

DISCLOSURE STATEMENT  
DESERET POOLED INCOME FUND

The Corporation of the President of the Church of Jesus Christ of Latter-day Saints (the "Church") has created the Deseret Pooled Income Fund, (the "Fund") as a type of split-interest trust with charitable remainder interests to receive gifts of \$5,000 or more. Gifts to the Church and its affiliated charitable organizations to be administered as part of the Fund will be held by Deseret Trust Company, as Trustee, pursuant to an Agreement of Trust dated February 15, 1974. Gifts may be made in cash or in property (other than tax-exempt bonds) and will be commingled for investment purposes with other gifts previously made to the Fund. Each gift to the Fund will be entitled to a pro rata share of the Fund's net income which will be paid to the donor for the donor's lifetime and to other concurrent or successor income beneficiaries designated by the donor. Upon termination of an income interest, a pro rata share of the principal of the Fund will be severed from the Fund and transferred to the Church or any of its affiliated charities for their general purposes or such other charitable purposes as the donor may have designated in his gift.

Investment Objectives and Management

The objective of the Deseret Trust Company Pooled Income Fund is to achieve favorable income levels while maintaining a growth component. Currently the "Pool" is balanced approximately 80% fixed income securities; GNMA's and unit participation in the Deseret Trust Company Fixed Income Fund. Approximately 20% of the "Pool" is invested in equities representing unit participation in the Deseret Trust Company Equity Fund and Deseret Trust Company Growth Equity Fund.

Because the income received by the Fund and the value of securities and other property held by it will fluctuate with changes in market and economic conditions, there can be no assurance that any particular investment results will be achieved. The investments of the Fund will be diversified and may include both equity and debt securities in such proportions as seem advisable from time to time in light of current market and economic conditions, as well as other real or personal property and cash to the extent the Trustee deems advisable. There are no limitations or restrictions on the investments of the Fund except that it may

not acquire or hold any tax-exempt securities. Investment management for the Fund will be provided by the Trustee. Any trustee may be changed by the Church.

### Valuation and Assignment of Units

The Fund is divided into units, each of which represents an interest in the Fund equal to the interest of each other unit. Operation of the Fund is in general similar to the operation of a mutual fund, with two important exceptions: first, the units are held by the Trustee and cannot be sold or redeemed by the donor or by an income beneficiary, and, second, realized capital gains will be reinvested as additions to principal and will not be distributed to the donor or to income beneficiaries.

Applicable law requires that units be valued on the first day of each fiscal year and at least as often as quarterly. The value of a unit is determined by dividing the fair market value of the Fund's assets on the valuation day by the number of outstanding units. Gifts will generally be added to the Fund as they are received. If added on a day other than a quarterly valuation day, the income interest therein will be assigned a number of units determined by dividing the fair market value of the gift on that day by the value of a unit immediately before the transfer. In that case, the value of a unit will be determined by dividing the average of the two values of all the Fund property on the quarterly valuation days immediately preceding and following the transfer. If a gift is added on a quarterly valuation day, the number of units assigned to the income interest will be the fair market value of the gift divided by the value of the unit of the fund on that day. If a donor provides for two or more beneficiaries to receive income with respect to his gift concurrently, they will share the income interest in the gift in percentages or shares specified by the donor. Once determined, the number of units assigned to the income interest in a gift will not change, but the value of a unit will change as the value of the Fund's assets change. When principal amounts are severed from the Fund and transferred to the Church or a designated affiliate, the units assigned or allocated thereto will be canceled.

### Distribution of Income

It is presently contemplated that distributions of the income of the Fund (after deducting any expenses which are apportioned to and paid out of income as summarized below) will be made quarterly, on approximately the last day of January, April, July and October of every year, to

income beneficiaries in proportion to their respective income interests. All net income will be distributed annually. Units outstanding for less than the entire year will receive a fractional payment based on the fraction of the year for which they were outstanding. Realized and unrealized appreciation or depreciation of principal will not be taken into account in determining income.

### Expenses

Income available for distribution shall be computed after the payment of all expenses of Fund administration. Such expenses may include a charge not to exceed 1% of the market value of the assets of the Fund, computed quarterly and taken pro rata on the first day of the month following the close of the calendar quarter, for investment management, legal, accounting, record keeping and custodial services. Any expenses charged to the fund, including any trustee's compensation, will be allocated to principal and income in accordance with Utah law.

### Income Interest

The terms of the gift may provide that income with respect to the gift will be paid for life to the donor, one or more other named beneficiaries, or both. If more than one beneficiary of an income interest is named, they may enjoy their respective shares of income concurrently, consecutively, or both. The Church or any of its affiliated charitable organizations also may be designated as a beneficiary of an income interest concurrently with an individual beneficiary. Once a gift has been made, its terms may not be changed except that the donor may reserve the right to terminate or revoke by will life income payments that were to be made to another person after the donor's death.

### Charitable Remainder Interest

Upon the death of the last surviving beneficiary of an income interest or share of an income interest, or upon the earlier termination or revocation of an interest or share, a sum equal to the value of the units assigned thereto as of the date of the last regular income distribution will be withdrawn from the Fund and transferred to the Church or to the affiliated charitable organization designated by the donor. No partial distributions of income will be made for the period between the date of the last regular income distribution and the date of the beneficiary's

death or earlier revocation of the beneficiary's interest. If a designated beneficiary is not living when the beneficiary would have become entitled to an income interest in a gift to the Fund and no successor beneficiary has been named, and whenever for any other reason the donor has failed to dispose of all the income payable with respect to the gift, a sum equal to the value of the units representing the income not disposed of will be transferred to the Church or affiliated charity as designated.

### Tax Considerations

While the following brief outline of the federal tax considerations involved in a gift to the Fund has been reviewed by counsel and is believed to be correct under presently existing law, prospective donors to the Fund should consult their own tax advisers concerning their individual tax situations and applicable state tax laws.

### Income Tax Charitable Deduction

A gift to the Fund entitles the donor to a deduction on his income tax return for the year in which the gift is made. Subject to the limitations mentioned below, the amount that the donor can deduct is the discounted value of the interest of the charity designated by the donor (called the "remainder interest") in the donated property following the death of the income beneficiary or beneficiaries. The value of the remainder interest depends on the age of each income beneficiary and on the highest annual rate of return of the Fund for the three full years preceding the year of the gift.

The value of the remainder interest of the charity is significantly smaller if the gift provides for a successor beneficiary. If a gift to the Fund is made in the form of appreciated property which has been held by the donor for the appropriate capital gains holding period, the donor may deduct for federal income tax purposes the discounted value of the charity's remainder interest based on the fair market value of the property, provided that the amount deductible by the donor in the year of the gift cannot exceed 30% of his or her adjusted gross income unless the donor elects to reduce his contribution by 100% of the appreciation in the property. If he makes this election, or if the gift is made in cash, the limitation on the amount of the deduction is 50% of adjusted gross income. Any amount in excess of the limitation can be carried forward as a deduction for up to five years.

If a donor gives appreciated property held for less than the appropriate capital gains holding period, his cost basis for the property rather than the fair market value must be used. In that case, however, the 50%, rather than the 30%, limitation applies.

### Capital Gains Tax

The donor realizes no taxable capital gain as a result of making a gift to the Fund. Ordinarily, a person who owns low-cost property producing a relatively low rate of return and who wishes to convert it into property yielding a higher income would have to sell the low-cost property, pay a tax on the gain realized and then reinvest the net proceeds of the sale. However, by giving the property to the Fund the owner of low-cost, low-income property may, without paying a capital gains tax, receive not only the benefit of a charitable deduction as described above but also obtain the advantage of diversification with other assets in the Fund, if any, and a potentially larger amount of income. The net result may be an increase in the after tax income of the donor.

### Gift Tax

The gift of the remainder interest to the designated charity is not subject to gift tax, although it must be reported on a gift tax return. A designation in favor of an income beneficiary other than the donor, either as a primary beneficiary or as a survivor beneficiary, may create a gift subject to gift tax on the actuarial value of the beneficiary's interest. The donor may, however, reserve the right, exercisable only by will, to terminate or revoke a beneficiary's interest, and in such case there will be no taxable gift unless the beneficiary is to receive income during the donor's life.

### Estate Tax

If the terms of the gift provide for payment of income to the donor, or if the right to revoke by will the income interest of another beneficiary is reserved, the entire value of the units of the Fund assigned to the gift (computed as of the date of death) will be includable in the donor's gross estate for federal estate tax purposes. The value of the charity's remainder interest (computed as of the date of death) will be deductible as a charitable gift. Accordingly, the only amount (if any) that will be subject to estate tax will be the value at the donor's death of any

income interest that continues after his death. It is possible that even that interest will not be subject to estate tax if the donor's spouse is the beneficiary. The alternative forms of Letters of Transfer set forth in Appendix A require that provision be made in the donor's testamentary arrangements for the payment of federal and state estate and inheritance taxes on the value of any such continuing income interest.

### Beneficiaries' Income Taxes

Payments received from the Fund by beneficiaries are includable in their taxable income for federal income tax purposes. A beneficiary reporting his income on a calendar year basis should include in his return his share of net income of the Fund for the calendar year for which the return is being filed.

### Miscellaneous

A private letter ruling has been obtained from the Internal Revenue Service to the effect that contributions to the fund will qualify for charitable deductions under Code Section 170 and that the Fund qualifies as a pooled income fund for federal estate and gift tax purposes. The Federal Securities and Exchange Commission announced on January 10, 1980, that the Commission staff would not recommend taking any action with respect to pooled income funds which qualify under Section 642(c) (5) of the Internal Revenue Code if such funds, interests therein, charities which establish and maintain the funds, or persons soliciting gifts by means of the funds, are not registered under certain federal securities laws, provided that each prospective donor receives written disclosures that fully and fairly describe the operation of the particular trust and that the soliciting persons are either volunteers or employed by the charity in its overall fundraising activities and receive no commission or other special compensation based on the amount of the gifts. It is believed that all these requirements have been met for the Fund. No registration with respect to the Fund has been effected under federal or state securities laws.

It should be understood that pooled income funds, such as the Fund, are primarily vehicles for gifts, rather than investments, and accordingly do not provide a beneficiary with a return equal to that which might be obtained from other sources.

Any property transferred to the Fund may be sold or retained as investments of the Fund in the

Trustee's sole and absolute discretion.

The interest of the beneficiaries is limited to the net income of the Fund. The assets and income of the Church, or any of its affiliates as distinct from those of the Fund, will not be available to pay any liabilities of the Fund or any income to any income beneficiary of the Fund.

The Trustee has the right to amend the Agreement of Trust of the Fund to ensure qualification as a "pooled income fund" under Section 642 (c) (5) of the Internal Revenue Code.