

GIFT PLANNING PROCEDURES AND ACCEPTANCE POLICIES

OVERVIEW

In keeping with the objectives of the University of North Texas Foundation, Inc., the following guidelines regarding gifts to the Foundation have been developed.

UNT FOUNDATION GIFT POLICY

Gifts to the University of North Texas Foundation are used to support the mission and purpose of the University of North Texas. By making a gift, a donor is considered to have parted with the property, and the Foundation, as recipient of the gift, becomes its owner. The Foundation's policy is to not return gifts.

UNT Foundation and UNT work closely with donors to establish gift agreements which satisfy donors' intentions, can be effectively implemented, and are acceptable to all parties. Should an issue arise, UNT Foundation and UNT will work with donors on a case-by-case basis to resolve the issue in a mutually satisfying manner.

The Foundation does not provide tax advice, and encourages donors to consult with their tax advisors regarding the tax consequences of gifts.

PROFESSIONAL COUNSEL

Each donor is encouraged to seek professional advice and counsel about any gift made to the Foundation. Members of the Foundation Board of Directors and University of North Texas Development Office staff will not supply professional counsel or advice to donors about tax liability, estate planning, and comprehensive investment planning. Board members and UNT staff will aid donors in examining these issues; often through the use of illustrations in proposals. They will encourage donors to seek appropriate independent professional counsel about their personal situation.

MANAGEMENT

The CEO of the Foundation, or another entity designated by the Board of Directors of the Foundation, shall manage these gift planning and acceptance policies, and shall aid donors and University staff in planning and making gifts. The CEO shall oversee record keeping, ensure that all mandated State and Federal Tax filings occur, prepare and present regular reports to the Board, and prepare gift acknowledgment and donor recognition materials.

The CEO shall, at the direction of the Board, take any steps necessary to promote donations and contributions to the Foundation, cultivate and educate potential contributors, and secure major gifts in accord with these policies.

LIQUIDATION OF GIFTS

All gifts made to the Foundation will be held or liquidated based upon the decision of the Board. It is the practice of the Board to convert gifts into manageable, income-producing assets as soon as practical. The various endowed assets of the Foundation are preserved for current and future earnings, and will not be liquidated for operating funds. Unendowed gifts designated in support of operating expenses or specific projects may be liquidated by the Board at their sole discretion.

The Board reserves complete control of all decisions about the liquidation of any asset given to the Foundation. Under no circumstances is the Board bound to share with any donor its investment decisions or use of any specific asset given as a gift beyond the specifications of the Memorandum of Understanding or Gift Agreement. Under conditions determined by the Board, discussion of possible uses or liquidation strategies for a gift asset with a donor is advisable.

Upon the advice of a donor, the Board may decide to use a suggested broker to liquidate a particular asset. The Board is not limited to the use of any particular broker for these purposes.

APPRAISAL

Gifts of non-cash property other than publicly traded securities must adhere to strict appraisal rules if the value of the property is more than \$5,000 (or more than \$10,000 for closely-held stock). A timely qualified appraisal of such a gift must be supplied by the donor. The IRS 8283 form shall be filed within sixty (60) days of receiving the gift under most circumstances. The costs of appraisal will be borne by the donor, unless these costs are specifically authorized by the Board to be borne by the Foundation.

Property subject to appraisal requirements at the time the gift is donated requires that IRS Form 8282 be completed if the property is liquidated within two (2) years. The consequences of a decision to liquidate this type of gift should be discussed with the donor in advance of the Board accepting a gift.

TANGIBLE PERSONAL PROPERTY

Gifts of tangible personal property are subject to special IRS rules and reporting requirements, as follows:

The "ordinary income reduction rule" under section 170 of the Internal Revenue Code reduces the value of the charitable deduction for tangible personal property to cost basis (usually original cost) for anyone who created the property or acquired it from the creator. This rule primarily applies to artwork, and the resulting charitable contribution amount may be significantly less than the current market value.

The "partial interest rule" under Section 170 denies a charitable contribution for a gift of less than a person's full ownership interest in tangible personal property (for example the transfer of a painting while retaining the copyright interest in the artwork).

The "future interest rule" specifies that a person may not transfer a future interest in tangible personal property and receive an income tax deduction (for instance, contributing a painting to a charitable remainder trust - no deduction would be allowed).

The "related use rule" applies to virtually all outright and deferred gifts of tangible personal property. Generally, tax deductions are limited to gifts of tangible personal property unless it is put to "related use" by the Foundation. A "related use" is a purpose within the tax-exempt mission of the organization. With some exceptions, if the property is put to an unrelated use (including immediate sale at auction or otherwise), then the donor is allowed to deduct his or her basis in the property.

All tangible personal property received as a gift will be reported in accord with these IRS rules, and donors shall be made aware of these unique tax consequences before any such gift is accepted.

GIFTS OF CASH

Gifts of cash may be made to the Foundation at any time and will be accepted as Outright contributions. Payments of dividends from privately held insurance policies, shares of stock, securities, or other income producing assets that are held in the name of the donor, will be treated similarly.

SECURITIES

Special procedures apply to different types of stock gifts. Donors and development staff should contact the UNT Advancement Planned Giving Office for assistance and instructions regarding any gift of securities.

Publicly traded stocks and bonds that have current marketable value will be accepted at any time. Valuation of the gift shall be the average of the high and low trade prices of the security on the day it is irrevocably transferred to the Foundation. Commission and sales costs will be paid from the proceeds of the sale of the security.

The Foundation utilizes a local brokerage house to handle receipt of all securities gifted to the Foundation.

RECEIPT OF GRANTS ON BEHALF OF UNT

General

Periodically, the University is awarded grants from charitable and corporate foundations which require receipt of the grant by a 501(c)(3) tax-exempt organization. In such cases, the UNT Foundation has been requested to receive grant funds on behalf of UNT, as its fiscal agent.

Grants awarded from charitable and corporate foundations are of two types: “philanthropic gifts” and “sponsored projects.”¹

Philanthropic gifts are voluntary, non-reciprocal transfers of money or property from a donor to a university. The donor does not expect to receive anything of value in return and ceases control of the gift, though the donor may restrict use of the gift to meet their philanthropic goals. Whether in aggregate or in detail, reporting is solely intended to assure proper gift stewardship.

Sponsored projects are given to a university in order to meet specific objectives in a program plan. The sponsor transfers money, property, services or anything of value to the university to accomplish the grant objectives. Sponsored project grants typically have certain characteristics that may be used to identify them. Grant funding provided by a governmental entity, for example, indicates that the grant is a sponsored project. Additionally, if many or all of the following attributes are present, the grant will be considered a sponsored project.

- Specific statement of work to be accomplished.
- Detailed line item budget for work.
- Funding agreement requires:
 - Return of unexpended funds at end of designated period.
 - Detailed financial reporting beyond a summary report of expenditures.
 - Terms and conditions for disposition of tangible property (i.e., equipment, records, technical reports, theses, dissertations or other deliverables).
 - Terms and conditions for disposition of intangible property (i.e., intellectual property, rights in data, copyrights).
 - Programmatic reports or deliverables beyond gift stewardship.

Philanthropic Gifts

In general, philanthropic gifts may pose less risk to the Foundation due to the donor’s charitable intent and limited expectations for reporting or outcomes. The President/CEO of the Foundation shall have the authority to commit the Foundation to accept philanthropic gifts on behalf of the University, subject to the Foundation’s signature approval policy, and completion of an MOU signed by UNT or UNT System and the Foundation, containing language substantially similar to that in Exhibit A.

The Foundation may receive philanthropic gifts on behalf of UNT until the University has

¹ Philanthropic gift and sponsored grants characterizations adapted from “Determining Philanthropic Gifts versus Sponsored Grants,” University of Arkansas, Fayetteville Policies and Procedures 227.0.

established its research foundation or designated another 501(c)(3) organization to receive such grants, or until such time as the Foundation's Board of Directors, by its decision, modifies or revokes this policy.

Sponsored Projects

As noted, sponsored projects typically require accomplishment of a specific statement of work, project management support, detailed budgetary tracking and financial reporting, submission of programmatic reports or deliverables, and return of unexpended funds at the end of the project term. Many also stipulate grantee indemnification of the grantor from harm related to the grant, a grantor's right to conduct onsite audits and inspections, and the refund of inappropriately expended grant funds.

Upon review, the Foundation has determined that receiving sponsored project grants on behalf of UNT would not be prudent for bona fide business reasons:

- Should the Foundation be sued, its assets would be exposed, with no assurance of indemnification or recovery. UNT/UNTS, by state statute, cannot indemnify the Foundation for financial loss, defense costs, or other harm experienced in accepting sponsored project grants. Additionally, the Foundation's insurer has determined that it will not pay damages or defense claims from such actions.
- The Foundation doesn't have the requisite skills, expertise, processes and systems to fulfill the sponsored project terms. It lacks the authority and means to supervise UNT employees, monitor compliance, or compel fulfillment of grant terms, nor does it have a contractual agreement to enforce them.
- By accepting sponsored project terms, the Foundation would forego its private status and confidentiality of its information by agreeing to onsite inspections, visits or audits from grantor representatives.
- Sponsored project grants provide no revenues to offset Foundation management time, legal review, compliance and other costs, and displacement or distraction from the Foundation's business priorities and mission.

Consequently, the Foundation will not act as recipient for sponsored project grants on behalf of UNT; any exceptions to this policy must be approved in advance by the Foundation's Executive Committee. This policy shall remain in effect until such time as the Foundation's Board of Directors, by its decision, modifies or revokes this policy.

INDIVIDUAL WILLS

Bequests from a properly executed Will, Living Trust, Inter Vivos Trust, or Testamentary Trust shall be accepted in accord with the donor's wishes, and in accord with the mission and purposes of the Foundation. The Board reserves the right to refuse all or any part of any bequest or beneficiary designation that does not serve to further the missions of the University of North Texas and the Foundation, or for any other reason determined by the Board.

The Foundation does not wish to be the executor on any Will and will act as secondary Trustee on Living Trusts only on an exception basis.

CHARITABLE GIFT ANNUITIES

Donors who wish to establish current or deferred Charitable Gift Annuity contracts with the Foundation may do so under the following conditions;

1. Cash and appreciated securities are most commonly used to fund CGAs. Other assets such as real estate, closely held stock, R144 stock, or tangible personal property may not be used unless specifically excepted and approved by the Trust Management & Real Estate Committee prior to acceptance;
2. The minimum contribution necessary to establish an immediate or deferred annuity CGA contract shall be \$50,000 where a portion of the residuum (aka remainder) is designated to establish a new endowment. Contribution amounts of less than \$50,000 may be considered for establishing a CGA contract if the remainder is to be used to enhance an existing endowment, or for other expendable or unrestricted uses;
3. In a deferred annuity, the deferral payment clause may not exceed 7 years.
4. Dual life CGAs (whether immediate or deferred) are not permitted when the age spread between the annuitants exceeds 7 years. Annuitants must be at least 55 years of age, both for dual life and single life annuities;
5. The discount rate on all CGA contracts shall be no greater than those recommended periodically by the American Council on Gift Annuities (or its successor) a not-for-profit organization that recommends charitable annuity rates that are used by charitable organizations that are approved by the Internal Revenue Service;
6. The payment (aka annuity) rate paid on any current CGA by the UNT Foundation shall not exceed the rate recommended by the American Council of Gift Annuities (ACGA). Any current CGA which would have an ACGA payment rate higher than 8% must be reviewed by the Trust Management & Real Estate Committee prior to acceptance;
7. The annuity residuum will be allocated as follows: Donors may designate up to but not in excess of 50% of the original annuity amount for an ultimate designated use through a signed Addendum. Any residuum in excess of the donor's designation shall be allocated and designated to the UNT Foundation for unrestricted use. If no

designation is made by the donor for amounts up to 50% of the original annuity amount, that portion of the residuum is then designated for the unrestricted use of the UNT Foundation;

8. Appropriate and timely annual income tax return information will be supplied to the donor and filed with the Internal Revenue Service by the Foundation. The Foundation contracts with HighGround Advisors LLC, a subsidiary of the Texas Baptist Foundation to provide this service;
9. The Foundation contracts with HighGround Advisors LLC, a subsidiary of the Texas Baptist Foundation, for the management and administration of its CGA program;
10. Each CGA opportunity will be studied on its own merits, assessed for risks, and a determination made by the Foundation President and CEO, and the Trust Management and Real Estate Committee, based on best practices whether to accept or reject the proposed CGA. Foundation staff will perform scenario analysis on all new proposed CGAs to evaluate their risk of loss;
11. The Foundation reserves the right to reinsure any current or deferred CGA after a careful analysis of risks and rewards (see reinsurance guidelines in Item 12);
12. The Planned Giving unit of UNT Advancement will supply a reinsurance option to the TMRE Committee of CGA proposals that are deemed higher risk including:
 - a. Individual annuitants or annuities greater or equal to \$100,000,
 - b. Higher risks based on Foundation staff stress testing,
 - c. Annuities where assets have declined to 60% of the original CGA amount,
 - d. Individual annuitants who represent 10% or more of the annuity pool's fair market value.
13. An Impact Annuity is a CGA that is an immediate annuity, but with the first few years payments being donor-directed to fund a program at UNT rather than to the donor/beneficiary. For tax purposes, these will be calculated as Deferred Annuities but with immediate Annuity payments rather than deferred payment calculations. For risk of loss analysis, these will be treated identically to immediate annuities.

CHARITABLE REMAINDER TRUSTS

Any Charitable Remainder Trust managed by the Foundation as Trustee must be for the benefit of the University of North Texas or a UNT System institution.

Requests from Donors that seek to make use of the various Charitable Remainder Trust instruments allowed by the Internal Revenue Code will be considered by the Board individually through the authority of the TMRE Committee or its designate in the Foundation. Grantors may ask the Foundation to serve as Trustee of a Charitable Remainder Trust that the Grantor wishes to establish.

There is no minimum asset value for any such Foundation-managed Trust where at least 50% of the assets are designated for the Foundation.

Real estate shall not be used to fund trust arrangements without first meeting the criteria set forth in the Gifts of Real Estate policy statement.

All Trusts managed by the Foundation may be charged reasonable management fees as determined on an individual basis.

The Board of Directors of the Foundation reserves the right to contract with any third party to serve as a Co-Trustee or Successor Trustee of any Trust for which the Foundation serves as Trustee or Co-Trustee to fulfill any or all management functions. Any resulting management fees will be borne by the individual Trust(s) so managed.

CHARITABLE LEAD TRUSTS

The Foundation will not serve as Trustee of any Charitable Lead Trust due to inherent conflicts possible with this type of relationship. In the event the Foundation has an existing business relationship with the appointed Trustee, it shall disclose this to the donor or donor's representative.

LIFE INSURANCE

Donors wishing to make a gift of Life Insurance should indicate on any Life Policy that the owner and preferably sole beneficiary of the policy is the "University of North Texas Foundation, Inc."

Donors may wish to give pre-paid (fully funded) policies or new policies that name the Foundation as sole owner and beneficiary. The cash value of the policy and the payment of premium arrangements, and projected rates of return should be able to conclusively illustrate that the policy will be able to sustain the policy. Proposed policies

and illustrations should be submitted to the Planned Giving unit of Advancement to make sure they comply with the expectations of the Foundation. Where questions exist, they will be reviewed with the TMRE Committee.

Donors who name the Foundation as a beneficiary of any life insurance policy without also naming the Foundation as sole owner will have the gift acknowledged as a bequest gift and be listed in the inventory as “revocable”.

GUIDELINES FOR GIFTS OF LIFE INSURANCE

1. Policies should be from companies rated no lower than A+ VII.
2. Policies from companies that Life Insurance is the primary focus are preferred.
3. No Term policies will be accepted except as approved by the Foundation on a case by case basis to support a larger planned gift.
4. No Group policies will be accepted.
5. Policies must be owned by the Foundation.
6. The Foundation and UNT should be the sole beneficiary. Exceptions can be considered if UNT is the majority beneficiary, owner of the policy, the policy has a guaranteed death benefit or is paid up and over funded, and the other beneficiary (beneficiaries) are people, not other entities.
7. Paid up policies are preferred.
8. Policies that are not paid up must be accompanied by a pledge from the donor to make contributions to the Foundation sufficient to make the payments.
9. Policies that are not paid up should have a Guaranteed Death Benefit.
10. Policies that are not paid up should have a sufficient cash value to pay premiums for at least the number of years on the age scale.
11. Policies given to meet criteria for board service or similar commitment, must have a cash value in excess of that commitment.
12. Policies given that are anything other than with the intent that it is a basic insurance gift must receive prior review. (i.e.: policies that are given with the plan for the Foundation to withdraw cash in the future) This includes modified Endowment contracts.
13. University of North Texas Foundation, Inc. shall have physical possession of the

policy and the underwriter shall issue a duplicate policy or certificate of insurance to the insured.

14. All correspondence from the company including policy applications, and original premium notices shall be sent to:

University of North Texas Foundation
Insurance Program
1155 Union Circle, # 311250
Denton, Texas 76203-5017

15. When a federal Employer Identification Number (EIN) is required, the proper number to use is: #23-7232618.

PROCEDURES FOR GIFTS OF LIFE INSURANCE

1. Gifts of Insurance can be accepted by Planned Giving Officers only.
2. A level of authority to accept insurance gifts is granted by the Foundation to the Planned Giving Officers (\$250,000 for Planned Giving Top Officer; \$1,000,000 for Foundation CEO). Above the Planned Giving Officers level requires approval from the Foundation CEO and above that level requires the Chair of the TMRE Committee or designate.
3. When accepting an insurance gift, part of the paperwork includes the gift agreement (which shows purpose) for insurance gifts to the Foundation. An insurance gift agreement template follows.
4. Foundation conducts an annual review of all policies prior to the policy year to review the cash value and paid up status and the company rating. Insurance policy reviews should be conducted by a team made up of a designated Planned Giving officer, Foundation designate and a designate from the TMRE Committee.

INSURANCE GIFT AGREEMENT TEMPLATE

The University of North Texas Foundation, Inc. recognizes and appreciates your gift of Life Insurance to support students and the mission of the University. We recognize the value and the sacrifice represented by your gift and desire to handle the gift with great care in carrying out your wishes.

(Select the appropriate paragraphs, group A or B, and delete the rest)

A

This gift is a paid up life insurance policy. The status as a paid up life insurance policy is based on an illustration provided to you by your insurance agent. The Foundation pledges to you to make periodic reviews of the status of the policy. The Foundation will keep you informed of the results of these reviews.

The Foundation will keep you apprised of any changes in the condition of the company or the ability of the policy cash value to meet your intent of a paid up life insurance gift.

Should it become likely that the policy cash value will not keep up with the projections in the original company illustration and maintain the policy funded, the Foundation will discuss certain options with you. The options may include, but are not limited to:

- ***The donor adding more monetary support to the policy in the form of either premiums and/or additional cash value.***
- ***Transferring the policy to another policy or insurance product.***
- ***The Foundation paying premiums for a period.***
- ***The Foundation surrendering the policy for the cash value.***

B

This gift is contingent on additional premiums being paid as agreed. The Foundation pledges to you to make periodic reviews of the policy. The Foundation will keep you informed of these reviews.

Should the status of the companies rating change, the Foundation will discuss options with you that may include, but are not limited to:

- ***Replacing the policy with one from another company.***
- ***The Foundation surrendering the policy for the cash value.***

Should your contributions for premium payments to the Foundation cease, for any reason, The Foundation will discuss options with you that may include but are not limited to:

- **Transferring the policy to another policy or insurance product.**
- **The Foundation paying premiums for a period.**
- **The Foundation surrendering the policy for the cash value**

Should you as the donor be unable to be contacted or waive contact, then the decisions about the policy will be made by the Foundation. Final decisions about the policy rest with the Foundation. All decisions will be done in a manner that is sensitive to your intentions, as the donor.

Donor_____

Date_____

President & CEO, University of North Texas Foundation, Inc.

Date_____

REAL ESTATE POLICIES

SUBJECT: Procedure for Acceptance of Real Estate Gifts

PURPOSE: To establish general procedures for the acceptance, receipt, and documentation of real estate gifts.

PROCEDURE:

1. Normal contact with a donor is handled by a UNT Development Officer (DO).
2. The DO should work with Planned Giving to obtain as much information as possible about the real estate such as:
 - a) Complete legal description or a copy of the donor's warranty deed. If a copy of the deed is not available, determine the date of ownership by the donor, copy of the legal survey, etc.
 - b) Does the donor have a title policy or an abstract of the property?
 - c) Are there any outstanding liens or indebtedness against the real estate? If so, obtain as much information as possible including copies of note, deed of trust, etc.
 - d) Mineral Status - Are the minerals being conveyed or retained by the donor? If minerals are being conveyed, how much do they own?
 - e) Are there any improvements to the property such as water well, electricity, buildings, fence, improved grasses, ponds, row crops, etc.? Is any portion of property in a flood plain?
 - f) Tax Status - Have the previous years' taxes been paid? Are the current year's taxes to be paid by the donor, prorated or assumed by the Foundation? Request copy of last three years paid property tax receipts from all taxing authorities.
 - g) Are there any leases affecting the property such as farming, hunting, grazing, oil and gas or rental agreements? If so, obtain a copy of the lease or leases. Are there any easements? Is the property zoned?
 - h) Is the gift restricted or unrestricted, endowed or non-endowed?
 - i) What has been the principal use of the property since the donor has owned it. Secure the name of previous owner for follow-up if possible.

REAL ESTATE POLICIES continued

- j) Has the property ever been used in the production, storage, or disposal of toxic material? If there is any possibility of hazardous exposure, document the situation as much as possible.
 - k) Inform the donor of the need to obtain a qualified appraisal.
3. Commercial Properties (apartments, duplexes, houses, office buildings, warehouses, etc.) - The donor will be required to furnish the following information:
- a) Copy of the last three years income tax Schedule E on the subject property.
 - b) Copy of current lease agreements.
 - c) Copy of last three years paid property tax receipts.
 - d) Any other financial information that might be helpful in evaluating this property.
4. The DO will inform the donor that the above gathered information will be given to the Foundation's Trust Management and Real Estate Committee, the property will be analyzed, and the DO will be back in touch with the donor within two (2) weeks of receiving all information and documents necessary for proper evaluation. (DO will explain to donor that final resolution may take longer, but that donor will be kept informed on a timely basis.)
5. The DO will provide the Planned Giving unit with a copy of the property checklist as well as a statement concerning the past and potential giving of the donor and the purpose of the gift for inclusion in the property evaluation report.
6. The Planned Giving unit will be responsible for preparing a thorough report on the property. In addition, the Planned Giving unit will include an appraisal value, if available, and a comment on the current market for the type property being considered.
7. Gifts of real estate are acceptable only after it has been determined that no reasonable possibility exists that the property is contaminated with toxic waste. If potential for toxic waste has been indicated, that property, if ultimately accepted by the Foundation, must be accepted by a different entity such as a Limited Liability Corporation or an irrevocable and perpetual trust or series of trusts, as opposed to accepting the property in an endowment fund, regardless of whether or not a licensed toxic waste inspector indicates that the property is not contaminated. No exceptions may be made. The expense of the inspection will be borne by the bequest unless an exception is approved by the Foundation.

REAL ESTATE POLICIES continued

8. The Property Evaluation Report will be circulated, and the Chairman of the Trust Management and Real Estate Committee, Director of Planned Giving, DO, Vice President for Advancement, and Foundation CEO will make recommendations on acceptance to the Chairman of the Foundation.
9. If the gift is accepted, the Director of Planned Giving will explain to the DO, who will then convey to the donor, how the Warranty Deed or Gift Deed should be prepared.
 - a) Real estate and mineral interests that will be used to fund a charitable remainder trust will be deeded to the University of North Texas Foundation, Inc.
 - b) All other real estate and mineral gifts will be deeded to the University of North Texas Foundation, Inc.
 - c) Gifts of undivided interests will only be accepted with a value of \$50,000 or more.
10. When the Warranty Deed or Gift Deed is received, it should be delivered with all documentation and correspondence to the Director of Planned Giving. At this point, a permanent file will be opened and the gift will be booked and receipted.
11. The property will be inspected at least annually to evaluate the current condition of the property and review the market approach with the real estate company listing the property until the property is sold.

REAL ESTATE POLICIES continued

SUBJECT: Environmental Guidelines for Non-Residential Subdivision Property

PURPOSE: To provide guidelines for the acceptance of real estate in order to minimize potential liability for damages and clean-up of properties contaminated by hazardous waste.

GENERAL: Due to strict environmental laws concerning real estate, the Foundation as a land owner could have significant liability on properties contaminated by hazardous waste.

PROCEDURE:

1. The Planned Giving Office of UNT Advancement will maintain files of Certified Financial Planners, Attorneys, Certified Public Accountants, Insurance Brokers and appraisal forms with the Trust Management and Real Estate Committee approval.
2. Prior to accepting farms, ranches, urban acreage, commercial, and industrial real estate, a Phase I Environmental Site Assessment will be performed on the property.
3. The environmental assessment will include but not be limited to the following:
 - a) Documentation of the geographic location of the property and current usage.
 - b) Site operational history, which will entail:
 - i. Document current and prior ownership based on information obtained from area plat books, and title search;
 - ii. Document current and past usage based on historical aerial photographs, historical city directories, and fire insurance maps.
 - c) Environmental site characteristics, which will encompass:
 - i. Geology and soils characterization, to include topography and soils types;
 - ii. Ground water characteristics, to include aquifers, depth to usable groundwater, special groundwater districts;
 - iii. Surface water characteristics, to include topography run off and run on drainage, flood plains, and location and distance from downstream surface water, wet lands and endangered species.

REAL ESTATE POLICIES continued

- d) Visual inspection, which will involve:
 - i. Conversations with adjoining property owners, maintenance personnel, and other knowledgeable parties;
 - ii. Document current land usage, photographs of structures, and operations;
 - iii. Photographs of adjoining properties, indicating current usage;
 - iv. Identify potential problem areas such as horse farms, poultry farms, dairy farms, illegal dumping of hazardous material, PCB's, landfills, waste water, containers, air emissions, distinct odors, underground/above ground storage tanks.
- e) Inspect for asbestos. Some of the more common areas for asbestos use are ceiling tile, flooring, pipe, and boiler insulation. If asbestos is found, determine if it is damaged or flaking.
- f) The environmental engineering firm selected by the Trust Management and Real Estate Committee will review regulatory agencies records, which will include:
 - i. Reviewing federal and state environmental agency files, and document any permits or complaints that relate to the subject property or any adjoining property.
 - ii. Review local governmental records that have jurisdiction over underground storage tanks, solid waste, drinking water, and septic systems.
 - iii. The environmental engineering firm will submit their completed report to the Foundation Trust Management and Real Estate Committee on a timely basis.
 - iv. Properties which do not satisfy the standards as established by the Phase I Environmental Site Assessment will be further studied and referred to the Trust Management and Real Estate Committee as necessary prior to further action being taken.
 - v. Properties, which pass the environmental assessment test, will be subject to normal property acceptance guidelines.

REAL ESTATE POLICIES continued

SUBJECT: Oil, Gas and Mineral Leases

PURPOSE: To provide guidelines for negotiating contracts.

GENERAL: The Foundation receives rent and/or royalty payments on various properties, but does not act as an operator for oil and gas wells.

PROCEDURE:

1. Primary term of lease - no more than three (3) years.
2. Royalty - minimum of one-sixth (1/6) or 16.66%
3. Lease Bonus - not less than \$50 per acre.
4. Delay Rentals - not less than \$10 per acre.
5. Shut-in Royalties - not less than \$10 per acre.
6. Establish pooling arrangements to the maximum benefit of the Foundation.
7. No option rights on future acreage.
8. Inquire as to depth that well will be drilled. Include the following provision to the Lease:

Maximum Depth Provision

It is understood and provided that this lease covers and pertains to the oil, gas and casing head gas and all rights pertaining thereto in the land specifically described above insofar, and only insofar, as such products are produced from strata or formations lying between the surface of the above described property and a Maximum Depth of 110 feet. This lease does not cover and include any depths below the Maximum Depth set forth above.

Offset Well Provision

Well must be drilled on lease if successful well is drilled within specified distance of property covered by lease (400' is an example).

REAL ESTATE POLICIES continued

Pugh Clause

Each lease should contain a Pugh Clause that is reviewed in advance by the TMRE Committee.

Production in paying quantities on a portion of the leased premises or lands unitized therewith will extend this lease only to such portion of the leased premises beyond the primary term as may be then included in a producing unit or units; however, this lease shall not terminate if actual drilling operations on any portion of the leased premises, or on lands with which a portion of the leased premises may be unitized, are being conducted at the end of primary term. Such operations shall continue to maintain this lease in force and effect as to all of the above described lands beyond the primary term for so long as actual drilling operations are being conducted with no cessation of more than one hundred eighty (180) consecutive days from the date of completion of one well and the commencement of drilling operations of another well. If operations taking place at or after the expiration of the primary term are discontinued for longer than one hundred eighty (180) consecutive days, then this lease shall remain in force and effect only as to the leased premises then included within a producing unit or units.

9. During the lease negotiations, information will be obtained from local knowledgeable parties such as Landmen, Attorneys, and Brokers. In some instances, The Planned Giving Office of UNT Advancement should check the terms and conditions of oil and gas leases that are recorded in local County Clerk's Office.
10. Secure a copy of oil field plat illustrating proposed lease acreage and surrounding acreage. Secure information as available on any nearby wells and drilling activity.
11. The Primary objective is to ensure that we secure favorable lease terms for the Foundation and accumulate as much information possible about the surrounding lease area and the Lessee.
12. Set up payment schedules and place one copy in the donor's file; the original should be placed in the fire proof cabinet located in the Foundation; and a digital copy is to be stored in the Planned Giving records.
13. Where possible, the Foundation and the Planned Giving Office of UNT Advancement should seek the advice and counsel of Concord Trust and other such partners.

REAL ESTATE POLICIES continued

SUBJECT: Marketing Real Estate

PURPOSE: To provide guidelines for marketing of real estate held by the Foundation.

GENERAL: Fair market value is defined as the price at which property would transfer between a willing buyer and a willing seller, neither being under any compulsion to buy or sell and both having reasonable knowledge of the relevant facts.

PROCEDURE:

1. A qualified appraisal is required when the donor plans to take a charitable tax deduction and the property is worth more than \$5,000.00.
2. These appraisals reflect opinions usually based on historical data. The Appraisal may or may not reflect the price at which the property can be sold within a reasonable time.
3. Verify the current fair market value. A current market analysis should be obtained from a Real Estate Broker who is marketing similar properties in the area.
4. If the market analysis indicates a value that is substantially different than the original appraisal, then the Office of Planned Giving of UNT Advancement will determine the appropriate marketing price in conjunction with the Trust Management and Real Estate Committee or Designate as appropriate.
5. A market appraisal/analysis of the property will be conducted annually. All properties valued at \$200,000 or more will be submitted to the Trust Management and Real Estate Committee for review and Board approval.
6. Mineral rights will be considered for sale as appropriate to the circumstances. Every effort is made to retain mineral rights for future investment opportunities.
7. Conveyance will be by Special Warranty Deed.
8. The Foundation will not carry a note for a potential buyer.

REAL ESTATE POLICIES continued

SUBJECT: Procedure for Negotiating, Accepting and Counter Offers of Real Estate

PURPOSE: To facilitate the process of negotiating, accepting or making counter offers on Real Estate held by the Foundation or in Trust

PROCEDURE:

1. For properties having an appraised value exceeding \$250,000 at the time of the gift:
 - a) If an offer is greater than the third party appraisal at time of gift, the President/CEO may accept the offer and report it to the Committee as soon as practicable thereafter.
 - b) If an offer is received that is not more than 10% less than the third party appraisal at the time of the gift, the Committee shall establish a sub-committee to handle the negotiations and acceptance of transactions. This smaller group will be able to more readily review and recommend acceptance or counter offers on a timely basis. The sub-committee will consist of the Foundation's Controller, President/CEO, and no more than two Committee members with appropriate Real Estate knowledge and experience, and their authority be limited to accepting offers which are not more than 10% less than the third party appraisal at the time of the gift. The sub-committee shall report its actions to the Committee at its next quarterly meeting.
 - c) The entire committee would be involved with offers that are more than 10% less than the third party appraisal.
2. For properties having an appraised value of less than \$250,000 at the time of the gift:
 - a) If an offer is greater than the third party appraisal at time of gift, the President/CEO may accept the offer and report it to the Committee as soon as practicable thereafter.
 - b) The Committee shall establish a sub-committee to handle the negotiations and acceptance of transactions. The sub-committee shall have full discretion to negotiate, accept or make counter offers on Real Estate, and report its actions to the Committee at its next quarterly meeting.

The intent of this his policy is to allow the Foundation to be more nimble and responsive in effecting transactions in Real Estate and utilize its available resources more effectively.

REAL ESTATE POLICIES continued

SUBJECT: Farm and Ranch Leases

PURPOSE: To provide guidelines for negotiating and managing surface leases.

GENERAL: Every effort is made to surface lease all rural property with a goal of maximizing the income.

PROCEDURE:

1. The CEO or designate shall be responsible for the negotiation and handling of all leases
2. Inspect the property and be familiar with it. All property will be inspected by the Office of Planned Giving of UNT Advancement or it's designate periodically with a minimum of one inspection per year.
3. Determine the best type of lease for the property.
4. On farm land, check with local USDA-ASCS and determine amount of base acreage and established yield of different crops for the particular property.
5. On pasture land, check with local USDA and Soil Conservation Service (SCS) and document normal pasture stocking rates for the particular property, and if not previously made, ask SCS to prepare a conservation plan for the property.
6. Communicate with local banks, Production Credit Association, Federal Land Banks and Realtors to obtain normal types of leases made and average pasture lease rates for the area.
7. Check background of Lessee with persons in the area, e.g., ASCS, SCS, and lenders.
8. Review the lease form with the Lessee and advise him of the conditions under which he will be operating.
9. Have understanding between Lessor/Lessee regarding improvements.
10. Lessor will not pay any bills that have not been previously approved by Lessor.
11. If Lessor is to pay a portion of expenses for repairs, an inspection of the property will be necessary to make certain Lessee and Lessor are in agreement on what repairs will be shared.
12. Lease should be prepared by individual responsible for the property management.

13. After approval has been obtained from the TMRE Committee, secure Lessee's signature and forward Lessee a fully executed copy of the Lease.
14. Set up payment schedules and place one copy of the lease in the real estate file and the original should be placed in the fire proof cabinet located in the foundation and a digital copy in the records of the Office of Planned Giving of UNT Advancement.

REAL ESTATE POLICIES continued

SUBJECT: Procedure for Acceptance of Bequests of Real Estate **through a planned gift arrangement**

PURPOSE: To establish general procedures for the acceptance, receipt, and documentation of bequests of real estate through the maturation of a planned gift arrangement.

GENERAL: Bequests of real estate must be handled as the completion of a planned gift arrangement in a timely manner

PROCEDURE:

1. Normal contact with a donor's personal representative and/or attorney is through the Office of Planned Giving of UNT Advancement and the CEO.
2. The Foundation should secure independent legal counsel on the ground in the local of the property to assist with proper analysis and possible transfer of the bequest to the Foundation.
3. The Trust Management and Real Estate Committee and the CEO should confirm the status of the information previously obtained by the Office of Planned Giving of UNT Advancement about the real estate such as:
 - a) Complete legal description or a copy of the donor's warranty deed. If a copy of the deed is not available, determine the date of ownership by the donor, copy of the legal survey, etc.
 - b) Does the Estate have a title policy or an abstract of the property?
 - c) Are there any outstanding liens or indebtedness against the real estate? If so, obtain as much information as possible including copies of note, deed of trust, etc.
 - d) Mineral Status - Are the minerals being conveyed or distributed to other beneficiaries?
 - e) Are there any improvements to the property such as water well, electricity, buildings, fence, improved grasses, ponds, row crops, etc.? Is any portion of the property in a flood plain?

REAL ESTATE POLICIES continued

- f) Tax Status - Have the previous years' taxes been paid?
 - g) Are there any leases affecting the property such as farming, hunting, grazing, oil and gas or rental agreements? If so, obtain a copy of the lease or leases. Are there any easements? Is the property zoned?
 - h) Is the bequest restricted or unrestricted, endowed or non-endowed in a manner different from the existing Memorandum of Understanding?
 - i) What has been the principal use of the property since the donor has owned it. Secure the name of previous owner for follow-up if possible.
 - j) Has the property ever been used in the production, storage, or disposal of toxic material? If there is any possibility of hazardous exposure, document the situation as much as possible.
4. Commercial Properties (apartments, duplexes, houses, office buildings, warehouses, etc.) - confirm that this information is already on file:
- a) Copy of the last three years income tax Schedule E on the subject property.
 - b) Copy of current lease agreements.
 - c) Copy of last three years paid property tax receipts.
 - d) Any other financial information that might be helpful in evaluating this property.
5. Prior to accepting transfer of the property, a Phase I Environmental Assessment, or other acceptable environmental liability analysis approved by the Foundation, depending on the type of property, use, location, and history, shall be completed.
6. The original Property Evaluation Report and all of this updated information will be circulated to the TMRE Committee, which will make recommendations on acceptance or disclaimer of the bequest to the Board of Directors of the Foundation.
7. If the bequest is accepted by the Foundation, the CEO or Office of Planned Giving of UNT Advancement will work with the personal representative(s) and legal counsel to affect the transfer of title.

REAL ESTATE POLICIES continued

SUBJECT: Procedure for Acceptance of Bequests of Real Estate **through a spontaneous notification by a representative of an Estate, with no prior planned gift arrangement**

PURPOSE: To establish general procedures for the acceptance, receipt, and documentation of bequests of real estate through a spontaneous notification.

GENERAL: Bequests of real estate must be handled as the completion of a planned gift arrangement in a timely manner

PROCEDURE:

1. Normal contact with an Estate's personal representative and/or attorney is through the Office of Planned Giving of UNT Advancement and the CEO.
2. The Foundation should secure independent legal counsel to assist with proper analysis and possible transfer of the bequest to the Foundation; proceeds from the bequest will pay all direct expenses associated with acceptance of the bequest. Exact timeliness and responsibilities regarding acceptance and/or disclaimer of the bequest must be identified and communicated to the Foundation Board of Directors within sixty (60) days of notification of the bequest by representatives of the Estate.
3. The Office of Planned Giving of UNT Advancement and the CEO should obtain as much information as possible about the bequest, such as:
 - a) Copy of the complete Will, inventory and appraisal of property from personal representative.
 - b) Complete legal description or a copy of the donor's warranty deed. If a copy of the deed is not available, determine the date of ownership by the donor, copy of the legal survey, etc.
 - c) Does the Estate have a title policy or an abstract of the property?
 - d) Are there any outstanding liens or indebtedness against the real estate? If so, obtain as much information as possible including copies of note, deed of trust, etc.
 - e) Mineral Status - Are the minerals being conveyed or distributed to other beneficiaries? If minerals are being conveyed, how much do they own?

REAL ESTATE POLICIES continued

- f) Are there any improvements to the property such as water well, electricity, buildings, fence, improved grasses, ponds, row crops, etc.? Is any portion of property in a flood plain?
 - g) Tax Status - Have the previous years' taxes been paid?
 - h) Are there any leases affecting the property such as farming, hunting, grazing, oil and gas or rental agreements? If so, obtain a copy of the lease or leases. Are there any easements? Is the property zoned?
 - i) Is the gift restricted or unrestricted, endowed or non-endowed? Do any restrictions comply with Foundation Gift Acceptance Policies and appropriate UNT policies?
 - j) What has been the principal use of the property since the donor has owned it? Secure the name of previous owner for follow-up if possible.
 - k) Has the property ever been used in the production, storage, or disposal of toxic material? If there is any possibility of hazardous exposure, document the situation as much as possible.
3. Commercial Properties (apartments, duplexes, houses, office buildings, warehouses, etc.) - the Estate will be asked to furnish the following information:
- a) Copy of the last three years income tax Schedule E on the subject property.
 - b) Copy of current lease agreements.
 - c) Copy of last three years paid property tax receipts.
 - d) Any other financial information that might be helpful in evaluating this property.
4. The CEO or the Office of Planned Giving or UNT Advancement will inform the personal representative of the Estate that the above gathered information will be given to the Foundation's Trust Management and Real Estate Committee, the property will be analyzed, and the CEO will be back in touch with the personal representative regarding the Foundation's decision regarding accepting or disclaiming the bequest.
5. The Trust Management and Real Estate Committee and the CEO will be responsible for preparing a thorough report on the property for Foundation Board consideration. In addition, the report will include an appraisal value, if available, and a comment on the current market for the type property being considered.

REAL ESTATE POLICIES continued

6. Gifts of real estate are acceptable only after it has been determined that no reasonable possibility exists that the property is contaminated with toxic waste. If potential for toxic waste has been indicated, that property, if ultimately accepted by the Foundation, must be accepted by a different entity such as a Limited Liability Corporation or an irrevocable and perpetual trust or series of trusts, as opposed to accepting the property in an endowment fund, regardless of whether or not a licensed toxic waste inspector indicates that the property is not contaminated. No exceptions may be made. The expense of the inspection will be borne by the bequest unless an exception is approved by the Foundation.
7. The Property Evaluation Report will be circulated, and the Chairman of the Trust Management and Real Estate Committee, Office of Planned Giving of UNT Advancement, Senior Vice President for Advancement will make recommendations on acceptance of the gift to the Chairman.
8. If the bequest is accepted by the Foundation, the CEO will work with the personal representative(s) and legal counsel to affect the transfer of title.
9. If the bequest is not accepted by the Foundation, the CEO will work with legal counsel to file the appropriate disclaimer papers in a timely manner.

REAL ESTATE POLICIES continued

SUBJECT: Retained Life Estates

PURPOSE: To establish general procedures for the acceptance, receipt, and documentation of retained life estate gifts.

PROCEDURE:

- i. Planned Giving office of UNT Advancement will work with Donor and donor's attorney to have a retained life deed issued.

2. If the property is other than a standard subdivision residential property then the guidelines for vacant land, farm land, commercial land, or oil and gas production apply.