THE FLORIDA STATE UNIVERSITY

REAL ESTATE FOUNDATION

PROCEDURES

FOR THE ADMINISTRATION OF

GIFTS OF REAL PROPERTY

Adopted: October 21, 2021

(Adopted Section 6 of University Gift Acceptance and Counting Policies with changes)

SECTION I: REAL ESTATE

The Direct Support Organizations ("DSO") of The Florida State University ("University") receive gifts of real estate for the benefit of the University. Real estate gifts may be held or sold depending on the type of real estate asset and the optimal strategy for maximizing the value and/or utility of the property to the University. Net proceeds derived from sales, leases, trades, or operations of donated real estate are used for the charitable purposes specified by donors.

The Florida State University Real Estate Foundation ("REF"), a DSO, was established to advise and assist the University and its other DSOs with gifts of real estate, and is available to participate in gift acceptance as required by these policies and as desired by the DSOs. For gifts of real estate where the beneficiary is not defined as a specific university unit, the REF will be responsible for accepting the gift and holding the asset for the benefit of the University.

The REF will make inquiries prior to the acceptance of a real property gift concerning its condition, including but not limited to valuation, marketability, carrying costs and environmental risks. Real property gift transactions require a broker opinion of value, title work, environmental reports, ALTA surveys and other due diligence procedures typical of real property transactions.

ALTA surveys and environmental reports are particularly important in the gift acceptance process. They provide measures of protection to the University and the DSOs from claims by third parties or other governmental agencies. For example, federal and state environmental statutes can impose retroactive, joint and several liability upon donors (or their estates) or the DSOs regardless of fault. This liability can be limited by due diligence exercised by the DSOs.

The following procedures are to be followed in the acquisition, use, management, sale, lease, or trade of real property. Any questions about the procedures should be directed to the REF's Vice President. The procedures contained herein govern the acceptance of real property, special acquisitions, and the management and sale of real property by the REF.

Following a review process that includes relevant REF staff and, at times, other consultants, the sole authority for the acceptance of any real estate gift rests with the REF's Board of Directors ("Board"). Except as provided for Section XIII, College or Unit Agreement infra, the donor and/or university unit serving as cognizant beneficiary or purchaser of each real property may agree, in writing and prior to consideration by the Board, to pay closing costs, due diligence expenses, and carrying costs (the "Expenses") related to the property until such time as the REF conveys title to the property to another party by virtue of a sale, transfer, or other means. The Expenses include, but are not limited to legal fees, taxes, mortgage and interest payments, insurance, utilities, and other costs incurred by the REF. For those properties designated for immediate resale, unless the REF has agreed in writing to carry the Expenses and to be reimbursed for the Expenses from the sale proceeds of the property, the Expenses, once incurred by the REF, are payable on demand. If, however, a decision is made to retain the property for a period of time (the "Holding Period") to maximize its ultimate benefit to the University, the university unit benefitting from the donation of the property is responsible for paying the Expenses noted above during the Holding Period. The donor's or university unit's written agreement to this arrangement shall be sufficient to authorize the REF to disburse funds for the Expenses from the beneficiary fund, or, if that fund has insufficient cash assets, from another fund of the unit designated by its dean or chair.

SECTION II: THE REAL ESTATE FOUNDATION

The REF is a resource available to the DSOs in accepting gifts of real property. Gifts with an estimated market value of $1,000,000 or more require approval by the Board. Gifts with an estimated market value of less than $1,000,000 may be brought to the REF for review and/or assistance, but do not require approval by the Board.

Support for the REF is provided, in part, through two separate mechanisms in the gift acceptance process. For assets held or managed by the REF, an annual Management Fee will be assessed and, unless otherwise agreed to in writing by the REF, billed no later than on an annual basis to the university unit on an annual basis. The Management Fee currently ranges from 50bps to 100bps (0.5% - 1.0%) and is dependent upon the effort required to manage and maintain the asset. This fee structure is established by the Board, is subject to change, and is applied by the Vice-President (or designee) of the REF.

Apart from the Management Fee, the REF receives support in the form of a 5% distribution of the proceeds of real estate gift ("the Distribution"). For gift acceptance on behalf of other DSOs or University Units, the REF requires the Distribution as a method of underwriting the time and effort necessary to accomplish gifts of real estate. This distribution is payable to the REF at the time the REF conveys title to the property to another party in a sale, transfer, or other means, or three years following the date of gift acceptance, whichever occurs sooner. In the case of a property to be held by the REF for an indeterminate time on behalf of a University Unit, the Distribution is payable immediately following the REF's receipt of title to the property. This Distribution applies to all gifts for which the REF is asked to review or assist (valued at less than $1,000,000) and for all gifts in excess of $1,000,000 in value that require REF Board approval.

The REF's Vice President shall have the discretion and authority to waive either of these funding methods in relation to the Florida State University Foundation for as long as the latter contributes significantly to the REF's annual operating budget.

The REF actively solicits gifts of real property. In addition, in furtherance of its mission, the REF may acquire interests in real property by non-gift means for use by the University.

The REF markets gifts of real property unless the University intends to retain the property for its own purposes. Proceeds from donated real property sales, leases, or trades are used for the charitable purposes specified by donors in the related Gift Agreement.

The Board determines acceptance, management and liquidation of real property according to the following policy.

SECTION III: MINIMUM STANDARDS FOR REAL PROPERTY

Acceptance of any real property by the REF is subject to the following minimum standards. Responsibility for associated costs of due diligence required by these minimum standards are outlined in Addendum to Gift Agreement (Providing a Gift of Real Estate).

A. A Phase I Environmental Report ("Environmental Report") may be required, although recently platted residential property may be excluded. The Board may accept or reject this report and request a Phase II or III Environmental Report.

B. Proof of clear and marketable chain of title.

C. An ALTA survey, reflecting any conditions appearing in the title search.

D. A building inspection and a Wood Destroying Organism report completed by qualified companies if there are improvements on the subject property that contribute to its value.

E. A broker's opinion of value based on market conditions and comparable properties.

F. All revenues, expenses, assessments, and claims due or accrued that are associated with the property shall be paid, provided for, satisfied, and/or made current on the date of gift, including taxes, assessments, and other expenses for which the REF would ultimately become liable.

G. Mortgage assumption or assignment ability acceptable to the Board

H. Approval by the Board of any special deed clauses associated with the property.

I. An agreement, in writing, to pay all expenses incurred by the REF and related to the required due diligence, acquisition and disposition of the property.

SECTION IV: REAL ESTATE GIFT ANALYSIS

Prior to acceptance or recording of any documents related to real property acquisitions, the REF's Vice-President, or designee, will expeditiously review the documentation, taking into consideration the donor's time constraints. They will consider the following about the real property to be acquired:

A. Market conditions for resale or disposition.

B. The condition of any improvements.

C. The current and potential zoning, land use, and concurrency issues.

D. Any costs associated with holding the real property for resale.

E. Other considerations specific to the acquisition
(see Section III: Minimum Standards for Real Property).

SECTION V: WARRANTY DEED

Title will be transferred to the REF by warranty deed unless transfer is by a trustee, personal representative, or other fiduciary providing a deed appropriate to that capacity. The REF's legal counsel will review all deeds. Exceptions to this policy are at the discretion of the Florida State University Office of General Counsel.

SECTION VI: APPRAISAL

The Internal Revenue Service requires an appraisal if the value of the real property is greater than $5,000 and the donor wishes to claim a charitable income tax deduction. If the donor wishes to claim a charitable tax deduction, it is their obligation to contract for an appraisal that meets the requirements of the Internal Revenue Service. In the absence of an appraisal, the real property may be recorded on the books for its current ad valorem tax value.

SECTION VII: TITLE SEARCH AND TITLE INSURANCE

A title search is required for all real property transactions. A title insurance policy will be required for non-gift or gift acquisitions of mortgaged property or when the value of the property exceeds $10,000.00. In all cases, satisfactory proof of title must be furnished.

SECTION VIII: SURVEY

An ALTA survey will be required for all gift and non-gift acquisitions of mortgaged property or when the value of the property exceeds $10,000.00, unless the Board and the REF's legal counsel determine that existing surveys or drawings are adequate.

SECTION IX: REAL PROPERTY TAXES AND OTHER CARRYING COSTS

All real property taxes and other carrying costs must be paid and current at the time the title to the real property is transferred to the REF. If a decision is made to retain the property to maximize its ultimate benefit to the University, the university unit benefitting from the donation of the property would be responsible for paying the real property taxes and other carrying costs on an ongoing basis.

SECTION X: MORTGAGED PROPERTY

The REF will rarely accept mortgaged property and never accept mortgaged property into a charitable remainder unitrust. However, when real property subject to a mortgage is acquired, the mortgage will be current and assumable and will be accepted only following approval by the Board and the REF's legal counsel. Prior to the acceptance of mortgaged property, the following must be obtained:

A. A minimum of a 50% equity value will have been established.

B. A method for the payment of the remaining debt will be determined.

SECTION XI: LEASES

When real property is acquired by the REF is subject to a lease, leases will not be in default and will be assignable by the landlord. All property acquired subject to a lease will require approval by the Board. Upon approval, the leases will be assigned to the REF and all deposits, advance rents, and other monies will be transferred to the REF or otherwise accounted for as required by law.

SECTION XII: SPECIAL DEED CLAUSES

The Board and REF's legal counsel must approve any special deed clauses.

SECTION XIII: COLLEGE OR UNIT AGREEMENT

Each university unit benefiting from a gift or acquisition of real property will agree, in writing, to pay the Expenses incurred by the REF until the REF conveys title to the property to another party in a sale, transfer, or other means, as well as agree to pay the Distribution and Management Fee, if applicable. The unit must agree to either pay the Expenses, Distribution, and Management Fee when they are incurred and demanded by the REF or allow the REF to be reimbursed for the Expenses, Distribution, and Management Fee from the proceeds of the sale of the property. The Agreement will authorize the REF's Vice-President, or designee, to pay the expenses and it will identify the appropriate REF account from which the monies are to be disbursed.

Due to IRS regulations, this portion of the policy will not apply in cases where charitable remainder unitrusts are funded with real property.

SECTION XIV: ENVIRONMENTAL REQUIREMENTS

No interest in real property, whether acquired outright, in trust, by bequest, as a secured interest, or otherwise, will be accepted by or on behalf of the REF without first complying with the following procedures:

A. A Phase I Environmental Report will be performed on every real property asset, except recently platted residential property, prior to its acceptance by the REF. The REF, at its discretion, also may require environmental reports on recently platted residential property.

B. If the Environmental Report indicates area(s) of significant concern or recognized environmental condition (REC), a more comprehensive investigation including, but not limited to, a Phase II or Phase III Environmental Report may be undertaken prior to acceptance of the property. All Environmental Reports will be performed by a qualified consultant.

C. If the above procedures reveal any liability, the real property may be accepted only after a request, in writing, by the REF's Vice-President, or designee, and a subsequent written approval of the Board.

D. All contracts for Environmental Reports will be prepared and reviewed by the REF's legal counsel. All Environmental Reports must be reviewed by the REF's legal counsel prior to the Board approval of gift acceptance.

E. The REF may require an indemnification agreement from the transferor of real property regarding hazardous waste liability.

F. In the case of an acquisition of real property by estate, all costs of environmental assessment and remediation will be borne by the estate before the real property is distributed to the REF. If the remediation is too costly, or the potential for liability too great, the REF may disclaim its interest in the real property.

All real property held by the REF in any capacity shall be managed to minimize or eliminate any liability resulting from hazardous materials and to comply with all federal and state regulations related thereto. The sale or transfer of real property by the REF will be handled to eliminate any future liability by the REF for hazardous substance remediation. The REF will fully disclose to prospective transferees any and all information concerning the condition of any hazardous substances existing on the real property.

SECTION XV: UNSOLICITED DEEDS

Unsolicited deeds will not be accepted. Upon the receipt of unsolicited deeds, the REF's legal counsel will immediately notify the grantor in writing that the real property has not been accepted and will not be accepted until the requirements of the policy governing real property transfers are met. Otherwise, a disclaimer of interest or notice of non-acceptance may be recorded by the REF's legal counsel in the county in which the property is located.

SECTION XVI: REAL ESTATE USED TO FUND PLANNED GIVING VEHICLES

As a rule, encumbered real estate should not be used to fund any type of income- producing planned giving vehicle. However, unencumbered real estate may be used to fund specific types of planned gifts known as charitable remainder unitrusts. The Internal Revenue Code describes the types of charitable remainder trusts to be used in this situation. The rules involved are complex and specific. Should the donor request that the REF serve as Trustee of such a charitable remainder unitrust, the FSU Foundation's Office of Planned Giving will review the request in consultation with the REF Treasurer and chief financial officer as well as the REF's agent in managing these trusts.

The REF strongly discourages the use of real estate as a funding mechanism for all other types of income-producing vehicles, such as charitable gift annuities.

SECTION XVII: TIME SHARE AND FRACTIONAL INTERESTS

A. Time share units will not be accepted as gifts.

B. Fractional interests may be considered. Any gift of a fractional interest in real property regardless of value must be approved by the REF and is subject to these Procedures for Administration of Gifts of Real Property.

SECTION XVIII: THE SALE AND MANAGEMENT OF REAL PROPERTY GIFTS

In accepting property for resale, the REF seeks to obtain the best price and terms within a reasonable period, unless the Board deems that holding or leasing of the property is in the beneficiary unit's best interest. During any holding or leasing period:

A. The REF is authorized to charge routine property carrying costs, such as taxes, insurance, maintenance, travel, surveying/engineering, title examination, closing and other costs, to the cognizant beneficiary of the property in accordance with these Procedures for the Administration of Gifts of Real Property. These costs shall be reported regularly to the appropriate fund administrator.

B. Any properties identified for immediate disposition will be listed for sale within a reasonable period of time. The Vice President is authorized to execute listing contracts on behalf of the Board.

C. A property's objective may be changed to the production of income or appreciation after consultation with all affected parties and with the consent of the Board.

SECTION XIX: SALES EFFORTS

Those properties identified for immediate disposition will be listed for sale within a reasonable period of time. The Vice President or delegate shall provide the Board, at its periodic meetings, with an inventory of all properties held by the REF.

A. Brokers participating in the local Multiple Listing Service (MLS) or the equivalent listing service for commercial properties shall be given preference. All efforts shall be made to retain a brokerage that can give the property the broadest market exposure.

B. The Real Estate Foundation strives to provide all brokers with equal access to its real estate inventory. This objective does not preclude the use of exclusive listings provided that broker fees are not in excess of customary local fees.

C. Properties may be marketed in-house, although this practice is discouraged. The Vice President shall attempt to negotiate reduced fees when brokers present buyers arising from in-house marketing efforts.

D. An auction sale may be approved by the Board for groups of lots or parcels when they are in the same subdivision or geographic location or if the beneficiary college unit agrees to and approves such auction sale.

SECTION XX: LISTING PRICES

A. The listing price of property shall be set by the REF based on a review of information contained within any or all of the following: the property's most recent appraisal, a current comparable sales analysis of the property, and a broker's opinion of value for the property. If no offers have been received on the property within a reasonable period of time, the

REF's Vice President may seek authority from the Chair of the Board to reduce the listing price accordingly. In situations where it is in the REF's best interest not to have a listing price on property held for resale (i.e. large commercial properties, etc.), no listing price is required.

B. Special consideration may be given to the procuring broker when listing the real property for sale, provided any such agreement to list is non-binding on the REF and the fees are not in excess of customary local fees.

C. Whenever possible, the REF staff will solicit recommendations regarding local brokers and the general marketing effort from local Board members, friends of the University, or the donor.

D. The payment of fees to brokers when they are principals is discouraged. In such an event, the proportion of the broker's interest in the transaction will reduce the fee.

SECTION XXI: ACCEPTANCE & EXECUTION OF REAL ESTATE SALES CONTRACTS

The Vice President and/or the REF's legal counsel will review and comment upon each real estate sales contract prior to its presentation to the Board for review. Such contracts will be subject to the following:

A. The REF's Vice President is authorized to execute real estate sales contracts under $1,000,000 without the Board's approval, if the sales price is at least 90% of the board-approved listing price, and the contract contains standard terms as appended hereto. The Vice President will report all such transactions on a quarterly basis.

B. Real estate sales contracts exceeding $1,000,000 require the approval of the Board prior to execution by the REF's Vice President.

C. All other real estate sales contracts require Board approval prior to execution by the Vice President.

SECTION XXII: LEASING

A. <u>Leases With the University</u>

1. The Vice President may negotiate leases with the University at less-than-market rents, provided the use of the real property is non-profit, complies with the University's objectives and the REF's mission, and does not result in any expense to the REF. The leases may not create a negative cash flow for the REF unless the

beneficiary university unit agrees in writing to underwrite the losses.

2. All leases will be negotiated and executed in accordance with the University's Board of Trustees' policies and procedures.

3. The REF's legal counsel will review and approve all leases prior to execution.

4. Funding of depreciation shall be considered when computing break-even points for below market or nominal rent leases.

B. Other Leases

1. Upon approval by the REF's legal counsel, the Vice President is authorized to execute a lease provided that the term is five (5) years or less, and/or the annual rent is $100,000 or less.

2. Approval by the Board will be required when the term of the lease exceeds five years and/or the annual rent exceeds $100,000.

3. The Vice President may delegate leasing and management functions to outside professional management firms when deemed appropriate.

SECTION XXIII: NON-DISCRIMINATION

The REF will not discriminate or condone discrimination in its real property activities. It will conduct all affairs in compliance with all applicable State and Federal equal opportunity, fair housing, equal credit opportunity or other anti-discrimination laws.

SECTION XIV: EXCEPTIONS

Upon written request by the REF's Vice-President, or designee, exceptions to these policies and procedures will, except for Section XXIV above, Non-Discrimination, be considered on an individual basis by Chair of the Board, who will notify the other directors of the decision at a meeting of the Board.