

NATIONAL RAILWAY HISTORICAL SOCIETY, INC.

GIFT ACCEPTANCE POLICY

PURPOSE

The purpose of this policy of the NRHS is to serve the best interests of the NRHS and its donors by providing guidelines for negotiating and accepting various types of gifts. Given the increasing complexity of IRS regulations, the volume of real estate and personal property gifts and state and federal environmental laws, the NRHS recognizes the value in carefully screening proposed gifts.

If the gift has a directed purpose or restrictions, those purposes or restrictions of the gift must fall within the broad historic and preservation purpose of the NRHS. In addition the NRHS Board and staff must be able to assure that the gifts accepted by the NRHS do not place other assets of the NRHS at risk and that they can be easily converted into assets that fall within the NRHS' investment guidelines. The NRHS must also assure that it can administer the terms of the gift in accordance with the donor's wishes.

To facilitate this purpose, the NRHS follows the *Model Standards of Practice for the Charitable Gift Planner* adopted by the National Committee on Planned Giving and the American Council on Gift Annuities. This code of ethics for planned giving practitioners is Appendix A of this policy.

NRHS RESPONSIBILITIES

NRHS staff should disclose to all prospective donors the benefits and liabilities under the control of NRHS that could reasonably be expected to influence the donor's decision to make a gift to the NRHS. Donors will be encouraged to consult with legal counsel and financial advisors in making their decision. In particular, donors should be made aware of:

- the irrevocability of a gift,
- prohibitions on donor restrictions,
- items subject to variability (market value, investment return, and income yield),

- the NRHS' responsibility to provide periodic financial statements on donor funds, and
- the NRHS' responsibility to provide a donor bill of rights to donors.

Staff should maintain a written record of discussions with donors. The role of NRHS staff shall be to inform, guide, and assist a donor in fulfilling his or her philanthropic wishes, but never to pressure or unduly influence a donor's decision, nor offer legal or tax advice no matter how indirectly.

GIFT ACCEPTANCE COMMITTEE

The Executive Committee constitutes the Gift Acceptance Committee, hereafter known as the "Committee." The Committee, at its discretion, may then consult legal counsel, professional expertise, or refer the matter to a collections committee or other board committee for review and advice.

FORM OF GIFTS TO THE NRHS

Gifts Requiring Committee Review

- Tangible personal property that is not readily marketable
- Real estate
- Closely-held and S corporation stock
- Partnership interests
- Accounts receivable (gifts of loans, notes, mortgages, etc.)
- Gifts of intellectual property, mineral reserves, precious metals, and other types of assets carrying their own challenges
- Gifts whose structure fall outside the ordinary purposes, bylaws, and procedures of the NRHS
- Life insurance policies requiring future premium payments by the NRHS
- Gifts of photographs, films, books and railroad related historic materials for preservation in the NRHS libraries or for liquidation by NRHS. The decision whether to accession the donation into a permanent collection is solely at the discretion of the NRHS or its designee. If a donation of tangible artifacts or intellectual property is made, the donor must be made aware that he/she relinquishes any and all rights over subsequent use or sale of said donation. If

NRHS chooses to liquidate donated asset, it makes no warranties regarding the amount garnered by that sale.

Gifts Not Requiring Committee Review

- Cash or cash equivalents
- Checks
- Marketable securities
- Gifts of personal property for use in NRHS offices or programs
- Life insurance policies except as noted above

See Appendix B for detail on each gift category

GIFTS DECLINED

The NRHS reserves the right to refuse any gift it believes is not in the best interest of NRHS to accept. In addition, the NRHS will not knowingly accept a charitable gift from a donor who:

- A. Has insufficient income and assets remaining after making a gift to provide for his/her needs such as personal support and healthcare.
- B. Has insufficient income and assets remaining after the gift to provide for his/her heirs for whom he/she is fiscally responsible.
- C. Has an apparent insufficient mental capacity to make a rational decision.
- D. Has insufficient input from competent financial, legal, and/or personal counsel.
- E. Gifts for which the donor cannot provide *provenance*, reproduction rights or copyrights necessary for ownership.

ACKNOWLEDGMENT

Donors shall receive an expression of sincere thanks and gratitude from the NRHS and an acknowledgement of the gift in accordance with federal regulations.

PUBLICITY

No public media exposure with respect to a donor's gift will be generated without the consent of the donor.

RESTRICTIONS

In conformance with Treasury Department regulations governing NRHS, gifts to the NRHS may not be directly or indirectly subjected by a donor to any material restriction or condition that prevents the NRHS from freely and effectively employing the transferred assets or the income derived therefrom, in furtherance of its exempt purposes.

ACTING AS TRUSTEE

By opinion of Legal Counsel, the NRHS may not serve as a trustee. Further, no employee shall serve as a trustee, conservator, executor, or personal representative for one of the NRHS' donors or prospects unless specifically approved by the NRHS Executive Committee. The Board of Directors will be made aware of such trusteeships. All officers shall report such relationships on the annual disclosure form.

INVESTMENT OF GIFTS

The NRHS reserves the right to make any or all investment decisions regarding gifts in accordance with its Investment Policy.

In making a gift to the NRHS, donors give up all rights, title, and interest to the assets contributed. In particular, donors give up the right to choose investments and investment managers, brokers, or to veto investment choices for their gifts.

However, when the size of a fund warrants separate investment consideration, the NRHS will endeavor to accommodate requests from donors for separate investment of fund assets, or use of a particular investment manager, broker or agent in accordance with the Investment

Policy (Alliance Manager policy), and may consult with donors on investment options for such funds.

COSTS OF ACCEPTING AND ADMINISTERING GIFTS

Unless otherwise agreed to in advance, costs associated with the acceptance of a gift such as attorney fees, accounting fees, other professional fees as well as other costs to establish a gift such as appraisal, escrow, evaluation, and environmental assessment fees will be borne by the donor.

The direct costs of administering outright and planned gifts of the NRHS will be borne from the assets of the individual funds, except for those special circumstances as determined by the Gift Acceptance Committee. Custodial, investment, and administrative fees will be paid from the respective funds in accordance with the NRHS' guidelines and fee schedules.

CONFIDENTIALITY

NRHS staff shall maintain strict control over files and information received from or about donors or prospective donors so as to maintain confidentiality of such information.

AUTHORITY TO NEGOTIATE

The NRHS management and administrative officers authorized to accept letters of agreement and amendments thereto and to negotiate and sign charitable giving agreements with prospective donors are:

- President
- Vice- President

When the President and Vice-President is not available

- Secretary
- Treasurer
- General Counsel

Appendix A

Model Standards of Practice for the Charitable Gift Planner

Preamble

The purpose of this statement is to encourage responsible gift planning by urging the adoption of the following Standards of Practice by all individuals who work in the charitable gift planning process, gift planning officers, fund raising consultants, attorneys, accountants, financial planners, life insurance agents and other financial services professionals (collectively referred to hereafter as "Gift Planners"), and by the institutions that these persons represent.

This statement recognizes that the solicitation, planning, and administration of a charitable gift is a complex process involving philanthropic, personal, financial, and tax considerations, and often involves professionals from various disciplines whose goals should include working together to structure a gift that achieves a fair and proper balance between the interests of the donor and the purposes of the charitable institution.

I. Primacy of Philanthropic Motivation

The principal basis for making a charitable gift should be a desire on the part of the donor to support the work of charitable institutions.

II. Explanation of Tax Implications

Congress has provided tax incentives for charitable giving, and the emphasis in this statement on philanthropic motivation in no way minimizes the necessity and appropriateness of a full and accurate explanation by the Gift Planner of those incentives and their implications.

III. Full Disclosure

It is essential to the gift planning process that the role and the relationships of all parties involved, including how and by whom each is compensated, be fully disclosed to the donor. A Gift Planner shall not act or purport to act as a representative of any charity without the express knowledge and approval of the charity, and shall not, while employed by the charity, act or purport to act as a representative of the donor, without the express consent of both the charity and the donor.

IV. Compensation

Compensation paid to Gift Planners shall be reasonable and proportionate to the services provided. Payment of finder's fees, commissions or other fees by a donee organization to an independent Gift Planner as a condition for the delivery of a gift is never appropriate. Such payments lead to abusive practices and may violate certain state and federal regulations. Likewise, commission-based compensation for Gift Planners who are employed by a charitable institution is never appropriate.

V. Competence and Professionalism

The Gift Planner should strive to achieve and maintain a high degree of competence in his or her chosen area, and shall advise donors only in areas in which he or she is professionally qualified. It is a hallmark of professionalism for Gift Planners that they realize when they have reached the limits of their knowledge and expertise, and as a result, should include other professionals in the process. Such relationships should be characterized by courtesy, tact, and mutual respect.

VI. Consultation with Independent Advisors

A Gift Planner acting on behalf of a charity shall in all cases strongly encourage the donor to discuss the proposed gift with competent independent legal and tax advisers of the donor's choice.

VII. Consultation with Charities

Although Gift Planners frequently and properly counsel donors concerning specific charitable gifts without the prior knowledge or approval of the donee organization, the Gift Planner, in order to insure that the gift will accomplish the donor's objectives, should encourage the donor early in the gift planning process, to discuss the proposed gift with the charity to whom the gift is to be made. In cases where the donor desires anonymity, the Gift Planner shall endeavor, on behalf of the undisclosed donor, to obtain the charity's input in the gift planning process.

VIII. Description and Representation of Gift

The Gift Planner shall make every effort to assure that the donor receives a full description and an accurate representation of all aspects of any proposed charitable gift plan. The consequences for the charity, the donor and, where applicable, the donor's family, should be apparent, and the assumptions underlying any financial illustrations should be realistic.

IX. Full Compliance

A Gift Planner shall fully comply with and shall encourage other parties in the gift planning process to fully comply with both the letter and spirit of all applicable federal and state laws and regulations.

X. Public Trust

Gift Planners shall, in all dealings with donors, institutions and other professionals, act with fairness, honesty, integrity and openness. Except for compensation received for services, the terms of which have been disclosed to the donor, they shall have no vested interest that could result in personal gain.

Appendix B

Forms of Gifts to the NRHS

Gifts to the NRHS take on a variety of forms. Many are outright gifts by living donors, either on a one-time or periodic basis. Others are testamentary gifts that take effect upon a donor's death or other forms of deferred gifts.

If the value of a gift other than cash or marketable securities exceeds \$5,000, a donor is required to have a qualified appraisal performed and submitted to the IRS on form 8283. If such gifts are sold within two years of receipt at a price other than the appraised value, Form 8282 must be filed by the NRHS.

The NRHS reserves the right to accept or reject any gift as it sees fit. It is the policy of the NRHS to convert all gifts to cash as soon as possible. Real estate and other assets which have potential liability associated with them will only be accepted by a separate real estate holding corporation to be established by the NRHS.

Cash

The NRHS accepts cash, checks, or money orders made payable to the NRHS or any of its funds.

Marketable Securities

The NRHS will add the net proceeds of a marketable securities contribution to a fund of the NRHS. The NRHS will govern the disposition of securities, and will make all decisions regarding the sale or retention of securities.

Stock in Privately Owned Companies and Partnerships

Donors wishing to make gifts of stock in a closely-held corporation or S corporation or a gift of a partnership interest must have it valued by a qualified independent accounting or appraisal company prior to making a contribution. If it is immediately marketable, it will be sold. Otherwise, it will be held by the NRHS until it may be redeemed or sold for cash.

Generally, the NRHS does not accept gifts of general partnership interests due to potentially unlimited liability.

The acceptability of a gift of closely-held stock, S corporation stock, or a partnership interest will depend on the ultimate financial liability of the NRHS, the amount of management attention required, whether the gift provides minority or majority control, or whether the donor requires that such interest not be sold.

Consideration will be given to whether the S corporation stock or partnership interest generates unrelated business taxable income, if there is corresponding revenue to pay such taxes, the nature of the business, recordkeeping and accounting requirements, and how quickly the gift can be converted to cash.

Life Insurance Policies

The NRHS will accept gifts of permanent life insurance policies if the NRHS is named as owner of or is assigned ownership in such policies. Policies continuing on a premium-paying basis will be maintained as such by the NRHS so long as gifts are made to the NRHS in the amount of the premiums due.

Premiums can be of a reducing amount if dividends are directed toward future premiums. Should such premium gifts not be forthcoming, the NRHS may, on the recommendation of the Gift Acceptance Committee, elect:

- To have the NRHS continue the premium payments.
- To surrender the policy in exchange for its cash surrender value.
- To invoke procedures under which the existing policy values can sustain the policy without further outlay of NRHS funds for premium. This can take on any of the following forms:
 - Change the dividends to Net (Have the dividends pay future premiums)
 - Use the Automatic Premium Loan feature (Borrow against the cash value to pay future premiums)
 - Use a combination of the two previous options (Have the dividends pay as much of the premium as possible and borrow against the cash value for the remainder amount)
 - Change the policy to Paid-Up in which case, no more premiums will be due

The NRHS discourages the contributions of life insurance policies subject to policy loans and reserves the right to accept or reject such policies as well as those carrying assignments to other entities. The NRHS will consider its own interest and the best interest of the donor in the light of tax ramifications in determining on a case-by-case basis the acceptability of encumbered life insurance policies. Particular care will be given to problems of self-dealing, jeopardy investments, and unrelated business income in this regard.

Gifts Naming Multiple Beneficiaries

From time-to-time, donors may wish to designate multiple beneficiaries of the proceeds from their life insurance policies, IRA's, other qualified retirement plans, pooled income funds, gift annuities, or other forms of gifts to the NRHS. It will be encouraged that other charitable organizations be named as beneficiaries on the contract. However, if the NRHS is selected as sole beneficiary and then requested to distribute funds to other organizations, the following guidelines shall apply:

- A. The Committee will take into consideration the amount of the total gift, the amount designated for the NRHS both discretionary and restricted, the added value to the community, and in the case of life insurance policies, whether or not the premiums are paid up.
- B. In the case where the NRHS becomes the sole owner of a donor's life insurance policy, the NRHS subsequently has the exclusive right to change the beneficiary/distributee designations. It can then name the NRHS or other charitable organizations as beneficiaries. These other charitable organizations must qualify as such under Section 501 (c) (3) and which are described under Section 170 (b) (1) (A) of the Internal Revenue Code.

If a policy beneficiary/distributee designation is to be changed to a charitable organization other than the NRHS, the NRHS shall consider the charitable intentions of the donor. It is understood, however, that a donor's recommendations in this regard are advisory and that the NRHS, as owner of the policy,

retains exclusive authority to direct the death benefits, maturity, and surrender proceeds of the policy.

Real Property

If a donor wishes to contribute real property or an interest in real property to the NRHS either directly or through a life estate arrangement, the Gift Acceptance Committee shall consider all facts and circumstances in determining whether to recommend accepting the gift. Donors always should be advised to confer with their own counsel to review the terms of the gift.

Following the Appendixes is the *NRHS Real Estate Holding, Inc. Real Estate Acquisition Checklist*. This checklist will be utilized for all transactions involving real estate gifts.

Tangible Personal Property

The donor will be advised whether the gift will be retained and used by the NRHS or disposed of immediately.

Accounts Receivable

The NRHS will consider gifts of loans, notes, and mortgages, subject to review by the Gift Acceptance Committee.