

Seattle Rep Board Meeting

Thurs., July 16th, 2020
4:30pm – 6:30pm

Location: Go To Meeting Video Conference

Item	Speaker	Time
Welcome/Introduce New Trustees	Amy Bautista	4:30pm
Approval of June 18 th Minutes	Amy Bautista	4:40pm
Trustee Recruitment Update	Juli Farris/Janice Tsai	4:45pm
FY21 Season Planning Update	Braden Abraham/Jeffrey Herrmann	5:00pm
Finance	Vinita Gupta/Jeffrey Herrmann	5:15pm
• FY20 Close Out		
• Cash flow status		
• Update on FY21 three-month budget		
• Progress of FY21 nine-month budget		
Approval of Gift Acceptance Policy	Jamie Herlich Mclalwain	5:45pm
Revenue Acceleration Task Force	Tracy Daw/Rebecca Pomeroy	6:00pm
New Business	Amy Bautista	6:15pm
Executive Session	Amy Bautista	6:20pm
Adjourn/Happy Half Hour	Amy Bautista	6:30pm

SEATTLE REP MISSION

Seattle Rep collaborates with extraordinary artists to create productions and programs that reflect and elevate the diverse culture, perspectives, and life experiences of our region.

SEATTLE REP VISION

Theater at the heart of public life.

SEATTLE REP VALUES

Artistic Vitality, Sustainability, Generous and Inclusive Practices

SEATTLE REP
Board Meeting Minutes – June 18, 2020

[Proposed]

IN ATTENDANCE (via GoToMeeting): Braden Abraham, Amy Bautista, Matthew Bergman, Lynne Bush, Oneika Cassanova, Liz Choy, Diane Cody, Jim Copacino, Tracy Daw, Juli Farris, Donte Felder, Karen Fletcher, Scotland Glenn, Jay Hereford, Jeffrey Herrmann, Alyssa Hochman, Winky Hussey, Bruce Johnson, John Keegan, Debbie Killinger, Mandy Leifheit, Becky Lenaburg, Marko Lias, Charlotte Lin, Sandra Lucas, Sandy McDade, Rick McMichael, Carla Millage, Terri Olson Miller, Kevin Millison, Lisa Oratz, Anita Ramasastry, Tim Rattigan, Anne Simpson, Rick Stead, Carlyn Steiner, John Stilin, Janice Tsai, Marisa Walker, Nancy Ward, Tom Wright

ABSENT: Sue Ashmun, Jarvis Bowers, Deb Canales, Donna Cochener, Stellman Keehnel, Gwen Kroon, Marcella McCaffray, Rebecca Pomeroy

ADVISORY COUNCIL MEMBERS (via GoToMeeting): Mary Kay Haggard, Tricia Pearson

TRUSTEES EMERITI (via GoToMeeting): Toni Hoffman

STAFF (via GoToMeeting): Hattie Andres (Assistant to the Artistic Director & Artistic Associate), Elisabeth Farwell-Moreland (Producing Director), Vinita Gupta (Director of Finance), Michelle Haines (Director of Marketing & Communications), Angie Kamel (Public Works Director), Jamie Herlich McIlwain (Director of Development), Nabra Nelson (Director of Arts Engagement)

All documents referenced in the minutes below can be accessed on the password-protected Board Corner. See “6-18-2020 Board Meeting Packet” and “6-18-20 Board Presentation.”

I. WELCOME/ APPROVAL OF MAY 21ST MINUTES

- Managing Director Jeffrey Herrmann took roll at 4:37pm and Board Chair Amy Bautista called the meeting to order at 4:39pm. Amy expressed her thanks to staff for their work throughout the year and to Trustees for their commitment and attendance
- Debbie Killinger moved to approve the minutes from the May 21, 2020 Board meeting. Sandy McDade seconded the motion. After a vote, the minutes were unanimously approved.

II. FY21 SEASON PLANNING UPDATE

- Artistic Director Braden Abraham shared that staff is working on a Bagley reconfiguration plan with architects and structural engineers, who are all offering their services pro bono. Meanwhile, negotiations with Actors' Equity regarding health and safety protocols for performers are ongoing.

The season planning team continues to discuss possibilities for the 20/21 and 21/22 seasons, creating a menu of options. Braden shared that Senior Leadership hopes to know more in the next few weeks so that we can make a public announcement about our plans for next season soon.

III. **FINANCE UPDATE: FY20 PROJECTION & INTERIM 3-MONTH BUDGET**

- Projection/Financial Highlights: Jeff began with a review of current liquidity followed by the FY20 forecast, which shows a projected net loss of -\$168K versus the -\$300K FY20 budget. This projection doesn't include the injection of PPP funds into the FY20 budget (and there are still open questions about whether PPP funds can ultimately be recognized in FY20).
- Director of Development Jamie Herlich Mclalwain shared that there is just over \$700K left to raise by June 30th against the \$5.84M contributed budget for FY20. She shared that, last year, the team raised \$700K during the same period of time (though, of course, there was no pandemic or social unrest last year at this time). Achieving the contributed goal would reflect a 20% increase in contributed revenue over FY19 while a worst case shortfall of \$500K would still reflect a 9% increase over FY19.
- Cash Flow: Director of Finance Vinita Gupta reviewed cash flow, reporting that cash on hand was lower than forecast due to the pause in subscription sales (-\$140K) and PPP funds not yet being transferred over from our Morgan Stanley account (-\$245K).
- FY21 Budget: Jeff reviewed the thinking behind proposing a three-month budget (July 1st – Sept 30th), saying that this will give staff more time to develop a producing plan for FY21. Staff would bring a budget for the remaining 9 months of FY21 to the Board for approval in September.
- Jeff described the paradox in asking staff to create a three-month budget: staff is supposed to use the summer to fully develop plans for the rest of the season; but staff needed to know what the plans are for the rest of the season in order to properly budget for these summer months.
- To address this challenge, staff budgeted out two scenarios: a "producing" model, based on Braden's plan to produce plays in a socially-distanced way in FY21; and a "hibernation" model, which would see no shows until FY22. In the event of hibernation, the theater would focus on new play development, remote youth engagement and Public Works activities, virtual arts engagement programming, and internal systems improvements (finance, HR, and IT).
- Jeff then reviewed both budgets, noting they were cash budgets (vs. a typical accrual budget, which recognizes both pledges and A/P). This is because tracking cash is going to be more important than looking at profit and loss over this compressed three-month period.
- Sandy McDade asked about the assumption that there would be no subscription refunds processed in the producing model. He also asked whether the announcement that we would be altering our FY21 season would happen in stages or all at once. Director of Marketing & Communications Michelle Haines replied that given the experience with

refunds for the remainder of the FY20 season, we are assuming very few refunds in FY21 if we are able to execute the producing model (whereas there will likely be many refunds if we go into hibernation). She also said that the plan is to announce changes to our subscription offerings and model in mid-July followed by an announcement of titles in the early fall.

- Anne Simpson asked how headcount under the producing model compared to “normal times.” Jeff said that it worked out to 15 – 20 fewer administrative staff members.
- Jamie then reviewed her fundraising strategy sharing that under the producing model, fundraising would focus on shows and reconfiguring the theater, whereas in hibernation fundraising would focus on sustainability, capital projects, virtual engagement, and new play development work.
- Jeff reviewed the theater’s projected cash position on Sept 30th in both models: -\$186K in the producing model or -\$314K in hibernation. He noted that the erosion in cash conformed to the theater’s typical cash pattern, as we tend to spend down cash in the summer when we are dark. Both scenarios will leave us roughly \$1M in cash on Sept 30th.
- Given the similarity between the bottom lines, staff recommends pursuing the producing model until there is no choice but to hibernate. This aligns with our mission which is, after all, to produce plays. It also allows us to keep engaging our subscribers and donors and exhibit leadership at a time when many other theaters are going into hibernation.
- Jeff reviewed the factors that would force us into hibernation: insurmountable union or government obstacles; prohibitive costs to produce in a socially-distanced way; or erosion of our projected cash position on Sept. 30th.
- Jeff reviewed how staff will measure and manage financial performance over the summer. Modeled on the theater’s “Not to Exceed Framework,” a forecast variance of -\$50K to -\$100K would trigger a weekly cash review with the Board Treasurer. A forecast variance of -\$100K to -\$250K would force implementation of a series of cash-savings measures, including pushing back production team start dates, delaying the start of PATP, reducing capital expenditures, layoffs, and a salary furlough. Finally, a negative forecast variance of more than -\$250K would force hibernation.
- Jeff wrapped up by noting that the goal of the three-month budget is to buy time to try and make the producing option work. Most theaters work on long-term producing timeframes and the uncertainty produced by the pandemic has impelled many to already cancel their next seasons. This three-month budgeting strategy is designed to provide the Rep with maximum flexibility in hopes of being able to produce; but there are clear benchmarks and contingencies if things start to deteriorate.
- Amy Bautista asked if the contributed cash numbers include payments from campaign pledges. Jeff and Jamie said yes, campaign commitments due to be paid over the summer have been included in the tally of cash.
- Marisa Walker asked about the timeline for making a final decision on hibernating next season. Jeff said that the sooner we can make this

decision, the better, but that we want as much time as possible to try and make the producing model work.

- Anne Simpson asked if the Board will be involved in the decision to go into hibernation or if the Board's vote would authorize staff to make that decision on their own. Jeff said that he and Braden will make the decision but that the summer Board meetings would provide touch points with Trustees.
- Kevin Millison said that the Finance Committee had a robust discussion and, with adjustments made to the "Not to Exceed Framework," the FC voted to recommend that the Board to approve the plan. Kevin moved for the Board to approve the three-month interim budget. Anne Simpson seconded the motion. After a vote, the budget was unanimously approved.

IV. ANNUAL MEETING

- Trustee Recruitment Committee Co-Chairs Juli Farris and Liz Choy reviewed the cover note that accompanied the proposed slate of new Trustees. They noted that the slate does not meet the mandate of achieving 30 – 35% POC representation on the board within 5 years (FY20 is year 4). The TRC will continue recruitment on a rolling basis in order to continue to cultivate relationships with and recruit POC Trustees.
- Jim Copacino and Amy Bautista congratulated the TRC on an impressive slate, particularly given the complications imposed by the pandemic.
- Renewing and New Trustees: Janice Tsai moved that the Board elect new Trustees Charlie Brown, Geraldine DeRuiter, Lynne Kjolso, Leslie Lackey, Selim Peshawaria, and Rashelle Tanner; and renew current Trustees Deb Canales, Tracy Daw, Juli Farris, Karen Fletcher, Jay Hereford, Stellman Keehnel, Sandy McDade, and Anita Ramasastry for three-year terms of service on the Seattle Rep Board (July 1, 2020 – June 30, 2023). Sandy McDade seconded the motion. After a vote, the slate was unanimously approved.
- SRT Foundation Member Renewals: Amy Bautista moved that the Board renew Bruce Johnson and Janet True for three-year terms of service on the SRT Foundation Board (July 1, 2020 – June 30, 2023). John Stilin seconded the motion. After a vote, the slate was unanimously approved.
- Advisory Council Renewals and New Members: Sandy McDade moved that the Board elect new Advisory Board members Nancy Brownstein, Kaitlyn Casimo, Adam Cornell, Anoop Gupta, Russell Hawkins, Roseanne Lapan, Shannon Lawless, and Rachel McCracken; and renew current Advisory Council members Carver Gayton and Tiffany Gorton for three-year terms of service on the Seattle Rep Advisory Board (July 1, 2020 – June 30, 2023). Jay Hereford seconded the motion. After a vote, the slate was unanimously approved.
- Honorary Trustee Renewal: John Keegan moved that the Board renew Bill Franklin for a three-year term of service on the Seattle Rep Honorary Board (July 1, 2020 – June 30, 2023). Sandy McDade seconded the motion. After a vote, the slate was unanimously approved.

- Trustees Emeritus: Jeff shared that retiring Trustee Bruce Johnson would be appointed to the Seattle Rep Emeritus Board.
- Chair-Elect: John Keegan, the Chair of the Chair-Elect Task Force, reviewed nominee Nancy Ward's accomplishments at the Rep and in her life. John moved that the Board appoint Nancy Ward as the Seattle Rep Chair-Elect. Amy Bautista seconded the motion. After a vote, Nancy was unanimously approved as Seattle Rep's Chair-Elect.
- Board Officers: Sandy McDade reviewed proposed Board officers for FY21: Amy Bautista (Chair), Sandy McDade (President), Juli Farris (VP), Karen Fletcher (Secretary), and Scotland Glenn (Treasurer). Sandy moved that Board approve the slate of Board officers for FY21. Winky Hussey seconded the motion. After a vote, the slate was unanimously approved.
- EDI Charge: Sandy McDade reviewed a new initiative to center EDI work within Board leadership. Board VP Juli Farris and Chair-Elect Nancy Ward have been charged with the following:
 - As EDI leads for the Board, your charge will be to hold the Board and Board leadership accountable, in order to ensure that EDI is integrated as the approach to all decision making at the Executive, Board, and committee level; to advise Board Leadership on any EDI capacity building opportunities activities for Trustees; and to help set expectations with regard to any EDI commitments being asked of Trustees.
- Committee and Task Force Chairs: Amy Bautista announced the chairs of the various committee and task forces in FY21 along with some shifts in structure. The Community Connectors Committee will evolve into two separate committees: the Community Advisory Board and the Public Works Committee. Meanwhile, InterACT will become the Young Patrons Board Task Force; and the Gala Task Force will become the Special Events Strategy Task Force. Jeff also shared the late-breaking news that Advisory Board member Laila Abdalla had agreed to serve as chair of the Community Advisory Council.
- Amy announced that all committee and task force rosters for FY21 would be fleshed out by Jeff, Jamie, and Board Leadership over the summer.
- Finally, Jeff spent some time celebrating the contributions of departing Trustees Liz Choy, Bruce Johnson, Debbie Killinger, Marcella McCaffray, and Rick McMichael. Other departing Board family members include Honorary Trustee Phil McCune; and Trustee Adam Cornell, who resigned earlier in the year but had just been elected to the Advisory Council.

V. TRUSTEE ENGAGEMENT UPDATE

- Karen Fletcher said that the annual Trustee engagement survey would be sent out soon. The demographic parts of last year's survey will be collected separately by the Devo team in the fall. Karen expressed her thanks to Janice Tsai for her work developing the survey. Survey results will be presented at a future Board meeting

VI. NEW BUSINESS

- Amy announced that Jeff had been offered a four-year extension to his contract and that he has accepted. Jeff will serve as Seattle Rep's Managing Director through June 30, 2024.

VII. EXECUTIVE SESSION

- The Board adjourned for an Executive Session at 6:17pm.

VIII. ADJOURN

- The meeting adjourned at 6:40pm.

SEATTLE REPERTORY THEATER and SEATTLE REPERTORY THEATRE FOUNDATION

Gift Acceptance Policies

Approved by the Seattle Repertory Theater Board of Trustees: xx

Approved by the Seattle Repertory Theatre Foundation Board of Directors: xx

Seattle Repertory Theater (hereafter referred to as “the Theater”) and Seattle Repertory Theatre Foundation (hereafter referred to as “the Foundation”), each a Washington nonprofit corporation, encourage the solicitation and acceptance of gifts for purposes that will help support and further the charitable mission of the Theater, which is recognized by the Internal Revenue Service as an organization described in Section 501(c)(3) of the Internal Revenue Code and further classified as a public charity. The following policies and guidelines govern acceptance of gifts made to the Theater and Foundation.

Purpose

The Theater and Foundation welcome both current and deferred gifts of assets. The types of gifts to be encouraged include outright contributions of cash, cash equivalents, and publicly traded marketable securities; bequests; gifts of retirement plans; charitable gift annuities (immediate and deferred); charitable remainder trusts; charitable lead trusts; gifts of life insurance policies and proceeds; gifts of real estate; and such other gift arrangements as the Gift Acceptance Committee may from time to time approve, and as allowable by the law. All programs, solicitation plans, and activities shall be subject to the oversight of the Managing Director and Director of Development or such person or persons as the Board shall designate.

The purpose of this document is to define and clarify the process by which decisions will be made regarding various gifts and the types of gifts that the Theater and Foundation may accept or seek. The Theater and Foundation shall not accept a gift that bears with it higher costs for the Theater or Foundation to accept or manage than the gift value realized.

These gift policies seek to be explicit and clear so as to provide appropriate direction and guidance to internal stakeholders and users; the policies are in no way meant to reflect a lack of sincere gratitude to all donors and prospective donors for their thoughtfulness to consider supporting the Theater and Foundation.

GUIDELINES:

Authorization

The Gift Acceptance Committee shall comprise members of the staff (Director of Development, Managing Director) as well as at least two member representatives from each of the Theater Board of Trustees and Foundation Board of Directors. The Committee shall reserve the right to refuse acceptance of any gift. If the rationale is not based in financial value or rooted within the

guidelines of this policy, refusal of the gift shall be approved by the Board of Trustees of the Theater and the Board of Directors of the Foundation.

The Committee shall meet at least once annually to discuss matters related to gift acceptance, including but not limited to review of these policies. The Theater's Finance Committee may serve as the Gift Acceptance Committee and may create and designate an ad hoc Task Force to advise on specific gift scenarios, in cases when the Gift Acceptance Committee cannot be convened in the timeline needed for specific decisions to be made. Approval of the Committee is required only as noted throughout this document, or for gifts not addressed within these policies. Specifically, contributions of cash, publicly traded securities, and retirement plans (or similar assets that can readily be converted to cash) do not require approval by the Committee. However, the Committee's approval may be sought even when not mandatory, with the decision to do so being at the discretion of the Director of Development or, in such person's absence, at the discretion of the Managing Director.

Supervision and Coordination

Acceptance and documentation of gifts must be under the supervision of the Director of Development in partnership with the Managing Director and with the explicit intention of maximizing the value of those gifts to the Theater and/or Foundation, while minimizing costs and risks to the Theater and/or Foundation associated with those gifts.

The following persons are authorized to sign gift agreements on behalf of the Theater and Foundation: Managing Director, Director of Development, Director of Finance.

Adherence to Policies

Each member of the development staff of the Theater and/or Foundation shall be given a copy of the Gift Acceptance Policies and questions regarding interpretation of any portion of the Policies should be directed to the Director of Development.

Legal Counsel

Complex gift agreements prepared or received by the Theater or Foundation shall be reviewed and approved by legal counsel. Once the document is approved it can be forwarded to the donor (and such donor's advisor) for review. No review or approval by the Theater or Foundation's legal counsel shall be necessary if an agreement is contained on a form previously approved by such legal counsel.

Donor Advisory

The Theater and Foundation do not provide legal, financial, tax compliance or other professional advice to donors. Donors will be advised (in writing when possible) to seek the assistance of their own legal counsel or other professional advisors in matters relating to legal, tax and estate planning consequences of the proposed gift to the Theater and/or Foundation.

Ethical Standards

The Theater and Foundation are committed to the highest ethical standards. Each member of the development staff shall subscribe to the Code of Ethical Standards as published by the

Association of Fundraising Professionals. To emphasize the importance of this commitment, review of this document shall be included in development staff orientations and reviewed regularly by the development team.

Donation-Related Expenses

As a general rule, and except as provided elsewhere in this document, expenses associated with transferring and liquidating a donor's gift shall be borne by the donor. Typical expenses include appraisal fees to substantiate the value of the donor's gift for tax purposes, the donor's legal fees, any transfer costs or costs of selling or converting the gift asset to cash. Any exception to this policy must be approved by the Gift Acceptance Committee.

Written Agreements

All gift arrangements other than an unrestricted outright gift of cash, cash equivalents, or publicly traded marketable securities shall be documented in writing. Written agreements may be received by email.

Binding Commitment

The Development Staff will encourage donors wishing to make their gifts in installments over time to document their commitment to the Theater or Foundation in a written pledge agreement that will create a binding legal obligation on the donor. The following guidelines apply to pledge agreements in which the donor undertakes a binding legal obligation.

- I. The pledge agreement will outline anticipated payment date/s for the gift as follows:
 - a. For unrestricted gifts to the annual fund or gifts in support of an ongoing program within the annual operation (i.e. new play program, education programs, engagement programs, etc.), paid in full within 12 months of the date of the pledge agreement
 - b. For gifts in support of a particular production, program or project with a clear completion date, paid in full before the production, program or project is complete.
 - c. For gifts to the endowment, timeframe for payment schedules shall not exceed five years

In all cases, full payment as soon as possible and in advance of programs and project is preferred; for multi-year pledges, some level of annual payment is desired. Exceptions to the aforementioned guidelines may be made and approved by the Director of Development.

- II. The Development Department is responsible for recording, acknowledging, billing and monitoring the status of all pledges and payments.

Gift Restrictions

Donors shall always be encouraged to make unrestricted gifts to the Theater and/or Foundation. The Theater and Foundation may accept a gift that is restricted as to its use if that project is part of the normal operations of the Theater or if there is reasonable assumption that the program will exist in future years (for future Pledge Agreements or deferred gifts) as determined by the Director of Development or Managing Director.

Any restriction imposed by the donor on the gift must be documented in writing. Ensuring that the use of any gift meets the intentions of the donor is the highest priority of the Theater and Foundation. However, in such documented writing, the Theater and Foundation shall reserve the right to amend such documented writing (subject to the donor's reasonable review and approval) to broaden or alter the purpose of the gift, in order to accommodate future circumstances wherein doing so serves the mission of the Theater. If a donor is unable to be reached (due to death, loss of contact, etc.) then donor's review and approval shall not be required so long as the change in restriction conforms as closely as possible to such donor's original intent.

Testamentary Gifts

Donors and supporters of the Theater and Foundation are encouraged to make bequests in their wills and trusts and to document their intentions for use of the funds in writing. Donors who intend to make testamentary gifts of any type shall be encouraged to inform the Theater and/or Foundation of such intent. The Theater and/or Foundation may serve as personal representative of an estate only if it is the sole beneficiary of the estate and if the Board has approved its serving as personal representative. Employees are prohibited from serving as the personal representative of a donor's estate, unless the employee is related to such donor.

When the Foundation receives a testamentary bequest without designation, it will be invested in the General Endowment Fund regardless of its size. When the Theater receives a testamentary bequest without designation, it will be deposited into the Theater's Board Reserves account regardless of its size. The Board Reserve account is reviewed annually by the Finance Committee; a recommendation as to if and how the funds shall be utilized would be presented to the Theater's Board of Trustees for approval.

Donor Advised Funds

The Theater and Foundation shall accept contributions from Donor Advised Funds on behalf of individual donors. The Theater and Foundation shall follow all legal requirements associated with acceptance of these gifts including but not limited to delivery of benefits to the donor and/or other stipulations.

Named Funds

With a minimum gift of \$250,000, a donor may establish a named endowment fund to support the general operations of the Theater or restricted to support Education, Artistic Development or New Works (areas of focus established at the inception of the Endowment).

The assets contained within each named endowment fund shall be comingled for investment and administration with the General Endowment Fund of the Foundation. All policies applied to those General Endowment Funds including the formula for distributions to the Theater shall

apply to all named funds. Special arrangements for alterations in fund management or for different or more specific donor restrictions must be approved by the Gift Acceptance Committee.

Naming Rights

Naming rights for any space or physical asset within the Theater (and the terms and recognition associated with them) shall not be offered without approval of the Gift Acceptance Committee. Naming rights shall not be confused with sponsorship of programs and productions, which may be offered on an annual basis with the approval of the Director of Development and/or Managing Director.

Marketable Securities

The Theater and Foundation will assist in the transfer of custody of marketable securities from the donor (or such donor's custodian) to the Theater or Foundation. Gifts of marketable securities will be accounted for at their value on the date the gift is made, determined by taking the mean between the high and low quotes on the date of the gift. The Theater's and Foundation's brokers will be instructed to sell all marketable securities upon receipt. In acknowledging receipt of these types of gifts, per IRS guidelines, the Theater or Foundation shall only document the number and type of shares received, to ensure that the donor receives the value of the shares at the time of transfer from their broker for tax purposes.

Gifts of Closely Held Stock and Other Business Interests

The Theater and Foundation may not accept gifts of closely held stock, limited partnership units, and similar interests in business without the approval of the Gift Acceptance Committee.

Tangible Personal Property

The Theater and Foundation may accept in-kind gifts of personal property, with a stipulation that accepting such items will not require the Theater to incur additional cost for storage, insurance, conversion to cash, etc. For items which do incur such costs, approval by the Gift Acceptance Committee is required. Theater staff shall determine whether any particular gift has the potential for practical use by the Theater.

Real Estate

Donors may be encouraged to donate real property to the Theater or Foundation. The Gift Acceptance Committee shall approve acceptance of all gifts of real estate.

Gifts of real estate may be made in various ways: outright or through a charitable remainder trust, a retained life estate or a bargain sale. Documentation that confirms the donor has clear title to the property in question is required in all cases, which may include, in the sole discretion of the Theater or Foundation, an owner's title insurance policy the cost of which shall be paid by such donor.. These guidelines pertain to gifts of real estate in general.

The Theater or Foundation may accept property subject to a mortgage provided the property has sufficient equity, available cash flow that will service the mortgage and any applicable taxes, fees, and expenses, and the property is marketable.

The Theater or Foundation may accept a remainder interest in a personal residence, farm, or vacation property. The life tenant or other person with a beneficial interest in the property may continue to occupy the real property until the expiration of such person's interest (e.g., death of the life tenant, or expiration of a stated term of years). The Theater or Foundation shall enter into a retained life estate arrangement only if it is also party to an agreement that specifies the respective rights and responsibilities of the Theater or Foundation and the person(s) for whose benefit the life estate has been retained. The donor or other person(s) for whose benefit the life estate has been retained shall continue to be responsible for real estate taxes, insurance, utilities and maintenance after transferring title to the property, unless the Committee agrees that the Theater or Foundation shall assume responsibility for any of these items. At the expiration of all prior interests, the Theater or Foundation may use the property or convert it to cash.

The Theater or Foundation may enter into a bargain sale agreement.

Life Insurance Policies

Donors shall be encouraged to name the Theater or Foundation as a primary or contingent beneficiary of their life insurance policies. To be recorded as a gift, the Theater or Foundation must be named as both a beneficiary and owner of the life insurance policy.

A donor may assign irrevocably a paid-up policy to the Theater or Foundation; assign irrevocably a life insurance policy on which premiums remain to be paid; or name the Theater or Foundation as a primary or successor beneficiary of the proceeds. In the event a policy is contributed on which premiums remain to be paid by the Theater or Foundation, it may pay the premiums provided the donor makes equivalent contributions for that purpose. For any policy of which it is the owner, the Theater or Foundation reserves the right to continue paying premiums (if any), surrender the policy for cash, or elect a paid-up policy for a reduced amount; this decision must be approved by the Gift Acceptance Committee.

Retirement Plans

Donors and supporters are encouraged to name the Theater or Foundation as beneficiary of their retirement plans. They will also be encouraged to consider outright transfers to the Theater or Foundation, provided it appears suitable for their situation. Donors will be advised and encouraged to consult with their legal, financial and/or tax advisors to ensure such a gift will not have adverse consequences to them.

Gift Annuities

The Theater is authorized to issue charitable gift annuities as allowed by the Washington State Insurance Commission. The Theater may employ agents and advisors to facilitate the management and investment of these assets, as well as the Theater's gift annuity program.

The minimum amount for a gift annuity is \$25,000; annuities of over \$100,000 or an amount which will comprise 30% or more of the pool require Committee approval. Unless provided otherwise by law, the minimum age for recipients of immediate payment annuities is 65 years old and for deferred payment annuities is 55 years old at the time of contribution, with payments not beginning before the recipient is 65 years old. Contributions of other than cash or publicly-traded securities require Committee approval.

Annuity payments shall be calculated based on the rates published by the American Council on Gift Annuities and shall be made quarterly at the end of each calendar quarter; a donor may agree to payment of a rate lower than the rate offered by the Theater, provided the Theater complies with applicable state law in offering the lower rate.

Charitable Remainder and Charitable Lead Trusts

Donors and supporters are encouraged to designate the Theater or Foundation as remainder beneficiary of a charitable remainder trust.

Donors and supporters are encouraged to designate the Theater or Foundation as income beneficiary of a charitable lead trust.

With approval of the Gift Acceptance Committee and the Theater or Foundation Board, the Theater or Foundation may serve as the trustee of charitable remainder trusts and charitable lead trusts, and, in so doing, it may serve as co-trustee with a trust institution or engage a professional investment manager or custodial agent to administer and manage the trust assets. The fees and costs associated with the investment of trust assets and the administration of charitable remainder trusts and charitable lead trusts shall be an expense of the respective trusts. Accordingly, all trust agreements shall authorize the Theater or Foundation and any other co-trustees, professional investment manager, or custodial agent to charge reasonable fees for these services.

Where the Theater or Foundation is named as trustee or co-trustee, the Theater or Foundation must be irrevocably designated, the trust must be funded at a minimum of \$200,000, with the Theater receiving at least 60% of the remainder, and the trust payout must not exceed 6%. The beneficiaries must be at least 50 years of age, unless the trust is for a term of years. Exceptions to the above conditions may be made, subject to applicable law and to the prior approval of the Committee.

Amendments

These Policies and Guidelines may be amended at any time but must be reviewed annually and reapproved at least every three years by recommendation of the Gift Acceptance Committee and a majority vote of the Theater Board of Trustees and the Foundation Board of Directors.