

LONG BEACH ROTARY SCHOLARSHIP FOUNDATION

GIFT ACCEPTANCE POLICY

To ensure compliance with applicable legal and fiduciary requirements and to provide guidance to donors and their advisors, the Long Beach Rotary Scholarship Foundation ("Foundation") has adopted these guidelines for establishing funds and accepting gifts from donors.

The President/CEO and any other person or persons designated by the Foundation's Board of Directors from time to time, are authorized to accept cash gifts and gifts of publicly traded securities to the Foundation. All other gifts, such as gifts of business interests, real estate, tangible personal property, and intangible personal property, other illiquid and liquid assets shall be made in conformance with this Gift Acceptance Policy and shall only be accepted after approval by the Foundation's Board of Directors. All gifts shall be made in furtherance of the Foundation's charitable purposes as set forth in the Foundation's Articles of Incorporation and Bylaws.

Types of Gifts

Gifts may be made during a donor's lifetime, by an outright donation to the Foundation or by the use of a planned gift instrument such as a charitable trust or annuity. Further, gifts may be made by bequest through a donor's will or living trust.

1. **Unrestricted Funds:** Unless otherwise designated by the donor and accepted as such by the Foundation, all gifts shall be unrestricted funds from which the Foundation has complete discretion in its use for charitable purposes as authorized in the Foundation's Bylaws. All such gifts shall be placed in a general unrestricted fund. Unless otherwise specified by the donor, and agreed to by the Board of Directors, the Foundation treats unrestricted funds as permanent funds subject to a spending policy adopted by the Foundation's Board of Directors.
2. **Scholarship Field of Interest Funds:** The donor specifies a Scholarship interest area serving student education at Long Beach City College (LBCC) or California State University Long Beach (CSULB) that can be either broadly or narrowly defined. The Foundation has discretion to make grants, award scholarships and create programs within the donor's Scholarship interest area. The minimum gift to establish a Scholarship Field of Interest Fund is \$100,000, unless otherwise approved by the Foundation's Board of Directors. This minimum amount to establish a Scholarship Field of Interest Fund may be changed from time to time, but any increase in the minimum amount shall not apply to a donor who is then making annual installments to establish such a scholarship fund. A gift to establish a Scholarship Field of Interest Fund may be paid at one time in full or in up to four (4) consecutive annual installments, with a minimum annual installment of \$25,000, at the request of the donor and the agreement of the Foundation. The establishment of a Scholarship Field of Interest Fund is conditioned upon payment in full by the donor and the scholarship shall not be funded until such time. If established through installment

payments during the interim period the donated funds shall be invested per the Foundation's investment policy. Unless otherwise specified by the donor and agreed to by the Foundation, the Foundation treats Scholarship Field of Interest Funds as permanent funds subject to a spending policy adopted by the Foundation's Board of Directors.

3. **Restricted Scholarship Funds:** The donor specifies one or more Scholarship purpose, or program that is subject to approval by the Board of Directors. The minimum gift to establish a restricted Scholarship Fund is \$100,000, unless otherwise approved by the Foundation's Board of Directors. This minimum amount to establish a restricted Scholarship Fund may be changed from time to time, but any increase in the minimum amount shall not apply to a donor who is then making annual installments to establish such a scholarship fund. A gift to establish a restricted Scholarship Fund may be paid in full at one time or may be paid in up to four (4) consecutive annual installments, with a minimum annual installment of \$25,000, at the request of the donor and the agreement of the Foundation. The establishment of a restricted Scholarship Fund is conditioned upon payment in full by the donor and the scholarship shall not be funded until such time. If established through installment payments during the interim period the donated funds shall be invested per the Foundation's investment policy. Donors may create a Scholarship Fund to support student education at LBCC or CSULB. Donors shall designate the particular college(s) and the scholarship purpose. A donor may also have input regarding eligibility criteria, the scholarship procedures for the awarding of scholarships and the awarding of the scholarships, however the Foundation shall be solely responsible for the administration of the Scholarship Fund and the awarding of the scholarships. Unless otherwise specified by the donor and agreed to by the Foundation, such Scholarship Funds shall be treated as restricted scholarship funds and as permanent funds subject to a spending policy adopted by the Foundation's Board of Directors.
4. **Sponsored Scholarships:** The Foundation desires to give Long Beach Rotarians and other third parties the opportunity to sponsor scholarships to support student education at LBCC and CSULB. A sponsored Scholarship will be awarded in the name of the donor or such other designee selected by the donor and approved by the Foundation. A donor may sponsor an Annual Scholarship or a Permanent Scholarship. The minimum gift to sponsor and name a scholarship shall be established by the Board of Directors and such minimum amount may be changed from time to time taking into consideration the then current amount of the scholarships awarded at LBCC and CSULB and the Foundation's spending policy among other factors. The initial minimum gift to sponsor an Annual Scholarship in the name of the donor at LBCC is \$1,250 and at CSULB is \$2,500. An Annual Scholarship will be awarded to a designated student in the name of the donor or approved designee for one (1) year in the school year following the receipt of the gift. A donor may continue to sponsor Annual Scholarships for as many years as he or she desires. Any amounts paid by the donor to sponsor an Annual Scholarship at LBCC or CSULB may be applied towards the amount necessary to sponsor a Permanent Scholarship. In

the event a donor's cumulative Annual Scholarship payments equal the amount necessary to establish a Permanent Scholarship the donor shall qualify for a Permanent Scholarship. The minimum gift to sponsor a Permanent Scholarship in the name of a donor or approved designee at LBCC is \$25,000 and at CSULB is \$50,000. A gift to sponsor a Permanent Scholarship may be paid in full at one time or in up to four (4) consecutive annual installments at the request of the donor and the agreement of the Foundation and any amounts previously paid by the donor to sponsor an Annual Scholarship at LBCC or CSULB shall be applied towards the amount necessary to sponsor a Permanent Scholarship. The establishment of a Permanent Scholarship payable in installments is conditioned upon it being paid in full by the donor and the Permanent Scholarship shall not be established until such time. If payable in installments the donor shall have the right to sponsor an Annual Scholarship during the period when annual installments are being made, pending payment in full and qualifying for the Permanent Scholarship. The donor shall designate whether the Sponsored Scholarship is for the benefit of LBCC or CSULB students and may designate which of the Foundation's Scholarship Programs that the Scholarship is to be included within. At the request of the donor and the agreement of the Foundation a Sponsored Scholarship may be designated for the benefit of students from a particular high school. The Sponsored Scholarships shall be in one of the Foundation's established scholarship programs. The Foundation shall be solely responsible to establish the scholarship criteria and procedures, screen applicants and award the Sponsored Scholarships as part of its Scholarship Programs. The Foundation's Board of Directors shall have the right to change or modify its existing Scholarship Programs and to create and designate additional types of Scholarships and Programs consistent with its Bylaws. Unless otherwise specified, the Foundation shall treat the donations made to establish Sponsored Scholarships as unrestricted permanent funds subject to a spending policy adopted by the Foundation's Board of Directors.

Guidelines Regarding Assets Used to Make Gifts

1. **Gifts of Cash:** The Foundation will accept cash gifts.
2. **Gifts of Publicly Traded Securities:** The Foundation will accept gifts of publicly traded securities and assets deriving their value from such securities. The valuation of publicly traded securities and bonds contributed by donors will be obtained from the usual public trading records. Bond specialists will value bonds that are not routinely reported in financial journals. Gifts of puts, calls, options or warrants in such securities will be valued by an appraisal company, accounting firm or by the method of valuation consistent with the appropriate industry standard (the cost of such appraisal is the donor's responsibility).
3. **Other Business Interests.** Upon the approval of the Foundation's Board of Directors the Foundation will accept gifts of stock, options, warrants and other interests in closely held "C" corporations, "S" corporations, limited partnership interests and limited liability company (LLC) units, as well as notes, trust deeds and similar assets. All such gifts will be evaluated on a case-by-case basis. All such gifts must be valued by an appraisal company, accounting firm or by the

method of valuation consistent with the appropriate industry standard (the cost of such appraisal is the donor's responsibility).

- a. **Gifts with Adverse Consequences for the Foundation.** The Foundation will not accept a business interest that will subject the Foundation, in the Foundation's sole and absolute discretion, to a liability, including cash calls on limited partnerships or LLCs or other liabilities that could have adverse consequences for the Foundation, unless favorable advice of counsel is secured.
 - b. **Sale of a Business Interest.** In the case of a business interest to be sold, the Foundation will generally not join in or participate in the issuance of warranties, representations, indemnification agreements, or covenants not to compete unless favorable advice of counsel is secured.
 - c. **General Partnership Interests.** General partnership interests will not be accepted by the Foundation because they can result in significant legal and tax liability.
 - d. **Cost of Gift.** At its discretion the Foundation will charge the resulting fund or gift its costs associated with accepting the business interest (e.g. unrelated business income taxes and attorney fees). The Foundation may request that the donor contribute additional cash or other liquid assets to the fund to pay such costs.
4. **Life Insurance:** The Foundation may be designated as a primary or successor beneficiary of a life insurance policy owned by the donor. Insurance policies with a minimum face value of \$25,000 where the Foundation is irrevocably named as owner and beneficiary and holds the original policy may be gifted. As a condition to accepting a gift of a life insurance policy on which premiums remain due, the Foundation may require the donor to pledge to contribute to the Foundation, at least 10 days prior to each premium due date, an amount sufficient to pay the premium. Premiums may be paid from accrued dividends or accumulated cash value if sufficient and so stipulated by the donor. If the Foundation is notified that a policy is to be terminated for non-payment of premium, the Foundation may elect to continue to pay such premiums from its unrestricted assets, use the accrued cash value of the policy to pay the premium or use the accumulated cash value to create a fund. If the accrued cash value is less than \$25,000, the cash value may be added to an unrestricted fund at the Foundation.
- Specific Insurance-Related Gifts Excluded. The Foundation will not accept gifts of insurance related to what are commonly referred to as a "charitable reverse split dollar" or "charitable limited partnership" plan without first obtaining a letter ruling from the Internal Revenue Service as to their legality.
5. **Illiquid Assets (including Real Estate and Tangible Personal Property).** The Foundation will only accept gifts of illiquid assets such as real estate, tangible personal property and intangible personal property upon the approval of the Foundation's Board of Directors. Gifts to the Foundation that are not liquid may require additional documentation prior to acceptance by the Foundation. This may include appraisal, site visit, professional inspection or assessment, environmental review and other types of due diligence review associated with the proposed asset to be gifted.

- a. **Costs.** The costs of securing a valuation appraisal will be born by the donor. Other transfer costs including attorney fees and title insurance may be born by the donor or charged to the fund being established at the Foundation.
- b. **Real Estate.** Gifts of real estate may be made outright, on a testamentary basis, on a current basis subject to a retained life estate, or to a charitable remainder trust or charitable lead trust. Such gifts require extra review. The Foundation reserves the right to refuse any gift of real estate. Without a compelling reason to make a further evaluation, the Foundation will not accept a real estate gift valued at less than \$100,000.
 - 1) Due Diligence Review. Acceptance of real property may be preceded by a review that includes but is not limited to:
 - a) A valuation appraisal.
 - b) Physical inspection. In addition to a site visit by a Foundation representative, the Foundation may also commission a report by a professional property inspector.
 - c) Environmental review (a Phase I or Phase II review). In general, the Foundation will request that the donor provide a Phase 1 environmental assessment on gifts of commercial and industrial property.
 - d) Cash Flow Statement and tenant leases (for rental property).
 - e) Title examination and/or opinion of title by a qualified attorney or title company.
 - f) Review of documents and records regarding the condition of the property, repairs and improvements, insurance and other matters pertaining to the history of the property.
 - 2) Cost Benefit Analysis. The property must have significant value in relation to the costs of holding and selling the property and any liability or exposure in connection with ownership of the property. The Foundation will evaluate the cost of holding and/or improving the property against the cost of liquidating the property immediately. Unless otherwise agree to with the donor, the Foundation shall have the right to sell the property at its sole discretion.
 - 3) Marketability. The property must be marketable within a reasonable time period.
 - 4) Suitability. The use or image of the property must be consistent with the Foundation's mission.
 - 5) Foreign Property. In general, the Foundation is not inclined to accept property located outside the state of California and will not accept any property located outside the United States.
 - 6) Title and Title Insurance. The Foundation will secure title insurance and a title insurance binder on gifts of real property.
 - 7) Insurance. All gifts of real property will be reported to the Foundation's insurance carrier for inclusion in its corporate insurance policies.
- c. **Gifts of Real Property with Retained Life Estate.** The Foundation will evaluate these gifts on a case-by-case basis, using the applicable policies and procedures regarding gifts of real estate described above. In addition, the

donor and the Foundation will enter into an agreement regarding the donor or life tenant's responsibilities for taxes, utilities, upkeep, maintenance, and limitations on the donor or life tenant's rights to make changes to the property, or allow liens to be placed on the property, without approval of the Foundation.

- d. **Tangible Personal Property.** The donor is responsible for obtaining a qualified appraisal acceptable to the Foundation. The Foundation does not generally accept gifts of automobiles, boats, etc., but will evaluate proposed gifts of all personal property on a case-by-case basis with specific consideration of tax implications such as related use and the cost of administering, storing, insuring, selling or otherwise managing or disposing of such gifts.
- e. **Intangible Personal Property and Intellectual Property.** The Foundation may accept gifts of patents, trademarks, copyrights and royalty streams or distribution rights on published works (such as books or films) where there is clear evidence of marketability or assurance of an income stream. Gifts of oil and gas interests involve special considerations and will be evaluated on a case-by-case basis. The donor must obtain an acceptable appraisal to value intangible personal property or intellectual property contributed to the Foundation.

Property Subject to a Debt or Encumbrance

The Foundation may accept gifts of assets such as real estate, business interests or insurance policies that are subject to a debt or encumbrance. Given the potentially adverse tax consequences to the Foundation and donor of contributions of encumbered property (the Foundation may be taxed on unrelated business taxable income and the donor may be subject to capital gains tax), donors will be encouraged to refinance debt on the subject property to enable the gifted property to be free and clear.

1. **Real Estate.** Real estate contributed to the Foundation shall generally be free and clear of any debt or lien. The Foundation at its sole discretion may accept gifts of real estate that are encumbered with mortgage debt or other encumbrance up to twenty-five percent (25%) of its appraised value. Such gifts will be evaluated on a case-by-case basis.
2. **Business Interests.** Gifts of shares in corporations, limited liability companies and limited partnerships with underlying debt (debt at the company or partnership level that will not be assumed by the Foundation) will be evaluated on a case-by-case basis.
3. **Insurance Policies.** Gifts of insurance policies may have premiums financed by a third-party lender, in whole or in part, and will be evaluated on a case-by-case basis.

Guidelines for Planned Gifts

1. **Bequests.** Bequests and testamentary gifts received by the Foundation shall be accepted as unrestricted funds from which the Foundation has complete discretion in its use for charitable purposes, unless otherwise specified by the Donor and agreed to by the Foundation's Board of Directors. Bequests and

testamentary gifts will be applied for the charitable purposes requested by the donor, if they are specified, and they are within the charitable purposes authorized by the Foundation and its Bylaws. Donors and their advisors are encouraged to advise the Foundation of their intention to make such bequests to ensure that the donor's intent can be carried out through the Foundation's charitable activities and organizational capacity.

2. **Charitable Remainder Trusts:** The Foundation may be named as a remainder beneficiary of Charitable Remainder Unitrusts and Annuity Trusts. However, the Foundation will evaluate the assets of the Trust at the time of distribution and will only accept such assets in accordance with this Gift Acceptance Policy. The Foundation will not serve as trustee of any such trusts. The remainder of a Charitable Remainder Trust may be used to create any type of fund or Scholarship program offered by the Foundation. In all cases, donors are encouraged to advise the Foundation of their intention to make the Foundation a beneficiary of such trusts, to ensure that the donor's intent can be carried out through the Foundation's charitable activities and organizational capacity.
3. **Charitable Lead Trusts.** The Foundation will evaluate gifts by donors to a Charitable Lead Annuity Trust or Unitrust on a case-by-case basis. The Foundation will not serve as the trustee of a Charitable Lead Trust.
4. **Retirement Plans.** The Foundation will accept account type retirement plans, in which a balance accumulates as principal, such as IRAs, 401(k), 403(b), and defined contribution plans, subject to the review and approval of the Foundation's Board of Directors and applicable law. Methods for gifting retirement plan assets include:
 - a. **Outright Gift.** Naming the Foundation as primary, successor or contingent beneficiary for all or part of the assets upon death of either the retirement asset owner or spouse; and
 - b. **Charitable Remainder Trust.** Creating a testamentary Charitable Remainder Trust upon the death of the asset owner, naming the Foundation as remainder beneficiary and non-charitable heirs as income beneficiaries.

Applicability of Guideline

This set of guidelines is intended to cover the more common types of gifts to the Foundation. It is understood that special gifts or circumstances may require a case-by-case review and provisions not covered by this document. The Foundation reserves the right to refuse any gift it believes is not in the best interests of the Foundation.

1. **Exceptions.** Unless otherwise noted above, gifts to the Foundation that entail exceptions to these guidelines shall be subject to the review and approval by the Foundation's Board of Directors.
2. **Amendments.** The Foundation's Board of Directors or such Committee of the Board of Directors that is designated to review and approve such activities of the Foundation may amend these guidelines from time to time.