

SAN BRUNO

Community Foundation

Board of Directors

Nancy A. Kraus, *President* • John P. McGlothlin, *Vice President* • Emily Roberts, *Secretary* • Ben Cohn, *Treasurer*
Patricia Bohm • Frank Hedley • Regina Stanback Stroud
Leslie Hatamiya, *Executive Director*

AGENDA

SAN BRUNO COMMUNITY FOUNDATION

Regular Meeting of the Board of Directors

November 4, 2015

7:00 p.m.

Meeting Location:

San Bruno Senior Center, 1555 Crystal Springs Road, San Bruno

In compliance with the Americans with Disabilities Act, individuals requiring reasonable accommodations or appropriate alternative formats for notices, agendas, and records for this meeting should notify us 48 hours prior to meeting. Please call the City Clerk's Office at 650-616-7058.

- 1. Call to Order/Welcome**
- 2. Roll Call**
- 3. Approval of Minutes:** October 7, 2015, Regular Board Meeting
- 4. Board Member Comments**
 - a. President
 - b. Others
- 5. Executive Director's Report**
- 6. Consent Calendar:** All items are considered routine or implement an earlier Board action and may be enacted by one motion; there will be no separate discussion unless requested by a Board Member or staff.
 - a. Adopt Resolution Scheduling a Special Board Meeting on November 18, 2015
 - b. Adopt Resolution Ratifying 403(b) Retirement Plan Document and Appointing Leslie Hatamiya to Assist in Administering the Plan
 - c. Adopt Resolution Requesting the San Bruno City Council to Authorize Transfer of \$206,000 in Restitution Funds to the San Bruno Community Foundation

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- d. Receive and Approve Treasurer's Report (September 2015 Financial Statements)

7. Conduct of Business

- a. Receive Report from Novogradac & Company LLP Regarding the San Bruno Community Foundation's Audited Financial Statements for the Year Ended June 30, 2015, and Adopt Resolution Approving the Audited Financial Statements for the Year Ended June 30, 2015
- b. Adopt Resolution Creating Ad Hoc Committee on Foundation Program Development to Research and Prepare Proposals for Creation of Scholarship Program and Community Grants Program

8. Study Session

- a. Presentation on Foundation Time Horizon and Quasi-Endowment Scenarios by Leslie Hatamiya, Executive Director

- 9. Public Comment:** Individuals are allowed three minutes, groups in attendance, five minutes. If you are unable to remain at the meeting, contact the President to request that the Board consider your comments earlier. It is the Board's policy to refer matters raised in this forum to staff for research and/or action where appropriate. The Brown Act prohibits the Board from discussing or acting upon any matter not agendaized pursuant to State Law.

10. Adjourn

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MINUTES

SAN BRUNO COMMUNITY FOUNDATION

Regular Meeting of the Board of Directors

October 7, 2015

7:00 p.m.

Meeting Location:

San Bruno Senior Center, 1555 Crystal Springs Road, San Bruno

1. **Call to Order/Welcome:** President Nancy Kraus called the meeting to order at 7:00 p.m.
2. **Roll Call:** Board Members Kraus, McGlothlin, Cohn, Roberts, Bohm, Hedley, and Stanback Stroud present.
3. **Approval of Minutes:** August 24, 2015, Special Board Meeting, and September 2, 2015, Special Board Meeting: Board Member Hedley moved to approve the minutes of the August 24, 2015, Special Board Meeting, and the September 2, 2015, Special Board Meeting, seconded by Board Member Stanback Stroud, approved unanimously.

4. Board Member Comments

a. **President:** President Kraus stated that the finalization of the Program Strategy Framework represents another milestone for the Foundation. She reported that the Board and community can see that \$70 million dollars cannot fund all the projects requested by the community. She emphasized that the decision of what to do with the \$70 million in restitution funds rests with the Board and that no decisions have yet been made.

b. **Others:** None

5. **Executive Director's Report:** Executive Director Hatamiya shared that the contract with Novogradac & Company LLC for audit and tax preparation services has been executed. She reported that she is currently working with the firm in an effort to complete the audit and preparation of the Foundation's tax returns, with completion by the beginning of November. Hatamiya also reported that the terms of three Board members are expiring later this year and that the City Council will be considering reappointing each of them to new four-year terms. She also reported that she and President Kraus have been following the deliberations of the San Mateo Union High School District (SMUHSD) about the future of the former Crestmoor High School site.

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Vice President and Audit Committee Chair McGlothlin stated that he is impressed that the audit may be completed by early November and also reminded the Board of the soccer community's recommendation for the fields at the Crestmoor High School site during the Community Listening Campaign.

6. Consent Calendar

- a. Receive and Approve Treasurer's Report (August 2015 Financial Statements)

Vice President McGlothlin moved to approve the consent calendar, seconded by Board Member Bohm, approved unanimously.

7. Conduct of Business

- a. Adopt Resolution Adopting the San Bruno Community Foundation's Amended and Restated Articles of Incorporation to Define Class of Supported Organizations

Executive Director Hatamiya reported that, on the advice of outside counsel, technical amendments to the Foundation's Articles of Incorporation are needed to ensure that the Foundation's future grantmaking programs are in compliance with nonprofit tax law. She explained that the Internal Revenue Service (IRS) classified the Foundation as a supporting organization, with the City of San Bruno as the supported organization, when it granted the Foundation federal tax-exempt status. However, she reported that outside counsel raised the question of whether the Foundation, as a supporting organization, could provide grants to nonprofit community organizations and government entities beyond the City, a scenario envisioned by the City Council when it created the Foundation. She reported that to address this question, outside counsel recommended amending the Articles to state that the Foundation supports a class of supported organizations – in lay terms, nonprofit organizations and government agencies that benefit the San Bruno community – including but not limited to the City of San Bruno. Hatamiya also reported that the amended and restated Articles contain a small number of technical and formatting revisions. She emphasized that the amendments are technical changes to ensure compliance with a niche area of nonprofit tax law and do not change the way the Foundation will operate and support the community.

Secretary Roberts moved to adopt the resolution adopting the San Bruno Community Foundation's Amended and Restated Articles of Incorporation to Define Class of Supported Organizations, seconded by Vice President McGlothlin, approved unanimously.

- b. Adopt Resolution Approving San Bruno Community Foundation Program Strategy Framework

Executive Director Hatamiya presented the Program Strategy Framework for approval. She explained that the Program Strategy Framework is meant to be a flexible, high-level document that clearly articulates the Foundation's programmatic intentions and vision and provides direction as the Foundation develops specific programs to carry out these intentions and vision. She reported that the Ad Hoc Committee on Program Strategy Development presented a draft

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of the Framework at the August Board meeting and received feedback from both the Board and community members. She reported that the Committee incorporated that feedback to create the final draft of the Framework. She emphasized that as an over-arching policy document, the Program Strategy Framework does not include the nuts and bolts of any specific program and that such specifics will be spelled out in operating policies for particular programs that the Board decides to establish.

Board Member Stanback Stroud moved to adopt the resolution approving the San Bruno Community Foundation Program Strategy Framework, seconded by Board Member Hedley, approved unanimously.

c. Adopt Resolution Directing the Ad Hoc Committee on Program Strategy Development to Research Near-Term Project Concepts

Executive Director Hatamiya presented a short list of near-term project concepts for the Foundation to consider undertaking in the 2015-2016 time frame. She explained that many of the projects identified in the spring's Community Listening Campaign are large capital projects that will take considerable time to research, develop, and execute and that, in the meantime, both the Board and the public have expressed an interest in beginning the Foundation's programs in the near future, at least with some smaller projects that can be accomplished in a short time frame.

Hatamiya presented a resolution directing the Ad Hoc Committee on Program Strategy Development, with the support of the Executive Director, to research six project concepts over the next several months and, if the concepts have merit, to return to the Board in early 2016 with concrete project proposals with timeline, budgets, and guidelines for approval. The project concepts included two programs that would be run by the Foundation – a memorial scholarship in honor of the Crestmoor neighborhood and a community grants fund that would provide local community groups with the opportunity to apply for Foundation grant funding – and four project concepts that would involve facilities and programs of the City of San Bruno and require a close partnership with the City (facilities master plan, Community Day sponsorship, lighted crosswalks and other pedestrian safety measures, and a community park development. She reported that the Committee recommends that the Foundation budget a total of \$1 million for these near-term projects.

Treasurer Cohn asked if there would be any costs associated with the research phase, and Hatamiya replied that she did not expect any additional costs to investigate the project concepts. Vice President McGlothlin noted that some of the concepts appear to be candidates for continuing – rather than one-time – programs. Secretary Roberts asked to broaden the lighted crosswalks concept to pedestrian safety more broadly, and Hatamiya responded that other measures to address pedestrian safety would be considered in the research phase.

Board Member Bohm moved to adopt resolution directing the Ad Hoc Committee on Program Strategy Development to Research Near-Term Project Concepts, seconded by Secretary Roberts, approved unanimously.

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d. Adopt Resolution Approving 2015-2016 Revised Budget

Executive Director Hatamiya explained that the Board approved the Foundation's 2015-2016 budget in May, and the City Council approved the budget in June. She said that when the budget was originally approved, the Foundation was just beginning its strategic planning process with the launch of the Community Listening Campaign and the Board indicated that it might revise the budget in the fall, once the Foundation developed its program strategy and began plans for the first round of grants and program expenditures. With the Board approving the Program Strategy Framework and research into the first set of project concepts tonight, she presented for Board consideration a revised budget, which includes a \$1 million grant allotment for the near-term projects, funding to allow the Executive Director to hire one additional staff member if necessary, and smaller adjustments based on current information about income and operating expenses. She explained that once the Board approved the revised budget, it would then go to the City Council for approval as required by the Bylaws.

Vice President McGlothlin moved to adopt the resolution approving the 2015-2016 revised budget, seconded by Board Member Stanback Stroud, approved unanimously.

e. Discuss Possibility of Televising Board Meetings

Executive Director Hatamiya said that the Foundation has received a few inquiries from the Board and the public about the possibility of televising Foundation Board meetings on San Bruno Cable Channel 1, and, before researching this option further, she wanted to hear input from the Board and community members on the idea. She explained that with the recent change in Board meeting schedule and location, the Foundation is now paying nonprofit rental rates for using the Senior Center as well as \$250-350 per meeting to have San Bruno Cable do an audio recording. She explained that the cost charged by San Bruno Cable would increase to \$500-\$750, depending on meeting length, to televise the meetings.

In response to the Board's desire to hear from the public, approximately six community members spoke on this topic, including Barry Marquardt, Lonnie Sopko, Carolyn Livengood, Chris Peterson, Helen O'Brien, and Darlene Esola. Suggestions included finding a way broadcast the meetings in a more economical manner, either on the Internet or San Bruno Cable, including posting recordings of meetings on YouTube. Several community members urged the Foundation not to spend additional funds on televising meetings. A representative of the American Legion offered to let the Foundation hold its meetings at the American Legion hall for free (only a cleaning deposit required).

Board members thanked community members for their input and expressed a desire to research a variety of options beyond televising meetings to ensure that Board deliberations are open and accessible to the public without incurring substantial additional costs. Board members also expressed an appreciation for engagement with community members at Board meetings and pointed out that public viewings of live or taped recordings of the meetings does not allow for the same level of engagement. Board members also wondered if community members attending Board meetings are fully representative of the diversity of the San Bruno community.

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Board Member Bohm moved to direct staff to research options for making Board meetings accessible to the community and the associated costs and to return to the Board with a recommendation, seconded by Vice President McGlothlin, approved unanimously.

8. Public Comment

David Nigel complimented the Foundation and said he was excited about the projects the Foundation is considering funding, particularly the memorial scholarship concept. He also suggested considering televising one Board meeting a quarter.

Carolyn Livengood shared that from her years of experience in writing, no matter how much information one sends out, people will claim they did not see it, but if people are interested in getting involved, they will find the information.

Darlene Esola suggested holding Board meetings at different locations, including elementary schools, which may spark an interest in a broader group of community members.

Board Member Cohn reiterated that while keeping cost in mind, it is important for the Foundation to make its work as accessible to the community as possible.

9. Adjourn: Board Member Stanback Stroud moved to adjourn the meeting at 8:05 p.m., seconded by Vice President McGlothlin, approved unanimously.

Respectfully submitted for approval at the Regular Board Meeting of November 4, 2015, by Secretary Emily Roberts and President Nancy Kraus.

Emily Roberts, Secretary

Nancy Kraus, President

SAN BRUNO

Community Foundation

Memorandum

DATE: October 29, 2015

TO: Board of Directors, San Bruno Community Foundation

FROM: Leslie Hatamiya, Executive Director

SUBJECT: Executive Director's Report

Since the October 7, 2015, special Board meeting, my primary focus has been on working with the auditors on the 2014-2015 audit and, per the Board's direction, assisting the Ad Hoc Committee on Program Strategy in researching six near-term project concepts that may be developed into funding proposals in the next few months and in thinking through the various quasi-endowment scenarios the Board may consider. These activities will be covered in the Business and Study Session portions of the November 4, 2015, Board meeting.

In addition, I have continued to work on various projects related to the Foundation's administrative, corporate governance, and community-building activities, which include:

1. Office Update

I have slowly been furnishing the Foundation office at 901 Sneath Lane. The office now includes a large filing cabinet and a small conference table and chairs, which allows us to conduct small meetings in the office.

2. Meeting Logistics Update

Per the Board's direction on October 7, I have begun looking at options for increasing accessibility to Foundation Board meetings, including televising meetings on San Bruno Cable, recording them for posting on YouTube, and changing the meeting location. In particular, President Nancy Kraus and I visited the American Legion Post 409 Hall on San Mateo Avenue as a possible meeting venue at the invitation of Commander Lonnie Sopko. Given that the Board recently changed its meeting location and schedule and we do not want to create confusion for the public by immediately making changes again, I do not envision recommending any changes until we have had time to explore and think through all of the various options and issues, including cost, staff requirements, and recording set-up.

SAN BRUNO

Community Foundation

Memorandum

DATE: October 29, 2015

TO: Board of Directors, San Bruno Community Foundation

FROM: Leslie Hatamiya, Executive Director

SUBJECT: Consent Calendar for the November 4, 2015, Regular Board Meeting

For the November 4, 2015, regular meeting of the Board of Directors of the San Bruno Community Foundation, the Consent Calendar includes four items related to administrative and operational functions of the Foundation:

1. Adopt Resolution Scheduling a Special Board Meeting on November 18, 2015

The San Bruno City Council will be considering five items related to the San Bruno Community Foundation at its November 10, 2015, meeting: (1) approval of SBCF's Restated and Amended Articles of Incorporation, (2) approval of SBCF's Program Strategy Framework, (3) consideration of four SBCF near-term project concepts, (4) approval of SBCF's revised 2015-2016 budget, and (4) appointment of SBCF Board members. We had originally anticipated that the City Council would consider these items at its October 27, 2015, meeting, but due to a full agenda on October 27, SBCF's items were moved to the November 10 meeting.

To continue its forward momentum on the program development front, the Board would like to consider in a timely fashion next steps on near-term project concepts that the Board approved on October 7, 2015, and the City Council will consider on November 10. In addition, the Board would like to elect its 2015-2016 officers after the City Council considers SBCF Board appointments on November 10 and by December 2015, when the officer terms end.

Moreover, on November 4, the Board will hold a study session on the Foundation's time horizon and topics related to setting aside a portion of the restitution funds as a quasi-endowment. At the Board's next meeting, I anticipate that the Board will decide on a preliminary target for a quasi-endowment, which will provide direction to the Ad Hoc Committee on Investment Strategy in its efforts to draft a request for proposals for investment management services and the Foundation's investment policy. Now that the Foundation has adopted a Program Strategy Framework and anticipates its first grant distributions in the first half of 2016, there is some time urgency in providing direction to the Investment Strategy Committee so that the Foundation can eventually take possession of the restitution funds.

SAN BRUNO

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Memorandum

It is unclear whether the Board will have a quorum on the date of its regular December meeting, and scheduling a meeting later in December may be challenging due to the winter holidays. As a result, I recommend that the Board schedule a special meeting on November 18, 2015, to handle these and other matters and adopt the attached resolution to do so.

2. Adopt Resolution Ratifying 403(b) Retirement Plan Document and Appointing Leslie Hatamiya to Assist in Administering the Plan

The Board of Directors included an employer contribution in a qualified 403(b) retirement plan as part of the executive director's compensation package. On February 19, 2015, the Board authorized me as the executive director to execute an agreement to establish a 403(b) plan arrangement with Vanguard in order to offer a qualified 403(b) retirement plan to SBCF employees. I have submitted all of the necessary forms and established a 403(b) retirement plan open to SBCF employees with Vanguard.

Internal Revenue Service (IRS) regulations related to 403(b) retirement plans require a plan sponsor, such as SBCF, to adopt a written plan document that meets the requirements of IRS Code Section 403(b). I enlisted the services of David Crutcher, an attorney and employee benefits consultant, to draft the required 403(b) plan document for the Foundation. The plan document sets forth the parameters of the retirement plan, including eligibility, contributions, vesting, payment of benefits, loans, and administration. The effective date for the plan is January 1, 2015, the start of the calendar year. Under my contract authority as executive director, I executed the plan document on October 20, 2015.

Under the plan, the Foundation is the plan administrator, and it can appoint an individual or committee to assist with its duties in the administration of the plan.

I recommend that the Board adopt the attached resolution ratifying the retirement plan document and appointing me as executive director to assist in the administration of the plan.

On a related note, I should mention that Mr. Crutcher also recommended that the Foundation obtain (1) an ERISA fidelity bond and/or ERISA coverage under a crime insurance policy, and (2) ERISA fiduciary liability coverage as a rider to our directors and officers' insurance policy, as our 403(b) plan is subject to ERISA, the federal law that sets minimum standards for most voluntarily established retirement and health plans. The Foundation's crime insurance policy already includes ERISA fidelity coverage, satisfying the first recommendation. With regard to the second recommendation, Mr. Crutcher advised the Foundation to add the ERISA fiduciary liability rider to its D&O policy when it comes up for renewal in the spring. I have asked our insurance broker to begin researching our options on this matter.

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Memorandum

3. Adopt Resolution Requesting the San Bruno City Council to Authorize Transfer of \$206,000 in Restitution Funds to the San Bruno Community Foundation

The City of San Bruno has been holding approximately \$70 million in restitution funds from PG&E in a custodial account until the Foundation is in a position to take possession of the funds. In February 2015, pursuant to authorization by the City Council, the City transferred of funds totaling \$491,031.00 from the City's custodial account to SBCF. These funds were to cover SBCF's reimbursement to the City of costs incurred in the formation of the Foundation and what was estimated to be roughly one year of operating expenses. Reimbursement to the City turned out to be about \$23,000 more than originally expected due to additional invoices from outside counsel and the recruiting firm used to hire the executive director.

The Foundation's accounting consultant estimates that, at the beginning of December 2015, the total balance in the Foundation's bank accounts will be approximately \$44,000.

I recommend that the Board adopt the attached resolution requesting the City Council to authorize transfer of \$206,000 in restitution funds to the Foundation. This amount would provide sufficient funds to cover SBCF's operating expenses through the end of the current fiscal year and keep our account balance near or below the FDIC insurance limit of \$250,000 per financial institution.

I anticipate that the Foundation will be ready to take possession of the full balance of the restitution funds by the spring of 2016, by which time the Foundation hopes to have hired an investment management firm and adopted an investment policy.

4. Receive and Approve Treasurer's Report (September 2015 Financial Statements)

The September 2015 financial statements consist of a Budget Report and Balance Sheet. The attached Budget Narrative provides a thorough explanation of the financial statements. The Budget Report includes the revised budget figures approved at the October 7 Board meeting.

I recommend that the Board receive and approve the Treasurer's Report as part of the Consent Calendar.

Attachments:

1. Resolution Scheduling a Special Board Meeting on November 18, 2015

SAN BRUNO

Community Foundation

Memorandum

2. Resolution Ratifying 403(b) Retirement Plan Document and Appointing Leslie Hatamiya to Assist in Administering the Plan, with Exhibit A, San Bruno Community Foundation Retirement Savings Plan
3. Resolution Requesting the San Bruno City Council to Authorize Transfer of \$206,000 in Restitution Funds to the San Bruno Community Foundation
4. September 2015 Financial Statements

RESOLUTION NO. 2015-__

**RESOLUTION OF THE SAN BRUNO COMMUNITY FOUNDATION
SCHEDULING A SPECIAL BOARD MEETING ON NOVEMBER 18, 2015**

WHEREAS, the Board of Directors seeks to give direction to the Ad Hoc Committee on Investment Strategy regarding the Foundation's investment portfolio as the Committee prepares a request for proposals for investment management services and develops and investment policy;

WHEREAS, the Board seeks to discuss next steps on near-term project concepts that the San Bruno City Council will consider on November 10, 2015; and

WHEREAS, the Board seeks to elect its 2016 officers after the City Council considers Foundation Board appointments on November 10, 2015.

NOW, THEREFORE, BE IT RESOLVED that the Board of Directors schedules a Special Board Meeting at 7:00 p.m. on November 18, 2015, at San Bruno Senior Center, 1555 Crystal Springs Road, San Bruno.

Dated: November 4, 2015

ATTEST:

Emily Roberts, Secretary

I, Emily Roberts, Secretary, do hereby certify that the foregoing Resolution No. 2015-__ was duly and regularly passed and adopted by the Board of Directors of the San Bruno Community Foundation on this 4th day of November, 2015, by the following vote:

AYES: Board members:

NOES: Board members:

ABSENT: Board members:

RESOLUTION NO. 2015-__

**RESOLUTION OF THE SAN BRUNO COMMUNITY FOUNDATION
RATIFYING 403(B) RETIREMENT PLAN DOCUMENT AND APPOINTING LESLIE
HATAMIYA TO ASSIST IN ADMINISTERING THE PLAN**

WHEREAS, the Board of Directors seeks to offer SBCF employees the opportunity to participate in a qualified 403(b) defined contribution retirement plan;

WHEREAS, the Board of Directors has approved an employer contribution in such a qualified 403(b) defined contribution retirement plan as part of its contract with Executive Director Leslie Hatamiya;

WHEREAS, the Board of Directors, on February 19, 2015, authorized Executive Director Leslie Hatamiya to execute an agreement to establish a 403(b) plan arrangement with Vanguard in order to offer a qualified 403(b) defined contribution retirement plan to SBCF employees;

WHEREAS, Executive Director Leslie Hatamiya has established a (403)(b) plan arrangement with Vanguard open to SBCF employees;

WHEREAS, Internal Revenue Service (IRS) regulations related to 403(b) retirement plans require a plan sponsor to adopt a written plan document that meets the requirements of IRS Code Section 403(b);

WHEREAS, Executive Director Leslie Hatamiya enlisted the assistance of an employee benefits consultant to prepare the Retirement Savings Plan document contained in Exhibit A, which she executed on behalf of SBCF; and

WHEREAS, under the Retirement Savings Plan document, SBCF may appoint an individual to assist in administering the plan.

NOW, THEREFORE, BE IT RESOLVED that the Board of Directors ratifies the 403(b) Retirement Savings Plan document contained in Exhibit A and, under Article VII, Section 7.01 of the Plan document, appoints Executive Director Leslie Hatamiya as the individual to assist with administering the Plan in accordance with the Plan document.

Dated: November 4, 2015

ATTEST:

Emily Roberts, Secretary

I, Emily Roberts, Secretary, do hereby certify that the foregoing Resolution No. 2015-__ was duly and regularly passed and adopted by the Board of Directors of the San Bruno Community Foundation on this 4th day of November, 2015, by the following vote:

AYES: Board members:

NOES: Board members:

ABSENT: Board members:

Exhibit A

**San Bruno Community Foundation
Retirement Savings Plan**

(Effective January 1, 2015)

**San Bruno Community Foundation
Retirement Savings Plan**

This is the San Bruno Community Foundation Retirement Savings Plan, effective as of January 1, 2015. The Plan is a plan intended to meet the requirements of Internal Revenue Code §403(b), and will be interpreted in a manner consistent therewith. The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974, as amended (ERISA).

**ARTICLE I
DEFINITIONS**

Whenever the terms set forth below are used in this document, they shall have the meaning indicated below, unless a different meaning is plainly required by the context.

1.01 Account means the sum of a Participant's Elective Deferral Contributions, Employer Contributions and Rollover Contributions, all as adjusted for earnings, distributions and other appropriate charges, with each such component maintained in a separate subaccount, and with respect to all Funding Vehicles. The Account includes any part of the Participant's Account that is treated under the Plan as a separate contract to which Code §403(c) (or another applicable provision of the Code) applies.

1.02 Administrator means the Foundation.

1.03 Beneficiary means a person who is or may become entitled to a benefit under the Plan under Sections 7.08.

1.04 Code means the Internal Revenue Code of 1986, as amended.

1.05 Compensation means, generally, wages from the Foundation as defined in Code §3401(a) and all other payments from the Foundation for which a statement is required to be furnished to the Employee under Code §§ 6041(d), 6051(a)(3) and 6052 as adjusted by including any elective contributions made pursuant to Code §§ 125, 132(f)(4), 402(e)(3), 402(h)(1)(B), 402(k), 403(b), 408(p)(2)(A)(i) and 457. Compensation also (i) includes any earned income defined in Code §401(c)(2) from the Foundation, subject to the adjustments described in the preceding sentence, and (ii) includes amounts contributed by the Foundation pursuant to Code §125 that are not available to the Participant in cash in lieu of group health coverage because the Participant does not certify to the Foundation that he or she has other health coverage (as provided under IRS Revenue Procedure 2002-27). Any wages paid after the Employee's severance from employment shall not be taken into account unless such compensation is either regular compensation (including bonuses), or payments for bona fide leave (including sick and vacation pay), that is paid to the Employee within 2½ months of the Employee's severance from employment (or, if later, by the end of the calendar year in which the Employee incurred the severance from employment) and would have been paid or available to the Employee regardless of severance from employment. With respect to any Plan Year, the annual compensation of any Participant taken into account pursuant to this definition shall not exceed the limitation in effect for that Plan Year according to Code §401(a)(17) (*i.e.*, \$265,000 for the 2015 Plan Year, and adjusted for cost of living thereafter). For purposes of Sections 3.01 through 3.03, Compensation includes contributions described in Section 3.02.

1.06 Effective Date means January 1, 2015.

1.07 Elective Deferral Contribution means any contribution made pursuant to Section 3.01. Elective Deferral Contributions are accounted for separately from other contributions under the Plan, and are adjusted for earnings, losses, distributions and other appropriate items. Roth Contributions shall be accounted for separately from all other Elective Deferral Contributions.

1.08 Eligible Employee means any Employee of the Foundation other than (i) an Employee whose employment is governed by a collective bargaining agreement under which retirement benefits were the subject of good faith bargaining but that does not provide for Plan coverage, (ii) a nonresident alien earning no U.S.-source income as defined in Code §410(b)(3)(C), (iii) a leased employee described in Section 1.09 and (iv) an Employee for any period of time he or she is compensated incorrectly as a non-employee.

1.09 Employee means an employee of the Employer. A leased employee described in Code §414(n) with respect to the Employer will be treated as an Employee only to the extent required under the Code.

1.10 Employer means the Foundation and any employer affiliated with the Foundation within the meaning of Code §§414(b), (c), (m) or (o).

1.11 Employer Contribution means any contribution made by the Foundation pursuant to Section 3.03. Employer Contributions are accounted for separately from other contributions under the Plan, and are adjusted for earnings, losses, distributions and other appropriate items.

1.12 Foundation means the San Bruno Community Foundation, a California nonprofit corporation.

1.13 Funding Vehicle means those annuity contracts (as defined in Code §403(b)(1)) and custodial accounts (as defined in Code §403(b)(7)) that have been made available by the Foundation for the investment of Plan assets pursuant to Section 7.17.

1.14 IRS means the Internal Revenue Service.

1.15 Normal Retirement Age means the Participant's 65th birthday.

1.16 Participant means any individual for whom contributions have been made to the Plan under Article III and who continues to maintain an Account with respect to such contributions. A Beneficiary of a deceased Participant will, where appropriate, be treated as a Participant for purposes of the Plan other than Articles II and III.

1.17 Plan means this retirement plan maintained by the Foundation as memorialized in this document. As of the Effective Date, the name of the Plan is the San Bruno Community Foundation Retirement Savings Plan.

1.18 Plan Year means the calendar year, provided that the initial Plan Year is a short year beginning on the Plan's effective date.

1.19 Regulations mean Federal Income Tax Regulations (whether final, temporary or proposed), as amended.

1.20 Rollover Contribution means any contribution made to the Plan under Section 3.04. Rollover Contributions are accounted for separately from other contributions under the Plan, and are adjusted for earnings, losses, distributions and other appropriate items. Within the Rollover Contribution subaccount, any direct rollover of Roth contribution amounts to the Plan

with respect to a Participant under Section 3.04(b) and (c) shall be accounted for separately from all other amounts within the Rollover account.

1.21 Roth Contribution means any Elective Deferral Contribution made on an after-tax basis under Code §402A. A Participant's Roth Contribution subaccount will be administered and reported for tax purposes consistent with applicable Regulations.

ARTICLE II **ELIGIBILITY**

2.01 ELECTIVE DEFERRAL CONTRIBUTIONS. An Employee is eligible to make Elective Deferral Contributions for any period he or she is an Eligible Employee.

2.02 EMPLOYER CONTRIBUTIONS. An Employee shall be eligible to receive Employer Contributions for any period he or she is an Eligible Employee.

2.03 ROLLOVER CONTRIBUTIONS AND TRANSFERS. Any Eligible Employee shall be eligible to make Rollover Contributions and direct transfers as provided in Section 3.04.

ARTICLE III **CONTRIBUTIONS**

3.01 ELECTIVE DEFERRAL CONTRIBUTIONS

(a) **General Rules.** A Participant eligible under Section 2.01 may elect to reduce taxable compensation otherwise payable to the Participant by filing a compensation reduction agreement with the Administrator. The compensation reduction agreement must provide that the Participant's Compensation which would otherwise be paid to Participant will be reduced by any percentage or dollar amount (as determined by the Administrator) that is reasonably administrable on a payroll period basis. The compensation reduction agreement shall not be effective earlier than the date it is executed. The Participant may revoke existing and commence new compensation reduction agreements as often as reasonably requested. The Foundation shall contribute for a Plan Year on behalf of each Participant an amount equal to the amount of Compensation reduced pursuant to the Participant's election. Such contributions shall be Elective Deferral Contributions allocated to a Participant's Elective Deferral Contributions subaccount, and shall be remitted by the Foundation to the Funding Vehicle as soon as is administratively practicable after the related Compensation has been paid. The Administrator may limit further, on a nondiscriminatory basis, a Participant's Elective Deferral Contributions if the Administrator determines such further limitation is reasonably necessary in order to avoid a violation of any provision of this Plan or the Code.

(b) **Employee Roth Contributions.** A Participant may designate all or any portion of an Elective Deferral Contribution to be made under this section as an after-tax Roth Contribution, and any such Roth Contribution shall be accounted for separately from pre-tax Elective Deferral Contributions.

3.02 EMPLOYER CONTRIBUTIONS. The Foundation shall make cash contributions of a specified percentage of each Participant's Compensation paid while the Participant is eligible under Section 2.02. The Foundation's Board of Directors ("Board") shall establish that percentage by resolution or consent, and the percentage generally shall continue to apply until changed by the Board; provided, however, that the initial percentage applicable on the Plan's Effective Date is 5%. The percentage may be changed retroactively if the Board approves

the change within the same Plan Year as the effective date of the change, and if the change is not a retroactive reduction. The Foundation will remit a Participant's Employer Contribution to the Funding Vehicle for a Plan Year no later than March 31 following the close of the Plan Year, and will account for such contributions in a separate Employer Contributions subaccount.

3.04 ROLLOVER CONTRIBUTIONS AND TRANSFERS

(a) General Rules. Subject to the conditions of this section, the Plan will accept directly from any Eligible Employee (or eligible plan in the case of a direct rollover) as a Rollover Contribution any eligible rollover distribution, in cash, properly contributed to the Plan under the Code as a rollover contribution. The Administrator will require satisfactory evidence that the proposed Rollover Contribution meets the requirements of this section. For each Eligible Employee making a contribution under this section, the Administrator will establish a Rollover Contributions subaccount to which will be allocated any Rollover Contribution made to the Plan for the Eligible Employee.

(b) Roth Direct Transfers. The Plan will accept a rollover contribution to a Participant's Rollover Contributions subaccount if it is a direct rollover from another applicable retirement plan described in Code §402A(e)(1), and then only to the extent the rollover is otherwise permitted under subsection (a). An amount directly transferred to the Plan under this subsection shall be accounted for in a separate Roth Rollover Contribution subaccount.

(c) Internal Roth Conversion. To the extent allowed under Code §402A (as amended by the American Taxpayer Relief Act of 2012) and IRS Notice 2010-84, a Participant may elect to roll over any or all of such Participant's Account to an appropriate subaccount pursuant to procedures established by the Administrator and consistent with Regulations and other IRS guidance.

3.05 MISTAKE OF FACT. The Foundation contributes to the Plan on the condition its contribution is not due to a mistake of fact. The Plan will return to the Foundation the amount of any contribution made by mistake of fact. The Plan will not return any portion of the Foundation's contribution under the provisions of this section more than one year after the date the Foundation made the contribution by mistake of fact. The Plan will not increase the amount of the Foundation contribution returnable under this section for any earnings attributable to the contribution, but will decrease the Foundation's contribution returnable for any attributable losses.

3.06 LIMITATION ON ANNUAL ADDITIONS

(a) General Rules. Except to the extent permitted under Section 3.08 and Code §414(v), the amount of Annual Additions to any Participant's Account may not exceed the Maximum Permissible Amount, as determined in accordance with the rules and procedures set forth in this section. For purposes of this section, all defined contribution plans (whether or not terminated) of the Employer shall be treated as one defined contribution plan. Should a contribution which otherwise would be contributed cause the Annual Additions for the Limitation Year to exceed an Employee's Maximum Permissible Amount, the Excess Amount shall be corrected under the procedures in subsection (c). This section shall be applied consistent with Regulation §1.415(a) through (g).

(b) Estimate of Compensation. Before the determination of a Participant's actual Compensation for a Limitation Year, the Maximum Permissible Amount may be determined on the basis of the Participant's estimated annual Compensation for such Limitation Year. This

determination must be made on a reasonable and uniform basis for all Participants similarly situated. Contributions shall be reduced based on estimated annual Compensation by any Excess Amounts carried over from any prior year. As soon as is administratively feasible after the end of the Limitation Year, the Maximum Permissible Amount shall be determined for such Limitation Year on the basis of the Participant's actual Compensation for such Limitation Year.

(c) Disposition of Excess Amount. If, pursuant to paragraph (a), there is an Excess Amount with respect to a Participant for a Limitation Year, the Excess Amount is includible in the Participant's gross income for the taxable year, and will be credited to a separate account under a separate contract to which Code §403(c) applies. Such account will be maintained until the Excess Amount is distributed, and any amounts therein may be distributed at any time notwithstanding any other provision of the Plan.

(d) Definitions. For purposes of this section:

(1) "Annual Addition" means all Elective Deferral Contributions, Mandatory Contributions and Employer Contributions, and all other amounts required to be included by Code §415(c) (but specifically excluding catch-up contributions described in Section 3.08) allocated on behalf of a Participant for a Limitation Year. Except to the extent provided in Regulations, Annual Additions include excess deferrals described in Section 3.07(b).

(2) "Maximum Permissible Amount" means the lesser of (i) \$53,000 for the 2015 Plan Year, then adjusted for cost of living increases thereafter under Code §415(d), and (ii) 100% of the Participant's Compensation for the Limitation Year. If there is a short Limitation Year because of a change in Limitation Year, the limitation in clause (i) of the preceding sentence will be multiplied by the following fraction:

$$\frac{\text{Number of months in the short Limitation Year}}{12}$$

(3) "Excess Amount" means the excess of the Participant's Annual Additions for the Limitation Year over the Maximum Permissible Amount.

(4) "Limitation Year" means the Plan Year. If the Foundation amends the Limitation Year to a different 12-consecutive-month period, the new Limitation Year must begin on a date within the Limitation Year for which the Foundation makes the amendment, creating a short Limitation Year.

3.07 LIMITATION ON ELECTIVE DEFERRAL CONTRIBUTIONS

(a) General Rules. Elective Deferral Contributions for a Participant (other than catch-up contributions under Section 3.08) for a calendar year may not exceed the "402(g) Limitation," which is the greater of \$18,000 (for 2015) and the adjusted amount under Code §402(g). If, pursuant to a compensation reduction election, the Foundation determines the Participant's Elective Deferral Contributions to the Plan for a calendar year would exceed the 402(g) Limitation, the Foundation will suspend the Participant's compensation reduction election until the following January 1, and pay in cash as taxable compensation the portion of a compensation reduction election which would result in the Participant's Elective Deferral Contributions for the calendar year exceeding the 402(g) Limitation.

(b) Excess Deferrals. If a Participant's Elective Deferral Contributions actually contributed to the Plan for a calendar year exceed the 402(g) Limitation, the amount in excess of

the 402(g) Limitation (the “excess deferral”), as adjusted for allocable income, will be distributed (notwithstanding any other provision of the Plan) no later than April 15 of the following calendar year.

(c) Other Elective Deferral Plans. If a Participant participates in another plan under which the Participant makes elective deferrals pursuant to a Code §401(k) or §403(b) arrangement, simplified employee pension or other applicable plan described in Code §402(g), regardless of whether the Foundation maintains such other plan, the Participant may provide the Administrator a written claim for excess deferrals made for a calendar year. The Participant must submit the claim no later than the March 1 following the close of that calendar year and the claim must specify the amount of the Participant’s Elective Deferral Contributions which are excess deferrals. If the Administrator receives a timely claim, it will distribute the excess deferral (as adjusted for allocable income) to the Participant in accordance with the distribution procedure described in this section.

3.08 CATCH-UP CONTRIBUTIONS. To the extent permitted under Code §414(v), a Participant who will have attained the age of 50 before the close of the Plan Year and for whom no other Elective Deferral Contributions may (without regard to this section) be made to the Plan for the Plan Year by reason of the limitations described in Sections 3.06 or 3.07 or comparable limitations or restrictions contained in the terms of the Plan, may make additional Elective Deferral Contributions not in excess of the catch-up limit. The “catch-up limit” is \$6,000 for 2015, then adjusted for cost of living thereafter under Code §414(v)(2)(C).

ARTICLE IV
VESTING

A Participant’s Account is entirely nonforfeitable at all times.

ARTICLE V
PAYMENT OF BENEFITS

5.01 PAYMENT BEFORE SEVERANCE FROM EMPLOYMENT

(a) General Rule. Except in the case of a (i) post-age 59½ distribution (subsection (b)), (ii) hardship distribution (subsection (c)), (iii) disability distribution (subsection (d)), (iv) distribution from a Rollover Contributions subaccount (subsection (e)), (v) minimum distribution required because the Participant has attained age 70½ (Section 5.04), and (vi) distribution made pursuant to a qualified domestic relations order (Section 5.06), no portion of a Participant’s Account may be distributed before such Participant has incurred a severance from employment. Any distribution allowable under this section shall be paid in accordance with the Funding Vehicle applicable to the Participant’s Account, to the extent allowable under Code §411(d)(6), or otherwise in the form of a single sum distribution. No more than one in-service withdrawal may be made during a calendar quarter.

(b) Post-Age 59½ Distribution. Before a Participant has incurred a severance from employment, the Participant may elect to receive all or any portion of such Participant’s Account after having attained age 59½.

(c) Hardship Distribution. Before a Participant has incurred a severance from employment, a Participant may elect a hardship distribution in accordance with the requirements set forth in Section 5.03.

(d) Disability Distribution. Before a Participant has incurred a severance from employment, a Participant may elect to receive all or any portion of such Participant's Account while disabled within the meaning of Code §72(m)(7).

(e) From Rollover Contributions Subaccount. At any time, you may request a distribution of any amount from your Rollover Contributions subaccount.

5.02 PAYMENT AFTER SEVERANCE FROM EMPLOYMENT. Subject to (i) special rules which apply in the case of the death of the Participant (Section 5.04(c) and (d)), (ii) a distribution required by reason of the Participant attaining age 70½ (Section 5.04(b)), (iii) the distribution of a small account under Section 5.05(e), and (iv) any separate provisions of the Funding Vehicle applicable to the Participant's Account (to the extent allowable under Code §411(d)(6)), a Participant's Account after the Participant has separated from service shall be distributed in the form of a life annuity (including a joint life annuity) or, if the participant waives the life annuity, a single lump sum distribution. The distribution shall occur on the date elected by the Participant (to the extent administratively practicable), provided the Participant is not again an Employee on such date. If a married Participant elects a distribution in the form of a lifetime annuity, the annuity shall be payable in the form of a joint and 50% survivor annuity with the Participant's spouse as the annuity beneficiary. A married Participant may waive the joint and 50% spousal survivor annuity and elect a single lump sum payment (or any other form of payment allowed under the Funding Vehicle), provided the Participant's spouse consents to the waiver as required under applicable Regulations. Any form of distribution containing an annuity (including a pre-retirement survivor annuity) shall be satisfied by the purchase of an annuity from an insurance company, shall be nontransferable and shall comply with applicable Plan requirements. Any expenses associated with such purchase shall be paid from the Participant's account. A married Participant may substitute a joint and 75% qualified optional survivor annuity in place of a joint and 50% survivor annuity. This section shall be applied consistent with the Regulations that apply to defined contribution plans that are subject to the joint and survivor annuity and pre-retirement survivor annuity rules.

5.03 HARDSHIP DISTRIBUTION

(a) General Rule. Subject to the terms of the applicable Funding Vehicle, a Participant may elect a hardship withdrawal under this subsection from the Elective Deferral Contributions (including Roth Contributions) subaccounts. A hardship withdrawal is a distribution on account of, and necessary to satisfy, an immediate and heavy financial need. Before a Participant may make an election under this subsection, the Participant must have obtained all plan loans and distributions currently available under the Plan and all other plans maintained by the Employer. Any Participant who receives a hardship withdrawal may not make Elective Deferral Contributions under Section 3.01 for the six-month period following the date of the withdrawal.

(b) Maximum Amount. No hardship withdrawal will be made in an amount which exceeds the lesser of (i) the amount standing in the Participant's Elective Deferral Contributions subaccounts (determined without regard to past earnings and losses) and (ii) the amount of the immediate and heavy financial need plus taxes and penalties on the distribution.

(c) Immediate and Heavy Financial Need. A withdrawal is on account of an immediate and heavy financial need only if the withdrawal is for (i) expenses for (or necessary to obtain) medical care described in Code §213(d), (ii) costs directly related to the purchase (excluding mortgage payments) of a principal residence for the Participant, (iii) the payment of post-

secondary education tuition (and related educational fees, room and board) for the next 12 months for the Participant or the Participant's spouse or Dependents (as defined in Code §152, but determined without regard to Code §151(d)(1)(B)), (iv) to prevent the eviction of the Participant from the Participant's principal residence or the foreclosure on the mortgage of the Participant's principal residence, (v) funeral expenses of the Participant's deceased spouse, parent or Dependent or, (vi) expenses to repair damage to the Participant's principal residence and that are described in Code §165. A Dependent in this paragraph shall be deemed to include the Participant's Beneficiary.

5.04 MINIMUM DISTRIBUTIONS AND DEATH DISTRIBUTIONS

(a) General Rules and Definitions. All distributions required under this section will be determined and made in accordance with Code §401(a)(9) and the Regulations thereunder, and the provisions of this section will prevail over any inconsistent provisions of the Plan. Distribution of a Participant's Account must comply with this section, and for a living Participant must commence no later than the Participant's Required Beginning Date. For purposes of this section:

(1) *Designated Beneficiary* means a Beneficiary who is a designated beneficiary under Regulation §1.401(a)(9)-4.

(2) *Distribution Calendar Year* means a calendar year for which a minimum distribution is required. For distributions beginning before the Participant's death, the first Distribution Calendar Year is the calendar year immediately preceding the calendar year which contains the Participant's Required Beginning Date. For distributions beginning after the Participant's death, the first Distribution Calendar Year is the calendar year in which distributions are required to begin under subsection (c).

(3) *Life Expectancy* means life expectancy as computed by use of the Single Life Table in Regulation §1.401(a)(9)-9.

(4) *Participant Account Balance* means the Account balance as of the last valuation date in the calendar year immediately preceding the Distribution Calendar Year (the "valuation calendar year") increased by the amount of any contributions made and allocated or forfeitures allocated to the Account as of dates in the valuation calendar year after the valuation date and decreased by distributions made in the valuation calendar year after the valuation date. The Participant Account Balance for the valuation calendar year includes any amounts rolled over or transferred to the Plan either in the valuation calendar year or in the Distribution Calendar Year if distributed or transferred in the valuation calendar year.

(5) *Required Beginning Date* means the April 1 following the close of the calendar year in which the Participant attains age 70½ or, if later and if the Participant is not a more than 5% owner, the April 1 following the close of the calendar year in which the Participant ceases to be an Employee. A Participant is treated as a 5% owner for purposes of this section if the Participant is a 5% owner as defined in Code §416 at any time during the Plan Year ending with or within the calendar year in which the 5% owner attains age 70½.

(b) Required Minimum Distributions During Participant's Lifetime. During the Participant's lifetime, the minimum amount that will be distributed for each Distribution Calendar Year is the lesser of (i) the quotient obtained by dividing the Participant Account Balance by the distribution period in the Uniform Lifetime Table set forth in Regulation §1.401(a)(9)-9, using the Participant's age as of the Participant's birthday in the Distribution Calendar Year, or (ii) if the

Participant's sole Designated Beneficiary for the Distribution Calendar Year is the Participant's spouse, the quotient obtained by dividing the Participant Account Balance by the number in the Joint and Last Survivor Table set forth in Regulation §1.401(a)(9)-9, using the Participant's and spouse's attained ages as of the Participant's and spouse's birthdays in the Distribution Calendar Year. The required minimum distribution for the Participant's first Distribution Calendar Year will be made on or before the Participant's Required Beginning Date. The required minimum distribution for other Distribution Calendar Years, including the required minimum distribution for the Distribution Calendar Year in which the Participant's Required Beginning Date occurs, will be made on or before December 31 of that Distribution Calendar Year. Required minimum distributions will be determined under this subsection beginning with the first Distribution Calendar Year and up to and including the Distribution Calendar Year that includes the Participant's death.

(c) Death Before Required Beginning Date. If the Participant's death occurs before the Required Beginning Date, all or any portion of the Account will be distributed upon election of the Beneficiary at any time, subject to the minimum distribution rules of this subsection. If, by September 30 of the year following the year of the Participant's death either there is no Designated Beneficiary or the Designated Beneficiary so elects, all or any portion of the Account may be distributed at any time, provided the Account is distributed in full no later than the close of the year in which falls the fifth anniversary of the Participant's death (the "5-year rule"). If, as of September 30 of the year following the year of the Participant's death, a Designated Beneficiary fails to elect the 5-year rule, the Account may be distributed in full or in part at any time, provided that the minimum amount to be distributed for each Distribution Calendar Year after the year of the Participant's death is the quotient obtained by dividing the Participant Account Balance by the remaining Life Expectancy of the Participant's Designated Beneficiary, determined as provided in subsection (d). If the Participant's surviving spouse is the Participant's sole Designated Beneficiary and the surviving spouse dies before distributions are required to begin to the surviving spouse, this subsection will apply as if the surviving spouse were the Participant.

(d) Death On or After Required Beginning Date. This subsection applies if the Participant dies on or after the Required Beginning Date.

(1) *Participant Survived by Spouse as Sole Designated Beneficiary.* If the Participant's surviving spouse is the Participant's sole Designated Beneficiary as of September 30 of the year after the year of the Participant's death, the minimum amount that will be distributed for each Distribution Calendar Year after the year the Participant dies is the quotient obtained by dividing the Participant Account Balance by the remaining Life Expectancy of the surviving spouse. The surviving spouse's remaining Life Expectancy is calculated for each Distribution Calendar Year, after the year of the Participant's death and through the year of the spouse's death, using the surviving spouse's age as of the spouse's birthday in that year. If the surviving spouse does not die before distributions under this paragraph begin, then distributions to the surviving spouse will begin by December 31 of the calendar year immediately following the calendar year in which the Participant died or, if later, by December 31 of the calendar year in which the Participant would have attained age 70½. The surviving spouse may alternatively elect the 5-year rule described in subsection (c). For Distribution Calendar Years after the year of the surviving spouse's death, the remaining Life Expectancy of the surviving spouse is calculated using the age of the surviving spouse as of the spouse's birthday in the calendar year of the spouse's death, reduced by one for each subsequent calendar year.

(2) *Participant Survived by Nonspouse Designated Beneficiary.* If there is a nonspouse Designated Beneficiary as of September 30 of the year after the year of the Participant's death, the minimum amount that will be distributed for, and by the close of, each Distribution Calendar Year after the year the Participant dies is the quotient obtained by dividing the Participant's Account Balance by the remaining Life Expectancy of the Participant or the Account's oldest Designated Beneficiary, whichever is longer. The Participant's remaining Life Expectancy is calculated using the age of the Participant in the year of death, reduced by one for each subsequent year, and the Designated Beneficiary's remaining Life Expectancy is calculated using the age of the Designated Beneficiary in the year following the year of the Participant's death, reduced by one for each subsequent year. Beneficiaries may elect on an individual basis to apply the 5-year rule described in subsection (c) if the election is made no later than September 30 of the year in which distribution would be required to begin under this paragraph.

(3) *No Designated Beneficiary.* If there is no Designated Beneficiary as of September 30 of the year following the year of the Participant's death, the Participant's entire Account will be distributed in accordance with the 5-year rule described in subsection (c).

(e) *Small Account Balances.* Notwithstanding any other provision of this section, if any separate Account of a deceased Participant or a Beneficiary does not exceed \$5,000, the Account will be distributed to the Beneficiary (or the estate, if no Beneficiary) in a single sum as soon as is administratively practicable.

(f) *Multiple Designated Beneficiaries.* The Administrator may establish separate Accounts for each Designated Beneficiary (though a trust that is a Designated Beneficiary shall not be treated as more than one Designated Beneficiary) by September 30 of the year following the year of the Participant's death. If such separate Accounts are established, the provisions of this section shall apply separately to each such Account.

(g) *Deceased Individual with No Beneficiary.* Distribution of a deceased individual's Account, for which there is no Beneficiary, will be made in accordance with the following order of priority: (i) the individual's surviving spouse; (ii) the individual's surviving children, including adopted children, in equal shares; then (iii) the individual's estate.

(h) *Alternate Payee Treated as Spouse.* A Participant's former spouse to whom all or a portion of the Participant's Account is subject to assignment under a qualified domestic relations order shall be treated as the Participant's spouse under this section with respect to the portion assigned. This subsection shall apply to an alternate payee's Account whether or not a separate Account has been established for the alternate payee.

5.05 PROCEDURES FOR DISTRIBUTIONS

(a) Pre-Severance Distributions. A Participant who wishes to elect to receive a distribution under Section 5.01 shall request from the Administrator an explanation of distributions available under the Plan before severance from employment, and any applicable election forms. As soon as practicable after such request, the Administrator shall provide the explanation and forms to the requesting Participant. Within 180 days of the Administrator having provided such explanation and forms, the Participant may return a completed distribution election form requesting that the distribution be made as soon as is reasonably practicable.

(b) Post-Severance Distributions. As soon as practicable upon request after a Participant incurs a severance from employment, the Participant shall be provided an explanation

of distributions available under the Plan after severance from employment along with applicable election forms. Within 180 days of the Administrator having provided such explanation and forms, the Participant may return a completed distribution election form requesting that the distribution be made (or commence, in the case of an annuity or installment distribution) as soon as is reasonably practicable. In any case where the Plan provides for distribution, the Administrator shall be allowed reasonable time to cause the distribution.

(c) Waiver and Consent Rules. Except as provided in subsection (e), a Participant must (i) consent to the timing of any distribution and (ii) waive distribution in the form of a single life annuity (if not married) or joint and 50% spousal survivor annuity (if married) if distribution is to be made in some other form of life annuity. Such consent and waiver shall be explained to the Participant in writing, and included in the forms provided by the Administrator under subsections (a) and (b). A waiver by a married Participant must include an irrevocable consent by the Participant's spouse and may include a Beneficiary designation. A waiver under this section may be revoked in writing at any time before the distribution of any portion of the Account subject to the waiver.

(d) Direct Rollovers. Notwithstanding any provision of this document to the contrary that would otherwise limit a distributee's election affecting distribution of assets under the Plan, a distributee may elect, at the time and in the manner prescribed by the Employer, to have any portion of an eligible rollover distribution paid directly to an eligible retirement plan specified by the distributee in a direct rollover. "Eligible rollover distribution" under this section means any distribution of all or any portion of the balance to the credit of the distributee, except that an eligible rollover distribution shall not include (i) any distribution that is one of a series of substantially equal periodic payments (not less frequently than annually) made for the life (or Life Expectancy) of the distributee or the joint lives (or joint life expectancies) of the distributee and the distributee's designated Beneficiary, or for a specified period of ten years or more, (ii) any distribution to the extent such distribution is required under Code §401(a)(9) (with any distribution, or portion thereof, during a Plan Year treatable first as a minimum distribution for such Plan Year, and not eligible for a direct rollover, to extent the minimum distribution requirement has not been satisfied for the Plan Year), (iii) any nontaxable distribution unless such distribution is made to an individual retirement account (including a Roth IRA) or annuity or a tax-qualified plan under Code §401(a), 403(a) 403(b) that agrees to account separately for the amount transferred (including the portion of any after-tax amounts), and (iv) any hardship distribution. "Eligible retirement plan" under this section means (i) an individual retirement account described in Code §408(a), (ii) an individual retirement annuity described in Code §408(b), (iii) an annuity plan described in Code §403(a), (iv) an annuity contract described in Code §403(b), (v) a qualified trust described in Code §401(a) or (vi) an eligible deferred compensation plan described in Code §457(b) which is maintained by a state or political subdivision of a state, or any agency or instrumentality of a state or political subdivision of a state and which agrees to account separately for amounts transferred into such plan from this Plan. A distributee, for purposes of this section, includes an Employee or former Employee, his or her surviving spouse or former spouse who is the alternate payee under a qualified domestic relations order (as defined in Code §414(p)) with regard to the interest of the spouse or former spouse, and a nonspouse beneficiary to the extent the inherited IRA rules of Code §402(c)(11) are satisfied. Direct rollover, for purposes of this section, means a payment by the Plan to the eligible retirement plan specified by the distributee.

(e) **Distributions of Small Accounts.** If a terminated Participant or a Beneficiary fails to make an affirmative election under subsection (b) with respect to an Account that does not exceed \$5,000, the Administrator will automatically distribute the Account as a lump sum (if less than \$1,000) or pay over the Account to an individual retirement account (“IRA”) in accordance with Department of Labor Regulation §2550.404a-2. In the latter case, (i) the Administrator will cause an IRA to be established at an institution qualified to sponsor IRAs, (ii) the IRA will be established pursuant to a written agreement between the Administrator and the institution, (iii) the agreement will require that the IRA’s assets be invested in a manner that preserves principal and provides a reasonable rate of return (*e.g.*, a savings account, money market fund or stable value fund), (iv) the written agreement must allow the institution to impose fees and expenses that will not exceed amounts charged by the institution for comparable IRAs for non-automatic rollover distributions and (v) the Plan’s summary plan description will address the material provisions of this subsection and the institution’s IRA program. The Administrator will implement this provision for applicable terminated Participants once each Plan Year.

5.06 QUALIFIED DOMESTIC RELATIONS ORDERS. Notwithstanding any other provision of the Plan, distribution shall be made to an alternate payee if directed under a qualified domestic relations order, whether or not the Participant’s Account is otherwise distributable under the Plan, if consistent with the Funding Vehicle. Any distribution under this section must be consistent with the provisions of Code §401(a)(13) and §414(p). A distribution to an alternate payee may be made before the time the Participant’s Account is otherwise distributable only if (i) the order specifies distribution at such earlier time or permits an agreement between the Plan and the alternate payee to authorize an earlier distribution, (ii) the alternate payee consents to any distribution occurring before the Participant’s Account is otherwise distributable and (iii) the distribution is consistent with the terms of the applicable Funding Vehicle. Any amount partitioned under a qualified domestic relations order may be segregated by the Administrator for investment purposes. The separate Account of an Alternate Payee may be distributed, at the election of the Alternate Payee, at any time and form allowed under the Code and the Funding Vehicle.

5.07 SPECIAL ROTH DISTRIBUTION RULES. A qualified distribution from a designated Roth Contributions subaccount is excluded from taxable income. A “qualified distribution” from a Roth Contributions subaccount is a distribution that is made after the applicable 5-tax-year period and that is for a qualified purpose. The “applicable 5-tax-year period” is the 5-year period that begins on the first day of the first tax year for which the Participant made a Roth Contribution. A distribution for a “qualified purpose” means the distribution (i) is made after the Participant has attained age 59½, (ii) is to a Beneficiary after the Participant’s death or (iii) is on account of the Participant having become disabled.

5.08 FUNDING VEHICLE EXCHANGE. Subject to conditions associated with a Participant’s Funding Vehicle, a Participant may exchange one Funding Vehicle for another if (i) the Participant has an accumulated benefit immediately after the exchange that is at least equal to the accumulated benefit immediately before the exchange, (ii) the successor Funding Vehicle is subject to distribution restrictions that are not less stringent than those imposed on the predecessor Funding Vehicle, and (iii) the employer and the issuer of the successor Funding Vehicle agree to exchange information (such as employment status, hardship availability and loan payments) described in Regulation §1.403(b)-10(b)(2).

ARTICLE VI

LOANS

6.01 LOAN ELIGIBILITY. Any Participant in the Plan who is an Employee (or who is otherwise a “party-in-interest” as defined in ERISA §3(14)) may request a loan from the Plan as provided in this article and on forms prescribed by the Administrator. The Participant must agree to the terms contained in the promissory note and related documents, including the imposition of setup and ongoing administration fees. Any loan fees shall be disclosed to the Participant in advance, and charged to the Participant’s account in addition to the loan amount. Spousal consent is required as a condition to receiving a loan.

6.02 LIMITATION ON AMOUNT AND PURPOSE. The Administrator will approve no loan in an amount that exceeds 50% of the Participant’s Account balance. The minimum loan amount is \$1,000. The maximum aggregate dollar amount of loans outstanding to any Participant may not exceed \$50,000, reduced by the excess of the highest outstanding loan balance during the 12-month period ending on the date of the loan over the current outstanding loan balance. The Plan imposes no restriction on the purpose of the loan. A new loan will not be issued to a Participant if that Participant has an outstanding loan.

6.03 INTEREST. The interest rate shall be fixed at the prime rate published in the Wall Street Journal at the time the loan is processed, plus 1%, unless such rate is not reasonable and appropriate. All interest accrued on the loan will be credited to the borrowing Participant’s Account.

6.04 PAYMENTS. A loan shall provide for regular even payments coinciding with the frequency of the Foundation’s payroll. Payments will be collected by withholding from each paycheck the principal and interest due under the loan until it is fully paid. The Participant must agree to allow the Foundation to collect payments by payroll deduction. Should the Participant revoke approval for payroll deduction while employed, or should the Participant incur a severance from employment, the loan balance shall be immediately due and payable, together with accrued interest, and subject to the deemed (Section 6.08) or offset (Section 6.09) distribution procedures should the loan not be paid. Prepayments are not allowed, except that a Participant may repay the entire balance due at any time.

6.05 TERM. The maximum term of a loan shall be 60 months; provided, however, that a maximum term of 120 months is available for a residential real property loan described in Code §72(p)(2)(B)(ii).

6.06 SECURITY AND ACCOUNT SOURCE. Each loan must be secured with an irrevocable pledge and assignment of up to 50% of the amount of the Participant’s Account. Funding shall be made from all contribution sources other than Roth Contributions.

6.07 RISK OF LOSS. A Participant’s loan shall not place other Participants at risk with respect to their Account. All loans will be administered as a Participant directed investment of that portion of the Participant’s account equal to the outstanding balance of the loan. The Plan will credit the Participant’s Account with interest earned and principal payments received, and with expenses directly related to the maintenance and collection of the loan.

6.08 DEFAULT (DEEMED DISTRIBUTION). The Administrator will treat the entire unpaid balance of the loan in default if (i) any scheduled payment remains unpaid as of the last day of the calendar quarter succeeding the calendar quarter in which the payment became late

(i.e., the grace period) and (ii) the loan is not immediately distributable under Sections 5.01 or 5.02. A loan in default shall be deemed distributed for tax purposes at the time of default, but shall (i) not be eligible for rollover to any other retirement plan, (ii) continue to be carried as an asset on the books and records of the Plan, with continuing adjustments for accrued interest, until such time as the loan is distributed under Section 6.09, (iii) be taken into account for purposes of computing the amount of any future loan under the Plan, (iv) reflect tax basis only to the extent that the Participant has made additional loan payments after the date of the deemed distribution and (v) cause no further taxable income to the Participant after the date of the deemed distribution.

6.09 DISTRIBUTION (OFFSET DISTRIBUTION). For Participants whose loan balance is entirely distributable, the Administrator shall offset the Participant's Account, represented by the unpaid balance of the loan for which a scheduled payment remains unpaid, as of the last day of the grace period described in Section 6.08 (or, if earlier and applicable, the date the Participant receives a complete distribution of the Account). The Administrator shall provide an appropriate tax notice to the Participant on or about the date of the offset distribution explaining applicable tax and rollover rules. Should a Participant again become an Employee before the loan is offset, the period of absence shall be treated as a leave under Section 6.10. An offset distribution shall reduce the Participant's Account balance by the unpaid principal and accrued interest and cause the loan to be treated as repaid to the extent of the offset. As permitted under Regulations, the Participant is treated as having consented to a distribution under this section as a condition to receiving the loan.

6.10 LEAVE OF ABSENCE

(a) Leave Not Requiring Reamortization. If a Participant fails to make one or more scheduled payments in connection with an approved leave of absence, but no scheduled payment is late beyond the grace period described in Section 6.08, then the Participant shall make all late payments to the Administrator (by check) no later than 30 days after the end of the Participant's leave, and no interest adjustment shall be made to the loan due to any late payments. Should the Participant fail to make up all late payments as required, Section 6.08 shall instead apply.

(b) Leave Requiring Reamortization. If a Participant fails to make a scheduled payment during an approved leave of absence and the scheduled payment becomes late beyond the grace period set forth in Section 6.08, then the Participant shall not be required to make any scheduled loan payment during the suspension period. The "suspension period" shall begin on the first day of the leave and end on the earlier of (i) the date the leave ends or (ii) the one-year anniversary of the leave. The Participant may make voluntary loan payments during the suspension period in multiples of the loan payment amount. As soon as practicable after the end of the suspension period, (i) the Administrator shall re-amortize the loan from the date the leave began by determining the amount of additional accrued interest and recomputing an even payment amount with the last payment to be made no later than 60 months after the date the loan was initiated and (ii) the loan shall again be subject to the generally applicable rules of this Policy. No loan shall be re-amortized more than once. The Participant's Account shall be charged for any administration fees imposed on the Plan in connection with the reamortization.

(c) Leave for Military Service. In general, the provisions of subsection (b) shall apply to the repayment of a loan for a Participant who is performing service in the uniformed services of the United States, except that (i) the one-year maximum suspension period shall not apply, (ii) the 60-month payoff deadline therein shall be extended by the period of the military service, (iii) the

Participant may elect to continue with the same periodic payment amount (which will result in a final balloon payment for additional accrued interest), (iv) the loan may be re-amortized regardless of whether it was previously re-amortized and (v) the Participant may request a reduction in the interest rate imposed on the loan during the period of military service if he or she provides notice to the Administrator by the 180th day following the date military service ends.

ARTICLE VII **ADMINISTRATION**

7.01 PLAN ADMINISTRATION. The Foundation is the “Administrator” defined in Article I. The Administrator may appoint an individual or committee to assist it with its duties, though the Administrator shall have the sole responsibility for performing any specific statutory duty imposed by the Code or other law. Any individual or member of a committee shall serve without compensation for services. The Administrator will pay all expenses of any committee to the extent not paid by the Plan.

7.02 POWERS OF THE ADMINISTRATOR. The Administrator has the following nonexclusive powers and duties which it must exercise in a reasonable, uniform and nondiscriminatory manner:

- (i) to determine the eligibility of an Employee to participate in the Plan, and the value of a Participant’s Account;
- (ii) to adopt rules of administration necessary for the proper and efficient administration of the Plan provided the rules are consistent with applicable law and the terms of the Plan;
- (iii) to construe and enforce the terms of the Plan and the rules of administration it adopts, including discretionary authority to interpret Plan documents and documents related to the Plan’s operation;
- (iv) to review and render decisions with respect to a claim for (or denial of a claim for) a benefit under the Plan; and
- (v) to engage the services of agents, as it deems advisable, to assist with the performance of its duties.

7.03 MANNER OF ACTION. Action on the part of any committee appointed by the Foundation under Section 7.01 shall be by a majority of its duly appointed and qualified members. The committee may authorize any one of its members to sign on its behalf any notices, directions, applications, certificates, consents, approvals, waivers, letters or other documents, provided this authority is evidenced by a written instrument signed by all members and filed with the Administrator.

7.04 FUNDING POLICY. The Administrator will review, as necessary, all pertinent Employee information and Plan data in order to establish the funding policy of the Plan and to determine the appropriate methods of carrying out the Plan’s objectives.

7.05 VALUATION OF ACCOUNTS. As of each business day, the Administrator shall adjust Accounts to reflect net income, gain or loss since the previous business day. The Administrator may use any reasonable method for allocating gains and losses incurred between business days among Accounts. Participant Accounts shall be adjusted for contributions and distributions as they occur.

7.06 UNCLAIMED ACCOUNT PROCEDURE. The Administrator will use all reasonable measures to locate Participants who are entitled to a Plan distribution. Such measures may, depending on cost considerations, include using certified mail, checking records of other plans maintained by the Employer, using a governmental letter-forwarding program, and using a commercial locator service. The Administrator may charge the applicable Participant Account for any reasonable expense of locating the Participant. The Administrator may dispose of an unclaimed Account if the applicable Participant, despite reasonable efforts, cannot be located. Such disposition shall not occur earlier than one year following the Participant's Required Beginning Date described in Section 5.04.

7.07 INDEMNITY BY FOUNDATION AND PLAN. The Foundation indemnifies and holds harmless any duly appointed committee and its members from and against any and all loss resulting from liability to which such committee or its members may be subjected by reason of any act or conduct (except willful misconduct or gross negligence) in their official capacities in assisting with the administration of the Plan, including all expenses reasonably incurred in their defense, should the Foundation fail to provide such defense. Individuals appointed under Section 7.01 and the Foundation may execute a letter agreement further delineating the indemnification agreement of this section. Should any claim brought against an individual appointed under Section 7.01 be resolved in favor of such individual, the individual defending the claim shall be entitled to reimbursement from the Plan for any and all reasonable costs, attorney's fees and related expenses, to the extent consistent with applicable law and as allowed by the Administrator in its discretion.

7.08 BENEFICIARY DESIGNATION. Any Participant may from time to time designate, on a form prescribed by the Administrator, any person or persons, contingently or successively, to whom the Administrator will pay the amount in the Participant's Account in the event of the Participant's death. The filing of the form with the Administrator effectively revokes all designations filed previously by the same Participant. The designation of a non-spouse primary Beneficiary will not be recognized if the Participant dies while married, unless the Participant's spouse consents to the designation in the manner generally required by the Plan. No such consent shall be required if (i) the spouse cannot be located after a reasonable period of time or (ii) the Participant is legally separated or has been abandoned and the Participant has a court order to that effect. An alternate payee under Section 5.06 may designate a Beneficiary under this section in the same manner as may a Participant, except that the designation by an alternate payee is not subject to spousal consent.

7.09 NO BENEFICIARY DESIGNATION. If a Participant fails to name one or more Beneficiaries in accordance with Section 7.08, or if all Beneficiaries named by a Participant predecease the Participant, then distribution of the Participant's Account shall be made in accordance with Section 5.04(g).

7.10 ASSIGNMENT OR ALIENATION. Subject to Section 5.06 (relating to qualified domestic relations orders), neither a Participant nor a Beneficiary may anticipate, assign or alienate any benefit provided under the Plan. Further, a benefit under the Plan is not subject to attachment, garnishment, levy, execution or other legal or equitable process.

7.11 APPEAL PROCEDURE FOR DENIAL OF BENEFITS. A Participant ("Claimant", in this section) may file with the Administrator a written claim for benefits if the claimant believes that the Plan has not provided proper benefits. If the Administrator denies the claim, the Administrator shall render a written decision within 60 days of the Claimant's written

claim setting forth (i) the specific reason for the denial, (ii) specific references to pertinent Plan provisions on which the denial is based, (iii) a description of any additional material and information needed for the Claimant to perfect the claim and an explanation of why the material or information is needed, and (iv) a statement that any appeal the Claimant wishes to make of the adverse determination must be submitted in writing to the Administrator within 75 days after the Claimant's receipt of the Administrator's notice of denial of benefits. The Administrator's notice must further advise the Claimant that the Claimant's failure to appeal the action to the Administrator in writing within the 75-day period will render the Administrator's determination final, binding and conclusive. If the Claimant should appeal to the Administrator, the Claimant (including the Claimant's duly authorized representative) may submit, in writing, whatever issues and comments the Claimant or representative feels are pertinent. The Claimant may review pertinent Plan documents. The Administrator will reexamine all facts related to the appeal and make a final determination as to whether the denial of benefits is justified under the circumstances. The Administrator must advise the Claimant of its decision within 60 days of the Claimant's written request for review, unless special circumstances (such as a hearing) would make the rendering of a decision within the 60-day limit unfeasible, but in no event may the Administrator render a decision respecting a denial for a claim for benefits later than 120 days after its receipt of a request for review. After the Participant has received from the Administrator an adverse determination of an appeal of a prior benefit denial, the Participant may commence a claim for benefits in an appropriate state court.

7.12 FIDUCIARIES NOT INSURERS. The Foundation and Administrator do not guarantee any Account from loss or depreciation. The Foundation does not guarantee the payment of any money, which may be or becomes due to any person, from the Plan.

7.13 WORD USAGE AND HEADINGS. Wherever the context of the Plan dictates (i) the plural of a word includes the singular and singular includes the plural and (ii) the masculine use of the word includes the feminine. Headings and subheadings in the Plan are provided for convenience only, and are to be ignored in the construction of the Plan's provisions.

7.14 APPLICABLE LAW. In general, the Plan will be governed in accordance with the provisions of ERISA and in a manner consistent with the Code. California state law will apply to the extent federal law does not.

7.15 EMPLOYMENT NOT GUARANTEED. The Plan is not intended, and shall not be construed, to give any Employee any right to continue employment with the Employer.

7.16 EXCLUSIVE BENEFIT. The Foundation has no beneficial interest in any asset of the Plan and no part of the Plan may revert to or be repaid to the Foundation, either directly or indirectly. Further, prior to the satisfaction of all liabilities under the Plan with respect to the Participants and their Beneficiaries, no asset of the Plan may be used for or diverted to purposes other than the exclusive benefit of the Participants or their Beneficiaries.

7.17 INVESTMENTS

(a) **General Rules.** A Participant shall be provided a reasonable opportunity to direct the Administrator to invest and reinvest the Participant's Account in any annuity contract or custodial account as described in Code §403(b) and designated by the Administrator as available to Participants for investment ("Funding Vehicle"). The Participant shall be allowed to direct investment under this section at least once in any 3-month period and more frequently if

appropriate in light of the volatility of the selected investment. The Administrator shall not be liable for any loss resulting from the Participant's direction of (or failure to direct) the investment of such Participant's Account under this section. The Foundation shall determine all annuity contracts and custodial accounts to be made available to Participants as a Funding Vehicle, and shall determine the investment of any Account for which no participant direction exists. The Administrator will enter into appropriate agreements with each Funding Vehicle vendor for the purpose of sharing information necessary to effect the terms of this document.

(b) Funding Vehicle Documentation. The Plan, together with the documentation establishing the Funding Vehicle arrangement, is intended to satisfy the requirements of Code §403(b) and applicable Regulations. Terms and conditions of the Funding Vehicles are hereby incorporated by reference into the Plan, excluding those terms that are inconsistent with the Plan or Code §403(b).

7.18 DOCUMENT CONFLICTS. Any conflict between the terms of this document and a Funding Vehicle shall be resolved in favor of the Plan.

7.19 FEES. Except to the extent the Foundation elects to pay Plan fees and expenses attributable to Plan administration, fees and expenses for Plan administration shall be paid from Plan assets. The Foundation may seek reimbursement from the Plan for any such fees and expenses of Plan administration within one year of the date of payment by the Foundation.

7.20 COMPLIANCE WITH USERRA

(a) General Rule. Notwithstanding any provision of the Plan to the contrary, the Plan shall be administered in accordance with the requirements of Code §414(u) and IRS Notice 2010-15 (as such Notice may be modified by subsequently issued guidance).

(b) Deemed Severance. A Participant on active duty for a period exceeding 30 days, who remains an Employee, shall be deemed to have incurred a severance from employment to the extent necessary to obtain a distribution from such Participant's Account. A Participant who receives a distribution based on a deemed severance under this subsection will make no Elective Deferral Contribution during the 6-month period commencing on the date of such distribution.

(c) Differential Pay. Differential pay shall be treated as Compensation for purposes other than Section 3.03. "Differential pay" means a payment (i) that is made to a Participant with respect to any period during which the Participant is performing service in the uniformed services on active duty for a period of more than 30 days, and that (ii) represents compensation the Participant would have received had the Participant performed services for the Foundation.

(d) Loans. Participant loan repayments may be suspended under the Plan as permitted under Code §414(u)(4).

ARTICLE VIII AMENDMENT AND TERMINATION

8.01 AMENDMENT BY FOUNDATION. The Foundation has the right at any time and from time to time to amend the Plan in writing in any manner it deems necessary. No amendment may authorize or permit any of the assets of the Plan (other than those which are required to pay taxes and administration expenses) to be used for or diverted to purposes other than for the exclusive benefit of the Participants or their Beneficiaries. No amendment may cause or permit any portion of the Plan's assets to revert to or become property of the Foundation. Each

amendment must state the date to which it is either retroactively or prospectively effective. Any amendment (including a restatement) which purports to decrease a Participant's benefit in a manner which would violate Code §411(d)(6) and applicable regulations shall be ignored to the extent necessary to prevent such violation.

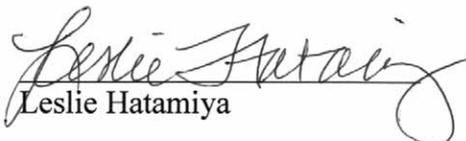
8.02 DISCONTINUANCE/TERMINATION. The Foundation has the right, at any time, to suspend or discontinue its contributions under the Plan and to terminate the Plan at any time in accordance with current requirements under the Code and related regulations. The Plan will terminate upon the first to occur of the following (i) the date terminated by action of the Foundation or (ii) the dissolution or merger of the Foundation unless a successor makes provision to continue the Plan (in which event the successor must substitute itself for the Foundation under the Plan). Upon termination of the Plan the Administrator will cause the distribution of each Participant's Account in a single sum, or by purchase of an annuity contract with an insurance company, as soon as administratively practicable whether or not the Participant consents to that distribution.

8.03 MERGER/DIRECT TRANSFER

(a) Equivalent Benefit. The Administrator may not consent, or be a party, to any merger or consolidation with another plan, or to a transfer of assets or liabilities to another plan, unless immediately after the merger, consolidation or transfer, the surviving Plan provides each Participant a benefit equal to or greater than the benefit each Participant would have received had the Plan terminated immediately before the merger, consolidation or transfer.

(b) Agreements. The Administrator shall have the specific authority to enter into agreements to merge or directly transfer assets with the representatives of other retirement plans described in Code §403(b), including an elective transfer, and to accept the direct transfer of plan assets, or to transfer plan assets, as a party to any such agreement. The Administrator may accept such a direct transfer of plan assets on behalf of an Eligible Employee prior to the date the Eligible Employee satisfies the Plan's eligibility conditions. If the Plan receives a direct transfer (by merger or otherwise) of elective contributions (or amounts treated as elective contributions) under a Plan with an elective deferral arrangement, appropriate distribution restrictions shall continue to apply to such transferred elective deferrals.

SAN BRUNO COMMUNITY FOUNDATION

By: 
Leslie Hatamiya

Date: 10/20/2015

Title: Executive Director

RESOLUTION NO. 2015-__

**RESOLUTION OF THE SAN BRUNO COMMUNITY FOUNDATION
REQUESTING THE SAN BRUNO CITY COUNCIL TO AUTHORIZE TRANSFER OF
\$206,000 IN RESTITUTION FUNDS TO THE SAN BRUNO COMMUNITY
FOUNDATION**

WHEREAS, pursuant to the Settlement Agreement between the City of San Bruno and Pacific Gas & Electric Company settling all claims arising out of the tragic 2010 gas pipeline explosion in San Bruno's Crestmoor Neighborhood, the City received restitution consisting of five vacant plots of land valued at \$1,250,000 and \$68,750,000 in cash, which was to be transferred to a tax-exempt nonprofit entity;

WHEREAS, the San Bruno City Council created the San Bruno Community Foundation to administer the restitution funds in 2013;

WHEREAS, the City of San Bruno has been holding the restitution funds in a custodial account until SBCF has developed an investment policy, hired an investment management firm, and is otherwise prepared to take possession of the funds;

WHEREAS, on February 10, 2015, the San Bruno City Council adopted a resolution authorizing a transfer of funds totaling \$491,031.00 from the City's custodial account to SBCF to cover SBCF's reimbursement to the City of costs incurred in the formation of SBCF and approximately one year of operating expenses;

WHEREAS, SBCF anticipates a balance of approximately \$44,000 in its bank accounts at the beginning of December 2015;

WHEREAS, SBCF does not expect to hire an investment management firm, adopt an investment policy, and take possession of the remaining restitution funds before the spring of 2016; and

WHEREAS, a transfer of \$206,000 from the City's custodial account to SBCF would provide sufficient funds to cover SBCF's operating expenses through the end of the 2015-2016 fiscal year.

NOW, THEREFORE, BE IT RESOLVED that the Board of Directors requests the San Bruno City Council to authorize transfer of \$206,000 in restitution funds to the San Bruno Community Foundation.

Dated: November 4, 2015

ATTEST:

Emily Roberts, Secretary

I, Emily Roberts, Secretary, do hereby certify that the foregoing Resolution No. 2015-__ was duly and regularly passed and adopted by the Board of Directors of the San Bruno Community Foundation on this 4th day of November, 2015, by the following vote:

AYES: Board members:

NOES: Board members:

ABSENT: Board members:

SAN BRUNO

Community Foundation

September 2015

Budget Narrative

This report primarily describes amounts in column a (Actual Year to Date) of the monthly Budget Report. When projections vary from Budget (column b), the changes will be reflected in columns d (Final Expected Amount) and e (Change in Budget), and also be explained. First three months equal 25% of the year.

INCOME

Line 1 Restitution Funds – Nothing received from the City of San Bruno. A transfer of funds will likely be necessary before the end of calendar 2015. Full transfer of \$69.7 million expected in spring 2016.

Line 2 Interest & Investment Income – Minimal earnings (\$8) from Wells Fargo accounts.

EXPENSES

Line 4 Salaries & Wages – Executive Director continues as only employee. Revised budget anticipates an additional employee as of November 1.

Line 5 Payroll Taxes & Benefits – Year to date costs (\$6,892) include: Social Security/Medicare (\$3,347); Workers' Compensation Insurance (\$459); accrued Paid Time Off (\$840); accrued Retirement (\$2,187); and life insurance (\$59).

Line 7 Grants & Assistance – No grants & assistance have been awarded. Revised budget includes \$1 million to be awarded by June 30, 2016.

Line 8 Occupancy – Only cost is office lease (\$909 per month).

Line 9 Insurance – Year to date actual (\$4,136) is for: Directors & Officers (D&O) coverage (\$3,212); crime coverage (\$681); and package non-profit liability coverage (\$243). These are monthly amounts that will be recorded every month regardless of when premiums are paid. A small policy, costing about \$100 for three years, will be needed for fidelity bond related to retirement plan coverage.

Line 10 Telecommunications – Year to date cost (\$316) includes cell phone account (\$190), and internet access (\$126). Cost is well below budget because budget includes projected cost for land line and new website.

Line 11 Postage & Shipping – \$83 year to date cost is for priority mailings from Accounting consultant to Executive Director (\$40) and other postage (\$43).

Line 12 Marketing & Communications – The only cost for this line item, formerly known as Printing and Copying has been \$7 for city facility scans used in cost modeling.

Line 13 Office Supplies – Total (\$418) includes: four toner cartridges (\$328); Accounting software fees (\$65); and miscellaneous supplies (\$25).

Line 14 Office Equipment & Furniture – Total cost (\$1,543) is for: file cabinet (\$817); projector (\$436); table (\$202); and two stackable chairs (\$88).

Line 15 Legal Fees – Total cost of \$11,917 for review of: planned program policies and framework; IRS classification issues; and amendment to Articles of Incorporation.

Line 16 Auditor & Payroll Fees – Only cost has been \$452 for payroll fees. Audit fees will be incurred in 2nd quarter of fiscal year.

Line 17 Investment Consultant – No expense incurred.

Line 18 Other Consultants - Total costs (\$19,376) include \$15,224 for sample project cost modeling and \$4,152 for Accounting consultant.

Line 19 Travel, Meetings & Conferences – Total cost (\$581) is for audio recording of July & August Board meetings.

Line 20 Miscellaneous – Cost (\$20) is for California Secretary of State fee.

SUMMARY

Two expense line items (Legal Fees and Other Consultants) are over the 25% benchmark for the first quarter of the year. This report incorporates the revised budget as approved by the Board and submitted to the City Council for approval in November.

- Legal Fees are over budget by 14.7% because of expenses incurred for services of the Manatt law firm and NEO law group in resolving issues related to IRS classification and potential future programs. These costs are unusual and the variance is not expected to persist throughout the year.
- The Other Consultant variance (17.4%) is caused by \$15,224 expense for cost modeling. That represents nearly half the amount that was budgeted for costs other than Accounting consultant. Accounting consultant cost is also about \$400 over 25% of budget as September included budget revision and audit preparation activities.

Because revised budget includes \$1 million for estimated amount of SBCF's initial Grants & Assistance, first quarter expenses are only 6.4% of budget. After removing the \$1 million, year to date costs are 21.3% of budget, which is mostly a reflection of the as yet unused budget allocation for a second employee.

SAN BRUNO

Community Foundation

September 2015 2015-2016 Budget Report

	(a)	(b)	(c)	(d)	(e)
	Actual Year to Date	Budget	Actual as % of Budget (a/b)	Final Expected Amount	Change in Budget (d - b)
INCOME					
1 Restitution Funds	\$ -	\$ 69,678,944	0.0%	\$ 69,678,944	\$ -
2 Interest & Investment Income	8	200	4.0%	200	-
3 Total Income	8	69,679,144	0.0%	69,679,144	-
EXPENSES					
4 Salaries & Wages	43,750	225,000	19.4%	225,000	-
5 Payroll Taxes & Benefits	6,892	38,556	17.9%	38,556	-
6 Subtotal Personnel	50,642	263,556	19.2%	263,556	-
7 Grants & Assistance	-	1,000,000		1,000,000	-
8 Occupancy	2,728	11,050	24.7%	11,050	-
9 Insurance	4,136	16,799	24.6%	16,799	-
10 Telecommunications	316	2,856	11.1%	2,856	-
11 Postage & Shipping	83	4,187	2.0%	4,187	-
12 Marketing & Communications	7	15,500	0.0%	15,500	-
13 Office Supplies	418	2,760	15.1%	2,760	-
14 Office Equipment & Furniture	1,543	4,300	35.9%	4,300	-
15 Legal Fees	11,917	30,000	39.7%	30,000	-
16 Auditor & Payroll Fees	452	7,781	5.8%	7,781	-
17 Investment Consultant	-	15,000		15,000	-
18 Other Consultants	19,376	45,750	42.4%	45,750	-
19 Travel, Meetings & Conferences	581	10,000	5.8%	10,000	-
20 Miscellaneous	20	3,000		3,000	-
21 Subtotal Non-Personnel	41,577	1,168,983	3.6%	1,168,983	-
22 Total Expenses	92,219	1,432,539	6.4%	1,432,539	-
23 Net Surplus/(Loss)	\$ (92,211)	\$ 68,246,605	-0.1%	\$ 68,246,605	\$ -

SAN BRUNO

Community Foundation

Statement of Financial Position as of September 30, 2015

ASSETS

Cash, Wells Fargo General	\$ 19,049.75	
Cash, Wells Fargo Payroll	35,829.42	
Cash, Wells Fargo Savings	50,018.28	
Total Cash		104,897.45
Prepaid Expenses	6,449.81	
Total Other Current Assets		6,449.81
Deposits	1,520.45	
Total Other Assets		1,520.45
TOTAL ASSETS		<u>\$ 112,867.71</u>

LIABILITIES & NET ASSETS

LIABILITIES

Accounts Payable	14,979.39	
Accrued Expenses	6,414.56	
Accrued Employee PTO	6,447.25	
Total Liabilities		27,841.20

NET ASSETS

Unrestricted, 7/1/2015 Balance	177,237.78	
Year to Date Net Income	(92,211.27)	
Total Net Assets		85,026.51
TOTAL LIABILITIES & NET ASSETS		<u>\$ 112,867.71</u>

SAN BRUNO

Community Foundation

Memorandum

DATE: October 29, 2015

TO: Board of Directors, San Bruno Community Foundation

FROM: Leslie Hatamiya, Executive Director

SUBJECT: Report from Novogradac & Company LLP Regarding the San Bruno Community Foundation's Audited Financial Statements for the Year Ended June 30, 2015, and Resolution Approving the Audited Financial Statements for the Year Ended June 30, 2015

Article XIII, Section 4, of the San Bruno Community Foundation's Bylaws states that the Foundation "shall retain an[] independent auditor and conduct annual independent audits (commencing with Section 12586(d) of the California Government Code)." On September 2, 2015, at the recommendation of the Audit Committee, the Board of Directors authorized President Nancy Kraus to execute a contract with Novogradac & Company LLP, a national certified public accounting firm, to conduct an audit of the Foundation's financial statements for the year ended June 30, 2015, and to prepare the Foundation's annual federal and state tax returns.

In mid-September, President Kraus signed a contract with Novogradac for audit and tax preparation services, and Accounting Consultant Frank Bittner and I began working with the Novogradac team headed by engagement partner Lance Smith to complete the audit. From late September through late October, the Novogradac team examined the Foundation's financial records, accounts, business transactions, accounting practices, and internal controls. At the end of October, the Novogradac team produced the attached final audit report, which covers the Foundation's finances from August 5, 2013 (inception) through June 30, 2015.

At the November 4, 2015, Board meeting, Mr. Smith will present the audited financial statements to the Board, review his team's findings with regard to the Foundation's financial records, accounts, business transactions, accounting practices, and internal controls, and field questions from the Board. Attached to this memo are the audited financial statements and supporting materials from Novogradac.

At the conclusion of Mr. Smith's report, I recommend that the Board adopt the attached resolution accepting and approving the Foundation's audited financial statements for the year ended June 30, 2015.

On a related note, the Novogradac team expects to have prepared a final draft of the Foundation's annual federal and state tax returns (IRS Form 990 and California Form

SAN BRUNO

Community Foundation

Memorandum

199) by the first week of November. I will circulate the tax returns to the full Board for review, with the goal of submitting the returns by their November 15, 2015, deadline. If I am able to circulate the tax returns prior to November 4, Mr. Smith and I will be able to answer any questions Board members may have about the tax returns at the Board meeting.

Attachment:

1. Resolution Approving the San Bruno Community Foundation's Audited Financial Statements for the Year Ended June 30, 2015
2. The San Bruno Community Foundation Financial Statements and Report of Independent Auditors for the period beginning August 5, 2013, and ending June 30, 2015, and supporting materials from Novogradac

RESOLUTION NO. 2015-__

**RESOLUTION OF THE SAN BRUNO COMMUNITY FOUNDATION
APPROVING THE FOUNDATION'S AUDITED FINANCIAL STATEMENTS FOR THE
YEAR ENDED JUNE 30, 2015**

WHEREAS, Article XIII, Section 4, of the Bylaws calls for the retention of an independent auditor to conduct an annual audit of the San Bruno Community Foundation's financial statements and records;

WHEREAS, on September 2, 2015, upon recommendation from the Audit Committee, the Board of Directors authorized President Nancy Kraus to execute a contract with Novogradac & Company LLP for audit and tax preparation services for fiscal year 2014-2015;

WHEREAS, on September 18, 2015, President Nancy Kraus executed a contract with Novogradac & Company LLP to conduct an audit of the Foundation's fiscal year 2014-2015 financial statements and prepare the Foundation's tax returns;

WHEREAS, Novogradac & Company LLP examined the Foundation's financial records, accounts, business transactions, accounting practices, and internal controls;

WHEREAS, Novogradac has produced audited financial statements for the Foundation for the year ended June 30, 2015; and

WHEREAS, Lance Smith, the Novogradac engagement partner assigned to the Foundation's account, will present the audited financial statements to the Board at the Foundation's November 4, 2015, regular Board meeting.

NOW, THEREFORE, BE IT RESOLVED that the Board of Directors accepts and approves the audited financial statements for the year ended June 30, 2015, as prepared by Novogradac & Company LLP.

Dated: November 4, 2015

ATTEST:

Emily Roberts, Secretary

I, Emily Roberts, Secretary, do hereby certify that the foregoing Resolution No. 2015-__ was duly and regularly passed and adopted by the Board of

Directors of the San Bruno Community Foundation on this 4th day of November, 2015, by the following vote:

AYES: Board members:

NOES: Board members:

ABSENT: Board members:

THE SAN BRUNO COMMUNITY FOUNDATION

Financial Statements
and
Report of Independent Auditors

For the period beginning July 24, 2013 (inception)
and ending June 30, 2015

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Report of Independent Auditors

To the Board of Directors of
The San Bruno Community Foundation:

Report on the Financial Statements

We have audited the accompanying financial statements of The San Bruno Community Foundation, a California nonprofit corporation, which comprise the statement of financial position as of June 30, 2015, and the related statements of activities and changes in net assets, and cash flows for the period beginning July 24, 2013 (inception) and ending June 30, 2015, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The San Bruno Community Foundation as of June 30, 2015, and the changes in its net assets and its cash flows for the period beginning July 24, 2013 (inception) and ending June 30, 2015, in accordance with accounting principles generally accepted in the United States of America.

Norogradac & Company LLP

San Francisco, California
October 27, 2015

THE SAN BRUNO COMMUNITY FOUNDATION
STATEMENT OF FINANCIAL POSITION
June 30, 2015

ASSETS

Cash and cash equivalents	\$ 178,045
Accounts receivable	90
Prepaid expenses	7,374
Deposits	<u>1,520</u>
Total assets	<u>\$ 187,029</u>

LIABILITIES AND NET ASSETS

Accounts payable	<u>\$ 9,791</u>
Total liabilities	9,791
Unrestricted net assets	<u>177,238</u>
Total liabilities and net assets	<u>\$ 187,029</u>

see accompanying notes

THE SAN BRUNO COMMUNITY FOUNDATION
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
For the period beginning July 24, 2013 (inception)
and ending June 30, 2015

UNRESTRICTED NET ASSETS	
REVENUE AND OTHER SUPPORT	
Restitution funds	\$ 491,031
Interest and dividends	18
Total revenue and other support	<u>491,049</u>
EXPENSES	
Program expense	83,995
Management and general	229,816
Total expenses	<u>313,811</u>
CHANGE IN NET ASSETS	177,238
NET ASSETS AT BEGINNING OF PERIOD	<u>-</u>
NET ASSETS AT END OF PERIOD	<u><u>\$ 177,238</u></u>

see accompanying notes

THE SAN BRUNO COMMUNITY FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
For the period beginning July 24, 2013 (inception)
and ending June 30, 2015

	<u>Program Services</u>	<u>Management and General</u>	<u>Total</u>
SALARY AND PAYROLL			
Salaries and wages	\$ 32,813	\$ 40,104	\$ 72,917
Payroll taxes and benefits	6,903	8,438	15,341
Total personnel expenses	<u>39,716</u>	<u>48,542</u>	<u>88,258</u>
OTHER EXPENSES			
Rent	1,228	1,500	2,728
Insurance	-	24,016	24,016
Telecommunications	766	937	1,703
Postage and shipping	1,296	95	1,391
Printing and copying	4,204	-	4,204
Office supplies	544	359	903
Office equipment and furniture	1,626	1,988	3,614
Organizational costs	-	139,941	139,941
Accounting and payroll fees	-	10,595	10,595
Listening campaign consultants	33,940	-	33,940
Travel, meetings and conferences	675	1,633	2,308
Miscellaneous	-	210	210
Total other expenses	<u>44,279</u>	<u>181,274</u>	<u>225,553</u>
TOTAL EXPENSES	<u><u>\$ 83,995</u></u>	<u><u>\$ 229,816</u></u>	<u><u>\$ 313,811</u></u>

see accompanying notes

THE SAN BRUNO COMMUNITY FOUNDATION
STATEMENT OF CASH FLOWS
For the period beginning July 24, 2013 (inception)
and ending June 30, 2015

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	\$ 177,238
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Increase in assets:	
Accounts receivable	(90)
Prepaid expenses	(7,374)
Deposits	-
Increase in liabilities:	
Accounts payable	9,791
Net cash provided by operating activities	<u>179,565</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Funding of deposits	<u>(1,520)</u>
Net cash used in investing activities	<u>(1,520)</u>
Net increase in cash and cash equivalents	178,045
Cash and cash equivalents at beginning of period	<u>-</u>
Cash and cash equivalents at end of period	<u><u>\$ 178,045</u></u>

see accompanying notes

THE SAN BRUNO COMMUNITY FOUNDATION

Notes to Financial Statements

June 30, 2015

1. Organization

The San Bruno Community Foundation (the "Foundation"), a California nonprofit corporation, was organized in 2013 as a public benefit 501(c)(3) nonprofit corporation and has been determined to be a Type I supporting organization under Section 509(a)(3) of the Internal Revenue Code ("IRC"). Pursuant to the settlement agreement dated March 12, 2012, between Pacific Gas & Electric Company ("PG&E") and the City of San Bruno (the "City"), both parties agreed to resolve and settle all claims arising out of the September 9, 2010 pipeline incident (the "Settlement Agreement"). The terms require PG&E to contribute a total of \$70 million to the City, which comprised of 1) five vacant plots of land in the Glenview (Crestmoor) neighborhood which has a total fair market value of \$1,250,000 and 2) \$68,750,000 in cash, which will be transferred to a tax-exempt, nonprofit public purpose entity. Hence, the Foundation was created from the Settlement Agreement. The Foundation engages primarily in the administration of PG&E restitution funds.

The Foundation's goals serve the San Bruno community by investing in projects, programs, services, and facilities that have significant and lasting benefits. Through making grants, leveraging partnerships, and taking advantage of other resources, the Foundation assists and enables the community to maximize shared investments and realize their subsequent enhancements and benefits.

2. Summary of significant accounting policies

Basis of accounting

The Foundation prepares its financial statements on the accrual basis of accounting consistent with accounting principles generally accepted in the United States of America. The Foundation's year end for tax and financial reporting purposes is June 30.

Basis of presentation

The Foundation is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. Unrestricted net assets represent funds, which are fully available or have been fully reserved, at the discretion of management, to utilize for any of its programs or supporting services. Temporarily restricted net assets are comprised of funds, which are restricted by donors for specific purposes or time periods. Permanently restricted net assets include contributions, which donors have specified must be maintained in perpetuity. As of June 30, 2015, the Foundation had no temporarily restricted or permanently restricted net assets.

Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Cash and cash equivalents

Cash and cash equivalents include all cash balances on deposit with financial institutions and highly liquid investments with a maturity of three months or less at the date of acquisition.

THE SAN BRUNO COMMUNITY FOUNDATION

Notes to Financial Statements

June 30, 2015

2. Summary of significant accounting policies (continued)

Concentration of credit risk

The Foundation maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The Foundation has not experienced any losses in such accounts. The Foundation believes it is not exposed to any significant credit risk on cash and cash equivalents.

Restitution funds recognition

Restitution funds are recognized when the City makes an unconditional promise to give to the Foundation.

For the period beginning July 24, 2013 (inception) and ending June 30, 2015, the Foundation recognized \$491,031 as income. This is the amount of restitution funds that the City transferred to the Foundation in February 2015. At that time, the City Council approved transfer of funds to cover the Foundation's reimbursement to the City of costs incurred in the formation of the Foundation and enough funds to cover what was estimated to be approximately a year of operating expenses.

The City is holding the balance of the restitution funds in two custodial accounts. The first account is holding the balance of the original \$68,750,000 cash payment the City received in 2012. The second account is holding the proceeds of the sale of three of the lots that were part of the restitution settlement in the amount of \$1,243,563.

For the period beginning July 24, 2013 (inception) and ending June 30, 2015, the Foundation does not believe the remaining restitution funds that the City is currently holding should be recognized as income. The Foundation must meet certain conditions before the City would be willing to authorize the transfer and the Foundation would be willing to accept the funds. The Foundation has not adopted an investment policy and has not retained the services of an investment management firm to manage the funds. The City would not approve transfer of the funds to the Foundation, and the Foundation would not accept the funds, prior to the Foundation successfully taking those actions.

Accounts receivable

Management considers receivables to be fully collectible. If amounts become uncollectible, they are charged to operations in the period in which that determination is made. Accounting principles generally accepted in the United States of America require that the allowance method be used to recognize bad debts; however, the effect of using the direct write-off method is not materially different from the results that would have been obtained under the allowance method.

Furniture and equipment

The Foundation capitalizes equipment, furnishings, and leasehold improvements over \$5,000 that materially increase asset lives of one year or more. When assets are sold or otherwise disposed of, the costs and related reserves are removed from the accounts and any resulting gain or loss is included in operations.

Income taxes

The Foundation is a not-for-profit corporation under Section 501(c)(3) of the IRC and Section 23701(d) of the California Revenue and Taxation Code and therefore, is generally exempt from both federal and state income taxes, except on net income derived from unrelated business activities.

THE SAN BRUNO COMMUNITY FOUNDATION

Notes to Financial Statements

June 30, 2015

2. Summary of significant accounting policies (continued)

Income taxes (continued)

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires the Foundation to report information regarding its exposure to various tax positions taken. Management has determined whether any tax positions have met the recognition threshold and has measured its exposure to those tax positions. Management believes that the Foundation has adequately addressed all relevant tax positions and that there are no unrecorded tax liabilities. Federal tax authorities generally have the right to examine and audit the previous three years of tax returns filed. California tax authorities generally have the right to examine and audit the previous four years of tax returns filed. Any interest or penalties assessed to the Foundation are recorded in operating expenses. No interest or penalties from federal or state tax authorities were recorded in the accompanying financial statements.

Functional allocation of expenses

For the period beginning July 24, 2013 (inception) and ending June 30, 2015, all of the Foundation's expenses are classified as Program or Management, and there were no fundraising activities undertaken in the current fiscal year. Expenses that can be identified with a specific program or supporting service are charged directly to the related program or supporting service. Expenses that are associated with more than one program or supporting service are allocated based on an evaluation by the Foundation's management.

Organizational costs

Organizational costs are expensed as incurred.

Subsequent events

Subsequent events have been evaluated through October 27, 2015, which is the date the financial statements were available to be issued. There are no subsequent events requiring disclosure.

3. Office lease

The Foundation entered into an office lease with San Bruno Office Associates, LLC for a term of one year that commenced on April 1, 2015, with monthly rent payments of \$909. For the period beginning July 24, 2013 (inception) and ending June 30, 2015, office lease payments were \$2,728. The Foundation's total minimum rental commitments for the lease for the year ending June 30, 2016 total \$8,180.

4. Employee benefit plan

Effective January 1, 2015, the Foundation established a tax-deferred annuity plan qualified under Section 403(b) of the IRC for its employees. The Foundation makes non-matching contributions equal to 5% of the gross salary for individual employees. For the period beginning July 24, 2013 (inception) and ending June 30, 2015, \$3,646 was contributed by the Foundation on behalf of its employees.

October 27, 2015

To the Audit Committee and Board of Directors of
The San Bruno Community Foundation:

We have audited the financial statements of The San Bruno Community Foundation, (the "Foundation") for the year ended June 30, 2015, and have issued our report thereon dated October 27, 2015. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated September 18, 2015. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Foundation are described in Note 2 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2015. We noted no transactions entered into by the Foundation during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated October 27, 2015.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Foundation's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Foundation's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Audit Committee and Board of Directors
The San Bruno Community Foundation
October 27, 2015
Page 3 of 3

Other Matters

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with U.S. generally accepted accounting principles, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

This information is intended solely for the use of Audit Committee, Board of Directors and management of the Foundation and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,


NOVOGRADAC & COMPANY LLP

SAN BRUNO

Community Foundation

Memorandum

DATE: October 29, 2015

TO: Board of Directors, San Bruno Community Foundation

FROM: Leslie Hatamiya, Executive Director

SUBJECT: Resolution Creating Ad Hoc Committee on Foundation Program Development to Research and Prepare Proposals for Creation of Scholarship Program and Community Grants Program.

At the July 29 special meeting, the Board created an Ad Hoc Committee on Program Strategy Development, charged with helping me develop the Foundation's over-arching program strategy framework and identifying a small number of near-term projects for the Foundation to consider undertaking in the 2015-2016 time frame.

The idea for identifying a short list of near-term projects addresses the Board's desire to begin using the restitution funds to benefit the community in 2016. Many of the projects identified in the spring's Community Listening Campaign are large capital projects that will take considerable time to research, develop, and execute. In the meantime, both the Board and the public have expressed an interest in beginning the Foundation's programs in the near future, at least with some smaller projects that can be accomplished in a shorter time frame.

At the October 7 Board meeting, the Committee presented six near-term project concepts, two of which would be programs run by the Foundation – a memorial scholarship in honor of the Crestmoor neighborhood and a community grants program through which local community groups could apply for Foundation grants to support projects that benefit the San Bruno community. The other four project concepts – facilities master plan, Community Day sponsorship, pedestrian safety efforts including lighted crosswalks, and community park development – involve facilities and programs of the City of San Bruno and require a close partnership with the City.

The Board directed the Committee to research the project concepts and, if the Committee decides that a particular concept is a viable project for the Foundation to undertake in 2016, to return to the full Board by early 2016 with concrete proposals, including timeline, budgets, and guidelines, for consideration and approval.

On October 20, the Committee met and determined that the Board would best be served by dividing the work required to properly vet these project concepts. It concluded that it would handle the four concepts that require a partnership with the City

SAN BRUNO

Community Foundation

Memorandum

and that a second ad hoc committee should be created to research and develop proposals for the memorial scholarship and the community grants program.

Therefore, I recommend that the Board adopt the attached resolution creating an Ad Hoc Committee on Foundation Program Development to research and prepare proposals for the establishment of a memorial scholarship program and a community grants program and to appoint Patricia Bohm as committee chair and Emily Roberts as committee member.

Attachments:

1. Resolution Creating Ad Hoc Committee on Foundation Program Development to Research and Prepare Proposals for Creation of Scholarship Program and Community Grants Program

RESOLUTION NO. 2015-__

**RESOLUTION OF THE SAN BRUNO COMMUNITY FOUNDATION
CREATING AD HOC COMMITTEE ON FOUNDATION PROGRAM DEVELOPMENT
TO RESEARCH AND PREPARE PROPOSALS FOR CREATION OF SCHOLARSHIP
PROGRAM AND COMMUNITY GRANTS PROGRAM**

WHEREAS, the Board of Directors seeks to begin using the restitution funds in 2016 to benefit the community by funding a group of smaller projects, while concurrently researching the viability of larger projects, including large-scale community facility capital projects;

WHEREAS, on October 7, 2015, the Board directed the Ad Hoc Committee on Program Strategy Development to research six near-term project concepts, two of which – creation of a memorial scholarship and creation of a community grants program – would be developed and administered by the Foundation, and four of which – facilities master plan, Community Day sponsorship, lighted crosswalks, and community park development – would involve facilities and programs of the City of San Bruno and require a close partnership with the City, and to return to the full Board by early 2016 with concrete proposals, including timeline, budgets, and guidelines, for consideration and approval; and

WHEREAS, in the interest of allocating the resources necessary to properly research these project concepts, the Committee concluded that it would handle the project concepts requiring partnership with the City and that a second ad hoc committee should be created to research and develop proposals for the scholarship program and the community grants program.

NOW, THEREFORE, BE IT RESOLVED that the Board of Directors creates an Ad Hoc Committee on Foundation Program Development to research and prepare proposals for creation of a memorial scholarship program and a community grants program.

RESOLVED FURTHER that the Board of Directors appoints Patricia Bohm as committee chair and Emily Roberts as committee member.

Dated: November 4, 2015

ATTEST:

Emily Roberts, Secretary

I, Emily Roberts, Secretary, do hereby certify that the foregoing Resolution No. 2015-__ was duly and regularly passed and adopted by the Board of Directors of the San Bruno Community Foundation on this 4th day of November, 2015, by the following vote:

AYES: Board members:

NOES: Board members:

ABSENT: Board members:

SAN BRUNO

Community Foundation

Memorandum

DATE: October 29, 2015

TO: Board of Directors, San Bruno Community Foundation

FROM: Leslie Hatamiya, Executive Director

SUBJECT: Study Session on Foundation Time Horizon and Quasi-Endowment Scenarios

On November 4, 2015, the Board will have a study session on one of the most significant questions its faces: What is the time horizon for the San Bruno Community Foundation, and what portion, if any, of the restitution funds should it treat as a quasi-endowment with a long-term investment strategy?

The City of San Bruno is currently holding more than \$69 million in restitution funds in two custodial accounts on behalf of the Foundation. Before taking possession of the funds, the Foundation needs to select an investment management firm and develop an investment policy to ensure prudent and responsible management of the funds. Developing a request for proposal for investment management services and drafting an investment policy have been tasked to an Ad Hoc Committee on Investment Strategy consisting of Treasurer Ben Cohn, Vice President John McGlothlin, and Board Member Frank Hedley. For this committee to begin its work, the Board needs to provide guidance about overall organizational strategy and vision for the lifespan of the Foundation.

What is the best investment management firm for the Foundation as well as the contours of the investment policy will depend, at least in part, on the Foundation's time horizon and the role of a quasi-endowment in that time horizon in the execution of the Foundation's mission and purpose. Should the Foundation spend the entire \$70 million in the next few years and then phase out of business? Should the Foundation function more like a private foundation, where the restitution funds are treated like an endowment and the Foundation's operations and programs are funded solely by investment income? Or should the Foundation follow a hybrid of those two scenarios, where some portion of the funds is spent immediately and the balance is treated as an endowment? The answers to those questions will likely impact the decision on what investment management firm is best suited to address the Foundation's needs and the development of an investment policy. Funds that are to be spent in the near term require liquidity and should be invested very conservatively; funds treated as an endowment should be invested with a long-term investment strategy with greater risk as well as greater upside. A larger quasi-endowment may necessitate an investment management firm offering greater services and a more hands on approach.

SAN BRUNO

Community Foundation

Memorandum

This study session is, in many ways, the culmination of the Community Listening Campaign and the Board's deliberations over the last six months. The factors involved in the Board's decision to designate some portion of the restitution funds as a quasi-endowment include:

- The types of support the Foundation plans to provide – programs and projects, capacity-building, and capital projects for community facilities – (informed by the Community Listening Campaign and data compiled on the San Bruno community and outlined in the Foundation's Program Strategy Framework)
- What those items can cost (informed in part by the capital project cost modeling provided by Anderson Brule Architects)
- Possible quasi-endowment payout scenarios based on conservative assumptions about the Foundation's risk profile and current market conditions (captured in the quasi-endowment presentation by Mark Hayes, Ph.D.)
- Opportunities to leverage the restitution funds through partnerships and other funding options
- Competing visions of how the Foundation can achieve its purpose of benefiting the San Bruno community over the long term
- Competing desires of significantly benefiting the community sooner rather than later and of making the restitution funds last as long as possible
- Tradeoffs between significant investments in capital projects and following a quasi-endowment strategy
- Responsiveness to the (sometimes conflicting) views heard in the Community Listening Campaign

At the study session, I will walk the Board through these various factors and then provide four possible quasi-endowment scenarios for the Foundation that will include an explanation of the Foundation's programmatic options under each scenario, leaving ample time for the Board to have a meaty and thoughtful discussion. The study session will provide Board members with the opportunity to debate the merits of each scenario and to hear from the public.

This discussion will be a study session only; no action will be taken on this topic on November 4, so that Board members will have time to carefully think through the complicated and important issues involved. I anticipate that at the November 18 special meeting, the Board will make a decision about a preliminary quasi-endowment target and provide direction to the Ad Hoc Committee on Investment Strategy so that it can begin its work of drafting a request for proposals for investment management services and an investment policy.