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General Policy

BenefAction encourages and solicits gifts of cash, and other personal and real property as described herein, either as outright gifts or through donor-advised funds or other planned giving vehicles as are permitted by the Charities Directorate of Canada Revenue Agency and the laws of Canada.

Responsibility to the Donor

While the primary interest of BenefAction is to seek donations to assist in fulfilling its mandate, there is also an ethical responsibility to the donor. Accordingly, all parties acting on behalf of BenefAction will adhere to the following principals:

a) Conflict of Interest

In all matters involving the donor, the interest and well-being of the donor must take priority. In cases of potential conflict or actual conflict of interest, those acting on behalf of BenefAction must declare the conflict. A conflict of interest is deemed to occur when individuals who present themselves as a representative of BenefAction stand to benefit from the marketing of services or products to the donor. However, if the individuals present themselves as representatives of an outside firm, and part of their counseling involves planned giving for BenefAction, no conflict would exist.

b) Legal and Other Professional Counsel

In matters pertaining to the Planned Giving Program, the advice of a financial advisor, lawyer, accountant or other appropriate professional will be sought.

As donor's needs and circumstances vary, all donors will be advised to have their gift plans reviewed by their own lawyers or other professional advisors.

As a service to the Donor, BenefAction's will draft the Donor Agreement for all Donor-Advised charitable giving programs and will accept the responsibility for any legal fees incurred.

In the case of instruments drafted by the donor's lawyer (excluding Will clauses or codicils to the Will), counsel for BenefAction will review all such documents before they are accepted.

c) Ethics

All BenefAction staff and other individuals acting on behalf of BenefAction in promoting the Planned Giving Program will conduct themselves in accordance with accepted professional standards of accuracy, truth and integrity. Refer to the Canadian Association of Gift Planner's Code of Ethics and the Donor Bill of Rights created by various organizations including Association of Fundraising Professionals (AFP)

Acceptance of Planned Gifts

No planned or conditional gift will be accepted unless approved by the Chief Executive Officer. In those cases where acceptance of a gift imposes a financial obligation on BenefAction, or where financial valuations are required in order to issue a receipt or determine future values, the gift will not be accepted unless approved by the Chief Executive Officer. Also no gift will be accepted on behalf of BenefAction that may improperly benefit any individual or any other matter that may jeopardize the registered charity status of the corporation.

a) Appraisal

Depending on the nature or circumstances of the gift, a donor of property or gifts-in-kind may be asked to obtain an independent appraisal of the value of the gift. The responsibility for any fees will normally be covered by the Donor, subject to their approval; or by BenefAction from the donation proceeds, subject to the approval of the Chief Executive Officer.

b) Investments

All assets received by BenefAction are invested in accordance with the following policies established by BenefAction's Board of Directors.

c) Changes in Circumstances

Donors who designate a gift to a specific charity or specific purpose must be advised of the right of BenefAction to vary the gift designation in certain circumstances. Gift terms may be amended by mutual consent of BenefAction and the donor or his/her representative, during his/her lifetime where possible.

If circumstances change at some future date and jeopardize the continuation of the intent of a gift or it is deemed inappropriate to continue with the instructions, then BenefAction Board of Director's reserves the right to make whatever changes may be required due to circumstances, including but not limited to amendment of monetary value, selection criteria, or area of designation. These amendments shall be made with the understanding that the amended terms shall adhere as closely as possible to the donor's original intent for the gift, where appropriate.

Types of Gifts

The following methods of giving are encouraged and will be promoted through the Planned Giving Program:

- a) Gifts of Cash
- b) Gifts of Publically Listed Securities
- c) Gifts of Privately Held Securities
- d) Gifts of Life Insurance
- e) Gifts of Real Estate
- f) Gifts of RRSP's and RRIF's
- g) Bequests by Will

a) Gifts of Cash

Gifts of cash will be accepted by BenefAction by way of cheque from a donor, accompanied by a signed and properly executed Cash Donation Form; or by online donation via credit card payment.

b) Gifts of Publicly Listed Securities

Notice of intended gifts of Publicly Listed Securities will be given to the Chief Executive Officer. Upon notification, the donor will be sent a Transfer of Securities Direction Instruction form and a Donor Agreement. Both are to be filled out by the donor and the signed Donor Agreement is returned to BenefAction by the donor's advisor.

If the securities are in a brokerage account, they may be transferred by the donor's broker by instructing the broker to transfer the securities from his or her account to BenefAction's account. To transfer mutual fund shares, the donor and BenefAction need to send a Transfer of Securities Direction Instruction form to the mutual fund company along with other documents. For details on transfer of securities including mutual funds, please see appendix A.

The Chief Executive Officer or designate will work with the donor and his/her broker to provide direction as to the transfer of securities directly to BenefAction. Upon notification of the receipt of the securities, the Chief Executive Officer will:

- document the nature of securities donated;
- determine the fair market value of the securities at the time of ownership transfer as provided below;
- give direction for the issuance of an official donation receipt;
- assign any fees incurred in the transfer to the donation; as well as, any gain or loss on disposal;
- arrange for the liquidation of the investment by BenefAction's broker as soon as is practical and prudent, but usually immediately.

Although the fair market valuation of the securities for purposes of the official donation receipt can be either the closing price on the date of the legal transfer of ownership to BenefAction or the mean between the "high" and "low" on such date, generally BenefAction will use the closing price on the date of the gift.

The net proceeds from the sale of the shares will be directed to the Donor Advised Fund set up under the Donor Advised Fund Agreement. The net proceeds may be higher or lower than the amount on the official donation receipt.

c) Gifts of Privately Held Securities

BenefAction will accept a donation of shares from CCPC's provided:

- > There is a concrete redemption plan in place for BenefAction. This would require two separate letters of intent to be completed. One with the donor and one with the entity buying back the shares for cash. Both agreements must be signed in advance. BenefAction will receipt to shareholder only. Purchaser may be company or a third party (buyer) and not eligible for a receipt.
- > They are valued by an independent Chartered Business Evaluator (CBV). Any cost incurred by BenefAction to obtain the valuation will be allocated to the proceeds of the gift. Use of a CBV is required by

BenefAction to ensure that the eligible amount will be deemed to be reasonable by CRA if challenged.

If the shares being donated are preferred shares that were part of an earlier freeze and the redemption value previously ascribed to the shares will be the value used when the shares are redeemed; BenefAction would require a copy of the CBV documented at that time and have a letter of understanding from the pre-identified buyer of the shares from BenefAction.

Documentation is required in advance of any commitment of acceptance by BenefAction.

d) Gifts of Life Insurance

There are a number of ways to use life insurance to make a donation to BenefAction). Again, documentation is required in advance of any commitment of acceptance; and in the case of gifts of life insurance an additional Direction for a Gift of Life Insurance form must be completed and signed by the donor.

General Policy

In general, these gift strategies require either the naming of BenefAction as a beneficiary of the policy or an absolute and permanent transfer of ownership of the policy to BenefAction, after which BenefAction will name itself beneficiary of the policy.

Funding

The minimum donation to establish a DAF with BenefAction Foundation is \$25,000. Donors are encouraged to donate a policy after having established a DAF. However, an insurance only account may be accepted at BenefAction's discretion, provided the policy has a net death benefit of at least \$100,000. An account funded solely by a donation of life insurance policy proceeds cannot make any investments or grants until BenefAction has received the proceeds; because there are no investment funds to invest while the donor is alive.

Premiums

In situations where the donor elects to stop making donations to cover the premium payment, then BenefAction at its sole discretion may opt to continue to pay the premiums itself or surrender the policy for its cash surrender value. If BenefAction opts to surrender the policy for its cash surrender value and the Fund receives less than the \$25,000 required for a minimum initial donation, then, unless an additional donation is made to reach that minimum, BenefAction may transfer the assets into its general funds and close the account.

Valuation

The Canada Revenue Agency (CRA) now requires, on the gift of an in force policy, that the fair market value (FMV) of the policy be determined for the purposes of calculating the eligible amount of the donation receipt. BenefAction will accept gifts of in force policies when the donor obtains for BenefAction (at the donor's own expense) an estimate of FMV of the insurance policy from a BenefAction approved qualified independent actuary. Before incurring any expenses, donors should contact BenefAction to discuss the proposed donation and get approval on the proposed valuator.

BenefAction requires the following information prior to confirming acceptance of an insurance policy gift.

1. A copy of the policy contract.
2. A full In-force illustration from the insurance company showing death benefit and minimum premiums to keep the policy in force. The illustration should show the total death benefit each year and the required minimum premium until death.
3. Actuarial assessments (at the donor's expense) are required for existing policies, but not for a gift of premium payments. Independent valuations would be at the donor's cost; usually around \$2000.

Gifts of a New Policy

A donor may purchase a new life policy on his or her own life and pay the premium to the life insurance company. If the policy application is based on the donor as owner and estate as beneficiary, ownership can be transferred to BenefAction upon delivery of the policy by completed assignment form from the insurance company, the initial premium after assignment will qualify for a donation receipt. If the donor makes a premium payment and then donates the policy, any initial premiums required to set up the policy and paid in advance of the transfer of ownership will not qualify for a donation receipt.

In these cases, it is the premium amount that is considered to have been donated for tax purposes. All premiums paid will qualify for a tax receipt. The death benefit is not considered for tax receipt purposes, only the premiums.

BenefAction will require an End of Premium Payments illustration from the insurance company showing the policy to be fully paid for in no more than 15 years, using guaranteed values within the contract.

A Bequest of Life Insurance through a Will

This gift strategy is useful for donors relying on life insurance to reduce and/or fund taxes in their estate. A donor making a bequest under a will can claim charitable donations up to a maximum of 100% of his or her income in the year of death and the previous year (to the extent that not all charitable donations can be claimed in the year of death). By naming the estate as beneficiary of the policy, the insured can inject a large sum of tax-free cash into the estate to pay off legal bills, taxes and make charitable gifts. The insurance death benefit merely provides the means to make the payment. It should be noted that the estate trustees cannot retain too great a discretion in making the donation or it may not be considered to have been a gift made in the year of death.

Sample bequest wording can be provided on request.

Making BenefAction the Beneficiary of an existing policy

This strategy is commonly used by people who might be inclined to give, but whose personal and family needs may be subject to change would hesitate to transfer ownership of a policy to a charity. The designation of a charity as beneficiary of an individually owned insurance policy (but not a corporately owned policy) is that it will be treated as a gift made in the year of death (similar to a bequest in a will, discussed above.)

Other benefits to the donor in naming a charity a beneficiary (but not owner) of their life policy are: (1) they are able to make a large future gift to their charity; (2) they retain access to the cash value; (3) they maintain control over the gift as they are able to change the beneficiary in case family circumstances change; and (4) the insurance proceeds are not included in their estate, avoiding legal challenges, creditors as well as probate and estate administration costs. The donor names the charity as beneficiary, and upon his or her death, the insurance proceeds are paid to the charity, and the tax receipt is issued to the deceased. These factors tend to make the designation of a charity as beneficiary of a life insurance policy more attractive than having the donor provide for a gift of the proceeds through the will.

Gift of an existing Life Insurance policy

This gift strategy is an attractive option for people who have an older policy that is no longer needed or for those who want to make a large gift but have limited resources. The benefits are (1) that the donor receives a tax receipt for the fair market value of the policy at the time of the donation (which may be significantly more than the cash surrender value of the policy), and for any future premiums paid; (2) for a relatively small sum, they can ensure a large future gift for their favourite charity; (3) If premiums are still required, then all future premiums paid by the donor are eligible for a tax receipt; AND (4) the death benefit will bypass the estate thus avoiding probate, estate administration expenses, creditor and other legal challenges.

Split Ownership of the Insurance Policy

This arrangement is usually based on a Universal Life Policy where the donor and charity co-own the contract. It is structured on a 'Face plus Fund' basis where cash surrender value is added to the death benefit. The donor retains partial ownership rights in the equity portion of the policy (the cash surrender value) and in its corresponding death benefit. BenefAction will own the original face amount of the policy. Under this arrangement BenefAction can receipt the portion of the premium attributable to the original death benefit as determined by an actuary.

BenefAction will consider split ownership donations on a case by case basis provided the policy is documented by a contract or deed that clearly addresses ownership issues and the donor's rights to withdraw cash from policy during their lifetime.

In all cases where BenefAction is the outright owner (or part owner) of a policy, the death benefit to be paid to BenefAction must be guaranteed provided the premiums are paid.

Split Benefit Insurance Policies

A twist on the above arrangement occurs when a donor buys a UL policy and donates to charity. The contract for a split benefit gift would stipulate that the charity owns the policy and a specified percentage of death benefit is payable to the donor's estate/heirs via an irrevocable beneficiary designation. During their lifetime, the donor pays the ongoing premiums and benefits from the tax receipt issued by BenefAction relating to the death benefit retained by it. At death, the donor and BenefAction receives their specified percentage of the death benefit.

BenefAction will consider split ownership donations on a case by case basis provided, the donor agrees to pay the premiums and the policy is documented by a contract or deed that clearly addresses ownership issues.

In all cases where BenefAction is the outright owner (or part owner) of a policy, the death benefit to be paid

to BenefAction must be guaranteed provided the premiums are paid.

Donation of Segregated Funds

Donations of segregated fund policies from a living donor to BenefAction may be eligible for special capital gains treatment. The donation of a segregated funds policy will be treated as a disposition by the donor and will trigger a gain or loss for the owner. The Income Tax Act provides that the capital gains inclusion rate is nil for gifts of this property. The donation receipt would be equivalent to the value of the units (net asset value per unit as determined by the issuer) multiplied by the number of units donated less any advantage.

All units will generally be redeemed by BenefAction as quickly as possible. However, BenefAction may elect to defer redemption if it deems prudent. Any costs incurred by the Foundation to sell the units will be deducted from the proceeds of the sale. Redemption charges may also apply. An amount equal to the net proceeds after liquidation will be deposited into the donor's Fund.

Donations of segregated funds from a living donor require an in-kind transfer of the existing policy by means of an absolute and permanent assignment of an existing policy to BenefAction. Ownership can be transferred by completion of an assignment form from the insurance company.

e) Gifts of Real Estate

BenefAction Foundation [the Foundation] will consider lifetime and testamentary gifts-in-kind of real property. In all cases BenefAction Foundation will only consider accepting a donation of real property provided:

- There is a concrete redemption plan in place for BenefAction (e.g. a buyer is identified in advance to whom BenefAction sells the property immediately).
- The property is valued by an independent real estate broker. Any cost incurred by BenefAction to obtain the valuation will be allocated to the proceeds of the gift.

The Foundation must elect to accept or decline a gift of real property. Due to the expenses associated with gifts of real estate, only gifts valued in excess of \$100,000 will be accepted. In the case of gifts of real estate an additional Declaration of Intent to Donate Real Estate form must be completed and signed by the donor.

Real Estate Gift Acceptance and Management Procedures

1. **Declaration of Intent:** This is the first step towards initiating a gift of real estate to the Foundation. The donor is required to complete and submit the signed "Declaration of Intent to Donate Real Estate". The donor must provide the following documents: real estate deed; real estate tax bill; plot plan; substantiation of zoning status; environmental site assessment, if required (see 6 below). The CEO must approve the proposed donation before the next steps are taken.
2. **Appraisal of Fair Market Value:** Canada Revenue Agency requires satisfactory evidence of fair market value of the gift. Although the term "fair market value" is not defined in the Income Tax Act, the generally accepted meaning is the price the property would bring in an open market transaction between a willing buyer and a willing seller, acting independently of each other, and each having full knowledge of the facts. The Foundation will arrange for an appraisal after the declaration of intent has

been reviewed and preliminary approval has been granted. Appraisals must be dated within 60 days of the date of ownership transfer. The donor is responsible for obtaining and paying the cost of the appraisal unless otherwise determined by BenefAction. Any cost incurred by BenefAction to obtain the valuation will be allocated to the proceeds of the gift. Appraisals must be done by a person, independent of the donor and the Foundation, who is professionally qualified to evaluate the property in question as a charitable gift and is an accredited member (AACI) in good standing of the Appraisers Institute of Canada (http://www.aicanada.ca/e/findappraiser_find.cfm).

3. **Charitable Donation Receipt:** A qualified appraisal of the fair market value of the property and/or interest in the property is the basis of the charitable gift receipt. A donation receipt will be provided for the appraised value less any advantages or benefits received by the donor in accordance with the Income Tax Act and, rules and regulations issued by Canada Revenue Agency.
4. **Disposition:** The Foundation will dispose of all gifts of real estate (other than property which the Foundation wishes to retain) as expeditiously as possible. In all cases BenefAction Foundation will only consider accepting a donation of real property provided:
 - a. *For outright gifts:* There is a concrete redemption plan in place for the Foundation (e.g. the Donor identifies a buyer to whom the Foundation sells the property immediately). This would require a 3 way agreement to be set up in advance. The Foundation will receipt to the owner of the property donated. Purchaser may be company or a third party (buyer) and not eligible for a receipt.
 - b. *For A Gift of Residual Interest* the donor pays all costs of maintaining and insuring the property and assumes financial liability. Utilities, property taxes, insurance, and regular maintenance, are also the responsibility of the donor and capital improvements.
 - c. At no time will Benefaction accept a gift of real estate that the ownership of or subsequent disposition of would jeopardize Benefaction's charitable status.
5. **Net Proceeds:** The “net proceeds” are defined as the selling price of the gifted real estate minus the costs attributed to the disposition of said real estate. These costs include but are not limited to: realtor’s fees, legal fees, land transfer tax, property tax, appraisals, disbursement of registered debts and liens, administration fees and any carrying costs associated with the property between the date ownership is transferred to the Foundation and the date the property is sold.

6. **Potential Environment Risks:** All proposed gifts of real property, including gifts from estates, are subject to a qualified environmental audit and geotechnical report. The Foundation will arrange for an environmental and geotechnical audit (if required). Residential property which has been used solely for residential purposes for a significant (at least 20-year) period of time may be exempted, in the sole discretion of the Foundation, if the donor has signed a property disclosure form. In any case, the donor/executor may be required to execute an environmental indemnity agreement.
7. **Limitations and Encumbrances:** The charitable gift receipt value will be net of the costs of discharging debts registered against the title and net of any advantages conferred on the donor (e.g. life estate, retained interest). The existence of any and all mortgages, deeds of trust, restrictions, land claims, reservations, easements, liens and other limitations of record must be disclosed. A gift of real estate including mortgaged property and property subject to retained life interest, may be accepted if either:
 - a) All mortgages, deeds of trust, liens and other encumbrances have been discharged, OR
 - b) The fair market value of the Foundation's interest in the property net of all encumbrances (i.e. the Charitable Gift) is at least 20% of appraised value, OR
 - c) In very unusual cases where the gift of property is substantial but the net charitable portion is less than 20% of the appraised value.
8. **Mineral Rights:** Determine if mineral rights are being conveyed or retained by the donor.
9. **Carrying Costs:** The existence and amount of any carrying costs, including but not limited to property owners' association dues, country club membership dues and transfer charges, taxes and insurance, must be disclosed.
10. **Title information:** A copy of any title information in the possession of the donor, such as the most recent survey of the property, a title insurance policy, and/or lawyer's title opinion, tax roll number etc., must be furnished by the donor.
11. **Transfer of Property:** The CEO in consultation with the Foundation's lawyer, sees that all documents for conveying the property and agreements with donors are prepared and executed. The form of transfer may be prepared by the donor's lawyer and then reviewed by the Foundation's lawyer, or prepared by the Foundation's lawyer and reviewed by the donor's lawyer. Until title is transferred the donor is required to keep the property adequately insured.
12. **Distribution of Net Proceeds** from the sale will be made available only after a property is sold and all related transactions have been completed.

13. **Legal and other professional advisor's fees** incurred by the donor in the transfer of the property will not be paid by the Foundation.
14. **Management and Sale of Property:** The CEO will arrange a property inspection and will review the documents submitted with the Declaration of Intent. After the ownership has been transferred to the Foundation but prior to the sale, (CEO) will be responsible for the management of the property. The CEO will ensure that the property is adequately insured, authorize maintenance items, track income and expenses, and make arrangements for collection of rents and payment of taxes and other expenses. The CEO may hire a property manager or retain other professionals for any of these services. The costs shall be borne by the subject property and paid either from income (rents) or sales proceeds. The CEO will select a listing agent (or otherwise make arrangements for selling the property) and determine the amount for which the property shall be listed. The CEO is authorized to accept offers and make counter-offers informing and consulting with the donor. Following the sale the net proceeds will be used for the purpose designated by the donor as approved by the CEO. Any net revenues available to the Foundation prior to the sale will likewise be used for this purpose.
15. **Deed of Gift and Receipt:** The donation of the property by the donor will not be accepted by the Foundation until the Foundation has completed the steps set out in 1 to 11 above and its due diligence review of the property. Once completed, the Foundation will provide a Deed of Gift to the donor for signature (sample provided in the form attached) and acknowledge receipt of the donation by signing Section IV. Gift Acceptance herein and issuing a Donation Receipt.

f) Gifts of RRSP's and RRIF's

BenefAction encourages individuals to designate BenefAction as the beneficiary of their registered plans. Your estate will be deemed to have made the gifts and be entitled to an offsetting charitable receipt. BenefAction's legal name is: BenefAction Foundation.

g) Bequests by Will

BenefAction encourages individuals to include a bequest in their Will. BenefAction's legal name is: **BenefAction Foundation**. Individuals may review sample language for bequests to BenefAction. As well an individual may prepare for BenefAction a Sample Bequest letter to provide greater specificity in terms of their wishes.

For individuals who have made adequate provision for their heirs, encouragement is given to naming BenefAction as a residual beneficiary. Bequests of specific dollar amounts are also encouraged. A donor may also include a contingency clause that provides a bequest to BenefAction after the death of a named "last survivor". In this case, a donor may provide to BenefAction all or a portion of the remaining estate following the death of the named beneficiary.

Donors will be advised to seek independent legal counsel in drafting of their Will. It is understood that members of the BenefAction team will not become involved in the preparation, execution or witnessing of a Will in which BenefAction is named as a beneficiary.

BenefAction's recommended bequest wording

To pay to BENEFACTION FOUNDATION, a public foundation registered with the Canada Revenue Agency (Registration # 80421 3759 RR0001) currently located at 500 – 300 Avenue Victoria, Westmount, Quebec, Canada H3Z 2M9, the [sum of _____ Dollars (\$_____)] / or the residue (OR – _____% of the residue) of my estate for the purpose of contributing to a new fund to be known as _____ (the "Fund")/ or to the existing fund known as _____ (the "Fund"), to be held in a brokerage account owned by the BenefAction Foundation on the following trusts: the capital of the Fund will be invested in an endowment fund held by BenefAction Foundation and shall be invested and reinvested by BenefAction Foundation in accordance with its investment policy as approved by the Board of Directors of the BenefAction Foundation from time to time.

Listed Charities

Annual distributions shall be made to the following charities: [insert names and CRA Registration # of charities] in accordance with the granting policy of the BenefAction Foundation in effect from time to time.

I declare that the receipt of the person professing to be the Treasurer or other proper officer of the above-named charitable institution shall be a sufficient discharge to my Trustees who need not see to the application thereof. I specifically authorize my Trustees, in their absolute discretion, to satisfy all or part of this legacy by way of an in specie transfer or transfers, of one or more securities forming part of the residue of my estate at the time of my death.