Share in Duke's Investment Success:

Charitable Remainder Trusts and the Endowment Investment Option

Over the years, Duke University has been fortunate to be named the remainder beneficiary of charitable remainder trusts established by its generous supporters. A charitable remainder trust provides the donor and/or his or her designees with an income for life or for a specified term of up to 20 years. After that time, the trust assets pass to Duke to be used as directed by the donor (e.g., for a named scholarship, professorship, or unrestricted endowment for a school or program at Duke).

Serving as the trustee, Duke has always sought to provide the best in administrative and investment management services to benefit both the donor/income beneficiary and the university. With that goal and given the impressive long-term investment returns of Duke's pooled endowment funds, the university has wanted to be able to give charitable remainder trust donors the benefit of the expertise of Duke's investment managers at DUMAC, LLC[1]. However, until recently, it was not possible for charitable remainder trusts to be managed using the investment strategies of the university's endowment manager.

Now Duke's supporters can share in Duke's investment success. In a private letter ruling issued to Duke on December 21, 2006[2], the Internal Revenue Service approved an investment structure – the Endowment Investment Option – that allows charitable remainder trusts benefiting Duke to achieve projected investment returns closely tracking those of the university's endowment.

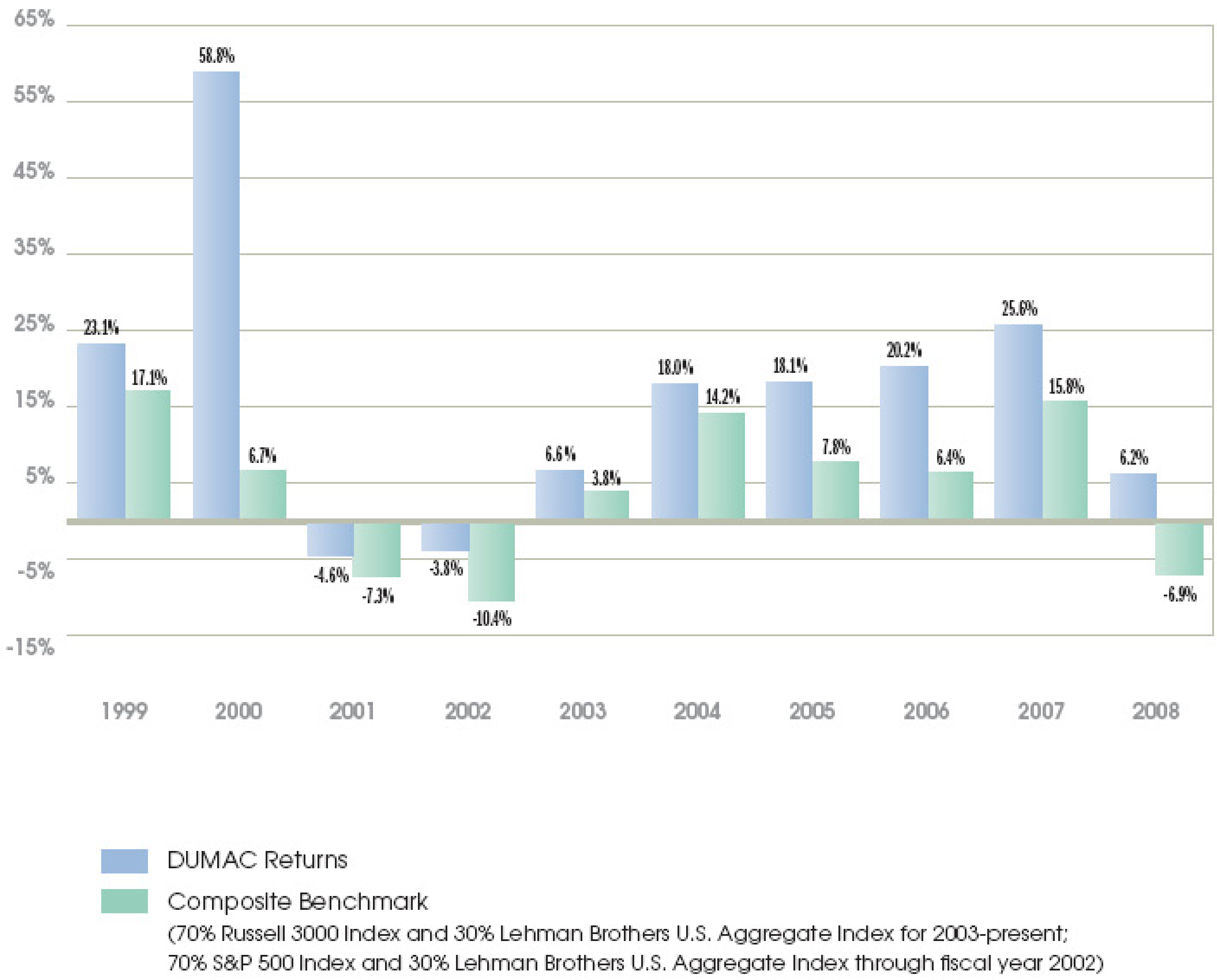
The opportunity to invest Duke's charitable remainder trusts alongside the university's endowment presents a potential win-win situation for donors and the university. Actual year-to-year performance varies, of course, and future performance cannot be predicted by strong earnings in the past; but Duke's endowment has consistently been one of the top-performing university endowments in the nation. **For the ten-year period ending June 30, 2008, DUMAC achieved a 15.6 percent average annual compound rate of return on the university's endowment assets.**

1. DUMAC, LLC, is a professionally-staffed investment organization structured as a North Carolina limited liability company controlled by Duke University. DUMAC has a staff of about 35 employees and works with the assistance of investment advisory firms and partnerships to help the university meet its investment goals. For more information on DUMAC, visit http://giving.duke.edu/dumac.

2. PLR 200711028

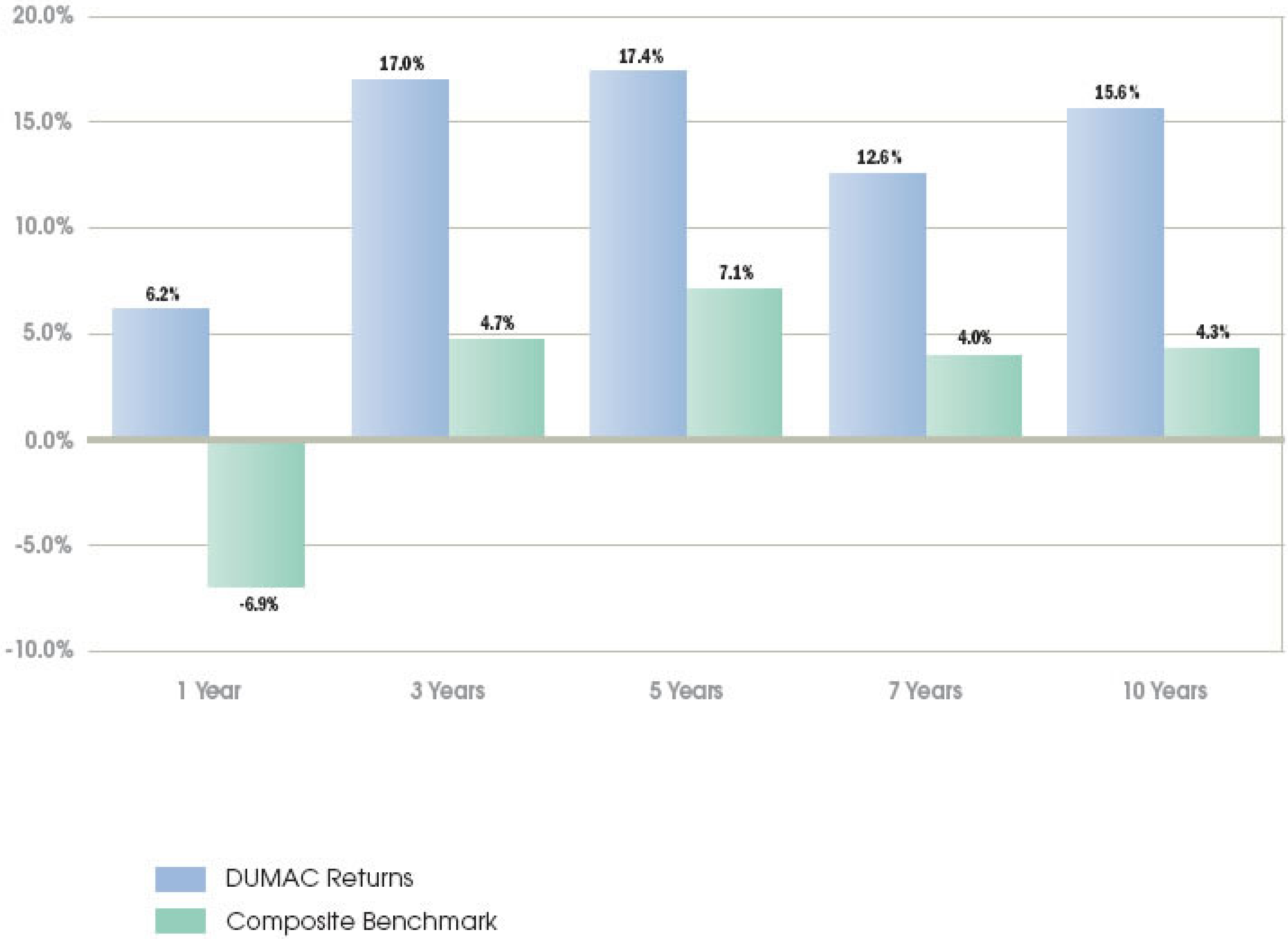
DUMAC's One-Year Returns

based on fiscal years ending June 30



DUMAC's Annualized Returns

as of June 30, 2008



(70% Russell 3000 Index and 30% Lehman Brothers U.S. Aggregate Index for 2003-present; 70% S&P 500 Index and 30% Lehman Brothers U.S. Aggregate Index through fiscal year 2002)

In order for a charitable remainder trust to be eligible for the Endowment Investment Option:

1. Duke University must be the sole trustee and sole, irrevocable charitable remainder beneficiary of the trust.
2. The trust must have a minimum of $100,000 in assets. (There is no maximum.)
3. The charitable deduction/charitable gift value of the trust must equal at least 25% of the trust's principal value, based on IRS valuation tables.
4. North Carolina law must apply to the trust.

The Endowment Investment Option is not necessarily appropriate for all trust donors. All or most of the payout from a charitable remainder trust invested in the Endowment Investment Option will likely be taxed as ordinary income, whereas Duke's traditional charitable remainder trust investment options are geared toward producing income taxed at a lower effective tax cost. Duke currently partners with Bank of New York Mellon Financial Corporation in managing its traditionally invested charitable remainder trusts.

Duke also offers other life income gift options because a charitable remainder trust is not a "one size fits all" solution. For example, if a donor prefers a fixed lifetime payment and intends to fund the gift with cash or with securities that have little or no appreciation, the donor might be better off with a charitable gift annuity, which may provide the income beneficiary with tax-free income for a number of years. Charitable gift annuities benefitting Duke are also managed by DUMAC, so the donor's ultimate designation for the gift (e.g., a named scholarship) has the same potential for growth. In cases where the donor wants a larger current income tax deduction, no income for a number of years, and a fixed annuity payment to begin at future date, a deferred payment gift annuity may be a better fit.

The professionals in Duke Medicine's Office of Gift Planning are available to help donors and their advisors consider gift alternatives based on factors such as the type of assets that might be contributed, the age of the donor and/or income beneficiary, and whether an income stream might be needed now or in the future. The Office of Gift Planning is also pleased to provide personalized gift illustrations and sample documents.

For questions, personalized gift illustrations, or additional information, please contact:

Joseph W. Tynan, J.D.,
Director of Gift Endowment Planning
Duke Medicine Office of Gift Planning
512 S. Mangum St., Suite 400
Durham, NC 27701-3973
Phone: (919) 667-2506
Fax: (919) 667-1002
Email: tynan002@mc.duke.edu