IN-KIND DONATION OF CLOSELY HELD BUSINESS INTERESTS

Thank you for considering an in-kind donation to Corporation of the President of the Church of Jesus Christ of Latter-day Saints ("COP") or to one of its affiliated charitable organizations (collectively referred to as COP). In-kind gifts present unique tax and non-tax consequences that must be analyzed before the proposed gift can be accepted. The information requested in these materials will assist us in completing the requisite due diligence for the gift, preparing necessary tax fillings for the gift if accepted, and accurately identifying the donor of each gift.

We thank you in advance for your help in gathering this information. While we are happy to answer any questions we can, we urge you to consult your personal advisors for questions regarding the legal, tax, and non-tax consequences to a donor of an in-kind gift to a charity.

We encourage you to retain copies of all documents sent in with your donation. We appreciate your kind assistance and consideration in preparing the necessary documentation and offering your property to the COP.

If you have questions that we can help you with, please call our legal counsel at Kirton McConkie at 801-328-3600.
Information about Individual Donor

Individual Donor Name: ____________________________________________________________

Individual Donor’s Address: _________________________________________________________

Contact Phone Number and Email Address: _____________________________________________

Purpose of Gift (tithing, missionary, temple, humanitarian aid, donor advised fund, etc.):
_________________________________________________________________________________
_________________________________________________________________________________

Individual Donor’s Social Security Number: ____________________________________________

Information about Business Interest Being Gifted

Legal Name of Business Entity: _______________________________________________________

Business Entity Form (Corporation, Partnership, LLC, etc.): ______________________________

State of Organization/Incorporation: ___________________________________________________

Federal Tax Classification (C-Corp., S-Corp, Partnership, etc.): _____________________________

Please note that COP normally does not accept gifts of interests in entities taxed as S-Corps.

Federal Employer Identification Number: _______________________________________________

Approximate Date of Proposed Gift: __________________________________________________

Total Number of Shares or Units Issued by Entity: _______________________________________

Number of Shares or Units to be Donated: ______________________________________________

Approximate Value of Single Share or Unit: ____________________________________________

Date Donor Acquired Shares or Units: _________________________________________________

Description of Business’s Activities or Operations: _______________________________________
_________________________________________________________________________________
_________________________________________________________________________________

Please provide a detailed overview as to why you are proposing to make a gift, and describe the nature of any potential liquidation event (i.e., the company is being sold to a private equity firm, etc.): ________________________________________________________________
_________________________________________________________________________________
_________________________________________________________________________________
DUE DILIGENCE CHECKLIST

Please attach a copy of the following documents. These will allow COP to evaluate the proposed gift. Please note that receipt by the COP of this packet, with its accompanying documents, is not an acceptance of a donation by COP and that COP reserves the right accept or reject the Donor’s contribution in accordance with its policies regarding donations. It is anticipated that the maximum expected time period required before final acceptance of the tendered gift is 30 days after COP receives all the required documents and information.

For all entities:

☐ Articles of Incorporation, Certificate of Organization, or equivalent
☐ Bylaws, Partnership Agreement, Operating Agreement, or equivalent
☐ Shareholder Agreements, Member Agreements, Buy-Sell Agreements, or equivalents
☐ Draft Purchase Agreement or equivalent contract for future potential redemption, liquidation, or purchase of donated shares or interests.
☐ Most recent entity financial statement

For partnerships and limited liability companies:

☐ Federal and State Tax Returns for the last 1-3 years
☐ Balance Sheets and Income Statements for the last 1-3 years (audited if available)
☐ Most recent YTD Balance Sheet and YTD income statement

APPROVAL PROCESS

Kirton McConkie reviews the due diligence materials and then reports to a Gift Review Committee that has the responsibility to approve donations to COP and its affiliates. The Gift Review Committee generally meets once a month. However, gifts may be approved in between meetings when circumstances are such that a gift needs to be reviewed and approved prior to the next regularly scheduled meeting.

Once notified of the approval of the donation, Kirton McConkie will work with the donor to ensure the donation occurs and will assist COP (a related donee organization) to complete the sale/redemption/etc. of donated business interests.

The donor is responsible for fulfilling the requirements necessary to tax a tax deduction for the gift. COP (or the related done organization) will provide a “contemporaneous written acknowledgement” of the gift as required under applicable Federal tax law and will sign the IRS Form 8283 when presented by the donor.
Sample Reps and Warranties

Given the fact that the COP (or a related donee organization) only holds shares for a limited period of time, it is not inclined to make the broad representations and warranties of the founding (and other) shareholders. The following are examples of warranties and indemnities language that is acceptable to COP (or a related donee charitable organization). This language can be adapted to correspond to the relevant document. The essence of these provisions should be reflected in order for the church entity to sign a purchase agreement for the sale of closely-held business interests after the donation.

If you have questions, please contact Brent A. Andrews or Michael W. Durham at Kirton McConkie, 50 East South Temple, Suite 400, Salt Lake City, UT 84111; telephone: (801) 328-3600; fax: (801) 321-4893; emails: bandrews@kmclaw.com or mdurham@kmclaw.com.

The following is sample language is suggested for a stock purchase agreement in which COP is a selling shareholder. Similar language should be included in a sale agreement involving an entity that is not a corporation (e.g. partnership, limited liability company, etc.).

STOCK PURCHASE AGREEMENT

This Agreement (the “Agreement”) is entered into this ______ day of _________, 20__, by and among XYZ, Inc, a _______ corporation (the “Purchaser”), INDIVIDUAL A and INDIVIDUAL B (the “Individual Sellers”), and CORPORATION OF THE PRESIDENT OF THE CHURCH OF JESUS CHRIST OF LATTER-DAY SAINTS, a Utah corporation sole (the “Church Seller”)…

§X. Representations and Warranties of the Individual Sellers.

[This format (or something similar) separates the selling shareholders so that later, in the representations and warranties provisions and in the indemnity provisions, the Church warranties and indemnities are more limited than those given by the Individual Sellers. Similar language is required in transactions involving limited liability companies, partnerships or other closely held businesses]

§Y. Representations and Warranties of the Church Seller. The Church Seller represents and warrants to the Purchaser that the statements contained in this §Y are correct and complete as of the date of this Agreement and will be correct and complete as of the Closing Date.
a. **Authorization of Transaction.** The Church Seller has full power and authority to execute and deliver this Agreement and to perform its obligations hereunder. This Agreement constitutes the valid and legally binding obligation of the Church Seller enforceable in accordance with its terms and conditions. The Church Seller need not give any notice to, make any filing with, or obtain any authorization, consent, or approval of any government or governmental agency or any third party in order to consummate the transactions contemplated by this Agreement.

b. **Noncontravention.** Neither the execution and the delivery of this Agreement, nor the consummation of the transactions contemplated hereby, will violate any constitution, statute, regulation, rule, injunction, judgment, order, decree, ruling, charge, or other restriction of any government, governmental agency, or court to which the Church Seller is subject.

c. **Company Shares.** To the best of its knowledge, the Church Seller holds of record and owns beneficially the number of Company Shares set forth next to its name in §_______ [or in Exhibit ___], free and clear of any restrictions on transfer (other than any restrictions under the Securities Act and state securities laws), Taxes, Security Interests, options, warrants, purchase rights, contracts, commitments, equities, claims, and demands. The Church Seller has not taken any action that results in any encumbrance on such shares, and is not a party to any option, warrant, purchase right, or other contract or commitment that could require the Church Seller to sell, transfer, or otherwise dispose of any capital stock of the Company (other than this Agreement). The Church Seller is not a party to any voting trust, proxy, or other agreement or understanding with respect to the voting of any capital stock of the Company.

§Z. **Indemnification by Church Seller.** In the event the Church Seller breaches any of its representations, warranties, and covenants contained herein, then the Church Seller agrees to indemnify the Purchaser from and against the entirety of any Adverse Consequences the Purchaser may suffer through and after the date of the claim for indemnification resulting from, arising out of, relating to, in the nature of, or caused by the breach; provided, that any such claim for indemnification must be made by the Purchaser against the Church Seller before the expiration of the two year period beginning on the Closing Date; provided, further, that the aggregate amount of all indemnification obligations of the Church Seller hereunder shall not exceed the full net proceeds received by the Church Seller from its sale hereunder of its shares of the Company; and provided, further, that in the event the aggregate amount of all indemnification obligations of the Church Seller hereunder is less than $___________, the Purchaser shall not make any claim for indemnification against the Church Seller hereunder.
TAX EFFECTS OF GIFTS OF APPRECIATED PROPERTY

The following is a brief summary of certain federal income tax laws relating to donations-in-kind. This information should not be relied upon as a complete statement, nor is this disclosure intended as tax or legal advice. Since each individual circumstance is different, the donor should obtain competent professional assistance from his or her personal tax advisor.

The amount deductible for a charitable contribution of appreciated property usually depends on its value and whether it is capital gain property or ordinary income property.

**VALUE.** The donor is responsible for the correct valuation of the donated property. The donor should be aware that an over valuation of donated property may result in substantial penalties. To claim a deduction, he or she must generally file IRS Form 8283 with the tax return. For property worth in excess of $5,000, form 8283 must be signed by an independent appraiser. A COP signature (when required) on form 8283 does not signify confirmation of the claimed value, but only acknowledges receipt of the gift. If the property is sold or otherwise disposed of within three years, the COP must report the sale to the IRS. This can cause an audit if the COP is unable to sell the property for as much as the donor’s appraised value on form 8283. The fact that the property sells shortly after the donation does not eliminate the legal requirement of an appraisal.

**LONG TERM CAPITAL GAIN PROPERTY.** This includes property held for more than one year on which a long-term capital gain would have been realized if the tax payer had sold the asset for fair market value on the date of the contribution. It does not include inventory or purchased property held for resale in ordinary course business. These gifts are generally deductible at their fair market value on the date of contribution. However, the individual’s contribution must be reduced under certain circumstances by the potential long-term gain and may also have an element of ordinary income if any prior depreciation is subject to recapture.

**ORDINARY INCOME PROPERTY.** This includes property that, if sold, would result in ordinary income by reason of depreciation recapture or the fact that subject property was held for less than one year. This is property that, if sold at its fair market value on the date of the contribution, would give rise to ordinary income or short-term capital gain. The deduction for such property is the lesser of the fair market value of the property or the donor’s basis in the property. Such property includes inventory and stock-in-trade, produced or purchased and held for sale or resale in the ordinary course of business, regardless of the holding period, and any short-term capital assets.

**DONATION OF PARTNERSHIP INTEREST SUBJECT TO LIABILITIES.** A charitable contribution of a partnership interest subject to general partnership liabilities may be treated as a deemed bargain sale, resulting in the donor’s recognition of taxable gain. The donor will be deemed to have sold his partnership interest to the extent of his allocable share of liabilities transferred to the Church, and his basis in the partnership will be allocated pro rata between the amount deemed sold and the amount treated as a gift to charity.
DONOR ADVISED FUNDS

Some donors have not finally determined which Church entity/program(s) they wish to support, or have charitable goals and objectives that go beyond gifting solely to the Church. A donor advised fund is a convenient way for philanthropically minded individuals to simplify their charitable giving and take advantage of tax savings already highlighted above. Deseret Trust Company is a Church affiliate that maintains donor advised funds. A donor makes his or her contribution to Deseret Trust Company to establish the fund. Thereafter, the donor can recommend charitable organizations to receive grants, subject to certain rules and policies. For instance, at least 40% of the donations should go to Church entities and the remaining 60% can go to charities whose purposes and activities are compatible with Church doctrine and teachings).

Donor advised funds allow donors to:

- Simplify charitable giving
- Eliminate capital gains taxes on donated appreciated property
- Involve donor’s spouse, children or associates in charitable giving
- Secure the maximum tax benefits immediately for each charitable gift
- Support the Church and community charities through one simple donation
- Simplify tax reporting
- Retain the flexibility of giving varying amounts or to change charities over time
- Give anonymous grants (optional)
- Maintain a steady level of giving despite a fluctuating income level
- Enjoy many of the positive aspects of a private foundation without the accompanying administrative burdens

The typical donor:

- Desires to assist the Church charities and institutions
- Wants to time the gift to his or her tax situation
- Desires to involve his or her family in gift-making decisions
- Wants to give now, but may not be sure which charities he or she wants to benefit