

THE TAU BETA PI ASSOCIATION, INC.

Gift Acceptance Policies and Guidelines

The Tau Beta Pi Association, Inc., a not-for-profit 501 (c) (3) organization organized under the laws of the State of Tennessee, encourages the solicitation and acceptance of gifts to The Tau Beta Pi Association, Inc. (hereinafter referred to as the “Association”) for purposes that will help the Association to further and fulfill its mission. The following policies and guidelines govern acceptance of gifts made to the Association or for the benefit of any of its programs.

The mission of the Association is to: To mark in a fitting manner those who have conferred honor upon their Alma Mater by distinguished scholarship and exemplary character as students in engineering, or by their attainments as alumni in the field of engineering, and to foster a spirit of liberal culture in engineering colleges.

1. Purpose of Policies and Guidelines. The Executive Council and its staff solicit current and deferred gifts from individuals, corporations, and foundations to secure the future growth and mission of the Association. These policies and guidelines govern the acceptance of gifts by the Association and provide guidance to prospective donors and their advisors when making gifts to the Association. The provisions of these policies shall apply to all gifts received by the Association for any of its programs or services.

2. Use of Legal Counsel. The Association shall seek the advice of legal counsel in matters relating to acceptance of gifts when appropriate. Review by counsel is recommended for:

- (a) Closely held stock transfers that are subject to restrictions or buy-sell agreements.
- (b) Documents naming the Association as trustee or other fiduciary.
- (c) Gifts involving contracts, such as bargain sales or other documents requiring the Association to assume an obligation.
- (d) Transactions with potential conflict of interest that may invoke IRS sanctions.
- (e) Other instances in which use of counsel is deemed appropriate by the Gift Acceptance Committee (defined in 5).

3. Conflict of Interest. The Association will urge all prospective donors to seek the assistance of personal legal and financial advisors in matters relating to their gifts and the resulting tax and estate planning consequences. The Association will comply with the Model Standards of Practice for the Charitable Gift Planner promulgated by the National Committee on Planned Giving. The Model Standards are attached as Exhibit A.

4. Restrictions on Gifts. The Association will accept unrestricted gifts, and gifts for specific programs and purposes, provided that such gifts are not inconsistent with its stated mission, purposes, and priorities. The Association will not accept gifts that are too restrictive in purpose. Gifts that are too restrictive are those that violate the terms of the corporate charter, gifts that are too difficult to administer, or gifts that are for purposes

outside the mission of the Association. All final decisions on the restrictive nature of a gift, and its acceptance or refusal, shall be made by the Gift Acceptance Committee of the Association.

5. The Gift Acceptance Committee. The Gift Acceptance Committee is charged with the responsibility of reviewing all gifts made to the Association, properly screening and accepting those gifts, and making recommendations to the Council on gift acceptance issues when appropriate. The Gift Acceptance Committee shall consist of:

- (a) One member of the Executive Council, appointed by the President;
- (b) The Treasurer of the Association;
- (c) The Director of Development and Communications of the Association; and
- (d) Such other members as appointed by the President of the Association.

6. Types of Gifts. The following gifts are acceptable:

- (a) Cash.
- (b) Tangible Personal Property.
- (c) Securities.
- (d) Real Estate.
- (e) Remainder Interests in Property.
- (f) Oil, Gas, and Mineral Interests.
- (g) Bargain Sales.
- (h) Life Insurance.
- (i) Charitable Gift Annuities.
- (j) Charitable Remainder Trusts.
- (k) Charitable Lead Trusts.
- (l) Retirement Plan Beneficiary Designations.
- (m) Bequests.
- (n) Life Insurance Beneficiary Designations.

The following criteria govern the acceptance of each gift form:

(a) Cash. Cash is acceptable in any form. Checks shall be made payable to the Association and shall be delivered to the Executive Director in the Association's Headquarters offices.

(b) Tangible Personal Property. All other gifts of tangible personal property shall be examined in light of the following criteria:

- (1) Does the property fulfill the mission of the Association?
- (2) Is the property marketable?
- (3) Are there any undue restrictions on the use, display, or sale of the property?
- (4) Are there any carrying costs for the property?

The Gift Acceptance Committee of the Association shall make the final determination on the acceptance of other tangible property gifts.

(c) Securities. The Association can accept both publicly traded securities and closely held securities.

(1) Publicly Traded Securities. Marketable securities may be transferred to an account maintained at one or more brokerage firms or delivered physically with the transferor's signature or stock power attached. As a general rule, all marketable securities shall be sold upon receipt unless otherwise directed by the investment committee. In some cases marketable securities may be restricted by applicable securities laws; in such instance the final determination on the acceptance of the restricted securities shall be made by the Gift Acceptance Committee.

(2) Closely Held Securities. Closely held securities, which include not only debt and equity positions in non-publicly traded companies but also interests in limited partnerships and limited liability companies, or other ownership forms, can be accepted subject to the approval of the Gift Acceptance Committee. However, gifts must be reviewed prior to acceptance to determine:

- (A) There are no restrictions on the security that would prevent the Association from ultimately converting those assets to cash;
- (B) The security is marketable; and
- (C) The security will not generate any undesirable tax consequences for the Association.

If potential problems arise on initial review of the security, further review and recommendation by an outside professional may be sought before making a final decision on acceptance of the gift. The Gift Acceptance Committee and legal counsel shall make the final determination on the acceptance of closely held securities when necessary. Every effort will be made to sell non-marketable securities as quickly as possible.

(d) Real Estate. Gifts of real estate may include developed property, undeveloped property, or gifts subject to a prior life interest. Prior to acceptance of real estate, the Association shall require an initial environmental review of the property to ensure that the property has no environmental damage. Environmental inspection forms are attached as Exhibit B. In the event that the initial inspection reveals a potential problem, the Association shall retain a qualified inspection firm to conduct an environmental audit. The cost of the environmental audit shall generally be an expense of the donor.

When appropriate, a title binder shall be obtained by the Association prior to the acceptance of the real property gift. The cost of this title binder shall generally be an expense of the donor.

Prior to acceptance of the real property, the gift shall be approved by the Gift Acceptance Committee and by the Association's legal counsel. Criteria for acceptance of the property shall include:

- (1) Is the property useful for the purposes of the Association?

(2) Is the property marketable?

(3) Are there any restrictions, reservations, easements, or other limitations associated with the property?

(4) Are there carrying costs, which may include insurance, property taxes, mortgages, or notes, etc., associated with the property?

(5) Does the environmental audit reflect that the property is not damaged?

(e) Remainder Interests in Property. The Association will accept a remainder interest in a personal residence, farm, or vacation property subject to the provisions of paragraph (d) above. The donor or other occupants may continue to occupy the real property for the duration of the stated life.

At the death of the donor, the Association may use the property or reduce it to cash. When the Association receives a gift of a remainder interest, expenses for maintenance, real estate taxes, and any property indebtedness are to be paid by the donor or primary beneficiary.

(f) Oil, Gas, and Mineral Interests. The Association may accept oil and gas property interests, when appropriate. Prior to acceptance of an oil and gas interest the gift shall be approved by the Gift Acceptance Committee, and if necessary, by the Association's legal counsel. Criteria for acceptance of the property shall include:

(1) Gifts of surface rights should have a value of \$20,000 or greater.

(2) Gifts of oil, gas, and mineral interests should generate at least \$3,000 per year in royalties or other income (determined by the average of three years prior to the gift).

(3) The property should not have extended liabilities or other considerations that make receipt of the gift inappropriate

(4) A working interest is rarely accepted. A working interest may only be accepted where when there is a plan to minimize potential liability and tax consequences.

(5) The property should undergo an environmental review to ensure that the Association has no current or potential exposure to environmental liability.

(g) Bargain Sales. The Association will enter into a bargain sale arrangement in instances in which the bargain sale furthers the mission and purposes of the Association. All bargain sales must be reviewed and recommended by the Gift Acceptance Committee and approved by the Council. Factors used in determining the appropriateness of the transaction include:

(1) The Association must obtain an independent appraisal substantiating the value of the property.

(2) If the Association assumes debt with the property, the debt ratio must be less than 50% of the appraised market value.

(3) The Association must determine that it will use the property, or that there is a market for sale of the property, allowing sale within 12 months of receipt.

(4) The Association must calculate the costs to safeguard, insure, and expense the property (including property tax, if applicable) during the holding period.

(h) Life Insurance. The Association must be named as both beneficiary and irrevocable owner of an insurance policy before a life insurance policy can be recorded as a gift. The gift is valued at its interpolated terminal reserve value, or cash surrender value, upon receipt. If the donor contributes future premium payments, the Association will include the entire amount of the additional premium payment as a gift in the year that it is made.

If the donor does not elect to continue to make gifts to cover premium payments on the life insurance policy, the Association may:

- (1) Continue to pay the premiums;
- (2) Convert the policy to paid up insurance; or
- (3) Surrender the policy for its current cash value.

(i) Charitable Gift Annuities. The Association may offer charitable gift annuities subject to the following rules.

(1) The minimum gift shall be \$40,000 for the initial annuity and \$20,000 for each additional annuity.

(2) The minimum age for life income beneficiaries of a gift annuity shall be 60. When a deferred gift annuity is offered, the minimum age for life income beneficiaries shall be 60.

(3) No more than two life income beneficiaries will be permitted for any gift annuity.

(4) Annuity payments may be made quarterly on March 31, June 30, September 30, and December 31; semi-annually; or annually.

(5) Payments to the beneficiaries shall not exceed the prevailing rates of return recommended by the American Council on Gift Annuities.

(6) Administrative fees shall be paid from the income earned on the charitable gift annuity.

(7) The Association will not accept real estate, tangible personal property, or any other illiquid asset in exchange for current charitable gift annuities. The Association may accept real estate, tangible personal property, or other illiquid assets in exchange for deferred gift annuities so long as there is at least a five-year period before the commencement of the annuity payment date, the value of the property is reasonably certain, and the President of the Association approves the arrangement.

(8) Funds contributed in exchange for a gift annuity shall be commingled in the Trust and invested during the term of the annuity payments. After those payments have terminated, the funds representing the remaining principal contributed in exchange for the gift annuity

shall be transferred to the Association's general endowment funds or to such specific fund as designated by the donor.

(9) After a gift is approved, the Association will arrange for the transfer of the property, real or personal, to the charity, compute the charitable deduction for the donor, and execute all other documents and correspondence pertaining to the gift, including:

- (A) Illustration of Benefits.
- (B) Gift Annuity Agreement with Schedule A.
- (C) Federal Income Tax Computation.
- (D) I.R.S. Form 8283, when applicable.
- (E) Instructions for reporting charitable income and gift tax deductions.

(10) The annuity obligation may, at the option of the Executive Council, be reinsured through a commercial life insurance company.

(11) For annuities that are not reinsured with a commercial life insurance company, the donor's contribution (if cash) or net proceeds from the sale of the donor's contributed property (if other than cash) will be transferred to a trust fund (the "Trust Fund") and maintained as a separate account. All earnings of each separate account shall be credited, and all payments to annuitants shall be debited to the separate accounts. For accounting purposes, separate accounts will be maintained in order to determine the value of the residuum upon the death of the annuitant. For investment purposes, however, the assets within each separate account may be commingled with the assets of the Trust Fund.

(12) For any annuity paid by the Association, it shall be the responsibility of the Association's staff to file Form 1099-R (with a copy of each Form W-2P attached), summarizing all payments to annuitants, with the IRS.

(13) Upon the death of an annuitant, it shall be the responsibility of the Association's staff to record that the annuity obligation has ended as of the last quarterly payment and to close the account. The residuum will be distributed for the purpose stated in the charitable gift annuity agreement executed by the donor.

(14) A disclosure statement will be given to prospective donors as part of each illustration of benefits or gift proposal letter. This disclosure statement will emphasize donative intent as the primary reason for participating in the gift annuity and will explain fully and fairly the operation of the fund, using the "Guidelines for Charitable Gift Annuities" attached as Exhibit C.

(15) The President of the Association may make exceptions to these requirements after consultation with the Gift Acceptance Committee and outside legal counsel, as appropriate.

(j) Charitable Remainder Trusts. The Association may accept designation as remainder beneficiary of a charitable remainder trust upon the approval of the Gift Acceptance Committee. The Association will not accept appointment as trustee of a charitable remainder trust.

(k) Charitable Lead Trusts. The Association may accept a designation as income beneficiary of a charitable lead trust. The Executive Council will not accept an appointment as Trustee of a charitable lead trust.

(l) Retirement Plan Beneficiary Designations. Donors and supporters of the Association will be encouraged to name the Association as beneficiary of their retirement plans. Such designations will not be recorded as gifts to the Association until such time as the gift is irrevocable. When the gift is irrevocable, but is not due until a future date, the present value of that gift may be recorded at the time the gift becomes irrevocable.

(m) Bequests. Donors and supporters of the Association will be encouraged to make bequests to the Association under their wills and trusts. Such bequests will not be recorded as gifts to the Association until such time as the gift is irrevocable. When the gift is irrevocable, but is not due until a future date, the present value of that gift may be recorded at the time the gift becomes irrevocable.

(n) Life Insurance Beneficiary Designations. Donors and supporters will be encouraged to name the Association as beneficiary or contingent beneficiary of their life insurance policies. Such designations shall not be recorded as gifts to the Association until such time as the gift is irrevocable. Where the gift is irrevocable, but is not due until a future date, the present value of that gift may be recorded at the time the gift becomes irrevocable.

7. Miscellaneous Provisions.

(a) Securing appraisals and legal fees for gifts to the Association. It will be the responsibility of the donor to secure an appraisal (where required) and independent legal counsel for all gifts made to the Association.

(b) Valuation of gifts for development purposes. The Association will record a gift received by the Association at its valuation for gift purposes on the date of gift.

(c) Responsibility for IRS Filings upon sale of gift items. The Gift Acceptance Committee is responsible for filing IRS Form 8282 upon the sale or disposition of any asset sold within two years of receipt by the Association when the charitable deduction value of the item is more than \$5,000. The Association must file this form within 125 days of the date of sale or disposition of the asset. Form 8282 with filing instructions is attached as Exhibit D.

Acknowledgement of all gifts made to the Association and compliance with the current IRS requirements in acknowledgement of such gifts shall be the responsibility of the Council. IRS Publication 561 Determining the Value of Donated Property and IRS Publication 526 Charitable Contributions are attached as Exhibit E.

8. Changes to Gift Acceptance Policies. These policies and guidelines have been reviewed and accepted by the Gift Acceptance Committee of the Association. The Committee must recommend any changes to, or deviations from, these policies.

Approved by the Executive Council on the 10th day of October, 2007.

James D. Froula, P.E.

Executive Director

Exhibits

- A. Model Standards of Practice of the Charitable Gift Planner
- B. Environmental Review Forms
- C. Guidelines for Charitable Gift Annuities
- D. IRS Form 8282 and Instructions.
- E. IRS Publication 561 Determining the Value of Donated Property.
IRS Publication 526 Charitable Contributions

EXHIBIT A

Model Standards of Practice of 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 as such 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 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 finders fees, commissions or other fees by a donee organization to an independent Gift Planner as a condition for the delivery of a gift are 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 advisors 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 Planners, 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 Planners 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.

Adopted and subscribed to by the National Committee on Planned Giving and the American Council on Gift Annuities, May 7, 1991. Revised April 1999.

EXHIBIT C

Guidelines for Charitable Gift Annuities

- A. Existence of contractual relationship with the Association.
- B. The fact that the annuity is a general obligation of the Association.
- C. The existence of a reserve fund that complies with state law requirements.
- D. The donor is a general creditor of the Association.
- E. The income tax, gift tax, estate tax, and long-term capital gains tax, if any, consequence to the donor as a result of the gift.
- F. The general terms of the annuity, such as payment dates, nature of the income received, and termination of the annuity payments.
- G. The irrevocable nature of the gifting arrangement.
- H. Brief history of the Association and its present financial situation.
- I. The Association's contact person.
- J. Statement that the donor is advised to consult with personal advisors regarding the specific tax treatment of the gift annuity.
- K. Statement that compliance with state law requires this disclosure statement, but does not require registration with the Securities and Exchange Commission.