest. Although the gift of the remainder interest to CCS does not create a gift tax liability, the contributor must still report the transaction, at the calculated discounted value, on the Contributor's gift tax return.

If the Contributor designates an individual who is not the Contributor or the Contributor's spouse as the income beneficiary, either as a concurrent or consecutive beneficiary, such designation may create a gift subject to the gift tax based upon the actuarial value of the beneficiary's interest. Should the Contributor designate his or her U.S. citizen spouse as the income beneficiary, no gift tax consequences should result to the Contributor for the actuarial value of the spouse's income interest because the Contributor should be able to utilize the gift tax marital deduction under Code section 2523(g)(1). However, if the Contributor designates a non-U.S. citizen spouse as the income beneficiary, then the gift tax marital deduction does not apply; nevertheless, an annual gift tax exclusion amount of \$155,000 (for 2019) is allotted for gifts to non-U.S. citizen spouses under Code section 2523(i). This annual gift tax exclusion for gifts to non-U.S. citizen spouses is adjusted for inflation each year.

It is important to note that (a) the marital deduction is not available for a future income interest, and (b) based on the facts and circumstances, an election to treat the gift of the income interest as qualified terminable interest property ("QTIP") may be required.

The Contributor may avoid creating a gift tax liability if the gift of the income interest designated in another individual (other than the Contributor's spouse) is a present income interest equal to or less than the annual per donee gift tax exclusion amount. Currently, the annual per donee gift tax exclusion amount is \$15,000 (for 2019); however, this amount is adjusted for inflation each year. Additionally, the Contributor may avoid creating a gift tax liability by utilizing the unified gift and estate tax exemption of \$11,400,000 (for 2019). This amount changes in accordance with congressional mandate.

The Contributor may reserve the right, exercisable only by will, to terminate or revoke a surviving beneficiary's income interest without incurring any gift tax liability (whether the right is or is not exercised). As long as the Contributor retains this right, the gift remains incomplete and no gift tax is incurred. However, if the beneficiary receives income during the Contributor's lifetime, then the Contributor has made a gift and could incur a gift tax liability. It should be noted that incomplete gifts do not qualify for use of the annual gift tax exclusion. If the Contributor does not reserve the right to terminate or revoke a surviving beneficiary's income interest and names someone else as a subsequent income beneficiary or designates another individual to receive income concurrently or consecutively with the Contributor, the actuarial value of that beneficiary's income interest may or may not create a gift tax liability, depending on

all the facts and circumstances, such as the availability of gift-splitting with a spouse and the annual exclusion.

Contributors should consult with their own tax advisors as to gift tax consequences as applied to their particular situation and to keep abreast of changes with the annual exclusion amounts and the unified credit.

11.2 Estate Tax Consequences to Contributor. If the Contributor is an income beneficiary of the contribution he or she makes to the Fund, or if the Contributor retains the right to terminate or revoke (only by will) another beneficiary's income interest in the Fund, then at the death of the Contributor, the Contributor's entire interest in the Fund is included in the Contributor's gross estate for federal estate tax purposes under Code section 2036(a). The Contributor's "entire interest in the Fund" is the value at the time of the Contributor's death of the units attributable to the gift the Contributor made to the Fund. Because the Contributor's units will pass over to the Fund, it must be included in the Contributor's gross estate; however, if the Contributor was the sole income beneficiary, the Contributor's estate should be able to utilize the estate tax charitable deduction for the full value of the units.

If a noncharitable, succeeding beneficiary will continue to receive the Contributor's income interest after the Contributor's death, then the estate tax charitable deduction allowable to the Contributor's estate is limited to the present value of CCS's remainder interest. Thus, the then present value of the succeeding beneficiary's lifetime interest is subject to the estate tax.

If the only noncharitable, succeeding beneficiary is the Contributor's spouse and an election is made to treat the contribution to the Fund as a QTIP contribution, then the Contributor's estate should be able to take the estate tax marital deduction for the value of the units in the Fund, which will pass over to the surviving spouse.

It is important to note that even if the charitable and marital deductions eliminate any tax, inclusion of amounts from the Fund may cause the Contributor's estate to be required to file an estate tax return that otherwise would be unnecessary. If inclusion of amounts from the Fund causes the Contributor's gross estate to exceed the unified estate tax credit, then an estate tax return must be filed.

11.3 Income Tax Consequences to Contributor. When the Contributor makes a contribution to the Fund, he or she is entitled to an income tax charitable deduction in an amount equal to the value of the remainder interest to the Fund for the year of the gift. However, the deduction is subject to the percentage limitations under Code section 170(b)(1).

If the Contributor makes a gift in the form of appreciated property to the Fund that is classified as a "long-term capital asset," then the Contributor may take an income tax charitable deduction at the fair market value of such appreciated property; however, the amount of the deduction cannot exceed 30 percent of the Contributor's "contribution base" (i.e., his or her adjusted gross income ("AGI") computed without regard to any net operating loss carryback to the taxable year). Conversely, if the Contributor makes a gift of appreciated property that is not categorized as a "long-term capital asset," then the income tax charitable deduction is limited to

such property's cost basis, rather than at its fair market value. Further, if the Contributor elects to claim a deduction equal to the property's cost basis, then the deduction will be limited to 50 percent of the Contributor's contribution base.

If the Contributor makes a gift in the form of cash, then the Contributor's deduction is generally limited to 50 or 60 percent of the Contributor's contribution base. Although a Contributor may make a gift of any type of property to the Fund, aside from tax-exempt securities, it is typically not a good idea for a Contributor to make a gift of tangible personal property to the Fund, because the Contributor will be unable to take the income tax charitable deduction until his or her income interest ends or until it is held by unrelated parties. Should the value of any gift exceed these percentage limitations, the excess may be carried forward and deducted over the next five years.

If capital assets and certain property used in a trade or business have been held by the Contributor for more than one year and are sold at a gain, then the gain will be characterized as long-term capital gain. The Contributor may elect to increase the deduction limitation for such property from 30 percent to 50 percent of the Contributor's contribution base. However, the Contributor may do so only if he or she reduces the deemed value of all gifts of appreciated property for the taxable year by 100 percent of the unrecognized long-term capital gain.

A Contributor claiming an income tax charitable deduction (for the value of CCS's remainder interest in a gift to the Fund) will be required to attach a statement to the Contributor's income tax return showing the calculation of the present value of the remainder interest. The Trustee may be able to assist the Contributor or the Contributor's tax preparer with the compilation of this statement. A Contributor wishing to claim a charitable deduction must itemize deductions.

11.4 Determination of the Value of the Charitable Remainder Interest. The charitable deduction taken for gift, estate, and income tax purposes is the present value of CCS's future interest ("remainder interest") in the units created by the gift to the Fund. The present value of the charitable remainder interest is determined by subtracting the present value of the Contributor's income interest (at the time of the transfer) from the total fair market value of the property transferred to the Fund. Treasury Regulation section 1.642(c)-6(e) explains that there are three important factors used to determine the present value of the charitable interest: (1) the age of the income beneficiary or beneficiaries, (2) the life expectancy of the income beneficiary or beneficiaries, and (3) the discount factor for the Fund's yearly rate of return.

The life expectancy of an income beneficiary is determined from factors that are set forth in actuarial tables prescribed by Code section 7520.

The yearly rate of return for a Fund depends on whether the Fund has been in existence for at least three years or more (a "Preexisting Fund") or less than three years (a "Young Fund"). The rate of return for a Preexisting Fund is determined by using the highest rate of return of the Fund for the three taxable years immediately preceding the taxable year in which the Contributor makes a gift. Treasury Regulation section 1.642(c)-6(c) provides the mechanism for calculating a Preexisting Fund's yearly rate of return. The yearly rate of return for a Young Fund is its deemed highest rate of return, which is explained in detail under Treasury Regulation section

1.642(c)-6(e)(4). The deemed rate of return for a Young Fund for 2019 is 2.2 percent. The rate of return for Preexisting and Young Funds are recalculated each year.

Furthermore, calculation of a Fund's yearly rate of return must be supported by a full statement attached to the Fund's income tax return for each taxable year.

11.5 Income Tax Consequences to Contributor on Contribution of Appreciated Property or Debt-Encumbered Property. When the Contributor makes a gift of appreciated property to the Fund, he or she generally does not recognize any gain or loss upon such transfer, and will receive a charitable deduction as computed under Code section 170. However, if the Contributor contributes debt-encumbered property, meaning property subject to a mortgage or some type of indebtedness, then the gain or loss will be recognized and the bargain sale rules under Code section 1011(b) will apply. Another exception to the non-recognition rule applies when the Contributor of appreciated property is legally obligated to sell the contributed property to a third party. In this scenario, the Contributor will be treated as if he or she sold the property and then contributed the gross proceeds to the Fund.

11.6 Income Tax Consequences to Contributor When the Fund Sells Contributed Property. As a general rule, a Contributor to the Fund does not incur any federal income tax liability as a result of any sale of property by the Fund, including property that the Contributor transferred to the Fund. However, this rule would not apply if at the time of the gift the Fund had already entered into a binding agreement obligating the Fund to sell the property contributed. In this case, the Contributor would incur tax liability as if such Contributor had sold the property prior to the gift and contributed the proceeds of sale to the Fund.

The Fund will not accept contributions of tangible personal property or appreciated property that has not been held by the Contributor for a sufficient term so as to qualify as long-term gain property.

11.7 Contributions from IRAs. The Pension Protection Act of 2006 allowed otherwise taxable individual retirement account ("IRA") distributions to be contributed directly to qualified charitable organizations without including such amounts rolled as part of the contributor's gross income for the year. The IRA charitable rollover was made permanent in 2015.

Unfortunately, this benefit does not apply to split-interest entities such as the Fund because IRA contributions must be 100 percent deductible if paid from an owner's non-IRA assets.

It is possible that Congress will enact legislation which would allow split-interest entities such as the Fund to benefit from qualified charitable distributions without adverse income tax consequences to the Contributor. If legislation of this nature is passed, the Trustee will take such steps in its management and administration of the Fund as it deems necessary or appropriate to receive such IRA contributions and comply with the law regulating such gifts.

11.8 Taxation of the Fund. Pooled income funds are treated as complex trusts and are taxed under Code sections 661 and 662. Although a pooled income fund must file an annual federal fiduciary income tax return (Form 1041), the Fund generally will not pay federal income tax because (a) it is not taxed on long-term capital gains that are set aside for the tax-



exempt purposes of CCS, and (b) it is generally entitled to distribution deductions under Code section 661(a) for income distributed to the Fund's income beneficiaries.

The Fund is classified for federal income tax purposes as a non-grantor trust and each income beneficiary must report his or her distributable share (as determined by the Trust Agreement) of income, gains, losses, deductions, and credits of the Fund for the taxable year on his or her individual federal income tax return. (There are further limitations on the deductibility of passive losses. See Section 11.14 (Passive Loss Limitations Applied to Contributor).)

Although a pooled income fund generally does not pay federal income tax, the Fund could be subject to income tax if (a) it incurs any short-term capital gains, (b) it earns any income that is not properly allocated or distributed to the income beneficiaries, or (c) it incurs any unrelated business income. See Section 11.9 (Unrelated Business Taxable Income Deduction Limitations). For further discussion of the circumstances under which the Fund may be subject to tax, see Section 11.10 (Taxable Income Without Cash to the Pooled Income Fund) below.

11.9 Unrelated Business Taxable Income. Code section 642(c) allows a pooled income fund to take an unlimited charitable deduction for amounts distributed or set aside for charitable purposes. However, Code section 681 precludes a pooled income fund from taking such deductions for amounts attributable to unrelated business taxable income ("UBTI"), which is income from an unrelated trade or business, as defined in Code section 513(b), or income from unrelated debt-financed property, as defined in section 514(b)(1). The Fund may be subject to the unrelated business income tax ("UBIT") if it incurs UBTI.

In general, Code section 681 will not deny a deduction for passive income distributed to income beneficiaries or for sales by the Fund of unencumbered long-term capital gain property. In the case of distributions to income beneficiaries, Code section 681 only applies within this context to deny "set aside" deductions under section 642(2), and as discussed above the deduction for income beneficiaries is based upon sections 661 and 662. As to sales of long-term capital gain assets by the Fund, assuming the assets are not encumbered, the gain simply does not fall within the definition of UBTI.

However, if the Fund were to sell a long-term capital gain asset that is encumbered with a debt or that is producing business income, it is possible the Fund would be denied a deduction by reason of Code section 681 if the Fund attempted to set aside long-term capital gain for the benefit of the charitable remainderman, CCS, under section 642(c). This is why, for example, the Fund will not receive a gift of an encumbered asset. If Code section 681 applies, the deduction allowed by section 642(c) is denied in whole or in part, causing the Fund to recognize taxes on the set-aside (i.e., UBIT), thereby reducing the net cash available for distribution to Contributors.

There may be circumstances under which the Fund's gain on the sale of an encumbered asset could avoid being classified as UBTI. Unfortunately, IRS regulations, revenue rulings, revenue procedures, and case law are unclear as to whether the exceptions provided in the regulations for "charities" are applicable to pooled income funds. Treasury Regulation sections 1.514(a)-1 through 1.514(c)-1 provide exceptions to the definition of "debt-financed property," applicable to tax-exempt charitable organizations. However, a pooled

income fund is a split-interest trust under Code section 4947(a)(2), further defined under section 642(c)(5), rather than a tax-exempt charitable organization defined under section 501(c)(3). Contributors should consider potential UBIT consequences and should consult with their tax advisors accordingly.

11.10 Taxable Income Without Cash to the Pooled Income Fund. The Fund could have federal taxable income in excess of distributable cash if the Trustee deems it necessary to withhold rental income for repayments of principal on loans. Other circumstances could also arise under which the Fund could have taxable income in excess of distributable cash to income beneficiaries. For instance, the necessity to maintain the depreciation reserve for a period extending beyond the forty-year tax depreciation life of the Building will cause income recognition to the Fund, because the income allocated to the Fund's depreciation reserve may not be offset by a corresponding depreciation deduction. If the Fund itself is taxable on such income (or, in general, on any income), it may not have sufficient cash from other resources to pay the resulting federal income tax, which could affect net income available for distribution. The discussion above regarding UBIT is a good example of this scenario where taxes exceed net cash.

11.11 Taxation of the Income Beneficiaries. The Fund's "distributable net income" ("DNI") generally will be equal to the excess of all rental payments received by the Fund from CCS plus income earned, less depreciation reserved and expenses paid (including Fund operating expenses). As a general rule, income beneficiaries of a trust are taxed on DNI (which generally excludes capital gains) to the extent that such income is required to be or is actually distributed to them.

The Fund expects to invest most of its assets in real property. Tax benefits in the form of straight-line depreciation deductions spread over forty years will partially offset the net rental income from the Building or other real estate contributed to the Fund. Prior to the Fund reaching a significant portion of its funding goal of \$3,000,000, it is possible that depreciation deductions could exceed net distributable income.

As stated above, taxable income will first be computed at the trust or Fund level. Since the Fund will account separately for depreciation, the income beneficiaries will report separately on their federal income tax returns their respective shares of (a) Fund income, before depreciation, and (b) depreciation (net of the amount retained by the Fund for its depreciation reserve).

Under current Regulations, rental income from real estate will qualify as income from a "passive activity."

Once the Fund reaches a significant portion of its funding goal of \$3,000,000, the Fund is not expected to generate net losses for federal income tax purposes for any subsequent year in the period covered by the Financial Forecast. If the Fund generates net losses in any year (because depreciation deductions exceed net taxable income), it appears that such losses will flow through to the income beneficiaries. The use of such net losses to offset other income of the income beneficiaries likely would be subject to a number of strict limitations, including the passive loss rules outlined below. Whether and to what extent the use of such losses will be

permitted will depend on several factors, including the individual circumstances of each income beneficiary's situation. However, as a general rule, income beneficiaries should not expect to use any such net losses to offset other income.

If the Fund were to produce depreciation deductions in excess of net taxable income and if the IRS were to adopt rules in the future requiring the Fund to net depreciation and net taxable income (rather than pass the two through separately as discussed above), then the Fund could conceivably produce a loss, which could not be passed through to the income beneficiaries.

11.12 Investment Interest Deduction Limitations. Code section 163(d) generally limits the deductibility of "investment interest" to the amount of net investment income. Investment interest is interest that is paid or accrued on indebtedness properly allocable to property held for investment. Any Contributor who will be borrowing money in order to make a contribution to the Fund should consult his or her own tax advisor with respect to such limitation.

11.13 At-Risk Loss Limitations. An income beneficiary will be precluded from deducting losses in excess of the amount for which such beneficiary is "at risk," as that term is defined in Code section 465. The amount "at risk" initially is the amount of money and the adjusted basis of property contributed by the income beneficiary (or by the Contributor who designated him or her as an income beneficiary). Only in a situation where Fund expenses, including depreciation deductions, exceed net income would there be any possibility of the "at risk" rules of section 465 coming into effect. Such a situation conceivably could occur if only a small amount of contributions are received by the Fund, while at the same time most of the Loan for the purchase and construction of the Building is still accruing interest. Prospective Contributors should consult with their own tax advisors as to the effect of the "at risk" rules on their personal income tax situation.

11.14 Passive Loss Limitations. Code section 469 limits the ability of individuals, trusts, estates, personal service corporations, and certain closely held C corporations to offset tax losses and credits from most investment activities against income from other sources. Section 469 divides all gains, income, losses, or credits into three categories: active, passive, or portfolio. With certain limited exceptions, the effect of the categorization is to bar taxpayers from utilizing losses generated by passive activities to offset income generated by active or portfolio activities. Similarly, tax credits generated by passive activities generally may not be utilized to offset the tax that is attributable to income generated by active or portfolio activities.

Although a complete discussion of the passive income rules is beyond the scope of this Offering Summary, income distributions to Unit holders should constitute passive income for federal income tax purposes.

11.15 Special Rule for Rental Real Estate. An individual may use his or her passive activity losses to offset against up to \$25,000 of his or her non-passive income attributable to rental real estate activities. However, to utilize this benefit, the individual must, at all times during the taxable year in which he or she holds an interest in the activity, own at least a ten percent interest in the activity and "actively participate" in the activity. Although the Fund's income will be considered rental income, this special exception will not apply to income

beneficiaries of the Fund because no such beneficiary will actively participate in the management of the Fund.

11.16 Property Depreciation Method and Period. Under the provisions of Code section 168(g) and (h), a deduction is allowed based on the straight-line method and on a 40-year recovery period for depreciation for tax-exempt use property as defined therein.

11.17 Allocation of Depreciation. The Fund's eligibility to depreciate property is determined according to the rules normally applicable to non-grantor trusts. The Internal Revenue Code and the regulations thereunder provide that, in the case of property held in a non-grantor trust, a depreciation deduction is available and should be apportioned between the income beneficiaries and the Trustee in accordance with the pertinent provisions of the instrument creating the trust or, in the absence of such provisions, on the basis of the trust income allocable to each.

Under the Trust Agreement, the Trustee will create a depreciation reserve according to "generally accepted accounting principles" ("GAAP"). Under GAAP, the Trustee must establish a reserve equal to the difference between the cost basis of the Building (and the cost basis of other real estate contributed to the Fund, if any) and its salvage value, divided by the useful life of the Building (or the useful life of other real estate contributed to the Fund).

The IRS issued General Counsel Memorandum 39709, which states that the IRS may require that the governing instruments of pooled income funds contain (a) a clause requiring establishment of a depreciation reserve fund to preserve the corpus for the charitable remainder beneficiary and (b) a clause requiring establishment of a depreciation reserve fund pursuant to GAAP.

The IRS then issued Revenue Ruling 90-103, in which the IRS affirmatively requires governing instruments of both new and existing pooled income funds that permit a trustee to accept or invest in depreciable or depletable assets to contain a provision requiring that the trustee establish a depreciation or depletion reserve, and that such reserve must be in accordance with GAAP. This ruling applies to all funds created after February 15, 1991 and all existing funds that accept additional donations after that date. The Fund's Trust Agreement complies with the requirements of Revenue Ruling 90-103.

When the Trustee establishes a depreciation reserve, the reserve must be funded on an annual basis with cash from the net income of the Fund. Any net income in excess thereof is then available for distribution to the income beneficiaries. Any available depreciation deduction is first allocated to the Trustee to the extent that income is set aside for the depreciation reserve. Any part of the deduction in excess of the income set aside for the reserve is apportioned between the income beneficiaries and the Trustee on the basis of the trust income (in excess of the income set aside for the reserve) allocable to each.

The net effect of these rulings is to require the Trustee of the Fund to set aside income earned from the rental payments and reserve such funds to offset the depreciation of the property in the Fund.

The penalty for underpayments attributable to undisclosed foreign financial asset understatements is 20 percent of the amount of the underpayment. However, Code section 6662(j)(3) increases the penalty to 40 percent for gross valuation misstatements attributable to undisclosed foreign financial assets.

11.18 Other Taxes. The Fund, the Contributors, and the income beneficiaries may be subject to state and local income or other taxes. Contributors should consider such potential state and local tax consequences and should consult their tax advisors with regard to such taxes.

## **SECTION 12 MISCELLANEOUS**

12.1 No Federal Securities Regulation. No steps have been taken toward registration of the Fund under federal or state securities laws. The Philanthropy Protection Act of 1995 codified the Securities and Exchange Commission position set forth in "No-Action" letters that it would not take any regulatory action with respect to pooled income funds such as the Fund, despite such non-registration. The "no-action" protection is conditioned in part on each prospective Contributor being furnished with written disclosures which fully and accurately describe the operation of the particular fund. This Offering Summary is intended to be the basic disclosure document for the Fund.

12.2 Governing Law. The Trustee's operation and investment of the Fund are governed by Code section 642(c)(5) and the regulations thereunder. The Trustee is otherwise subject to the laws of the State of Oregon. CCS has retained the right to amend the Trust Agreement but may not do so if it jeopardizes the status of the Fund under Code section 642(c)(5), impairs the rights of a Contributor or a beneficiary without his or her consent, or affects the rights, duties, and responsibilities of the Trustee without its consent (see Section 10 of the Trust Agreement).

12.3 References. References in this Offering Statement to the Internal Revenue Code are to the United States Code of 1986, as amended, references to sections are to sections of the Internal Revenue Code, and references to treasury regulations are to the regulations under the Internal Revenue Code, and each such reference is intended to refer and shall be deemed to refer to any corresponding provisions of any subsequent federal tax law or regulations.

## **SECTION 13 FINANCIAL FORECAST**

(See Exhibit F)

## **SCHEDULE OF EXHIBITS**

### **Catholic Community Services Pooled Income Fund**

- A. Trust Agreement
- B. Donor Agreement (One-Life)
- C. Donor Agreement (Two-Life)
- D. Donor Agreement (Joint Property)
- E. Receipt
- F. Financial Forecast:
  - F-1 Forecasted Balance Sheet
  - F-2 Statement of Distributable Net Income and Allowable Depreciation
  - F-3 Notes and Assumptions

# TRUST AGREEMENT

## Catholic Community Services Pooled Income Fund

THIS AGREEMENT is entered into effective the 13<sup>th</sup> day of August, 2019, between CATHOLIC COMMUNITY SERVICES OF THE MID-WILLAMETTE VALLEY AND CENTRAL COAST, INC., an Oregon nonprofit corporation ("CCS"), and CATHOLIC COMMUNITY SERVICES FOUNDATION (the "Foundation," and also referred to in this agreement, together with its successors, as the "Trustee"), for the purpose of establishing for the benefit of CCS the Catholic Community Services Pooled Income Fund (the "Fund"), which is intended to be a pooled income fund within the meaning of Internal Revenue Code section 642(c)(5).

### SECTION 1 FUND ASSETS

Any and all property transferred to the Fund shall be held and administered pursuant to the terms and conditions of this agreement.

### SECTION 2 INTERESTS TRANSFERRED

2.1 Remainder Interest. Each donor transferring property to the Fund shall contribute an irrevocable remainder interest in such property to CCS.

2.2 Income Interest. Each donor transferring property to the Fund shall enter into an agreement (the "Donor Agreement") under which the donor retains or creates a lifetime income interest in such property for the life of the donor, or for one or more income beneficiaries living at the time of the transfer, or both, as specifically designated in the Donor Agreement. In the event that more than one person is a beneficiary of an income interest, such beneficiaries shall enjoy their shares of income concurrently, consecutively, or both, as set forth in the Donor Agreement. A donor may retain in the Donor Agreement the power exercisable solely by will to revoke or terminate the income interest of any designated income beneficiary. Income interests are otherwise irrevocable.

2.3 Prohibition against Donor or Beneficiary as Trustee. The Trustee shall not be a donor to the Fund or a beneficiary of an income interest in any property transferred to the Fund. No donor or income beneficiary shall have, directly or indirectly, general responsibilities with respect to the Fund that are ordinarily exercised by the trustee of such a fund.

### SECTION 3 ALLOCATION OF UNITS

3.1 Units Created by Initial Transfer. Upon acceptance of transferred property by the Trustee on behalf of the Fund, such property shall be assigned a number of

"Units" on the basis of one Unit for each \$10,000 of fair market value of the property transferred.

3.2 Determination Dates. The fair market value of the assets of the Fund shall be determined on the first day of each taxable year of the Fund (which shall be a calendar year) and on the last day of each calendar quarter (the "Determination Dates"). During the first taxable year of the Fund, the fair market value of the assets of the Fund also shall be determined on the first day upon which property is accepted into the Fund (also a "Determination Date"). If any such Determination Date falls on a Saturday, Sunday, or holiday, such valuation shall be made based on the fair market value of the assets on the next business day immediately following such Determination Date. For purposes of this agreement, fair market value means the value of the assets of the Fund in excess of any indebtedness or charges against such assets.

3.3 Value of Fund Unit. The "Value of a Fund Unit" as of any Determination Date shall be the fair market value of the Fund on the Determination Date, divided by the number of Units outstanding in the Fund on such date.

3.4 Units Created by Transfers on Determination Dates. The number of Units assigned to property transferred as of a Determination Date shall be calculated by dividing the fair market value of the property by the Value of a Fund Unit on such Determination Date, excluding the value of that property transferred to the Fund on such Determination Date.

3.5 Units Created by Transfers on Other Dates. The number of Units assigned to property transferred on days other than Determination Dates shall be calculated as follows:

(a) A temporary number of Units shall initially be assigned to the property, which shall be that number of Units obtained by dividing the fair market value of such property on the date of transfer by the Value of a Fund Unit on the Determination Date immediately preceding the transfer.

(b) A permanent number of Units shall be assigned to such a transfer as of the Determination Date next succeeding the transfer, which shall be that number of Units obtained by dividing the fair market value of the property on the date of transfer by the Average Value of a Fund Unit for the quarter in which the transfer occurred calculated pursuant to Section 3.5(c), but without including the value of any property newly transferred to the Fund during such quarter.

(c) The Average Value of a Fund Unit for any calendar quarter shall be the average of the Values of a Fund Unit as of the Determination Date immediately preceding such taxable quarter and the Determination Date which occurs at the end of such calendar quarter.

3.6 Definition of Transfer. The Donor Agreement shall specifically state that each transfer of property shall occur on the date upon which (a) the property has been delivered to the Trustee and (b) the duties with respect to such property pursuant to such Donor Agreement have been accepted by the Trustee.



## **SECTION 4 INCOME**

4.1 Definition of Income. For purposes of this agreement, the term "income" has the same meaning prescribed under Internal Revenue Code section 643(b) (or a corresponding provision of any subsequent federal tax law) and the regulations thereunder. Gains from the sale of Fund assets (not otherwise allocated to income under this agreement) and liquidating dividends and distributions shall be allocated to principal, and all such gains, dividends, and distributions shall be permanently set aside for the benefit of the CCS.

4.2 Determination of Income. The amount of income allocable to each Fund Unit for any taxable year shall be determined by dividing the income of the Fund for such taxable year by the number of units in the Fund outstanding at the end of such taxable year, except that income shall be allocated to units outstanding during only part of such taxable year by taking into consideration the period of time such units are outstanding during such taxable year.

4.3 Income Payments. The Trustee shall pay income to each beneficiary entitled thereto in any taxable year of the Fund in the amount determined by the rate of return earned by the Fund for the year with respect to the beneficiary's income interest. The Trustee shall make income payments on or within a reasonable time after the last day of each calendar quarter. An adjusting payment, if necessary, will be made during the taxable year or within the first 65 days after the close of such year to bring the total payment to the actual income to which the beneficiary or beneficiaries are entitled for that year.

4.4 Termination of Income Interest. The income interest of a beneficiary shall terminate with the last regular payment of income that was made before the death of the beneficiary. The Trustee of the Fund shall not be required to prorate any income payment to the date of the beneficiary's death.

## **SECTION 5 SEVERANCE**

5.1 Amount Severed. Upon the death of the survivor of all the individual income beneficiaries entitled to receive income under a particular Donor Agreement, the Trustee shall sever from the Fund an amount equal to the value of all the Units assigned to such transfer and shall pay such amount to CCS. The value of the remainder interest for severance purposes shall be its value as of the date on which the last regular payment of income was made before the death of the beneficiary.

5.2 Alternate Remainder Beneficiary. If CCS is not an organization described in clauses (i) through (vi) of Internal Revenue Code section 170(b)(1)(A) at the time of severance, such amount shall be transferred to an organization then so described as determined by the Trustee.

**SECTION 6**  
**OBLIGATIONS OF CATHOLIC COMMUNITY SERVICES**

6.1 Maintenance by Catholic Community Services. The Fund shall be maintained by CCS, which shall at all times exercise control, directly or indirectly, over the Fund. CCS may at any time designate a new Trustee or Trustees to hold the assets of the Fund in place of the Trustee as provided in Section 11, and in such event CCS will retain the power to remove the Trustee or Trustees and to designate a new Trustee or Trustees.

6.2 Delivery of Property. When property contributed to the Fund is delivered to CCS, CCS shall deliver such property promptly to the Trustee together with a copy of the Donor Agreement which transferred the property to the Fund.

6.3 Donor and Beneficiary Information. CCS shall inform the Trustee in writing at the time of each transfer of the name, address, and Social Security number of the donor and of each person who is a current or future beneficiary of an income interest in the Fund with respect to the property transferred. If the Trustee is to value the transfer for federal income tax deduction purposes, CCS shall also inform the Trustee, at the time of each transfer, of the age and sex of each income beneficiary and supply such other information as the Trustee may reasonably require.

6.4 Instruments. CCS shall at the request of the Trustee execute and deliver such instruments of transfer and conveyance as are or may be deemed necessary with respect to any property contained in or transferred to the Fund.

6.5 Death of Beneficiary. CCS shall inform the Trustee promptly after it learns of the death of any income beneficiary of the Fund.

**SECTION 7**  
**TRUSTEE'S ADMINISTRATIVE DUTIES**

7.1 Operation as Pooled Income Fund. The Trustee shall administer the assets of the Fund according to the provisions of this agreement, provided that, in the event of conflict, the Trustee shall at all times administer the assets of the Fund so that the Fund is a "pooled income fund" as defined in Internal Revenue Code section 642(c)(5) and any corresponding regulations and rulings of the Internal Revenue Service.

7.2 Valuation. The Trustee shall determine the fair market value of the property contained in the Fund as of each Determination Date as set forth in Section 3.2 of this agreement. The Trustee shall not be required to value the Fund as of any other date.

7.3 Determination of Charitable Deduction. Upon receipt of property transferred to the Fund, the Trustee shall value the newly received property as of the date of transfer by the donor and, if requested by CCS to do so and given the age and sex of each beneficiary, shall determine the value of the charitable remainder for federal income tax purposes by the method prescribed by the Internal Revenue Service and shall advise the donor in writing of such charitable remainder value.

7.4 Allocation of Units. Upon receipt of property transferred to the Fund, the Trustee shall determine the number of Fund Units allocable to such property pursuant to Section 3. If the donor provides that a portion of the income interest in such property shall be paid to CCS then the Units representative of such portion shall be allocated to CCS.

7.5 Determination of Income. After the end of each taxable year, the Trustee shall determine for such taxable year the income of the Fund, the income per Fund Unit, and the income distributable to each beneficiary pursuant to Section 4.

7.6 Severance Payments. Within 65 days after the end of the taxable year in which death of an income beneficiary occurs, which causes severance of Units from the Fund pursuant to Section 5, the Trustee shall transfer to CCS the amount of principal attributable to such Units as determined in Section 5, plus the income for the taxable year attributable to such Units pursuant to Section 4.4.

7.7 Depletion or Depreciation Reserve. The Trustee shall establish and maintain depletion or depreciation reserves in accordance with Generally Accepted Accounting Principles for any Fund property by setting aside, in its sole and absolute discretion, trust income to a depletion or depreciation reserve. Any depletion or depreciation deduction in excess of the income so set aside as a reserve shall be apportioned between the income beneficiaries and the Trustee on the basis of the trust income (in excess of the income to set aside for the reserve) allocable to each.

## **SECTION 8 INVESTMENT DUTIES AND POWERS**

8.1 Commingling. The Trustee shall commingle, invest, and reinvest all property transferred to the Fund pursuant to this agreement by donors satisfying the requirements of this agreement and Internal Revenue Code section 642(c)(5) (or the corresponding provision of any subsequent federal tax law). The Fund shall not include any property other than property transferred pursuant to Section 1 of this agreement and satisfying the applicable provisions of the Internal Revenue Code.

8.2 Joint Investment. Notwithstanding the provisions of Section 8.1, the property in the Fund may be invested and reinvested jointly with property of CCS that is not part of the Fund. If such investment of Fund properties with non-Fund properties occurs, adequate records shall be maintained by the Trustee from which the specific identity of the assets of the Fund and the income earned and attributable to such assets can be ascertained.

8.3 Investment Standard. The Trustee shall invest and reinvest all property of the Fund in accordance with its judgment and shall not be restricted to investments permissible for a trustee as prescribed by any present or future law and shall not be required to observe the principle of diversification of trust investments.

8.4 Prohibited Investments. Notwithstanding the provisions of Section 8.3, the Trustee shall not invest the property of the Fund in any property the income of which is exempt from federal income taxation.

8.5 Accounting and Tax reporting.

(a) The Trustee shall keep accurate records of all receipts and disbursements and other transactions with respect to the Fund, which shall be open to inspection by CCS or its agents at all reasonable times.

(b) The Trustee shall, within 65 days following the close of each taxable year and within 30 days after the termination of the Trustee's duties and obligations as Trustee under Section 11, submit to CCS a written account setting forth all the investments, receipts, disbursements, and other transactions effected by it during such taxable year or during the period from the close of the last taxable year to the date of removal or resignation, and setting forth the current value of the Fund. Upon expiration of 30 days from the submission of such account, the Trustee shall be automatically released and discharged from all liability and accountability to anyone with respect to the propriety of its acts and transactions shown in such account, except with respect to any such acts or transactions as to which CCS has submitted written objections to the Trustee within such 30-day period.

(c) The Trustee shall prepare and file any tax returns required to be filed by the Fund. The Trustee shall prepare and transmit to each income beneficiary to whom payments were made, a yearly informational statement concerning such distribution and the income tax deductions, if any, which are allocable to such beneficiary.

8.6 General Powers. Subject to the provisions of this agreement, the Trustee shall have all the powers and authority conferred upon trustees by the laws of the state of Oregon.

8.7 Compensation of Trustee. The compensation of the Trustee or any successor trustee shall be determined from time to time by agreement in writing between CCS and the Trustee or successor trustee, as the case may be.

**SECTION 9  
PROHIBITIONS**

9.1 Tax-Exempt Securities. Property transferred to the Fund by any donor shall not include any securities the income from which is exempt from taxation under subtitle A of the Internal Revenue Code or the corresponding provisions of any subsequent federal tax law. The Trustee shall not accept or invest in such securities as part of the assets of the Fund.

9.2 Additional Prohibited Activities. The Trustee shall not engage in any act of self-dealing (as defined in Internal Revenue Code section 4941(d)), acquire or retain any excess business holdings (as defined in section 4943(c)) which would subject the Fund to tax under section 4943, make or retain of any investments which would subject the Fund to tax under section 4944, or make any taxable expenditures (as defined in section 4945(d)). The Trustee shall make distributions of income and principal at such time and in such manner as not to subject the trust to tax under Internal Revenue Code section 4942.

9.3 Estate and Other Taxes. All estate, inheritance, and other death taxes attributable to a donor's gift because of its inclusion in the donor's taxable estate shall not be apportioned against any part of the donor's gift or otherwise against the Fund, but shall be paid from that part of the donor's estate (other than such gift) which is subject to tax. Any Donor Agreement creating an interest that could give rise to such tax shall contain the donor's specific agreement to keep in effect a valid last will that directs the payment of all such taxes attributable to the donor's gift from that part of the donor's estate (other than the property transferred by such Donor Agreement) which is subject to tax. In the event that the donor fails to keep such a valid will in force, the Trustee shall, upon the death of the donor, introduce the Donor Agreement as a contract to make a will in the appropriate court and take all necessary steps to secure its enforcement. Such a Donor Agreement may, in the alternative or in addition, provide that the receipt of any survivor interest giving rise to such tax shall be contingent upon such survivor recipient undertaking to discharge the tax liability.

## **SECTION 10 AMENDMENT**

The Fund is irrevocable, and this agreement may not be amended. Notwithstanding the foregoing, CCS may amend this agreement and the associated Donor Agreements for the sole purpose of ensuring that the Fund qualifies and continues to qualify as a pooled income fund within the meaning of Internal Revenue Code section 642(c)(5). CCS shall not alter or amend the terms of this agreement without notifying the Trustee prior to such change.

## **SECTION 11 TRUSTEE PROVISIONS**

11.1 Removal of Trustee. CCS may remove the Trustee and any successor Trustee, with or without cause, by a written instrument delivered to the trustee being removed.

11.2 Resignation of Trustee. The Trustee and any successor Trustee may resign from its duties at any time by written notice to CCS.

11.3 Successor Trustees. In the event of the removal or resignation of a trustee, CCS shall appoint a successor trustee by a written instrument delivered to the appointee. Upon acceptance of appointment by the successor trustee, the predecessor trustee shall assign, transfer, and pay over to such successor trustee the properties then constituting the Fund. If at any time there is no trustee entitled to act, any interested person may take appropriate steps to have a trustee or trustees or a successor trustee or trustees appointed under applicable trust law. All references in this agreement to the Trustee shall be deemed to refer to any successor trustee as the context may require.

11.4 Powers and Liabilities of Successor Trustees. Any successor trustee, or any corporate successor by consolidation, merger, transfer of trust business, or otherwise, shall have all the powers and authority conferred upon the Trustee under this agreement. No successor trustee shall be under any duty to examine, verify, or audit the books and records of

any predecessor, and no successor trustee shall be liable in any way for any acts or omissions of any predecessor.

**SECTION 12  
GOVERNING LAW AND  
TRANSFER OF TRUST ADMINISTRATION**

12.1 References. References in this agreement to the Internal Revenue Code are to the United States Internal Revenue Code of 1986, as amended, references to sections are to sections of the Internal Revenue Code, and references to treasury regulations are to the regulations under the Internal Revenue Code, and each such reference is intended to refer and shall be deemed to refer to any corresponding provisions of any subsequent federal tax law or regulations.

12.2 Governing Law. This agreement shall be governed, construed, and administered under the laws of the state of Oregon, provided that the Trustee is prohibited from exercising any power or discretion that would be inconsistent with the qualification of the Fund under Internal Revenue Code section 642(c)(5) and the corresponding regulations.

12.3 Change in Governing Law and Situs of Administration. The Trustee may change the trust's situs of administration from one jurisdiction to another, and further may elect (by a written instrument filed with the trust records) that the law of such jurisdiction will govern the administration, construction, and validity of the trust. The trust will thereafter be governed by the laws of such other jurisdiction in every respect.

CATHOLIC COMMUNITY SERVICES OF THE  
MID-WILLAMETTE VALLEY AND CENTRAL  
COAST, INC.

By:   
Jim Seymour, Executive Director

CATHOLIC COMMUNITY SERVICES  
FOUNDATION

By:   
Jim Seymour, Executive Director

**DONOR AGREEMENT**  
**(One Life)**

**Catholic Community Services Pooled Income Fund**

THIS AGREEMENT is entered into as of the \_\_\_ day of \_\_\_\_\_ 2019, among \_\_\_\_\_ ("Donor"), CATHOLIC COMMUNITY SERVICES OF THE MID-WILLAMETTE VALLEY AND CENTRAL COAST, INC., an Oregon nonprofit corporation ("CCS"), and CATHOLIC COMMUNITY SERVICES FOUNDATION, as Trustee of the Catholic Community Services Pooled Income Fund ("Trustee").

In consideration of the irrevocable transfer by Donor to Trustee of the property described in the attached Schedule A, having a fair market value as of the date of this agreement of \$\_\_\_\_\_ (the "Gift"), Donor and Trustee hereby agree as follows:

1. The Gift shall be placed in and become a part of the Catholic Community Services Pooled Income Fund (the "Fund"), and shall be held by Trustee subject to all of the provisions of the trust agreement creating the Fund dated August 13, 2019 (the "Trust Agreement," a copy of which is attached to this Donor Agreement).
2. The Gift shall be effective as of the date that both (a) the property described in Schedule A has been delivered to Trustee and (b) the duties pursuant to this agreement have been accepted by Trustee, as indicated by Trustee's signature below.
3. Trustee shall pay to Donor during Donor's lifetime an amount equal to the income on each Unit allocated to the Gift as determined under the Trust Agreement.
4. Upon the death of Donor, an amount equal to the value of the Units allocated to the Gift shall be removed from the Fund and distributed to CCS.
5. The certificate of the chief financial officer of CCS certifying the determination of the number of Units allocated to the Gift, the determination of the net income of the Fund, the calculation of the income on each Fund Unit, and the accounting for any other obligation of CCS under this agreement shall be conclusive evidence, in any action or proceeding involving this agreement, of such allocation, determination, calculation, or accounting. CCS shall not be liable for any losses arising from depreciation in values.
6. This agreement may be amended or modified only in accordance with the limitations set forth in Section 10 of the Trust Agreement.

[Signature page follows]

\_\_\_\_\_

[Donor]

(Birthdate: \_\_\_\_\_)  
(Social Security Number: \_\_\_\_\_)

CATHOLIC COMMUNITY SERVICES OF THE  
MID-WILLAMETTE VALLEY AND CENTRAL  
COAST, INC.

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

CATHOLIC COMMUNITY SERVICES  
FOUNDATION, as Trustee

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_



**DONOR AGREEMENT**  
**(Two Life)**

**Catholic Community Services Pooled Income Fund**

THIS AGREEMENT is entered into as of the \_\_\_ day of \_\_\_\_\_ 2019, among \_\_\_\_\_ ("Donor"), CATHOLIC COMMUNITY SERVICES OF THE MID-WILLAMETTE VALLEY AND CENTRAL COAST, INC., an Oregon nonprofit corporation ("CCS"), and CATHOLIC COMMUNITY SERVICES FOUNDATION, as Trustee of the Catholic Community Services Pooled Income Fund ("Trustee").

In consideration of the irrevocable transfer by Donor to Trustee of the property described in the attached Schedule A, having a fair market value as of the date of this agreement of \$\_\_\_\_\_ (the "Gift"), Donor and Trustee hereby agree as follows:

1. The Gift shall be placed in and become a part of the Catholic Community Services Pooled Income Fund (the "Fund"), and shall be held by Trustee subject to all of the provisions of the trust agreement creating the Fund dated August 13, 2019 (the "Trust Agreement," a copy of which is attached to this Donor Agreement).

2. The Gift shall be effective as of the date that both (a) the property described in Schedule A has been delivered to Trustee and (b) the duties pursuant to this Donor Agreement have been accepted by Trustee, as indicated by Trustee's signature below.

3. Trustee shall pay to Donor during Donor's lifetime an amount equal to the income on each Unit allocated to the Gift as determined under the Trust Agreement.

4. After the death of Donor, if [name of second income beneficiary], who was born on [second income beneficiary's date of birth] survives Donor, Trustee shall pay to [name] during [his/her] lifetime an amount equal to the income on each Unit allocated to the Gift as determined under the Trust Agreement.

5. Donor reserves the right, exercisable solely by will (whether or not admitted to probate), to revoke the survivorship income interest of [name].

6. Upon the death of the survivor of Donor and [name], or upon the death of Donor if Donor has revoked the interest of [name] pursuant to Section 5, an amount equal to the value of the Units allocated to the Gift shall be removed from the Fund and distributed to CCS.

7. The certificate of the chief financial officer of CCS certifying the determination of the number of Units allocated to the Gift, the determination of the net income of the Fund, the calculation of the income on each Fund Unit, and the accounting for any other obligation of CCS under this agreement shall be conclusive evidence, in any action or proceeding involving this agreement, of such allocation, determination, calculation, or accounting. CCS shall not be liable for any losses arising from depreciation in values.

8. All estate, inheritance, and other death taxes attributable to the Gift because of its inclusion in Donor's taxable estate shall not be apportioned against any part of the Gift or otherwise against the Fund, but shall be paid from that part of Donor's estate (other than the Gift) which is subject to tax. Donor agrees to keep in effect a valid will that directs the payment of all such taxes attributable to the Gift from that part of Donor's estate (other than the Gift) which is subject to tax. In the event that Donor fails to keep such a valid will in force, Trustee shall, upon the death of Donor, introduce this agreement as a contract to make a will in the appropriate court and take all necessary steps to secure its enforcement. In the event that any such taxes are imposed against the Fund by reason of Donor's death, the interest of [name of second income beneficiary] shall take effect only if [he/she] furnishes the funds for payment; otherwise, Donor shall be deemed to have revoked the life interest of [name], and an amount equal to the value of the Units allocated to the Gift shall be removed from the Fund and distributed to CCS.

9. This agreement may be amended or modified only in accordance with the limitations set forth in Section 10 of the Trust Agreement.

\_\_\_\_\_  
[Donor]

(Birthdate: \_\_\_\_\_)  
(Social Security Number: \_\_\_\_\_)

CATHOLIC COMMUNITY SERVICES OF THE  
MID-WILLAMETTE VALLEY AND CENTRAL  
COAST, INC.

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

CATHOLIC COMMUNITY SERVICES  
FOUNDATION, as Trustee

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**DONOR AGREEMENT  
(Joint Property)**

**Catholic Community Services Pooled Income Fund**

THIS AGREEMENT is entered into as of the \_\_\_ day of \_\_\_\_\_ 2019, among \_\_\_\_\_ and \_\_\_\_\_ ("Donors"), CATHOLIC COMMUNITY SERVICES OF THE MID-WILLAMETTE VALLEY AND CENTRAL COAST, INC., an Oregon nonprofit corporation ("CCS"), and CATHOLIC COMMUNITY SERVICES FOUNDATION, as Trustee of the Catholic Community Services Pooled Income Fund ("Trustee").

In consideration of the irrevocable transfer by Donors to Trustee of the property described in the attached Schedule A, having a fair market value as of the date of this agreement of \$\_\_\_\_\_ (the "Gift"), Donors and Trustee hereby agree as follows:

1. The Gift shall be placed in and become a part of the Catholic Community Services Pooled Income Fund (the "Fund"), and shall be held by Trustee subject to all of the provisions of the trust agreement creating the Fund dated August 13, 2019 (the "Trust Agreement," a copy of which is attached to this Donor Agreement).
2. The Gift shall be effective as of the date that both (a) the property described in Schedule A has been delivered to Trustee and (b) the duties pursuant to this Donor Agreement have been accepted by Trustee, as indicated by Trustee's signature below.
3. Trustee shall pay to Donors an amount equal to the income on each Unit allocated to the Gift as determined under the Trust Agreement. Such income shall be paid to Donors in equal shares during their joint lifetime, and thereafter all to the surviving Donor for his or her lifetime.
4. Each Donor reserves the right, exercisable solely by will (whether or not admitted to probate), to revoke the survivorship income interest of the surviving Donor. If the first Donor to die revokes the survivorship income interest of the surviving Donor, an amount equal to one-half of the value of the Units allocated to the Gift shall be removed from the Fund and distributed to CCS, and the number of Units allocated to the Gift shall accordingly be reduced by one-half.
5. Upon the death of the surviving Donor, an amount equal to the value of the Units (or remaining Units) allocated to the Gift shall be removed from the Fund and distributed to CCS.
6. The certificate of the chief financial officer of CCS certifying the determination of the number of Units allocated to the Gift, the determination of the net income of the Fund, the calculation of the income on each Fund Unit, and the accounting for any other obligation of CCS under this agreement shall be conclusive evidence, in any action or proceeding involving this agreement, of such allocation, determination, calculation, or accounting. CCS shall not be liable for any losses arising from depreciation in values.

7. All estate, inheritance, and other death taxes attributable to the Gift because of its inclusion in a Donor's taxable estate shall not be apportioned against any part of the Gift or otherwise against the Fund, but shall be paid from that part of the deceased Donor's estate (other than the Gift) which is subject to tax. Donors agree to keep in effect valid wills that direct the payment of all such taxes attributable to the Gift from that part of the deceased Donor's estate (other than the Gift) which is subject to tax. In the event that a Donor fails to keep such a valid will in force, Trustee shall, upon the death of such Donor, introduce this agreement as a contract to make a will in the appropriate court and take all necessary steps to secure its enforcement. In the event that any such taxes are imposed against the Fund by reason of the death of the first Donor to die, the interest of the surviving Donor in the deceased Donor's interest shall take effect only if the surviving Donor furnishes the funds for payment; otherwise, the deceased Donor shall be deemed to have revoked the life interest of the surviving Donor, and an amount equal to one-half of the value of the Units allocated to the Gift shall be removed from the Fund and distributed to CCS.

8. This agreement may be amended or modified only by compliance with the limitations set forth in Section 10 of the Trust Agreement.

[Signature page follows]

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[Donor]

(Birthdate: \_\_\_\_\_)  
(Social Security Number: \_\_\_\_\_)

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[Donor]

(Birthdate: \_\_\_\_\_)  
(Social Security Number: \_\_\_\_\_)

CATHOLIC COMMUNITY SERVICES OF THE  
MID-WILLAMETTE VALLEY AND CENTRAL  
COAST, INC.

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

CATHOLIC COMMUNITY SERVICES  
FOUNDATION, as Trustee

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**RECEIPT**  
**(FOR OFFERING SUMMARY AND DISCLOSURE STATEMENT)**

**Catholic Community Services Pooled Income Fund**

The undersigned hereby acknowledges receipt of a copy of the Catholic Community Services Pooled Income Fund "Offering Summary and Disclosure Statement" dated August 13, 2019.

\_\_\_\_\_  
Name: \_\_\_\_\_

Date: \_\_\_\_\_

**CCS Pooled Income Fund Forecasted Balance Sheet**

<i>ASSETS</i>	1	2	3	4	5	6	7	8	9	10	11*	15	20	25
Depreciation Reserve		35,255	70,510	105,765	141,020	176,275	211,530	246,785	282,040	317,295	352,550	493,570	669,845	846,120
Replacement Reserve		10,000	20,000	30,000	40,000	50,000	60,000	70,000	80,000	90,000	100,000	140,000	190,000	240,000
<b>Total Cash and Investments</b>	<b>-</b>	<b>45,255</b>	<b>90,510</b>	<b>135,765</b>	<b>181,020</b>	<b>226,275</b>	<b>271,530</b>	<b>316,785</b>	<b>362,040</b>	<b>407,295</b>	<b>452,550</b>	<b>633,570</b>	<b>859,845</b>	<b>1,086,120</b>
Eastern Warehouse (FRCDC "As Is")	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000
Western Warehouse (incl. Parking Structure & Excess Land)	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000
<b>Total Buildings</b>	<b>3,000,000</b>	<b>3,000,000</b>	<b>3,000,000</b>	<b>3,000,000</b>	<b>3,000,000</b>	<b>3,000,000</b>	<b>3,000,000</b>	<b>3,000,000</b>	<b>3,000,000</b>	<b>3,000,000</b>	<b>3,000,000</b>	<b>3,000,000</b>	<b>3,000,000</b>	<b>3,000,000</b>
Less: Accum. Depreciation		(35,255)	(70,510)	(105,765)	(141,020)	(176,275)	(211,530)	(246,785)	(282,040)	(317,295)	(352,550)	(493,570)	(669,845)	(846,120)
<b>Net Buildings:</b>	<b>3,000,000</b>	<b>2,964,745</b>	<b>2,929,490</b>	<b>2,894,235</b>	<b>2,858,980</b>	<b>2,823,725</b>	<b>2,788,470</b>	<b>2,753,215</b>	<b>2,717,960</b>	<b>2,682,705</b>	<b>2,647,450</b>	<b>2,506,430</b>	<b>2,330,155</b>	<b>2,153,880</b>
<b>TOTAL ASSETS</b>	<b>3,000,000</b>	<b>3,010,000</b>	<b>3,020,000</b>	<b>3,030,000</b>	<b>3,040,000</b>	<b>3,050,000</b>	<b>3,060,000</b>	<b>3,070,000</b>	<b>3,080,000</b>	<b>3,090,000</b>	<b>3,100,000</b>	<b>3,140,000</b>	<b>3,190,000</b>	<b>3,240,000</b>
 <i>LIABILITIES</i>														
Promissory Note Payable	3,000,000	2,000,000	1,000,000	-										
<b>Subtotal</b>	<b>3,000,000</b>	<b>2,000,000</b>	<b>1,000,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
CCSPIF Balance		1,000,000	2,000,000	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000
<b>Subtotal</b>	<b>-</b>	<b>1,000,000</b>	<b>2,000,000</b>	<b>3,000,000</b>	<b>3,000,000</b>	<b>3,000,000</b>	<b>3,000,000</b>	<b>3,000,000</b>	<b>3,000,000</b>	<b>3,000,000</b>	<b>3,000,000</b>	<b>3,000,000</b>	<b>3,000,000</b>	<b>3,000,000</b>
<b>TOTAL LIABILITIES &amp; FUND BALANCE</b>	<b>3,000,000</b>	<b>3,000,000</b>	<b>3,000,000</b>	<b>3,000,000</b>	<b>3,000,000</b>	<b>3,000,000</b>	<b>3,000,000</b>	<b>3,000,000</b>	<b>3,000,000</b>	<b>3,000,000</b>	<b>3,000,000</b>	<b>3,000,000</b>	<b>3,000,000</b>	<b>3,000,000</b>

**CCS Pooled Income Fund Statement of  
Distributable Net Income and Allowable Depreciation**

<i>Statement of Operations</i>	1	2	3	4	5	6	7	8	9	10	11*	15	20	25
Gross Rental Income	231,462	231,462	236,091	240,813	245,629	250,542	255,553	260,664	265,877	271,195	276,619	299,421	330,585	364,992
Investment Income	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>TOTAL REVENUES</b>	<b>231,462</b>	<b>231,462</b>	<b>236,091</b>	<b>240,813</b>	<b>245,629</b>	<b>250,542</b>	<b>255,553</b>	<b>260,664</b>	<b>265,877</b>	<b>271,195</b>	<b>276,619</b>	<b>299,421</b>	<b>330,585</b>	<b>364,992</b>
Interest Expense - CCSF	150,000	90,000	30,000											
Legal/Auditing Expense	12,000	12,240	12,485	12,734	12,989	13,249	13,514	13,784	14,060	14,341	14,628	15,834	17,482	19,301
Other Expenses														
<b>Expenses excl. Depreciation</b>	<b>162,000</b>	<b>102,240</b>	<b>42,485</b>	<b>12,734</b>	<b>12,989</b>	<b>13,249</b>	<b>13,514</b>	<b>13,784</b>	<b>14,060</b>	<b>14,341</b>	<b>14,628</b>	<b>15,834</b>	<b>17,482</b>	<b>19,301</b>
Depreciation Reserve	15,045	15,045	15,346	15,653	15,966	16,285	16,611	16,943	17,282	17,628	17,980	19,462	21,488	23,724
Replacement Reserve	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000
<b>Net Distributable Income</b>	<b>44,417</b>	<b>104,177</b>	<b>168,261</b>	<b>202,426</b>	<b>206,674</b>	<b>211,008</b>	<b>215,428</b>	<b>219,936</b>	<b>224,535</b>	<b>229,226</b>	<b>234,010</b>	<b>254,125</b>	<b>281,615</b>	<b>311,967</b>
Tax Purpose Depreciation	35,255	35,255	35,255	35,255	35,255	35,255	35,255	35,255	35,255	35,255	35,255	35,255	35,255	35,255
Less: Depreciation Reserve	(15,045)	(15,045)	(15,346)	(15,653)	(15,966)	(16,285)	(16,611)	(16,943)	(17,282)	(17,628)	(17,980)	(19,462)	(21,488)	(23,724)
<b>Depreciation Pass Through</b>	<b>20,210</b>	<b>20,210</b>	<b>19,909</b>	<b>19,602</b>	<b>19,289</b>	<b>18,970</b>	<b>18,644</b>	<b>18,312</b>	<b>17,973</b>	<b>17,627</b>	<b>17,275</b>	<b>15,793</b>	<b>13,767</b>	<b>11,531</b>
Value of Total Shares Sold	1,000,000	2,000,000	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000
Actual Rate of Distributable Income	4.44%	5.21%	5.61%	6.75%	6.89%	7.03%	7.18%	7.33%	7.48%	7.64%	7.80%	8.47%	9.39%	10.40%



## **Notes and Assumptions to the Financial Forecast**

### **Note 1 – General**

This Financial Forecast is based on assumptions as of August, 2019 derived from the Trustee's estimate of the most probable results of operation for the projection period. Accordingly, some assumptions inevitably will not materialize, and unanticipated events and circumstances may occur subsequent to the date of this Financial Forecast. Therefore, the actual results achieved during the forecast period will vary from the Financial Forecast, and the variations may be material.

Additionally, the Financial Forecast includes assumptions which are subject to examination and possible adjustment by the internal Revenue Service. Furthermore, Federal income tax laws and regulations are subject to change. Any such change may adversely affect the Financial Forecast as herein made.

A contribution to the Fund will involve a degree of risk with regard to annual cash distributions to the designated income beneficiaries. The prospective Contributor should consider all pertinent factors disclosed herein. The prospective Contributor should seek the assistance of counsel regarding federal and state income tax, estate and gift tax consequences, and risk factors inherent in a contribution/investment of this nature.

The Property consists of land, two warehouses and covered parking thereon known as the Family Resource & Child Development Center. The Fund is purchasing the Property for \$3,000,000 and entering a 25 year Master Lease with Catholic Community Services Foundation.

### **Note 2 – Participants**

The Fund is a pooled income fund as defined in Code Sec. 642(c)(5) and is commencing its investment activities in August, 2019.

### **Note 3 – Method of Accounting**

It is assumed for purposes of this Forecast that the Fund will prepare its financial records and tax return on the accrual basis of accounting.

### **Note 4 – Contributions to the Fund**

Contributions to the Fund will generate several property interests, which will have significant federal and state income and estate and gift tax consequences. Unlike an investment in a real estate partnership or other type of investment, a contribution to a pooled income fund does not include a return of one's original investment. Instead a Contributor to the Fund makes contributions to the Fund receives a life interest, which entitles them to units of participation in the income of the Fund for their life.

### **Note 5 – Unit or Participation in the Fund**

On each transfer of property by a Contributor to the Fund, one or more units of participation in the Fund shall be assigned to the beneficiary or beneficiaries of the income interest retained. The number of units of participants will be equal to the number obtained by dividing the fair market value of the property in the Fund, by the fair market value of a unit in the Fund at the time of the transfer. The value of a unit for the purposes of this Forecast was assumed to be \$10,000.

**Note 6 – Mortgage – CCSF**

The Fund is purchasing the Property for \$3,000,000 pursuant to a Promissory Note bearing interest which will be secured by a Trust Deed. The Forecast assumes that all monies borrowed by the Fund from CCSF will be repaid by December 31, 2025 from contributions to the Fund.