

SDSM&T FOUNDATION

GENERAL POLICY AND PROCEDURES

SECTION 1: GENERAL INFORMATION	1
The Mission of the SDSM&T Foundation	1
Structure of the Foundation	2
Staffing the Foundation	3
Board of Trustees Qualifications and Responsibilities	3
Conflict-Of-Interest Policy	4
Directors and Officers Liability	5
Communicating with the Board of Trustees	6
Affirmative Action and Anti-Harassment Statement	7
Whistle-blower Policy	7
Public Information	8
SECTION 2: ACCOUNT MANAGEMENT	1
Definitions	1
Establishing a New Account	1
Types of Accounts.....	2
Account Holders	5
Contributions	6
SECTION 3: OBTAINING FUNDS FROM ACCOUNTS.....	1
Withdrawals of Amounts from Endowment Accounts	1
Distribution Policy.....	1
Fees Charged to Endowed Accounts	2
SECTION 4: SPECIAL INFORMATION	1
Funding Requests from Foundation Unrestricted Assets	1
Executor Functions	1
Trustee Functions	1
SECTION 5: GIFT PLANNING	1
Overview	1
Liquidation of Gifts.....	1
Appraisal	1
Tangible Personal Property	2
Life Insurance	2
Guidelines for Gifts of Life Insurance	2
Gifts of Cash	3
Securities	3
Individual Wills.....	4
Charitable Gift Annuities.....	4
Charitable Remainder Trusts and Charitable Lead Trusts	4
Management.....	5
Real Estate Policies	5

SECTION 1: GENERAL INFORMATION

The Mission of the SDSM&T Foundation

The SDSM&T Foundation exists solely to assist the South Dakota School of Mines and Technology in providing exceptional educational, professional, and personal development opportunities. Required resources are sought to enhance these opportunities to enrich and empower the individual's attainment of outstanding intellectual experiences, professional accomplishments, and lifetime learning experiences to address society's needs through education, research, and technology.

The South Dakota School of Mines and Technology Foundation, Inc. (SDSM&T Foundation) is a private, not-for-profit corporation, originally named the South Dakota School of Mines and Technology Endowment Association. The Endowment Association was chartered April 21, 1954, under provisions of the State of South Dakota to function as the legal conduit for the acceptance, investment, management, and distribution of private gifts given for the funding of activities and programs related directly to the mission, role, and scope of the South Dakota School of Mines and Technology. The Restated Certificate of Incorporation under the new name of South Dakota School of Mines and Technology Foundation, Inc. was completed on June 9, 1980.

Gifts may include cash, property (real and otherwise), securities, life insurance policies, bequests, trusts, life income agreements, and gifts-in-kind. Gifts, which are accepted, are administered according to the stipulations of the donors on behalf of the School of Mines. Unrestricted gifts are distributed upon the approval of the SDSM&T Foundation Board of Trustees.

The U. S. Internal Revenue Service has ruled that gifts to the SDSM&T Foundation are deductible for federal income tax purposes (subject to statutory limitations) and for federal estate and gift tax purposes. The Foundation is a tax-exempt entity under Section 501(c)(3) of the Internal Revenue Code. Their records also indicate the SDSM&T Foundation is not a private foundation within the meaning of section 509(a) of the Code as described in section(s) 590(a)(1) and 170 (b)(1)(A)(vi).

The Foundation functions as a fiduciary entity on behalf of the donor of a gift and the University program or activity to be funded by the gift. A Board of Trustees administers the affairs of the Foundation. The Foundation is completely separate from, and independent of the Board of Regents of the State of South Dakota.

Structure of the Foundation

A volunteer Board of Trustees governs the SDSM&T Foundation. The Trustees are elected from a slate of nominees submitted to the Trustees by the Nominating Committee. The Nominating Committee Chair must be a Trustee and is appointed by the Chairperson of the Board of Trustees. The Nominating Committee Chair appoints members to the Committee which shall be no fewer than three (3) members and with at least one other member being a Trustee.

The day-to-day management of the Foundation is the responsibility of the President of the SDSM&T Foundation. The President of the SDSM&T Foundation reports to the Board of Trustees on all matters concerning Foundation business. The Board of Trustees has the authority to appoint such person as President of the SDSM&T Foundation as the Board deems appropriate.

The Board of Trustees determines the policy operations of the SDSM&T Foundation guided by the Foundation's Bylaws. Committees are utilized with the following committees in place:

EXECUTIVE COMMITTEE – Comprised of no less than five (5) and no more than thirteen (13) Trustees members; the five (5) elected Officers and Members-at-Large as recommended by the Nominating Committee. This Committee works closely with Board of Trustees and is delegated the authority to govern the business and affairs of the Foundation on behalf of the Trustees as needed between Trustee meetings in all matters with the exception of modification of the Bylaws or Articles of Incorporation.

AUDIT COMMITTEE - Oversees the annual audit conducted by an independent auditing firm to assure the Board of Trustees and all others that Foundation records, resources, and procedures are consistent with regulations and rules for sound fiscal management in accord with Generally Acceptable Accounting Procedures (GAAP), and guidelines promulgated by the Financial Accounting Standards Board (FASB).

COMPENSATION COMMITTEE - Oversees the compensation package for employees of the SDSM&T Foundation.

INVESTMENT COMMITTEE - Oversees the successful and prudent operation of the investment portfolio management process and the Foundation Investment Policy. Works closely with staff and professional agents to review and analyze investment allocation and performance at least quarterly. Reports on performance to the Board of Trustees and/or the Executive Committee, and recommends any adjustments in the investment program.

NOMINATING COMMITTEE – Oversees the nomination of persons to the Board of Trustees who have evidenced a continuing interest in the School of Mines/SDSM&T Foundation or who through past endeavors have distinguished themselves and who share in philanthropic work and the advancement of higher education.

TRUSTEES GIVING COMMITTEE – Oversees and encourages giving by the Board of Trustees.

Staffing the Foundation

The Foundation may employ salaried and part-time staff as needed to carry out its operations and activities. The Chief Executive Officer of the Foundation is the President of the Foundation, who reports directly to the Chair of the Board of Trustees and the Executive Committee. This staff person is responsible for the day-to-day operations of the Foundation as directed by the Board of Trustees.

The President of the SDSM&T Foundation is charged with implementing the goals identified by the Board of Trustees through its policies and procedures. In addition, the President of the SDSM&T Foundation may exercise his/her professional judgment with regard to action in all matters not specifically covered by these policies and procedures.

Other staff and officers may be appointed from time to time, including Vice Presidents. Any officer appointment shall be approved by the Board of Trustees.

The Foundation has an agreement with the University wherein the University agrees to provide facilities and certain services to the Foundation in return for benefits derived from the activities and services of the Foundation.

Board of Trustees Qualifications and Responsibilities

Overview

The SDSM&T Foundation, Inc. was incorporated in 1980 for the purpose of accepting, holding and managing significant private financial gifts designed to support the programs, special needs, and other enhancements of the School of Mines. In conformance with that purpose, individuals are elected to serve voluntarily as members of the Foundation Board of Trustees. Each selection so made anticipates that each Trustee's personal commitment and influence with others will serve to ensure the growth and success of the Foundation and thereby augment the quality and reputation of the University.

Qualifications

Any person whose name is brought before the Foundation Board of Trustees for possible election to the Board of Trustees shall be deemed qualified if the nominee holds the following qualifications:

1. a strong belief in the viability and value of publicly supported higher education as a major force in meeting the critical needs of society;
2. a corollary belief that the School of Mines is an integral component of public higher education and a significant asset to the state, the region, and the country as a whole;
3. a general concurrence with the mission, goals, and objectives of the School of Mines as developed and articulated by the President of the School of Mines and approved by the Regents of the State of South Dakota;
4. a firm conviction that publicly supported institutions of higher education are appropriate objects of personal philanthropy and other forms of private support; and
5. a willingness to improve the quality of the School of Mines through
 - a. voluntary participation at a level commensurate with membership on an active Foundation Board of Trustees,

- b. personal financial support of the School of Mines through the Foundation at a level commensurate with capacity and interest, and
- c. a commitment to work with the Foundation staff in securing financial support from others.

Specific Responsibilities

A Trustee of the SDSM&T Foundation agrees to the following:

1. make attendance at scheduled meetings each year a high priority;
2. serve actively on one committee or more if appointed;
3. be alert for opportunities to promote the purpose, goals, and objectives of the Foundation and to capitalize on such opportunities, especially where the potential exists for support of the School of Mines and its programs;
4. provide annual, special, and capital support for the School of Mines at levels that will inspire others to emulate that support; and
5. be available on reasonable demand to work with staff to advance the mission of the Foundation by
 - a. providing advice and counsel on the general management, operations, and program activities of the Foundation;
 - b. providing or otherwise securing introductions to persons who, by virtue of personal wealth or other resources under their management or control, have potential for new or increased support of the University; and
 - c. participating in the Foundation's efforts to identify, cultivate, and solicit potential donors and in providing stewardship for gifts received.

Term of Office

Each Trustee shall be elected for a four (4) year term. Upon completion of the Trustee's term of office, the Board of Trustees may, but is not required, to consider such person for reelection to another term. Board of Trustees members are limited to serving no more than three (3) consecutive terms and will be ineligible for another term until an interval of one (1) year has elapsed.

Reciprocal Commitment

The success of the SDSM&T Foundation in securing support from alumni, parents, friends, corporations, and Foundations is vested in the commitment of the volunteer Board of Trustees. In recognition of the unique demands on these volunteers, all elected Trustees are assured of a strong and reciprocal commitment from the Foundation staff to provide the information and expertise necessary for implementation of or follow through on initiatives stimulated through voluntary effort.

Conflict-Of-Interest Policy

High standards, ethical behavior, personal integrity, and impartiality are inherent to the reputation and ultimate success of the SDSM&T Foundation. In keeping with these norms, Trustees and Foundation staff must refrain from engaging in any behavior that might be construed as self-dealing or in conflict with the mission, goals, and fundamental purpose of the Foundation. Examples of such behavior include the following:

1. serving on boards of organizations that are in direct programmatic competition with the Foundation;
2. using the equipment or other resources of the Foundation to secure outside personal gain;

3. citing participation in the Foundation to advance personal, political, or profit-motivated activities;
4. marketing services or products to the Foundation on a non-competitive basis;
5. disclosing to outside parties any plans and other information on the Foundation when such information is not readily available to the public;
6. leveraging involvement with the Foundation to secure favorable rates, discounts, or other preferential treatment; and
7. profiting materially through counseling or other instructional activities predicated on skills and knowledge gained through association with the Foundation.

The Foundation acknowledges that the appearance of conflict of interest does not always imply actual conflict. Policy requires, therefore, that all potential conflicts of interest--including memberships in or affiliations with other nonprofit or proprietary organizations, business affiliations with possible vendor implications, elected office at any level, and involvement in any other activity that might be construed as in conflict with the mission, goals, and purpose of the Foundation--shall be presented in writing to the Chair of the Foundation Board of Trustees and the Foundation's President for purposes of review and possible remedial action.

Such action may include holding the information on file, informing the Board of Trustees of the appearance of conflict of interest, or requiring the Trustee to either cease and desist the activity or to relinquish serving as a Foundation Trustee.

Directors and Officers Liability

The Trustees of the SDSM&T Foundation are provided with protection from liability while acting as a member of the Board of Trustees in four forms:

Board of Trustees Indemnification Statement

All duly elected Members of the Board of Trustees for the SDSM&T Foundation are covered by this Indemnification Policy.

The Board of Trustees will indemnify and hold harmless all Trustees from the consequences of any approved, legal activity performed on behalf of the Trustees for the benefit of the SDSM&T Foundation

This indemnification does not apply to actions taken by Board of Trustees members who have resigned effective with their resignation. Nor will it extend to Board of Trustees members who have been suspended or put on probationary status by affirmative vote of two-thirds (2/3) of all the members of the Board of Trustees.

A Trustee of the corporation shall be indemnified against judgments, penalties (including excise and similar taxes), fines, settlements, and reasonable expenses actually incurred by the Trustee in connection with the proceeding because such person was, is or is threatened to be made a defendant or respondent in a proceeding because a person is or was a Trustee. In order to be indemnified, such Trustee must have:

1. conducted himself/herself in good faith;
2. reasonably believed:
 - a. in the case of conduct in his/her official capacity as a Trustee of the corporation, that his/her conduct was in the corporation's best interests; and

- b. in all other cases, that his/her conduct was at least not opposed to the corporation's best interest; and
3. in the case of any criminal proceeding, has no reasonable cause to believe his/her conduct was unlawful.

Directors and Officers Liability Insurance

The SDSM&T Foundation maintains in force a Directors and Officers Liability Insurance Policy, and provides coverage to individual Trustees or Officers for any act or omission (subject to standard policy definitions and exclusions) while acting within the scope of their duties as Trustees or Officers. This policy is reviewed annually along with the other insurance coverage for the Foundation.

Federal Law

The Volunteer Protection Act of 1997; Public Law 105-19

The act protects unpaid volunteers acting within the scope of their organizational responsibilities at the time, provided their actions do not lead to criminal misconduct or gross negligence.

South Dakota Codified Laws

47-23-2.1. Liability of director, trustee, committee member, or officer serving without compensation. No director, trustee, committee member, or officer serving without compensation, other than reimbursement for actual expenses, of any corporation organized under this chapter or under similar laws of another state, and which is exempt from taxation pursuant to Section 501(a) of the Internal Revenue Code, 26 U.S.C. Section 501(a) and is listed as an exempt organization in Section 501(c) of the Internal Revenue Code, 26 U.S.C. Section 501(c), or any hospital organized pursuant to chapter 34-8, 34-9, or 34-10 is liable, and no cause of action may be brought, for damages resulting from the exercise of judgment or discretion in connection with the duties or responsibilities of such director, trustee, committee member, or officer while acting in an official capacity as such director, trustee, committee member, or officer, unless the act or omission involved willful or wanton misconduct. The immunity provided by this section applies to any member of an advisory board, serving without compensation, other than reimbursement for actual expenses, of any corporation described by this section.

Source: SL 1987, ch 343, § 1; SL 2006, ch 230, § 1.

Communicating with the Board of Trustees

The ordinary method of communication with the Trustees shall be in writing and through regular channels and the appropriate organizational structure.

Requests to make oral presentations to the Trustees shall be submitted in writing to the Chairperson of the Board of Trustees at least two weeks prior to the meeting at which the matter is to be considered by the Trustees. In addition, a written explanation of the purpose for the request must be provided. The Chairperson shall determine the appropriate means, whether written or oral, for the requestor to communicate with the Board of

Trustees. The Board of Trustees or its designated committee shall consider the request and determine a response as appropriate.

Communications addressed to all members of the Board of Trustees from persons outside the Foundation should ordinarily be presented to the Secretary, the Board Chairperson, or the President of the Foundation for distribution to Board of Trustees members.

Affirmative Action and Anti-Harassment Statement

The SDSM&T Foundation adheres to the policies of the University in all facets of its role and responsibilities. The School of Mines policy on Affirmative Action and Anti-Harassment are excerpted below:

“It is the policy of the School of Mines to be an equal opportunity employer and to hire individuals solely upon the basis of their qualifications for the job of which they have applied. Every effort is made to hire new employees for positions that make the best use of their abilities and in which they will be able to achieve personal satisfaction.

The Affirmative Action Council provides advice to the President of the School of Mines in the formation and operation of programs and activities to assure that equal opportunities in employment and for access to and participation in the activities of the University without discrimination based on race, color, creed, national origin, ancestry, gender, sexual orientation, military status, religion, age or disability; and the commitment to the objectives of affirmative action, equal opportunity and nondiscrimination in accordance with state and federal law, are communicated effectively to members of the university community and the public at large.

The School of Mines has a written affirmative action program to achieve prompt and full utilization of minorities, the disabled veterans, Vietnam-era veterans, and women at all levels and in all segments of the work force. The results of the program are to be reviewed annually, and the program is to be modified as necessary to achieve its stated objectives.

It is the policy of the School of Mines that harassment will not be tolerated. The University has zero-tolerance for harassment, whether it occurs on or off campus, during or after normal business hours, at work-related social functions, or during business-related travel. Any employee or student violating this policy will be subject to disciplinary action including termination or dismissal.”

These policies are maintained, interpreted, and implemented by the President of the SDSM&T Foundation, with the oversight of the Board of Trustees.

Whistle-blower Policy

The Foundation will investigate any possible fraudulent or dishonest use or misuse of Foundation resources or property by faculty, staff, or students. Anyone found to have engaged in fraudulent or dishonest conduct is subject to disciplinary action up to and including dismissal or expulsion, and civil or criminal prosecution when warranted. All members of the Foundation community are encouraged to report possible fraudulent or

dishonest conduct (i.e., a whistle-blower). An employee should report his or her concerns to a supervisor or manager. If for any reason an employee finds it difficult to report his or her concern to a manager or supervisor, the employee can report it directly to the Chairperson of the Board of Trustees.

Managers or supervisors are required to report suspected fraudulent or dishonest conduct to Chairperson of the Board of Trustees.

Public Information

The Foundation will provide copies of its most recent audited Annual Financial Statement, its most recent completed Internal Revenue Service Form 990, its IRS determination letter, and a roster of the Board of Trustees to anyone who requests a copy. All requests for any information must be in writing showing the date, requestor's name, mailing address and daytime phone number.

The Foundation and the School of Mines have an operating agreement whereby the Foundation and the School of Mines supply certain types of assistance to each other to provide the most efficient and effective service possible.

SECTION 2: ACCOUNT MANAGEMENT

Definitions

MEMORANDUM OF UNDERSTANDING (MOU): A document prepared by Foundation Staff, signed by the donor(s) and the President of the Foundation, that specifies purposes and management guidelines for endowed funds; MOU's are permanently held by the Foundation.

LETTER OF INTENT (LOI): A document prepared by Foundation Staff, signed by the donor(s) that specifies intent of non-endowed funds.

PERMANENT ENDOWMENT: A permanent fund, the principal of which is invested for long-term growth and stable income, that creates distributions of money from combined income and reserve funds generated by the fund.

QUASI-ENDOWMENT (optional): A fund, intended to function as an Endowment, except the principal of which may be invaded for the purposes described in the Memorandum of Understanding, which is invested for long-term growth and stable income, that creates distributions of money from combined income and reserve funds generated by the fund.

NON-ENDOWED: Funds available for expenditure providing immediate support.

GIFTS: All contributions made by donors to the principal of an account, plus any interest and dividends added to the principal prior to reaching the appropriate minimum endowed level.

INCOME: Interest plus dividends plus market appreciation minus market depreciation.

TOTAL RETURN: The total earnings from investments net of money manager fees that are earned by the portfolio holding the Endowment and Quasi-Endowment accounts.

ACCOUNT HOLDER: The person authorized to receive reports for an account, to request information, and funds from that account based on the Distribution Policy and the Memorandum of Understanding.

DISTRIBUTION AMOUNT: Distribution amounts are dependent on investment returns, and any amounts in the accumulated reserve for market fluctuation for a given account.

Establishing a New Account

Any donor, group of donors, corporation, foundation, or official component of the School of Mines may establish an account with the Foundation, provided that gifts, grants, and other income to the account are made payable to SDSM&T Foundation or to an existing named

account within the Foundation, and that the basic requirements as to minimum gift amount, intended purpose, and compliance with the Mission of the University are met.

New accounts are established by requesting that a new account be established. Once established, gifts will be accepted into the specified account. Throughout this document, "gift" shall mean: all contributions made by donors to the principal of an account, and – if so specified in the Memorandum of Understanding - any interest and dividends added to the principal prior to reaching the appropriate minimum endowed level. Market appreciation and depreciation is not used to determine the "gift" amount of an endowed account.

Every new Permanent Endowment or quasi-endowment account established in the Foundation must have a Memorandum of Understanding, which is to be created prior to or at the time the new account is initiated. The Memorandum of Understanding permanently guides the use and management of the gifts contributed, and the distributions made to account holders. The purpose specified in the Memorandum of Understanding may only be changed with the written consent of the original donor signatories and the President of the Foundation. In the unlikely event should it ever become impossible or impractical to use the gift for the purpose specified in this document, the Foundation may, at the discretion of the Board of Trustees, direct the fund to support a purpose(s) that is deemed to be most consistent with the wishes of the Donors and, if possible, in consultation with the Donors.

Endowments in the Foundation may also be created by adequately funded planned or deferred gifts. All planned or deferred gifts to the Foundation should be identified by a specific reference in the donor's will, trust, or other legal document. A copy of the appropriate document(s) referencing the gift, or a reasonable substitute, should be supplied to the Foundation.

All gifts establishing a specific endowed fund with the Foundation must meet the minimum level required for that type of fund within five (5) years of the effective date of the Memorandum of Understanding governing the fund. If an insufficient amount of gifts, contributions, and reinvested net income has accumulated by the end of this five (5) year period to completely endow the account, the donor will be consulted (if possible) and a strategy for fully funding the endowment will promptly be agreed upon. If funding the endowment cannot be achieved, all funds received may be transferred to the SDSM&T Foundation Unrestricted Endowment or another fund specified by the Board of Trustees of the Foundation, and the specific endowed fund created by the donor(s) shall cease to exist.

Exceptions to this policy may be discussed on a case-by-case basis with the President of the Foundation prior to the end of the funding period.

Types of Accounts

Permanent Endowment Accounts

- Established when the donor has stipulated that only a portion of the proceeds from the gift may be spent. (See Distribution Policy section)
- These accounts are established through execution of a Memorandum of Understanding (MOU), which is signed by the donor(s) and the President of the

Foundation; the MOU binds the Foundation and the School of Mines to certain actions and specified uses of the gift(s).

- Gifts are invested for total return in one of the portfolios. (See Investment Policy section)
- A management fee may be charged against the account based on the market value of the account. (See Fees Charged to Accounts section)
- A minimum of \$30,000 in gifts must be received by any Permanent Endowment account before distributions will be made, usually within no more than a five (5) consecutive year period.
- Endowments are managed to provide an annual payout to support the purpose of the endowment and to preserve the purchasing power of the fund.
- Gifts to Permanent Endowment funds are maintained in perpetuity. In the event that market conditions produce investment returns insufficient to make the intended fund award, the SDSM&T Foundation Board of Trustees may determine it necessary to temporarily decrease the fund value to make the award. If this situation arises, the SDSM&T Foundation is committed to restoring the fund value from future earnings as part of its commitment to preservation and growth.

Quasi-Endowment Accounts (optional)

- Quasi-endowment funds are invested in the same portfolios as Endowments, are exposed to market valuation changes, have distribution calculation amounts, and the principal is accessible to the account holder for one of the following reasons:
 - in the event account income and/or reserves are insufficient to supply the calculated distribution amount; or
 - other situations specified in the Memorandum of Understanding.
- Quasi-Endowment funds may be *permanent* (maintained in perpetuity), or *term* (held for specific period or until a specific occurrence) after which the principal and/or accumulations may be expended or utilized as specified in the MOU
- May be established when the donor has stipulated the use or distribution policy for the gift, which may include all or a part of the original gift, but feels that the growth potential of an endowment investment pool is appropriate
- A management fee may be charged based on the market value of the account (See Fees Charged to Accounts section)
- A minimum of \$30,000 of gifts must be received by any quasi-endowment account before distributions will be made

Non-Endowed Accounts

Characteristics and Services

- Funds are placed in the SDSM&T Foundation's investment management program
- Funds are available for distribution immediately
- All reporting is on a monthly basis
- Disbursement Authorization forms requesting payment must be received by the end of the working day on Fridays to produce a check by noon on Wednesdays
- Disbursements from these accounts are limited to the available funds in the account after income and fees are processed; deficit spending is not allowed

Deposit Requirements

- Funds may be given to the Foundation on any working day of the month
- Deposits to endowments or quasi-endowments participate in full-calendar-quarter increments only

Withdrawal Requirements

- Funds may be withdrawn by check as directed, or transferred to any Foundation or School of Mines account
- All withdrawals will occur after a Disbursement Authorization signed by the Account Holder is received by the Foundation along with appropriate documentation
- Disbursement Authorizations must be received by the Foundation by the end of the day on Fridays to be processed by noon on Wednesdays
- Requests received by the Foundation after the end of the day on Fridays will be processed during the following week

Minimums for Endowment / Naming Opportunities

Minimum Gift Requirements set by the School of Mines (October 2003)	
Category	Minimum Funding Level
Named Building	At least one-half of building costs
Endowment of a School or College	Negotiated, but not less than the current amount of all operating costs
Chair A chair is the most prestigious named faculty position. It is used to attract and retain a truly outstanding scholar and educator – preferable – one with a national reputation. Contributions to establish an endowed chair may create a new faculty position. Income from the endowment is intended to sustain the position and may cover costs of salary, travel, and support.	\$ 1,500,000
Distinguished Professorship A distinguished professorship is used to support a very productive faculty member who has a proven track record of scholarship. The endowment will generally be used to honor an existing faculty member.	\$ 500,000
Professorship A professorship is used to support a gifted faculty member who shows outstanding potential. The endowment is generally used to supplement an existing position.	\$ 200,000
Early Career Fellowship An early career fellowship is used to attract a new faculty member who shows great promise to an existing faculty position. Funds may be used to supplement salary or as start-up funding for the faculty member's research and teaching program.	\$ 100,000

Faculty/Staff Enrichment Fund Endowment support awards or stipends to faculty/staff to assist in financing such endeavors as research start-up, course development, conference attendance, or equipment/materials purchase. Awardees are selected by deans, directors, or department head.	\$ 50,000
Graduate Fellowship and Awards Endowments support graduate and post-graduate students through awards for tuition, fees, room and board, etc.	\$ 50,000
Distinguished Scholarship The most prestigious scholarship assistance on campus provides assistance for incoming freshmen with renewable support for four years provided the recipient maintains requirements.	\$ 60,000
Presidential Scholarship These merit based scholarships provide support for incoming freshmen with renewable support for four years provided the recipient maintains requirements.	\$ 60,000
Scholarship Endowments support awards to students to assist in financing such enriching experiences as study abroad or a field study opportunity. Awards can be for tuition, fees, living expenses, etc.	\$ 30,000

Account Holders

Every Account established in the Foundation shall have one individual "account holder" assigned to it. In the absence of an assigned Account Holder, the head of the academic unit or the President of the School of Mines (if a non-academic unit) is authorized to serve as the Account Holder until such time as a regular Account Holder may be identified.

Account Holders generally must be full-time faculty or full-time staff currently employed at the University.

Account Holders and Signature Proxies (staff assigned by the Account Holder to assist with the management of their account) are the only persons authorized to request distributions from any specific account managed by the Foundation (see Withdrawals from Accounts section), or to direct funds to be transferred to any University account or individual. Account Holders and Signature Proxies will have access to all statements and correspondence from the Foundation regarding their specific account(s). Account Holders are responsible for all management and record keeping for funds disbursed to them by the Foundation once they receive those disbursements.

It is understood that the intent of the donors, the Foundation Board of Trustees, and the University's Board of Regents, that all gifts entrusted to the Foundation for the benefit of the University are to be properly managed. To this end, University staff members in charge of operating units are responsible for the proper and efficient management of activities within their units. These staff may, upon written notification to the President of the Foundation, designate certain alternate individual members of their staff to serve as

Account Holder for specific accounts. This would be in response to retirements, reassignments, deaths, or other mitigating circumstances.

Contributions

The Foundation establishes and maintains gift accounts for contributions made through the Foundation. All charitable contributions--including cash, gifts-in-kind, stock, and private grants--are processed in compliance with IRS guidelines. This process includes receipting and acknowledging gift(s).

Checks made payable to SDSM&T Foundation should be delivered to the Foundation, with a notation as to the account name and number for deposit. Checks will normally be deposited within a 24-hour period. Donors will receive an official receipt with an appropriate acknowledgment. The Account Holder for the account will receive notification of gift(s).

The Foundation tracks pledges for all campaigns. The primary focus for pledges include phonathons, capital campaigns, and other campaigns. For phonathons, pledges are posted based on the telephone conversation; for all other pledges, written documentation is required.

A gift-in-kind is a non-cash gift, such as a computer, a microscope, other equipment, etc. Both the donor and the Foundation have certain responsibilities in giving and accepting gifts-in-kind. The statutory basis for these responsibilities is Sec 170(a)(1), United States Code, which states that a charitable contribution is deductible "only if verified under regulations prescribed by the Secretary of the Department of the Treasury." If the item is tangible personal property, the donor is required to obtain and supply a qualified appraisal of the item to the Foundation to receive a receipt showing a value for their charitable deduction.

SECTION 3: OBTAINING FUNDS FROM ACCOUNTS

Withdrawals of Amounts from Endowment Accounts

Withdrawals of distribution amounts are normally available:

1. after the minimum endowment level has been achieved through gifts and permanently reinvested amounts, and
2. after having reached the minimum endowment level for twelve (12) consecutive full months, and
3. in accord with the Memorandum of Understanding for the account.

Permanent Endowment accounts are designed to produce distribution amounts for use in such long-term, limited activities as Scholarships, Fellowships, Professorships and Chairs.

Staff will make every effort to comply with account holder requests for distributions, and these time limits will apply as the standard operating guidelines.

Distribution Policy

Background

The Board of Trustees of the SDSM&T Foundation utilizes the following procedures to distribute funds to the account holders of the various endowment funds under its management.

It is the philosophy of the Trustees that stable and slowly growing cash distributions should be made available to account holders for the purposes originally described by the donors of the funds. Distributions of this nature should be made available perpetually. These distributions should be insulated from severe fluctuations in annual investment returns as much as possible. Distribution amounts are dependent on investment returns, and any amounts in the accumulated reserve for market fluctuation for a given account. Account holders should not make long-term commitments based solely on anticipated endowment account distributions.

The Trustees Annually Authorize Distribution Percentages

Annually, the Board of Trustees reviews performance figures for its investments and determines an "Annually Established Distribution Percentage" rate. This rate is used in calculating the target annual distribution amount for endowed accounts for the Foundation. An account may have individual distribution guidelines specified in their Memorandum of Understanding, which take precedence over this policy.

The Trustees will base their selection of this "Annually Established Distribution Percentage" on a number of criteria including, but not limited to, investment performance, inflation, cost

of living, program costs at the School of Mines, and the long-term investment and distributions strategy.

The following definitions are used for distribution

- *Total return* is defined as the sum of total interest and dividends earned, plus all realized and unrealized gains and losses, less all investment expenses and management fees.
- *Income* is defined as the sum of interest and dividends earned, plus all realized and unrealized gains and losses.
- *Spendable income* is defined as the amount of money that is produced by calculations using the Trustees' target annual distribution rate, and is generated from the Total return, and/or the reserves for each individual fund, when available.

Payout will be calculated using a 12 Quarter Moving Average to provide a more stable flow of income to the institution. Using this method, earnings will be distributed quarterly based on the balance of each fund at the beginning of the quarter. Payout will be distributed quarterly based on the twelve quarter moving average of the fund times the quarterly payout rate (as determined by the Board).

Fees Charged to Endowed Accounts

The Foundation charges fees against endowment accounts to cover the costs of administration of the Foundation, and to assist the stable distribution of funds from permanent endowments to the School of Mines.

The Management Fees charged against all accounts held by the Foundation are used to pay a portion of the expenses required to operate the Foundation.

SECTION 4: SPECIAL INFORMATION

Funding Requests from Foundation Unrestricted Assets

The Foundation may, at the sole volition of the Board of Trustees, allocate a portion of its unrestricted funds to one or more special project accounts on a schedule that the Trustees select. These special accounts may be used to further various projects, or cover all or part of the expenses of a project and/or operation beneficial to the School of Mines.

Executor Functions

The Foundation may, at its own volition, serve as Executor or Personal Representative of Estates where the Foundation is identified as a major beneficiary. The Executive Committee of the Board of Trustees will determine if accepting proposed Executor responsibilities is appropriate or not.

At the sole discretion of the Board of Trustees, all direct and indirect expenses associated with the Executor's responsibilities will be borne by the Estate, and shall be reimbursed from the Estate being managed, or from the proceeds of the liquidated Estate.

Trustee Functions

The Foundation may, at its own volition, serve as Trustee of Charitable Remainder Trusts where the Foundation is identified as a major beneficiary.

If the Foundation accepts Trustee responsibilities for a Trust, then the following shall always apply:

1. Unless noted otherwise, the laws of the State of South Dakota shall apply.
2. The Trustee will follow all guidelines for Charitable Trust administration established by the United States Internal Revenue Code.
3. The Trustee will be custodian of all original records pertaining to the Trust.
4. The Trustee retains the authority to delegate any or all of the management operations to approved Co-Trustees, Successor Trustees, or approved managers and agents.
5. The Foundation does not normally pay any legal, accounting, or appraisal costs associated with the establishment of a Charitable Remainder Trust
6. The Trustee reserves the right to charge reasonable fees to the Trust for its annual administrative expenses.

SECTION 5: GIFT PLANNING

Overview

In keeping with the objectives of the SDSM&T Foundation, the following guidelines regarding gifts to the Foundation have been developed.

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 Trustees and SDSM&T Foundation staff will not supply professional counsel or advice to donors about tax liability, estate planning, and comprehensive investment planning. Trustees and Foundation staff will aid donors in examining these issues; they will aggressively encourage donors to seek appropriate independent professional counsel about their personal situation.

Liquidation of Gifts

- All gifts made to the Foundation will be held or liquidated based upon the decision of the Trustees. It is the practice of the Trustees to convert gifts into manageable, income-producing assets as soon as practical.
- The Trustees reserve complete control of all decisions about the liquidation of any asset given to the Foundation. Under no circumstances is the Board of Trustees 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. Under conditions determined by the Trustees, discussion of possible uses or liquidation strategies for a gift asset with a donor is advisable.
- Upon the advice of a donor, the Trustees may decide to use a suggested broker to liquidate a particular asset. The Board of Trustees is not limited to the use of any particular broker for these purposes.

Appraisal

- Gifts of non-cash property, other than publicly traded securities and closely held stock valued at less than \$10,000, must adhere to strict appraisal rules if the value of the property is more than \$5,000. A timely qualified appraisal of such a gift must be obtained by the donor not earlier than 60 days before the contribution date and no later than the due date of the donor's return in which they claim a deduction for the property. The IRS 8283 form is the responsibility of the donor. The Foundation policy is that we do not reimburse for appraisals.
- 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 three (3) years. The consequences of a decision to liquidate this type of gift should be discussed with the donor in advance of the Board of Trustees accepting a gift.

Tangible Personal Property

- 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(s). This rule primarily applies to artwork and collections. 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.
- The "related use rule" applies to virtually all outright and deferred gifts of tangible personal property. Generally, tax deductions are limited to cost basis of 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 only deduct his or her basis in the property.
- All tangible personal property received as a gift will be reported in accord with current IRS rules. If possible, the Foundation staff will inform donors of these unique tax consequences before any such gift is accepted.

Life Insurance

- Donors wishing to make a gift of Life Insurance should indicate on any Life Policy that the owner and sole beneficiary of the policy is the "SDSM&T Foundation" Donors giving pre-paid (fully funded) policies or new policies that name the Foundation as sole owner and beneficiary, shall receive recognition for the replacement value of the policy.
- Donors who name the Foundation as a beneficiary of any life insurance policy without also naming the Foundation as sole owner, shall receive the thanks of the Trustees for this future gift, but no tax advantages or other benefits shall accrue.
- Donors wishing to make regular contributions to the Foundation that would be applied to a life insurance policy, the sole owner and beneficiary of which is the Foundation, shall use the "Gifts of Life Insurance" procedures in effect at the time for this type of gift.

Guidelines for Gifts of Life Insurance

These Guidelines are for donors who are considering a gift to the SDSM&T Foundation through contributions of cash to the Foundation that will be used to pay premiums on a life insurance policy.

1. The owner of the policy shall be the SDSM&T Foundation.
2. The sole beneficiary of the policy shall be SDSM&T Foundation.
3. The policy must be whole life. Term, group, variable, flexible premium, universal life policies, or other product variations that are not whole life policies will not be accepted without prior approval.
4. Coverage of the policy shall be on the life of the donor(s), only.

5. The minimum age of any donor making a gift of life insurance shall be 45 years at the start of policy coverage.
6. The minimum face amount (death benefit) of the policy shall be \$50,000.
7. All correspondence, policy applications, and original premium notices shall be sent to the Foundation for action and signatures, as applicants and/or owners, by the appropriate Foundation representative at the following address:
SDSM&T Foundation
501 East Saint Joseph Street
Rapid City, SD 57701-3995
8. The policy SHALL NOT incorporate an automatic premium loan provision.
9. The policy SHALL carry a disability waiver of premium endorsement.
10. The policy SHALL incorporate a vanishing premium schedule with a maximum payment period of ten (10) years.
11. Premium payments shall only be made on a quarterly, semi-annually, annually basis, or through a single initial payment.
12. When a federal Employer Identification Number (EIN) is required, the proper number to use is: #46-6011771.
13. SDSM&T Foundation shall have physical possession of the policy and the underwriter shall issue a duplicate policy or certificate of insurance to the insured.
14. Prospective donors providing a gift of life insurance are requested to provide the SDSM&T Foundation with the name, address and telephone number of the executor or administrator of their estate.
15. Donors wishing to use a gift of life insurance to meet the lifetime membership requirements for any School of Mines affiliated organization must make up any shortage between the normal annual membership fee for the organization and their annual insurance premiums with annual gifts of cash before February 1 each year until the insurance policy is fully funded and the insurance premiums have vanished. Until the policy is fully funded and the premiums have vanished, the donor is considered to be an annual member of the organization; once fully funded the donor becomes a life member of the organization.
16. Individuals considering any gift of life insurance should contact the SDSM&T Foundation Office at 605-394-2436 or 800-211-7591 or have their insurance agent contact the SDSM&T Foundation office once a proposal has been prepared and before the final application is completed or any funds paid for premiums. The final decision to accept any gift of life insurance rests with the SDSM&T Foundation.

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

- 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 normally utilizes local brokerage houses to handle receipt of all securities gifted to the Foundation. Special procedures apply to different types of

stock gifts. Donors should contact the Foundation for assistance and instructions regarding any gift of securities.

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 Trustees reserve the right to refuse all or any part of any bequest or beneficiary designation that does not serve to further the missions of the School of Mines and the SDSM&T Foundation, or for any other reason determined by the Trustees.

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. the minimum contribution necessary to establish a Gift Annuity contract shall be \$10,000;
2. the rates of return paid on all Gift Annuity contracts shall be those established annually by the American Council on Gift Annuities, or its successor, a not-for-profit organization that sets charitable annuity rates that are approved for use by charitable organizations by the Internal Revenue Service, unless donor agrees to a lower payout rate;
3. annuity payments will be made annually, semi-annually, quarterly, or monthly to the annuitant; and,
4. appropriate annual income tax return information will be supplied to the donor and filed with the Internal Revenue Service by the Foundation's designee.

Charitable Remainder Trusts and Charitable Lead Trusts

All Charitable Remainder Trusts and Charitable Lead Trusts must consider the following conditions.

- Grantors may ask the Foundation to serve as Trustee of a Charitable Remainder Trust that the Grantor wishes to establish.
- The minimum asset value that will be considered for any such Foundation-managed Trust shall be at least \$50,000 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 Trustees 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.
- Any Charitable Remainder Trust for which the Foundation would serve as Trustee must name the SDSM&T Foundation as remainderman of at least 50% with the remainder value benefiting the South Dakota School of Mines and Technology.
- The Foundation will not serve as Trustee of any Charitable Lead Trust due to inherent conflicts possible with this type of relationship.

Management

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

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 SDSM&T Foundation Charitable Gifts Officer.
2. The Charitable Gifts Officer should 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? 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, or to be used to fund a charitable remainder trust?
 - 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.
 - k. Property acceptance contingent upon house inspection with a satisfactory report.
 - l. Inform the donor of the need to obtain and pay for 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 Charitable Gifts Officer will inform the donor that the above gathered information will be given to the President of the Foundation, the property will be analyzed, and the Charitable Gifts Officer will be back in touch with the donor within two (2) weeks of receiving all information and documents necessary for proper evaluation. (Charitable Gifts Officer will explain to donor that final resolution may take longer, but that donor will be kept informed on a timely basis.)
- 5. The Charitable Gifts Officer will provide the President of the Foundation 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 President of the Foundation will be responsible for preparing a thorough report on the property. In addition, the President of the Foundation 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.
- 8. The Property Evaluation Report will be circulated and the President of the Foundation will make recommendations on acceptance to the Chair of the Trustees.
- 9. If the gift is accepted, the President of the Foundation or the Charitable Gifts Officer 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 SDSM&T Foundation.
 - b. All other real estate and mineral gifts will be deeded to the SDSM&T Foundation.
 - c. Gifts of undivided interest 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 Charitable Gifts Officer. 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.

SUBJECT: Environmental Guidelines

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. Prior to accepting farms, ranches, urban acreage, commercial, and industrial real estate, a Phase I Environmental Site Assessment will be performed on the property.
2. 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.
 - 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, land fills, waste water, containers, air emissions, distinct odors, underground/above ground storage tanks.
 - e. Test for mold, radon, and asbestos as deemed appropriate.
 - f. The environmental engineering firm selected 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 President of the Foundation 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 President of the Foundation as necessary prior to further action being taken.
- v. Properties, which pass the environmental assessment test, will be subject to normal property acceptance guidelines.
-

SUBJECT: Real Estate Marketing

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.
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 President of the Foundation will determine the appropriate marketing price.
5. Mineral rights will be considered for sale as appropriate to the circumstances. Every effort is made to retain mineral rights for future investment opportunities.
6. Conveyance will be by Special Warranty Deed.
7. Strive for payment in cash.
8. If necessary, the Foundation can offer seller financing on the following terms:
 - a. Down payment - 20%-25% range.
 - b. Balance of purchase price will be carried on a note set at the prevailing interest rate that is subject to change as determined by the Board of Trustees.
 - c. Monthly, quarterly, or semi-annual principal and interest payments.
 - d. Length of note should be 10 years or less. In some cases, the note payment can be amortized over longer periods than 10 years with a balloon payment due at the end of the note term.
9. Secure basic credit information on the buyer and the proposed use of the property.
10. The contract will be presented to the President of the Foundation for approval. If the value of the property exceeds \$75,000, the contract will also be presented to the Board of Trustees for approval.
11. The sales contract must include a provision that ensures that any roll-back tax charges or other similar charges related to the sale and/or changes in property ownership, zoning, platting, development or easements are to be paid 100% by the buyer.
12. Appropriate file copies will be made and distributed as required.

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. Inspect the property and be familiar with it. All property will be inspected periodically with a minimum of one inspection per year.
2. Determine the best type of lease for the property.
3. On farm land, check with local USDA-ASCS and determine amount of base acreage and established yield of different crops for the particular property.
4. 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.
5. 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.
6. Check background of Lessee with persons in the area, e.g., ASCS, SCS, and lenders.
7. Review the lease form with the Lessee and advise of conditions under which Lessee will be operating.
8. Have understanding between Lessor/Lessee regarding improvements and repairs/maintenance of buildings and fences.
9. Lessor will not pay any bills that have not been previously approved by Lessor.
10. 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.
11. Lease should be prepared by individual responsible for the property management.
12. After approval has been obtained, secure Lessee's signature and forward Lessee a fully executed copy of the Lease.
13. Set up payment schedules and place one copy of the lease in the real estate file and the original should be placed in a fire proof cabinet.
14. Use acceptable measures to control soil erosion; maintenance of existing watercourses including grassed waterways, ditches, drainage areas, terraces and tile drains; control noxious weeds/weeds and declared pests; and abstain from any practice which will cause damage to the Real Estate.

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 President of the Foundation.
2. The Foundation should secure independent legal counsel regarding the property to assist with proper analysis and possible transfer of the bequest to the Foundation.
3. The President of the Foundation should confirm the status of the information 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? Any portion of property in a flood plain?
 - 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 reviewed by the President of the Foundation who will make recommendations on acceptance or disclaimer of the bequest to the Board of Trustees.
7. If the bequest is accepted by the Foundation, the President of the Foundation will work with the personal representative(s) and legal counsel to affect the transfer of title.