

# Acceptance and Disposition Policy

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The Rotary Endowment Committee will act as the committee to review proposed non-cash gifts to the Endowment and recommend acceptance and disposition to the Board of Directors for approval.

The following rules will apply to all gifts:

1. All gifts/donations of stock, bonds, mutual funds, CDs or any other typical negotiable investments will be liquidated upon receipt in good deliverable form. Proceeds will be added to the existing investment portfolio.
2. All other gifts, including but not limited to, real property, royalty interests, insurance policies, etc. will be reviewed by the committee prior to acceptance. Final approval of acceptance and disposition will be made by the club Board of Directors.
3. This policy will be reviewed by the Rotary Endowment Committee annually. Any changes or amendments will be approved by the club Board of Directors.



SINCE 1908

**INSURANCE**

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July 21, 2000

Perry Olsen  
73 Penny Lane  
Watsonville, CA 95076

Re. Watsonville Rotary Endowment

Dear Perry,

Thank you for your letter concerning the Watsonville Rotary Endowment. Your concerns were appreciated and discussed at the recent board meeting.

We clearly understand and agree with you regarding the reference to the endowment as an individual's. Last year we separated the financial statements of the club and the endowment. Until then the Cronin and the Bowen funds were shown as separate items and designated by name. With this change we began referring to the endowment as the Watsonville Rotary Endowment in communications, investment accounts and on financial statements.

We also developed and adopted a statement of objectives and investment policy for the endowment. A copy is enclosed.

The second item generated the most discussion, and it prompted some concerns. All feel that it is a great idea, but there was concern regarding fiduciary responsibility. The main concern was what happens if for some reason a premium payment was not made on a timely basis and the policy lapses?

The Board asks that the endowment committee and the endowment review committee meet, discuss this matter and make a recommendation. There are several other issues such as scholarship allocation amounts, which should also be discussed. I will be happy to call and to host the meeting.

In the meantime, if this situation were to arise, the Board has authorized the President to act after consulting with a majority of the Board members.

Thanks for your time and concern regarding the Watsonville Rotary Endowment. I look forward to hearing from you.

Sincerely,

John Kane III



CALIFORNIA INSURANCE LIC. # 0426333

LAW OFFICES OF  
PERRY E. OLSEN, INC.  
73 PENNY LANE  
WATSONVILLE, CALIFORNIA 95076

July 20, 2000

JOHN W. KANE III  
K&K INSURANCE AGENCY  
P.O. Box 310  
Watsonville, CA 95077

(sent by fax)

Re: Watsonville Rotary Endowment

Dear JOHN:

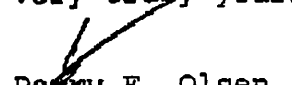
Pursuant to your request, I am faxing you this letter with some of my concerns concerning the Watsonville Rotary Endowment.

I have a client who recently changed a large testamentary bequest to the Watsonville Rotary Endowment to a different charity. I believe the underlying reason was people's reference to the Watsonville Rotary Endowment as the LEO CRONIN endowment. Nobody wants to give to another individual's foundation or endowment. If the Watsonville Rotary Endowment is ever going to grow significantly, people must not refer to it as an individual's endowment.

I recently had a client who wanted to name the Watsonville Rotary Endowment as the trustee of an irrevocable insurance trust to hold ownership of a life insurance policy for estate planning purposes. The client wanted to give the endowment one thousand dollars (\$1,000.00) for doing this. The endowment's responsibilities would be minimal, and amount to accepting checks and forwarding the money to pay insurance premiums. I believe things of this nature would be a good source of funds for the endowment. However, the endowment was not able to respond fast enough. My client had to appoint a different trustee, or delay procuring the insurance longer than the client was willing to delay. I recommend that the endowment authorize the Watsonville Rotary Club President to make decisions on matters such as this so that a prompt response can be made, and money not lost.

Please let me know what action the Board is willing to take on these issues. The members and Board of Trustees of the Watsonville Rotary Endowment are the Board of Directors of the Rotary Club of Watsonville. Any action taken by the Board should be taken in this capacity.

Very truly yours,

  
Perry E. Olsen  
Attorney at Law

PEO/af