

Policy on Acceptance and Disposal of Shares

Scope

This Policy applies to the acceptance and disposal of shares donated to the United Way of Calgary and Area, that are not subject to a formal agreement between the donor and the United Way. Any such formal agreement will require the specific approval of the Investment Committee. A separate policy governs the acceptance and disposal of Share Options donated to the United Way.

Background

The donation of shares to the United Way is increasing as it becomes an increasingly accepted means of donating. In May, 2006, the Federal Government announced the removal of the capital gains tax on donations of shares, and it is expected that this will further stimulate the level of share donations.

Because there is considerable financial risk attaching to the holding and trading of shares, the United Way needs to have a policy in place which:

1. protects its rights in deciding to accept such shares, and
2. governs the manner in which these shares are accepted and disposed of. In this latter regard, such policy shall be the basis on which
 - i. internal procedures are based,
 - ii. the United Way engages its broker organization(s)
 - iii. its solicitation material is designed and communicated to donors.

Revenue Canada recommends that such donations be valued at either the average or the closing price of the shares on the day the donation is made/accepted. This practice provides certainty to both the donor and United Way. It does transfer the risk of market fluctuations until disposal is complete to the United Way.

An alternative practice exists among charities to value shares according to the disposal value. However, due to the proximity of many share donations to December 31, and the need in a number of circumstances to liquidate such shares over a period of time, this latter practice provides uncertainty of a potentially material nature around December 31, United Way's and the donors' tax year ends. The need to recognize donors also demands finality in donation value, and accordingly, this latter practice is not considered suitable to the United Way.

Application

1. Acceptance of Shares

The United Way shall at all times reserve the right to accept or decline a donation of shares. To ensure this right is protected;

- A. All solicitation material and any communication of procedures on donation of shares made to the public shall clearly state that:
 - i. United Way reserves the right at all times to decline a donation of shares.
 - ii. Such right may be exercised by United Way within a reasonable period after physical or electronic donation of shares takes place.
 - iii. All risk attaching to the security and value of shares shall remain with the donor until such time as acceptance of the shares has been communicated to the donor in writing.
 - iv. No shares, other than those traded on a prescribed stock exchange, as defined in paragraph 1.A.v. below, shall be accepted in terms of this policy, in the absence of formal agreement between the donor and the United Way.
 - v. For purposes of this policy, a prescribed stock exchange shall be one of the TSX Group of Exchanges, including the Venture Exchange and the Toronto Stock Exchange, the American Stock Exchange, the New York Stock Exchange, and the NASDAQ Stock Exchange.
 - vi. All shares offered to United Way as a donation shall be scrutinized for thinly traded volumes or other restriction on immediate sale.
 - vii. The donation of any such restricted shares would be the subject of a written agreement entered into by United Way and the Donor, prior to their acceptance.
 - viii. Gifts of shares shall have a value greater than \$1000.
 - ix. As a general rule, no more than 75% of the gift shall be designated to other charities. This percentage shall be computed on the combined value of the donation by the donor and any corporate match that the United Way is reasonably satisfied will remain with United Way. Exceptions to this general rule will require the prior sanction of the President or designate.
- B. Acceptance of shares require both the appropriate documentation to be received from the donor, and delivery of the shares.

2. Valuation of Shares on Acceptance

- A. The value of shares shall be determined solely at the discretion of the United Way. In this regard, there are two broad groupings of shares:
- i. Shares traded on a prescribed stock exchange
 - ii. Shares not traded on a prescribed stock exchange
- B. Shares traded on a prescribed stock exchange
- i. Unless United Way expressly agrees otherwise, the shares shall be valued at the closing price of the shares on the day of accepting their donation;
 - ii. In the event that an agreement is entered into for the donation of shares to United Way as envisaged under paragraph 1.A.vi and 1.A.vii, the value established will be discounted from the closing market price for the donation. The discounting factors will be established by the CFO through consultation with two members of the Investment Committee, and with the recommendations of appropriate professional advisors as needed. In no case shall the price so established exceed the closing price of the share on the date of acceptance.
 - iii. In the event that United Way establishes an alternative basis of valuation, such valuation shall be agreed to by at least two members of the Investment Committee, and the basis of valuation shall be recorded in writing.
- C. Shares not traded on a prescribed stock exchange
- i. The donation of such shares shall require a formal agreement between the donor and the United Way. The CFO of the United Way shall obtain sanction from the Investment Committee as to the method and basis for valuation of such shares. Where considered necessary, and this is economically feasible in relation to the potential value of the shares, the Investment Committee shall require the valuation to be conducted by an independent party who has appropriate skill in this area. The cost, if any, of establishing such valuation shall be deducted from the value of the shares.

3. Disposal of shares

- A. Shares, where the number of shares donated is less than 20% of the average daily volume of trading in the last 30 days:
- i. These shares shall be disposed of as soon as is possible following their acceptance.
- B. Shares, where the number of shares donated is greater than 20% of the average daily volume of trading in those shares in the last 30 days (thinly traded stocks):
- i. Such shares shall be disposed of in an orderly manner so as not to cause a negative effect on the market for those shares. In this regard;
 - a. In any day, the number of shares disposed of shall be no more than 20% of the average daily volume of trading in those shares in the last 30 days.
 - b. Such shares shall be disposed of as quickly as possible.
 - c. The United Way shall engage a professional broking firm to assist in the efficient disposal of shares listed on the prescribed stock exchanges. The cost, if any, of commissions and other charges for such broking service shall be born by United Way.
 - d. In order to expedite the disposal of shares, the United Way may at its discretion, on occasion make use of a broker specified by the donor, and engage in a process to dispose such shares with the donor or the donor's broker. Such concession is made, provided that the above policy with regard to acceptance and valuation is applied. The cost of any brokerage services in such case shall be for the donor's account.

4. Effective date

This policy shall have effect from July 1, 2006.