In conformance with your wishes, I have drafted this Memorandum to serve as a
general guide regarding the legal limitations placed on the activities and operation
of Del Mar Foundation as a non-profit corporation and the legal responsibilities
of the Directors and Officers of Del Mar Foundation regarding the conduct of its
affairs. Of necessity, my discussion of these issues is general. These areas of
law are complex, and an opinion on a specific issue often depends on the particular
set of facts and circumstances of the specific situation. Should a question arise
in the future regarding these issues, I would recommend that you contact this
office or other legal counsel for an opinion based upon the particular situation
presented.

I. LEGAL LIMITATIONS ON THE ACTIVITIES AND OPERATION OF DEL MAR FOUNDATION
   AS A NON-PROFIT CORPORATION.

   The legal status of a non-profit, tax-exempt corporation under State and
   Federal law confers important benefits. These can be lost if the affairs of
   the organization are not run in compliance with the State and Federal rules.

   A. State and Federal Corporate Income Tax Exemptions

   A qualified non-profit corporation does not have to pay State or Federal
   corporate income taxes. This, of course, is one of the primary benefits of non-
   profit status.

   The State and Federal rules are quite similar and provide corporate income
tax exemptions for organizations operated exclusively for charitable, religious,
scientific, literary or other specific purposes. Del Mar Foundation will attempt
to qualify as a charitable organization providing services beneficial to the
public interest, such as "lessening the burdens of government", the "erection
or maintenance of public buildings, monuments or works", "environmental
education", and other similar services.

   Once Del Mar Foundation is qualified as a charitable non-profit corporation
for income tax purposes, it should be careful to comply with three main restrictions
on its operations:
1. **Del Mar Foundation Should Not, Except to an Insubstantial Degree, Engage in Activities Unrelated to the Purposes for Which the Exemption Was Granted.**

   The law states that non-profit status can be lost if the organization, except to an insubstantial degree, engages in activities not in furtherance of one or more of its exempt purposes. Stated in another way, Del Mar Foundation should engage only in activities directly related to its exempt purposes. The purpose of this restriction is to prevent non-profit corporations from regularly engaging in profit-making enterprises, unrelated to their exempt purposes. This would be an abuse of non-profit status.

   If this restriction is violated, then the non-profit corporation can lose its corporate tax exemptions. In any event, income in excess of $1,000 from business activities unrelated to exempt purposes is subject to corporate income tax, even if the unrelated business activity is insubstantial in nature. (Passive investment income is not subject to the tax, however.)

2. **Del Mar Foundation Should Not Distribute Net Earnings In Such a Way as to Benefit Private Interest.**

   In essence, State and Federal law requires that net earnings from the operation of a non-profit organization must not be distributed to or otherwise benefit private (as opposed to public) interest. Again, the purpose of this restriction is to prevent the abuse of the privileged non-profit status of an organization for private gain.

3. **Del Mar Foundation Should Not Engage in Political Activities.**

   First, non-profit organizations are absolutely prohibited from participating in the political campaigns for or against any candidate for public office. This prohibition is stated both in the law and in the Articles of Incorporation of Del Mar Foundation.

   Second, a non-profit organization cannot, except to an insubstantial degree, attempt to influence legislation. Again, this restriction is stated both in the law and in the Articles of Incorporation. The Internal Revenue Code and State Law provide for an election to be made by a non-profit corporation to define the permitted amount of lobbying activity. I doubt that Del Mar Foundation will ever need to consider making this election. However, for your information the election provides for a sliding scale limitation on lobbying expenditures based on the total exempt purpose expenditures made by the organization. For example, under the election, a non-profit organization may spend for lobbying purposes up to 20% of the first $500,000 it spends in general for exempt purposes, and lesser percentages thereafter.
B.  **Deductibility of Contributions for Federal Income, Gift and Estate Tax Purposes**

Another significant benefit of "public charity" non-profit status, is that it permits contributors to deduct from their Federal Income, Gift and Estate Tax returns the dollar amount of gifts made to such an organization. Individual donors can generally deduct contributions up to 50% of their adjusted gross income, 30% of adjusted gross income if the contribution is in the form of a capital gain type property, and carry over excess contributions from year to year. Corporate donors can deduct up to 5% of corporate taxable income. Obviously, the deductibility of contributions facilitates raising funds through private donations. Non-profit organizations must qualify as a "public charity" under Federal Law in order to provide these tax deductibility benefits. Qualification as a "public charity" requires the filing of a Federal exemption application and compliance with any one of three qualification standards. First, certain types of organizations qualify automatically - Del Mar Foundation will not be one of these.

Second, Del Mar Foundation would qualify if it normally receives a substantial part of its support from governmental grants and/or from the general public in the form of contributions. There are very complex rules regarding this method of qualification. Del Mar Foundation would probably not qualify at the present time under this test because it will most likely rely on funds generated by its activities rather than on contributions and/or governmental grants. If Del Mar Foundation does qualify under this test, then the basic rule of thumb to follow is that Del Mar Foundation should rely on a large number of small contributors and on governmental grants, rather than on a small number of large contributors.

The third test for qualification is probably the most applicable to Del Mar Foundation. In order to qualify under this test, Del Mar Foundation must normally receive more than 1/3 of its support in each tax year from any combination of: 1) contributions, grants or membership fees, and 2) gross receipts from admission receipts, sales of merchandise, performance of services, or furnishing of facilities in an activity related to its exempt purposes. In addition, Del Mar Foundation could not normally receive more than 1/3 of its support from gross investment income or unrelated business income.

Since Del Mar Foundation's primary source of revenues will most likely be Del Mar Day and similar activities related to its exempt purposes, it will most likely qualify as a public charity under the third standard. If there is a later change in the kinds or percentages of support received by the Foundation, then there will be a need to make sure that the Foundation can meet the second test as it exists at the time.

C.  **Deductibility of Contributions for State Tax Purposes**

Whereas State law closely parallels Federal law insofar as the corporate income tax exemption rules are concerned, State law does not recognize any substantial difference between "public charities" and "private foundations" in terms of the deductibility of contributions. Under State law, donors
may deduct only up to 20% of their adjusted gross income for gifts made to either type of non-profit organization.

D. Non-Profit Postal Rates

United States Postal Regulations provide for substantial reductions in postage rates for public charity type organizations. The savings are so large that qualifying for reduced postage rates is often the primary reason for becoming a non-profit public charity organization. Again, it will be important not to jeopardize this benefit by losing the public charity status of Del Mar Foundation once it is obtained.

E. State Exemption From Real and Personal Property Taxes

State law provides a "welfare exemption" from local real and personal property taxes for non-profit corporations. This exemption will be important to Del Mar Foundation if it acquires such assets and will be another benefit which could be jeopardized by the loss of non-profit status.

II. THE LEGAL RESPONSIBILITIES OF DIRECTORS AND OFFICERS REGARDING THE CONDUCT OF CORPORATE AFFAIRS.

A. Limited Personal Liability of Members, Directors and Officers for Corporate Obligations

The essence of all corporations, whether profit or non-profit, is that they exist as legal entities separate and apart from the individual persons who own or operate them. One consequence of this is that the personal liability of officers, directors and members or shareholders for corporate obligations is limited to the amounts of capital contributed by them. This is a substantial benefit because it encourages business enterprise and investment.

This limited personal liability rule, however, can be disregarded by the Courts under the "alter-ego" doctrine. This is probably not an area of much concern for Del Mar Foundation but, to avoid the possibility of personal liability for corporate obligations, the members, officers and directors should: 1) comply fully with all corporate formalities in spite of the paperwork involved, including following the Bylaws, holding all regular meetings of the members and Board of Directors, preparing detailed minutes of the meetings and authorizing special transactions by way of normal board resolutions; 2) keep the corporate assets and funds separate from the assets and funds of the members, directors and officers; 3) retain sufficient financial reserves to meet the foreseeable obligations of the corporation; and 4) maintain adequate public liability insurance for any liability arising from the conduct of Del Mar Day or other events.
INITIAL DIRECTORS OF DEL MAR FOUNDATION
Page 5
August 5, 1981

B. Limited Personal Liability of Officers and Directors for Financial Losses of the Non-Profit Corporation

The officers and directors of a non-profit corporation owe a "duty of care" to the corporation when conducting its affairs. Breach of this duty causing financial harm to the corporation may subject the individual directors and officers to personal liability.

However, such personal liability is rarely imposed because this area of the law is quite liberal. A director or officer is not personally liable for financial loss to the corporation resulting from an error of judgment if he acted in good faith and in a manner he believed to be in the best interest of the corporation using the kind of care, including reasonable inquiry, that an ordinarily prudent person would use in the same situation. Further, a director can rely on the apparently reliable reports of legal counsel, accountants and corporate officers, employees and committees. In other words, a director or officer will not be held personally liable for honest errors, but will be held liable for fraudulent or grossly negligent behavior.

Where a non-profit corporation holds investment for the production of income, however, the law imposes a slightly different standard of care. The law requires that directors avoid speculation and look instead to the permanent disposition of corporate funds, considering probable income, as well as the probable safety of the corporation's capital. For example, the Del Mar Foundation would not want to invest its funds in an oil well drilling syndicate but could invest its funds in an insured certificate of deposit or other prudent investment.

As mentioned before, the chances of an officer or director being held personally liable for losses caused to the corporation is slight. If such liability is imposed, then the law generally permits the non-profit corporation to indemnify the director or officer against his or her losses, including legal fees and court costs, unless the liability resulted from intentional wrongdoing or a financial conflict of interest. If liability is not imposed, the corporation must indemnify the director or officer against his or her legal costs and expenses.

However, the upfront cost to a director or officer defending an action brought against him may be substantial. The law and the Bylaws of Del Mar Foundation permit the corporation to purchase a director's and officer's errors and omissions insurance policy, except for conflict of interest liability. Such a policy would cover liability as well as legal fees and costs. The Board of Directors of Del Mar Foundation should consider such a policy, especially if qualified persons would be reluctant to serve on the Board of Directors without such protection.
C. Financial Conflicts of Interest

The law imposes some rather detailed restrictions on "self-dealing". Where one or more directors has a material financial interest in a transaction involving the non-profit corporation, such transaction is permissible only if: 1) the State Attorney General's office approves the transaction before or after it takes place, or 2) the transaction benefits the corporation, was fair and reasonable to the corporation and the Board of Directors approved the transaction in good faith with knowledge of the economic benefit to the interested director and determined that the transaction was the best business deal that the corporation could make. In approving such a transaction, the vote of an interested director cannot be counted.

There are some detailed exceptions to these conflict of interest rules, including a Board of Director's resolution regarding the reasonable compensation of directors and/or officers, as well as just and reasonable transactions involving another corporation having a director in common with the non-profit corporation.

The important thing to keep in mind with regard to conflict of interest rules is that, if it is possible that a director has a material financial interest in a particular corporate action, then the board should closely examine the situation and comply with all legal requirements if necessary.

D. Payment of Compensation to Directors

Under State law, members of the Board of Directors of a non-profit corporation can receive reasonable compensation for their services as Directors. However, at least 51% of the members of the board cannot also receive any compensation for services rendered to the corporation in any other capacity, such as officer, employee, independent contractor, etc., or be related by blood or marriage to such a person.

Therefore, in the case of Del Mar Foundation, only one Director may also receive compensation for services rendered to the corporation in some other capacity, or be related to such a person. Otherwise, the non-profit status of the Foundation would be jeopardized.

I hope that this Memorandum will be of some assistance to you in the conduct of the affairs of Del Mar Foundation. Again, of necessity, the discussion herein is general, and when issues arise in the future, I would recommend your contacting this office or other legal counsel for advice in the context of the facts and circumstances of the particular situation presented.

D. Dwight Warden
City Attorney

DDW/dth
October 26, 1981

Del Mar Foundation
1050 Camino Del Mar
Del Mar, CA 92014

Purpose : Charitable
Form of Organization : Corporation
Accounting Period Ending : June 30
Organization Number : 1087691

In reply refer to
342:RN:rb:g

OCT 28 1981

On the basis of the information submitted and provided your present operations continue unchanged or conform to those proposed in your application, you are exempt from state franchise or income tax under Section 23701d, Revenue and Taxation Code. Any change in operation, character or purpose of the organization must be reported immediately to this office so that we may determine the effect on your exempt status. Any change of name or address also must be reported.

You are required to file Form 199 (Exempt Organization Annual Information Return) or Form 199B (Exempt Organization Annual Information Statement) on or before the 15th day of the 5th month (4 1/2 months) after the close of your accounting period. See annual instructions with forms for requirements.

You are not required to file state franchise or income tax returns unless you have income subject to the unrelated business income tax under Section 23731 of the Code. In this event, you are required to file Form 109 (Exempt Organization Business Income Tax Return) by the 15th day of the 3rd month (2 1/2 months) after the close of your annual accounting period.

If the organization is incorporating, this approval will expire unless incorporation is completed with the Secretary of State within 60 days.

Exemption from federal income or other taxes and other state taxes requires separate applications.

This exemption is issued on the condition that a federal exemption will be applied for and a copy of the final determination letter is furnished to this office.

This exemption effective as of August 20, 1981.

J. Kudo, Supervisor
Exempt Organizations
Telephone (800) 852-5711

cc: D. Dwight Worden
Registrar of Charitable Trusts
city of del mar
memorandum

To: City Manager
From: City Attorney
Date: October 30, 1981
Subject: Del Mar Foundation - Application for Recognition of Exemption Under Section 501(c)(3) of the Internal Revenue Code

In order to complete the Del Mar Foundation's Federal Tax Exemption Application, I need current financial data and proposed "classified" budgets for the first two years of operation. I have enclosed a copy of the Exemption Application Form (Part V - Financial Data) for your use in compiling the current financial data. I have indicated the appropriate beginning and ending dates for the schedules. The IRS knows that the Foundation has just commenced operations and will not be surprised to see a few zeros on the schedules.

I have also enclosed a copy of the proposed classified budget for the first year of operation, which you prepared for the California Tax Exemption Application.

If you have any questions about any of these items, please give me a call.

D. Dwight Worden
City Attorney

DDW/dth
Attachments
DEL MAR FOUNDATION

Preliminary Budget
Fiscal Year 1961-1962

INCOME

<table>
<thead>
<tr>
<th>Advances (cash or equivalent) in services and/or supplies:</th>
<th>PERCENTAGE</th>
</tr>
</thead>
<tbody>
<tr>
<td>City of Del Mar</td>
<td>$ 500</td>
</tr>
<tr>
<td>Del Mar Chamber of Commerce</td>
<td></td>
</tr>
<tr>
<td>TOTAL ADVANCES</td>
<td>$ 1,000</td>
</tr>
</tbody>
</table>

Income from projects:

<table>
<thead>
<tr>
<th>Project</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Del Mar Day</td>
<td>$25,000</td>
</tr>
<tr>
<td>Solicitation Campaign</td>
<td>10,000</td>
</tr>
<tr>
<td>TOTAL INCOME FROM PROJECTS</td>
<td>$35,000</td>
</tr>
</tbody>
</table>

Interest income                                     | 500        |

TOTAL ESTIMATED INCOME                               | $36,500    | 100%       |

EXPENSES

Office costs:

<table>
<thead>
<tr>
<th>Expense</th>
<th>Amount</th>
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</thead>
<tbody>
<tr>
<td>Temporary Salaries</td>
<td>$ 2,600</td>
</tr>
<tr>
<td>Office Supplies, Telephone, Postage</td>
<td>1,000</td>
</tr>
<tr>
<td>Insurance</td>
<td>500</td>
</tr>
<tr>
<td>Repay advances from City of Del Mar and Chamber of Commerce</td>
<td>1,000</td>
</tr>
<tr>
<td>TOTAL OFFICE COSTS</td>
<td>$ 5,100</td>
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</table>

Fund raising projects costs:

**DEL MAR DAY**

<table>
<thead>
<tr>
<th>Expense</th>
<th>Amount</th>
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<tbody>
<tr>
<td>Temporary Salaries</td>
<td>$ 3,000</td>
</tr>
<tr>
<td>Printing and Postage</td>
<td>700</td>
</tr>
<tr>
<td>Insurance</td>
<td>500</td>
</tr>
<tr>
<td>Advertising</td>
<td>500</td>
</tr>
<tr>
<td>Equipment Rental</td>
<td>300</td>
</tr>
</tbody>
</table>
COMMODITY COSTS

Food and Beverage  $1,500
T-Shirts  3,500
TOTAL COMMODITY COSTS  $5,000

TOTAL DEL MAR DAY COSTS  $10,000

SOLICITATION CAMPAIGN

Temporary Salaries  $525
Printing and Supplies  150
Postage  475

TOTAL  $1,150

TOTAL PROJECT COSTS  $11,150  31%

ALLOCATION TO COMMUNITY PROJECTS:

Senior Citizens Gamefield
Course Equipment  $3,500
Tennis Court Landscaping
(Ground Cover $2.50/sq. foot)  5,000
Camino del Mar Medians (Partial)  7,000

TOTAL ALLOCATIONS TO COMMUNITY PROJECTS  $15,500  42%

CASH FLOW AND CONTINGENCY RESERVE  $4,750  13%

TOTAL ESTIMATED EXPENSES  $36,500  100%
Refund is made of an overpayment of tax.

The corporation is now exempt, effective August 20, 1981.

PREVIOUSLY ASSESSED

<table>
<thead>
<tr>
<th>Serial No.</th>
<th>Date</th>
<th>Tax/Fee</th>
<th>Pref. Tax</th>
<th>Penalty</th>
<th>Interest</th>
<th>Payments</th>
</tr>
</thead>
<tbody>
<tr>
<td>812885054</td>
<td>08/20/81</td>
<td>$200.00</td>
<td></td>
<td></td>
<td></td>
<td>$200.00</td>
</tr>
</tbody>
</table>

Total: $200.00
Revised liability: $0.00
Cancellation: $200.00
Overpayment: $200.00

Amount credited against liability due: $0.00

YOUR RETURN REMAINS SUBJECT TO AUDIT.

The amount to be credited or refunded is being recommended for approval as required by the Revenue and Taxation Code. When and if approved a warrant will be drawn and forwarded to you from the office of the State Controller for the amount subject to refund.

An appeal may be filed with the State Board of Equalization. See reverse side for appeal procedure.
city of del mar memorandum

To: City Manager
From: City Attorney
Subject: Del Mar Foundation - Application for Recognition of Exemption Under §501(c)(3) of the Internal Revenue Code

Date: January 26, 1982

Thank you for preparing and forwarding the preliminary budget for fiscal year 1982-1983 to be attached to the IRS tax exemption application form. The second year budget looks fine.

I also, however, need current financial data for the Foundation, and have enclosed a copy of page 5 of the exemption application form for your use in compiling the information. I have indicated on the copy the appropriate beginning date of August 20, 1981. The ending date should be as current as possible, inasmuch as the ending date as specified on the form must be within 60 days of the date the application is actually filed. The IRS knows that the Foundation has just commenced operations and will not be surprised to see a few zeros on the schedules.

If you have any questions about this, please give Scott a call.

D. Dwight Worden
City Attorney

DDW/dth
Attachment 755 - 6604 - Denise
You have requested my comments on certain questions regarding the organizational structure of Del Mar Foundation.

First, I understand that the Board of Directors would like to establish advisory committees to assist and advise the Board with regard to the Foundation's activities. Under Section 1 of Article 7 of the Bylaws, the Board may establish an executive committee of at least two Board members and delegate to that committee the authority of the Board with respect to Foundation activities, except as set forth in Section 1. In addition, any number of advisory committees may be established under Section 2 of Article 7 by resolution of the Board. These committees may consist of any number of persons, and none of the committee members need to be directors or officers of the Foundation. These committees may act only in an advisory capacity, and the Board may not delegate any of its authority to these advisory committees.

I would, therefore, conclude that there is no reason to amend the Bylaws with respect to the Board's desire to establish advisory committees. I would also concur with the Board in their desire, inasmuch as such committees can render valuable assistance and advice to the Board with respect to fund raising, community activities, the organization and operation of Del Mar Day, etc.

As a second issue, I understand that the Board and the members of Del Mar Foundation contemplate changing the membership of the Foundation from three (Del Mar Chamber of Commerce, City of Del Mar and Del Mar Day Committee) to one (City of Del Mar). In this respect, the non-profit public benefit corporation law does not require that the Foundation have any members at all, or any specified number of members, and I would, therefore, conclude that there would be no legal impediment to changing the membership so that the City becomes the sole member. In order to accomplish this change, it would be necessary to amend, specifically, Section 2 of Article 3 of the Bylaws, and to make conforming amendments to various other sections of Articles 3 and 4 to reflect that the Foundation has only one member.
MEMO TO CITY MANAGER
Page 2
April 5, 1982

With regard to the apparent desirability of changing the membership aspects of Del Mar Foundation, I would make the following comments. First, on the "plus" side, such changes would reflect the apparent desire of the members that the Del Mar Chamber of Commerce and the Del Mar Day Committee no longer be formal "legal" members. Also, to the extent that the City of Del Mar would want to exercise undiluted control over Del Mar Foundation and its activities, the City would be able to do so by having full authority to elect the Board of Directors.

On the "minus" side of this issue, the fact that the City would be the sole member of the Foundation would make it more likely that the "corporate veil" of the Foundation could be pierced, thereby exposing the City to liability for any unpaid liabilities of the Foundation. These could include, for example, personal injury claims arising out of the conduct of Del Mar Day to the extent that insurance coverage would be inadequate. However, as pointed out previously in a Memorandum from this office to the Board, the Courts will not "pierce the corporate veil" if the participants in the corporation follow the formalities required by law with respect to the corporation. Those include holding the meetings of the members and directors as required by the Bylaws, keeping adequate records of the corporate meetings and activities, and keeping the funds and property of the Foundation separate and apart from the funds and property of the members and other participants.

Another "minus" is that the application for exemption under Section 501(c)(3) of the Internal Revenue Code for the Foundation has been filed with the Internal Revenue Service. Should the membership provisions of the Foundation change at this time, amendments would be required to the application. Also, although such amendments would not necessarily prevent the Foundation's attaining tax exempt status, the Internal Revenue Service is more likely to examine more closely an application by an organization with only one member. Conversely, it could be expected that the Internal Revenue Service would be more likely to expedite and approve an application reflecting that the Foundation has a broader based membership consisting of the City government, representatives of Del Mar's business community, and the Del Mar Day Citizens Committee.

Finally, I will comment upon the proposed changes to the structure of the Board of Directors. First, Section 5151(a) of the Corporations Code expressly permits a Bylaw provision stating that the number of Directors shall not be less than a stated minimum, nor more than a stated maximum, with the exact number of Directors to be fixed by approval of the Board or the members in the manner provided in the Bylaws. In order to accomplish
MEMO TO CITY MANAGER
Page 3
April 5, 1982

this change, however, both the Articles of Incorporation and the Bylaws would have to be amended. With respect to the advantages and disadvantages of this particular proposal, I would conclude that having additional Directors on the Board would be advantageous in the sense that the work of the Foundation could be divided up among a greater number of Directors. Also, the provision of additional Directors would provide a more varied input of ideas into the Board's decision making process. These advantages, however, could be provided to some extent by establishing advisory committees of persons who are not Board members. A disadvantage of having a larger Board is the organizational problems inherent in holding and conducting meetings of Boards with a larger number of members.

Second, Section 5213(c) specifically permits that the Bylaws may provide for Director terms of office for up to three (3) years. Bylaw revisions would be required to accomplish this change. Additionally, I find no legal impediment to limiting the terms of office of individual members of the Board to two consecutive terms, or to providing for staggered terms of office. These changes would also require amendments to the Bylaws. With respect to these items, I would conclude that the provision of three year terms of office, held on a staggered basis, would be advantageous to the Foundation in the sense that it would provide for more continuity in the Foundation's leadership. To the extent that this continuity is desired, I do not see any particular disadvantages.

If I can be of further assistance with respect to these items, please do not hesitate to call.

D. Dwight Worden
City Attorney

DDW/dth
Dear Applicant:

Based on information supplied, and assuming your operations will be as stated in your application for recognition of exemption, we have determined you are exempt from Federal income tax under section 501(c)(3) of the Internal Revenue Code.

Because you are a newly created organization, we are not now making a final determination of your foundation status under section 509(a) of the Code. However, we have determined that you can reasonably be expected to be a publicly supported organization described in section 509(a)(2).

Accordingly, you will be treated as a publicly supported organization, and not as a private foundation, during an advance ruling period. This advance ruling period begins on the date of your inception and ends on the date shown above.

Within 90 days after the end of your advance ruling period, you must submit to us information needed to determine whether you have met the requirements of the applicable support test during the advance ruling period. If you establish that you have been a publicly supported organization, you will be classified as a section 509(a)(1) or 509(a)(2) organization as long as you continue to meet the requirements of the applicable support test. If you do not meet the public support requirements during the advance ruling period, you will be classified as a private foundation for future periods. Also, if you are classified as a private foundation, you will be treated as a private foundation from the date of your inception for purposes of sections 507(d) and 4940.

Grantors and donors may rely on the determination that you are not a private foundation until 90 days after the end of your advance ruling period. If you submit the required information within the 90 days, grantors and donors may continue to rely on the advance determination until the Service makes a final determination of your foundation status. However, if notice that you will no longer be treated as a section 509(a)(2) organization is published in the Internal Revenue Bulletin, grantors and donors may not rely on this determination after the date of such publication. Also, a grantor or donor may not rely on this determination if he or she was in part responsible for, or was aware of, the act or failure to act that resulted in your loss of section 509(a)(2) status, or acquired knowledge that the Internal Revenue Service had given notice that you would be removed from classification as a section 509(a)(2) organization.
If your sources of support, or your purposes, character, or method of operation change, please let us know so we can consider the effect of the change on your exempt status and foundation status. Also, you should inform us of all changes in your name or address.

Generally, you are not liable for social security (FICA) taxes unless you file a waiver of exemption certificate as provided in the Federal Insurance Contributions Act. If you have paid FICA taxes without filing the waiver, you should call us. You are not liable for the tax imposed under the Federal Unemployment Tax Act (FUTA).

Organizations that are not private foundations are not subject to the excise taxes under Chapter 42 of the Code. However, you are not automatically exempt from other Federal excise taxes. If you have any questions about excise, employment, or other Federal taxes, please let us know.

Donors may deduct contributions to you as provided in section 170 of the Code. Bequests, legacies, devises, transfers, or gifts to you or for your use are deductible for Federal estate and gift tax purposes if they meet the applicable provisions of sections 2055, 2106, and 2522 of the Code.

You are required to file Form 990, Return of Organization Exempt from Income Tax, only if your gross receipts each year are normally more than $10,000. If a return is required, it must be filed by the 15th day of the fifth month after the end of your annual accounting period. The law imposes a penalty of $10 a day, up to a maximum of $5,000, when a return is filed late, unless there is reasonable cause for the delay.

You are not required to file Federal income tax returns unless you are subject to the tax on unrelated business income under section 511 of the Code. If you are subject to this tax, you must file an income tax return on Form 990-T. In this letter, we are not determining whether any of your present or proposed activities are unrelated trade or business as defined in section 513 of the Code.

You need an employer identification number even if you have no employees. If an employer identification number was not entered on your application, a number will be assigned to you and you will be advised of it. Please use that number on all returns you file and in all correspondence with the Internal Revenue Service.

Because this letter could help resolve any questions about your exempt status and foundation status, you should keep it in your permanent records.

If you have any questions, please contact the person whose name and telephone number are shown in the heading of this letter.

Sincerely yours,

[Signature]
District Director
Note:

The documents listed below are part of a sponsorship proposal, “PROPOSAL for Signal Companies’ Sponsorship of the Third Annual Del Mar Day Triathlon to be held Saturday, October 2, 1982.” The proposal is undated, but presumably was written after March 8, 1982, when John Collins signed the agreement with Harvey Shapiro, Del Mar Day Chairperson, to serve as Co-Coordinator (with Betsy Milich) of Del Mar Day 1982.

These documents are some of the earliest written documents about the Del Mar Foundation and its long term goals, the history of Del Mar Day, and the purpose and financial structure of Del Mar Day 1982.

- ABOUT THE DEL MAR FOUNDATION
- Long term goals
- HISTORY OF DEL MAR DAY
- DEL MAR DAY 1982 - PURPOSE: EXPRESSING WHO WE ARE, AND WHAT WE ARE ABOUT
- FINANCIAL STRUCTURE (Del Mar Day)

The complete Signal Companies proposal is included at Tab 6 of the Del Mar Foundation Archives 1981-1982 (notebook currently located in the DMF office.) A copy of these documents is also included here as part of Tab 4, DMF Misc. Documents, because they are important historical records of the Foundation.

Betty Wheeler
Archive compiler
May 31, 2021
ABOUT THE DEL MAR FOUNDATION

The need for a foundation became evident as several situations occurred affecting Del Mar:

a) Proposition 13 passed and revenues from property and other taxes began to cover only the very basic functions of the City's responsibility;

b) The first Del Mar Day was organized and carried out with a surplus of revenues; and

c) Civic leaders began to foresee the important role the foundation could play as a depository for gifts, grants and bequests from community oriented residents and corporations.

The Foundation was incorporated on August 20, 1981, with a 3-member Board of Directors representing the City Council, Chamber of Commerce and the community at large. To set the tone for its purpose and yet maintain flexibility to adapt to the changing needs of the community, the By-laws stated the goals in broad terms:

a) Promote civic pride and cohesiveness;

b) Inform community of its history, heritage, and ways to preserve the physical environment;

c) Raise funds for the acquisition, maintenance, and improvement of publicly-owned beaches; and

d) Operate special events in which the general public can share in athletic and cultural experiences.
Proceeds from Del Mar Day will be allocated to different areas of funding needs according to an established formula. The first $5,000 will be reserved for Del Mar Day 1983 seed money. Of the remaining funds, 50% will be set aside for the perpetual endowment, and 50% will go toward specific projects.

The immediate goal, and a first priority among specific projects, is a concert series for local and regional artists to be held in Seagrove Park during the summer of 1983.
Long term goals include:

- Ongoing performing artist series, featuring local talent and regional talent (both musical and dance);

- Del Mar Summer Repertory Theater;

- Parks design and advancement, including South Bluffs development, Ahmanson Bluffs erosion work, and development of Seagrove III and IV areas.

- Acquisition and development of recreational facilities and property.

- Ongoing funding of citizen participation planning programs such as Del Mar 2000, if necessary;

- Development of adult sports leagues.
HISTORY OF DEL MAR DAY

For many years Del Mar remained a quiet little niche in the coastline and a home for families who enjoyed the small town life. Each year summer was a bid farewell with a community beach picnic, complete with children's games and a homemade lemon pie contest.

During the 1970s the residents became very conscious of Del Mar's rare attributes - winding streets and green hills meeting an unexploited coastline. A grassroots campaign started to take hold in an effort to preserve Del Mar as we know it.

In 1980, then Councilman Dick Roe, an avid athlete, conceived the idea of hosting a Triathlon and surf contest as a civic celebration. Seven hundred entrants and thousands of spectators proved the popularity and appeal that "Del Mar Day" could have.

Del Mar Day 1981 grew in sophistication to include a Triathlon, 10-K Beach Run, Open Ocean Swim, Bicycle Race, and Morey Boogie Board Contest. The events attracted 1,600 entrants. For the non-athletes, Del Mar offered an Arts and Crafts Fair, entertainment, children's games, an evening dance, and a beach picnic.
Private and corporate gifts totalling approximately $12,000 were donated for the operation of Del Mar Day. Under the guidance of Chairman and Councilman Harvey Shapiro (present Mayor of Del Mar) and the diligence of over 200 volunteers, Del Mar Day 1981 was again judged to be a success.
DEL MAR DAY 1982

PURPOSE: EXPRESSING WHO WE ARE, AND WHAT WE ARE ABOUT

During our celebration's evolution, goals have been defined as the needs of the community and the potential of Del Mar Day activities have been realized.

First, Del Mar Day serves as a civic celebration for the residents of the Del Mar area. We want to maintain the beach party atmosphere as it has been handed through tradition, and also expand to meet a variety of important needs. A minister from upstate New York stated the purpose well when he commented on his town's celebration, "It is the way you affirm yourself - the way you point out your best advantage. It is the way to exploit, in the best sense of that word, who you are and what you are, and what you are all about."

Second, Del Mar Day promotes healthy athletic participation. As the media consistently convey negativity throughout our world, the positive impact of personal health and fitness is evident. The five different races we offer cater to varied abilities, are competently organized by professional athletic consultants, and have become anticipated by enthusiasts throughout Southern California.

Third, Del Mar is uniquely structured to close its financial records with a profit. Proceeds go directly to the Del Mar
Foundation, whose role is to finance community programs for the City that may be inappropriate for tax dollars. (See section on the Del Mar Foundation on Page 11).

Del Mar is a very small City with a great desire to remain self-sufficient. All tax revenues must be used for the upkeep of basic services. The Foundation's function is to go beyond those basics and provide funds to promote the cultural, athletic, historical and social aspects of the City, thus preserving its desirability.
FINANCIAL STRUCTURE

There are two principal sources of income; contributions (such as the one we are seeking from you for the Triathlon) and athletic events entry fees. A smaller portion of income is received through a host of minor sources, such as t-shirt sales, arts and crafts, and concessions.

The rigidly-controlled expense budget has four principal categories: athletic events, entertainment, insurance and administration.

The budget figures presented herein are the result of a careful analysis of the records of previous Del Mar Days, a comparison to other cities' events and projection for expansion in the quality of the events. As can be seen from the percentage charts, we expect to turn over 40% of our income to the Foundation.
DEL MAR FOUNDATION

JOB DESCRIPTION

MEMBER, BOARD OF DIRECTORS

The affairs, property and powers of the Del Mar Foundation, a non-profit corporation, are entrusted to not less than three, nor more than seven members of the Board of Directors, with the stated intention of having five Directors serving at all times.

Duties of the Board:

The primary duty of the Board of Directors is to achieve the objectives and purposes of the Foundation as follows:

1. To promote civic pride and community cohesiveness in the City of Del Mar.

2. To inform members of the Del Mar community with respect to the community's history and heritage and ways to preserve and enhance the community's physical environment.

3. To solicit, raise and distribute funds, real and personal properties, and other assets for the acquisition, maintenance and improvement of publicly owned beaches, open space and parklands within the City of Del Mar, and for other public purposes which will benefit the Del Mar community.

4. To plan, promote and operate special events and programs in the City of Del Mar in which members of the general public can share in athletic and cultural experiences.

The Board of Directors will be devoting a major portion of their efforts to the accomplishment of the following activities over the next two-year period:

1. Sponsor Del Mar Day - Organization and seed money.

2. Build Foundation Endowment.

3. Initiate, publicize fundraising programs including:
   a) legacies;
   b) lifetime tax-deductible trusts;
   c) sponsoring fundraising activities;
   d) organizing volunteer fundraising network and consideration of retaining fundraising consultant.
4. Fund current projects in the City, including:
   a) park development;
   b) median landscaping;
   c) library improvements;
   d) long-term cultural programs;
   e) repertory theater;
   f) artists' series;
   g) adult sports league;
   h) community swimming pool.

Other specific duties, as outlined in the By-Laws include appointment and supervision of all officers, agents and employees of the corporation, meeting at such times and places as are required to accomplish the primary duties, and taking such actions as are necessary to comply with state law and the Articles of Incorporation and By-Laws of the Foundation.

Board of Directors Composition:

The Board of Directors will consist of not less than three, nor more than seven members as follows:
   1. The City Council of the City of Del Mar;
   2. The Del Mar Chamber of Commerce as represented by the Chamber's Board of Directors;
   3. A public member to be selected by the City Council of the City of Del Mar from the general public, excluding City Council members.

Desirable Characteristics, Skills, and Experience for Board Members:

The Board of Directors should be composed of members who, in addition to willingness to engage in fundraising, have one or more of the following characteristics, skills or demonstrated experiences:

1. Past experience as a participant and leader in one or more Del Mar-oriented community service, business, cultural, athletic or educational organization;
2. Demonstrated success as a political leader;
3. Demonstrated success in business or public management, public relations, volunteer organization management, or
management of an organization that conducts special event activities involving large numbers of persons;
4. A demonstrated commitment to cultural activities in the Del Mar community and/or greater San Diego Metropolitan areas;
5. A demonstrated commitment to recreational or athletic activities in the Del Mar community and/or greater San Diego Metropolitan area;
6. Demonstrated ability to identify community needs and resources available to meet those needs;
7. The capacity to donate $1,000 or more to the Foundation;
8. The capacity to raise $4,000 in donations for the Foundation.

**Time Commitment:**

The Board of Directors meets regularly at least once each month for approximately two hours. Additionally, Board members can expect to spend an average of four or more additional hours each month on Foundation-related activities, including Committee work.

**Compensation:**

Directors serve without compensation except that they are allowed and paid their actual necessary expenses incurred in the performance of their regular duties as provided in the annual budget of the Foundation.
PREAMBLE (MISSION)

The Del Mar Foundation is a private, tax-exempt organization whose primary focus is to raise funds to provide the residents of, and visitors to the Del Mar Community with social, cultural, recreational, environmental and educational amenities.

The Foundation will primarily fund projects which are of long-range benefit to the community, but which are not easily funded from the City budget or other local or regional funding mechanism.

SOURCE OF FUNDS

The Del Mar Foundation will seek private funds raised directly from individuals, corporations, foundations, bequests and other private sources. The Foundation will also sponsor and support fundraising events and activities.
HISTORY

The Del Mar Foundation is a nonprofit organization which was originally established in 1980 to be the sponsoring agent for the annual Del Mar Day celebration. It became apparent, however, to the Foundation Board of Directors that this Foundation could become something more; namely, a vehicle for offering the citizens of Del Mar and the surrounding community a vast array of civic activities and resources beyond those which could be expected of the existing municipal government. As a result, the mission of the Del Mar Foundation was broadened to include the following range of objectives:

1. To make available to the citizens of the Del Mar region an expanding set of opportunities for social, cultural, recreational, environmental, and educational activities.

2. To establish an endowment fund to provide both short and long term funding sources for projects targeted to enrich the quality of life for Del Mar and the surrounding area.

3. To increase community involvement in civic affairs.
GOALS

I. The Foundation's short-term project goals to be accomplished within the next two years are:
   A. Continue to present Del Mar Days.
   B. Continue the sponsorship of a Summer Concert Series in Seagrove Park.
   C. Sponsor "Art in Public Places"
   D. Sponsor Winter Mini-Concert Series

II. The Foundation's long-term goals are:
   A. Build an endowment of $250,000 by 1989 to provide a predictable source of revenues for the funding of projects.
   B. Fund social, cultural, recreational, environmental and educational projects to the maximum earnings of the endowment.

III. Projects:
   A. Community Library.
   B. Community Recreation Center.
   C. Community Swimming Pool.
   D. Improvement and/or acquisition of park land.
   E. Establishment of an historical collection of photographs and events of the community.
   F. Improved office space for Del Mar Day headquarters.
Schedule for next 2 years

1. Sponsor D.M. Day organization $eed & $s
2. Build endowment

3. Initiate Fundraising Programs & Publicize them
   - Legacies
   - Lifetime tax-deductible trusts
   - Need $s for activities ....... not bake sales.
   - Fundraising Consultant ?

4. Fund Current Projects in City
   - Real Development
     - Acquire & recreational facilities
     - Medians
     - Library
     - Long-Term cultural program
     - Key Theater (strip-seen)
     - Artist's series (""")
     - Annual arts festival
     - Picnics in parks

5. Fundraising & Funding Goals

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<td>% into Endowment</td>
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3 year, staggered terms.

Yearly Election:

* Yo 1.
  * Yo 2.
  * Yo 3.
  * Yo 4.
  * Yo 5.
  * Yo 6.
  * Y1 7.
  * Y2 8.
  * Y3 9.
  * Y4 10.
  * Y4 11.
  * Y5 12.
  * Y6 13.
  * Y6 14.
  * Y6 15.

(*) Complete terms over each 3 years is possible.
Council makeup changes each 2 years.

6. Council could have substantial impact on
Foundation's BOD.

(*) Arguments for longer terms: ...... 4 year, no > 2 era.

Existing:
- #1 2 year terms
- #2 3 year terms
- #3 3 year terms
- New: #4 4 year terms
- New: #5 4 year terms
Jodi - contact - Faris Friedman  
- Harley Furgate

Actions:
(1) Members: 1 city council
   1 chamber
   1 appointed by city council from at least 2 years
   a representative entire community.

(2) 3 year terms - max 2 terms.

(3) 5 directors (3-7)

Agreed on new schedule for next 2 years

Next meeting Thurs 7/29/82
7:30
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NOTICE OF NEW EMPLOYER IDENTIFICATION NUMBER ASSIGNED

Thank you for your application for an employer identification number. The number above has been assigned to you. We will use it to identify your business tax returns and any other related documents, even if you have no employees.

Please keep this number in your permanent records. Use the number and your name, exactly as shown above, on all Federal tax forms that require this information, and refer to the number in all tax payments and in tax-related correspondence or documents. You may wish to make a record of the number for reference in case this notice is lost or destroyed.

Note that the assignment of this number does not grant tax-exempt status to nonprofit organizations. For details on how to apply for this exemption, see IRS Publication 557, Tax-Exempt Status for Your Organization, available at most IRS offices.

We appreciate your cooperation.
Questions have arisen regarding the IRS tax exemption granted recently for Del Mar Foundation. The April 30, 1982 letter determined that Del Mar Foundation was exempt from Federal income tax under Section 501(c)(3) of the Internal Revenue Code. The letter stated that Del Mar Foundation had been determined to be a publicly supported organization described in Section 509(a)(2).

Attached is a copy of "General Guidelines for Non-Profit Charitable Corporations" prepared sometime ago by this office. The same essential guidelines were provided the initial Directors of Del Mar Foundation on August 5, 1981. The memo, at pages 4-6, discusses in general terms the benefits and ways of obtaining "public charity" status under Section 501(c)(3) of the Internal Revenue Code. The purpose of this memo is to expand on that general framework and try to anticipate some of the questions you may have about Del Mar Foundation's tax exemption.

As discussed in the memo, "public charity" status under Internal Revenue Code §501(c)(3) can be obtained in a number of ways. First, certain types of organizations qualify. However, Del Mar Foundation is not one of these. Second, "publicly supported" organizations qualify if they meet any one of three different tests, as outlined below. Third, an organization can qualify as a "private operating foundation" if it meets certain strict rules regarding the internal management of the income and assets. Fourth, "satellite corporations" of other exempt organizations can qualify if they meet certain organizational and operational tests.

Del Mar Foundation applied for 501(c)(3) public charity status based on being a "publicly supported" organization, the second type of public charity status mentioned above. There are three basic ways in which an organization can qualify as a "publicly supported" organization. The first
two are pursuant to Section 509(a)(1) of the Internal Revenue Code. Under this Section, the organization must either receive at least 1/3 of its support from the general public and from government grants (excluding revenues received from the performance of exempt activities), or the organization must receive at least 1/10 of its support from government grants and public contributions and must also meet certain "attraction of public support standards" to show that it has a "public character".

If the organization primarily depends on revenues from the performance of its exempt activities, it cannot qualify either for the 1/3 support test or the 10%-of-support requirement discussed above. Such an organization would, instead, qualify as a "publically supported" organization under Section 509(a)(2). The test for this section is that the organization must normally receive more than 1/3 of its support from a combination of private and public contributions and revenues from exempt activities. The organization must also not receive more than 1/3 of its support from gross investment income or unrelated business income.

The Del Mar Foundation IRS exemption application was based on qualifying under Section 509(a)(2) for the reason that, at least initially, the Foundation would be relying on revenues derived from exempt purpose activities, i.e. Del Mar Day and other such community events. Based on the application, the IRS determined that Del Mar Foundation could reasonably be expected to be a publically supported organization under Section 509(a)(2). The IRS gave the Foundation an advance ruling to that effect ending on June 30, 1983. After that point in time, the IRS will again review Del Mar Foundation's situation and make a permanent ruling. The IRS will look at the Foundation's track record for the previous years to determine if the Foundation has, in fact, met the "publically supported organization" test. The initial permanent ruling would be for the then current and the next two succeeding years. The question arises as to the effect that a substantial change in the Foundation's sources of support would have on "public charity" status. For example, if contributions from the public and private sectors increase substantially in comparison to revenues from Del Mar Day, then the possibility exists that the Foundation's 501(c)(3) public charity status would more appropriately be based upon Section 509(a)(1) rather than Section 509(a)(2). This office has contacted the IRS with respect to this particular issue, but has not received a definitive answer at this point in time. However, as long as
MEMO TO DEL MAR FOUNDATION
Page 3
June 9, 1982

the Foundation continues to qualify as a "publically supported organization" under any one test, then it would be our opinion that later changes in sources of support should not be a problem for maintaining public charity status. The IRS, however, should be informed as to significant changes in the sources of financial support for the Foundation, as well as any changes in its purposes or organization. The IRS would then make a determination as to any impacts that the changes could have on tax exempt status.

Because the Foundation's sources of financial support will change with time, and because the "public charity" status of the Foundation will continue to be reviewed each year by the IRS in light of these changes, we would strongly recommend designating either a paid or volunteer accountant for day to day advice. That person could monitor the Foundation's financial situation and sources of support and make sure that the Foundation will continue to qualify as a "publically supported" organization.

W. Scott Williams
City Attorney's Office

WSW/dth
June 9, 1982

Department of Justice  
P. O. Box 13447  
Sacramento, CA 95813

ATTENTION: Mr. Larry W. Campbell, Registrar of Charitable Trusts

Re: Del Mar Foundation - Your File No. CT-45763

Dear Mr. Campbell:

Pursuant to your notice of November 24, 1981, please find enclosed a copy of the Internal Revenue Service letter showing Del Mar Foundation to be exempt from Federal Income tax for an advance ruling period ending June 30, 1983.

Sincerely,

W. Scott Williams  
City Attorney's Assistant

WSW/dth

cc: Del Mar Foundation
June 9, 1982

Franchise Tax Board
State of California
Exempt Organizations
Sacramento, CA 95867

Re: Del Mar Foundation - Your File No. 342:RN:RB:G

Dear Ladies/Gentlemen:

On October 26, 1981, your office determined that the above organization was exempt from State Franchise or income tax under Section 23701(d), Revenue and Taxation Code. The exemption was issued on the condition that a federal exemption would be applied for and a copy of the final determination letter furnished to this office. The federal exemption was applied for and an advanced ruling obtained.

Please find enclosed a copy of the Internal Revenue Service letter. If you have any questions, please feel free to contact me at 714-755-6604.

Sincerely,

W. Scott Williams
City Attorney's Assistant

WSW/dth

cc: Del Mar Foundation
Enclosed please find the annual information return required to be filed for Del Mar Foundation as a nonprofit exempt organization. This annual return is required to be filed within four and one half months of the close of the accounting period. In the case of Del Mar Foundation, the return must be filed by October 15, 1982. As you will note, a filing fee of $5.00 is ordinarily required. The exceptions to the filing fee requirement are noted in paragraph D on page one of the general instruction. The only potential exception for Del Mar Foundation would be subparagraph 3.

If you or the person preparing the return has any questions, please do not hesitate to call.

D. Dwight Worden
City Attorney
STATE OF CALIFORNIA

STATEMENT BY DOMESTIC NON-PROFIT CORPORATION

THIS STATEMENT MUST BE FILED WITH
CALIFORNIA SECRETARY OF STATE (SECTIONS 6210, 8210, 9660 CORPORATIONS CODE)

PLEASE HEAD INSTRUCTIONS ON BACK OF FORM.
PLEASE TYPE OR USE BLACK INK WHICH WOULD BE SUITABLE FOR MICROFILMING.
FEE FOR FILING THIS STATEMENT — $2.50.

10876916, DUE DATE 08/31/82 1952N

DEL MAR FOUNDATION
1050 CAMINO DEL MAR
DEL MAR, CA 92014

NOTICE OF NEW LAW:
EFFECTIVE JANUARY 1, 1980 ALL NON-PROFIT CORPORATIONS MUST FILE WITHIN 90 DAYS AFTER
FILING ARTICLES OF INCORPORATION AN ANNUAL STATEMENT. THEREAFTER, CORPORATIONS
MUST FILE ANNUALLY BY THE END OF THE CALENDAR MONTH OF THE ANNIVERSARY DATE
OF ITS INCORPORATION. A TWO DOLLAR AND FIFTY CENTS ($2.50) FILING FEE MUST ACCOMPANY
THIS STATEMENT. THE LAW ALSO PROVIDES THAT THE FAILURE TO FILE THIS STATEMENT WILL
RESULT IN THE ASSESSMENT OF A FIFTY DOLLAR ($50) PENALTY.

THE CORPORATION NAMED HEREBIN, ORGANIZED UNDER THE LAWS OF THE STATE OF CALIFORNIA, MAKES THE FOLLOWING STATEMENT:

STREET ADDRESS OF PRINCIPAL OFFICE
(OR NONE COMPLETE 2-2B)

1050 Camino Del Mar
N/A
Del Mar, CA

SUITE OR ROOM

CITY AND STATE

ZIP CODE

3A

3B

3C

SAME AS ABOVE

AMENITIES OF THE FOLLOWING OFFICERS ARE:

William H. Kirwin, Jr.
1442 Camino del Mar
Del Mar, CA

CHIEF EXECUTIVE OFFICER

BUSINESS OR RESIDENCE ADDRESS (DO NOT USE P.O. BOX)

4A

4B

4C

Kathy Bussey
1050 Camino del Mar
Del Mar, CA

SECRETARY

BUSINESS OR RESIDENCE ADDRESS (DO NOT USE P.O. BOX)

5A

5B

5C

Liz Youngflesh
1125 Camino del Mar, Suite C
Del Mar, CA

CHIEF FINANCIAL OFFICER

BUSINESS OR RESIDENCE ADDRESS (DO NOT USE P.O. BOX)

6A

6B

6C

Kathy Bussey, 1050 Camino del Mar, Del Mar, CA 92014

FNT FOR SERVICE OF PROCESS

CALIFORNIA BUSINESS OR RESIDENCE ADDRESS IF AN INDIVIDUAL (DO NOT USE P.O. BOX) ONLY ONE AGENT CAN BE NAMED. DO NOT INCLUDE ADDRESS IF AGENT IS A CORPORATION

I DECLARE THAT I HAVE EXAMINED THIS STATEMENT AND TO THE BEST OF MY KNOWLEDGE AND BELIEF, IT IS TRUE, CORRECT AND COMPLETE.

DATE 8/1/82

TITLE Secretary

SIGNATURE OF CORPORATE OFFICER OR AGENT

CATHY BUSSEY
At the request of the City Manager, this office has prepared draft revisions to the Articles of Incorporation and to the Bylaws of Del Mar Foundation as follows:

1. The membership provisions of the Bylaws have been changed to delete Del Mar Citizens Committee as a member. Instead, the City Council of the City of Del Mar would select a member from the general public to serve at the pleasure of the City Council. The Bylaw revisions state that the public member must be a resident of the City of Del Mar and may not be a member of the City Council. See, Article 3, Section 2.

2. The Articles of Incorporation and Bylaws have been amended to provide that the Board shall consist of not less than three nor more than seven members. As drafted, the Bylaw revisions require the Board to specify by Resolution the exact number of members within those limits. See, Section 1 of Article 5 and Paragraph 2 of the Certificate of Amendment of Articles of Incorporation of Del Mar Foundation.

3. The Bylaws have been further revised to specify that the terms of office for Directors shall be three years. Also, no person shall serve as a Director for more than two consecutive three year terms. The Bylaw revisions also provide for staggered terms of office. The method for selecting those Directors to serve initial terms of less than three years shall be established by resolution of the Board of Directors. See, Section 4 of Article 5 of the Bylaws.

4. The Bylaws have been further revised to provide that a quorum for meetings of the members shall be a majority of the number of Directors as fixed by the Board under Section 1 of Article 5 of the Bylaws. Formerly, a quorum would consist of two of the three Directors. See, Section 13 of Article 5 of the Bylaws.
5. Finally, the Bylaws were revised to provide that a person elected to fill a vacancy would hold office for the remaining term of office of his or her predecessor, rather than until the next annual election of the Board of Directors. This Bylaw revision is necessary to take into account the fact that Directors will serve for terms of three years and that their terms will be staggered. See, Section 17 of Article 5 of the Bylaws.

If you have any questions about these revisions, or wish to make any changes, please contact me. Once the revisions to the Bylaws and Articles are in a form ready for your approval, they can be adopted by the members and Board of Directors by "Unanimous Written Consent" without the necessity of having a meeting. I have included those forms for your signature if you wish to proceed in this manner. Otherwise, these amendments should be duly adopted at regular or special meetings of both the members of the Foundation and of the Board of Directors.

With respect to the annual meeting of the members, such a meeting may be called by the Board of Directors, by the Chairman of the Board, or by the President of the Corporation as a special meeting in accordance with the procedures contained in Sections 3 and 4 of Article 4 of the Bylaws. However, if the only business to be transacted by the members is the election of members to the Board of Directors, and if there is unanimous consent in this respect, then I would suggest that this action be accomplished by a "Unanimous Written Consent" signed by the designated representatives of the Foundation's members. To that end, I have prepared a form which may be used for that purpose.

Also, I have prepared form "Designations of Representative" which should be completed and signed in any event in order to formally designate particular persons as the representatives of the members of the Foundation. These designations should be completed and signed and filed with the minutes of the meetings of the members. Again, if you have any questions about these items, please do not hesitate to call.

[Signature]
W. Scott Williams
City Attorney's Office

WSW/dth
Attachments
UNANIMOUS WRITTEN CONSENT OF
MEMBERS OF DEL MAR FOUNDATION

We, LOUIS M. TERRELL, WILLIAM H. KIRWIN, JR. and JOEL O. HOLLIDAY, are all of the designated representatives of the members of DEL MAR FOUNDATION and by this writing approve and consent to the election of the following persons as the members of the Board of Directors of DEL MAR FOUNDATION:

LOUIS M. TERRELL

WILLIAM H. KIRWIN, JR.

JOEL O. HOLLIDAY

This consent is executed pursuant to Section 5516 of the California Corporations Code and is to be filed with the minutes of the proceedings of the members of DEL MAR FOUNDATION.

Dated: August 26, 1982

Dated: August 26, 1982

Dated: 9/23/82
DESIGNATION OF REPRESENTATIVE

Pursuant to Section 8 of Article 4 of the Bylaws of DEL MAR FOUNDATION, the Chamber of Commerce, a member of DEL MAR FOUNDATION, hereby designates WILLIAM H. KIRWIN, JR. as its representative to vote on its behalf on any or all matters which may require a vote of the members.

DEL MAR CHAMBER OF COMMERCE

Dated: August 26, 1982 By: H. K. Throneson
DESIGNATION OF REPRESENTATIVE

Pursuant to Section 8 of Article 4 of the Bylaws of DEL MAR FOUNDATION, the Del Mar Day Citizen's Committee, a member of DEL MAR FOUNDATION, hereby designates JOEL O. HOLLIDAY, as its representative to vote on its behalf on any or all matters which may require a vote of the members.

DEL MAR CITIZEN'S COMMITTEE

Dated: August 26, 1982 By:  

Harvey Shapiro
DESIGNATION OF REPRESENTATIVE

Pursuant to Section 8 of Article 4 of the Bylaws of DEL MAR FOUNDATION, the City of Del Mar, a member of Del Mar Foundation, hereby designates LOUIS M. TERRELL as its representative to vote on its behalf on any or all matters which may require a vote of the members.

CITY OF DEL MAR

Dated: August 26, 1982 By: Stephanie Malkewicz, CITY CLERK
city of del mar memorandum

To: Bill Kirwin
From: Bob Nelson
Subject: DEL MAR FOUNDATION - STAGGERED TERMS OF OFFICE FOR DIRECTORS

The Del Mar Foundation was initiated 7/24/81 and incorporated 8/20/81. The annual meeting is in June and the fiscal year runs July through June.

Attached is a chart of possible staggered terms for members of the Board of Directors. For ease of drafting, I've used July 1, 1981 as the starting point.

BOB NELSON
City Manager

RAN: kb
Attachment
September 14, 1982

Mayor and City Council
City of Del Mar
1050 Camino del Mar
Del Mar, CA 92014

RE: Appointment to Foundation from General Public

Dear Councilpersons:

Recently, the Board of Directors of the Del Mar Foundation amended their Articles of Incorporation and By-laws, to delete the Del Mar Citizens Committee as one of the members.

Under the new By-laws, the City Council would select a member of the general public to serve at the pleasure of the City Council. This person must be a resident of the City of Del Mar and may not be a member of the City Council.

This appointment would affect the Directorship now held by Joel Holliday.

I am enclosing a copy of the memorandum prepared by the City Attorney's Office, and a copy of the newly-adopted By-laws for your reference.

Would you please make this appointment at your earliest convenience in order that the Foundation can continue to maintain a quorum for the transaction of business.

If you have any questions, please do not hesitate to contact me at 755-9313.

Sincerely,

KATHY FUSSEY
Del Mar Foundation Secretary

kb
Enclosures
September 14, 1982

Alcoholic Beverage Control Board
State of California
1350 Front Street
San Diego, CA 92101

RE: Del Mar Foundation - Del Mar Day Celebration

To Whom It May Concern:

This letter will serve as written authorization from the City of Del Mar to the Del Mar Foundation, to sell beer on Saturday, October 2, 1982, from 8:30 a.m. to 11:00 p.m. in connection with the Del Mar Day festivities.

The beer concession booth will be located in Seagrove Park located at the corner of 15th Street and Coast Boulevard (which appears as Ocean Avenue on the attached plat map). This property is owned by the City of Del Mar.

If you have any questions in regard to this application, please do not hesitate to contact me at 755-9313.

Sincerely,

[Signature]
Bob Nelson
City Manager

RAN: kb

Attachments

cc: Del Mar Foundation
    City Council
    Betsy Milich
    John Collins
Pursuant to your request of this afternoon, the following is an estimate of the legal fees and disbursements incurred in regard to the above-entitled matter.

As you are aware, we have separated our billings into three (3) categories: (1) litigation; (2) non-litigation; and (3) North City West. I have reviewed all billings from March 1982 to August 1982 for the non-litigation category and my summary is as follows:

March 1982..........................$ 54.70
April 1982...........................$ 23.60
May 1982..............................$ 29.50
June 1982..............................$188.80
July 1982...............................$ 95.10
August 1982...........................$143.20

TOTAL...................................$534.90

This amount reflects work done in the preparation of the Bylaws, Articles of Incorporation, various tax forms; attendance at meetings; and various telephone conferences.

If you have any further questions, please feel free to contact me.

D. Dwight Worden
City Attorney
November 15, 1982

Internal Revenue Service
District Director
Exempt Organizations
P. O. Box 2350
Los Angeles, CA 90053

Re: Del Mar Foundation - Organizational Changes

Dear Ladies/Gentlemen:

On April 30, 1982, the Internal Revenue Service made an advance ruling that the above-referenced California Non-Profit Public Benefit Corporation was exempt from Federal Income Tax under Section 501(c)(3) of the Internal Revenue Code as a publically supported organization described in Section 509(a)(2).

Since that date, Del Mar Foundation has made the following organizational changes:

1. The Articles of Incorporation (Article V) and the Bylaws (Article 5, Section 1) have been amended to provide that the Board of Directors shall consist of not less than three nor more than seven members. The exact number of Directors is to be fixed, within the limits specified, by Resolution of the Board of Directors.

2. The Bylaws (Article 5, Section 4) have been revised to provide that each Director shall hold office for a term of three years. Also, no person may serve as a Director for more than two consecutive three year terms. Additionally, the Bylaws provide for the terms of office of the Directors to be staggered.

3. The Bylaws (Article 5, Section 13) have been further revised to provide that a quorum for meetings of the Board of Directors shall be a majority of the number of Directors as fixed by the Board under Section 1 of Article 5 of the Bylaws.

4. The Bylaws (Article 7, Section 17) were further revised to provide that a person elected to fill a vacancy would hold office for the remaining term of office of his or her predecessor rather than until the next annual election of the Board of Directors.

5. The membership provisions of the Bylaws (Article 3, Section 2) have been revised to delete Del Mar Citizens Committee as a member, in view of its disbanding. Instead, the Bylaws provide that the third member of the Foundation
shall be a member of the general public selected by the City Council of the City of Del Mar. The public member must be a resident of the City and may not be a member of the City Council.

I have enclosed a copy of the Bylaws of Del Mar Foundation, as amended, and a copy of the Certificate of Amendment of Articles of Incorporation. This information is provided pursuant to the requirement that any organizational changes be reported to the Internal Revenue Service for determination of the effect, if any, on tax exempt status.

If you have any questions, or need any additional information, please do not hesitate to give me a call.

Sincerely,

W. Scott Williams
City Attorney's Office

WSW/dth
Enclosures
cc: Del Mar Foundation
November 15, 1982

State Franchise Tax Board
State of California
Exempt Organizations
Sacramento, CA 95867

Re: Del Mar Foundation - Your File No. 342:RN:RB:G

Dear Ladies/Gentlemen:

On October 26, 1981, your office determined that the above California Non-Profit Public Benefit Corporation was exempt from State franchise or income tax pursuant to Section 23701(d), Revenue and Taxation Code. Since that point in time, Del Mar Foundation has amended its Articles of Incorporation and Bylaws as follows:

1. The Articles of Incorporation (Article V) and the Bylaws (Article 5, Section 1) have been amended to provide that the Board of Directors shall consist of not less than three nor more than seven members. The exact number of Directors is to be fixed, within the limits specified, by Resolution of the Board of Directors.

2. The Bylaws (Article 5, Section 4) have been revised to provide that each Director shall hold office for a term of three years. Also, no person may serve as a Director for more than two consecutive three year terms. Additionally, the Bylaws provide for the terms of office of the Directors to be staggered.

3. The Bylaws (Article 5, Section 13) have been further revised to provide that a quorum for meetings of the Board of Directors shall be a majority of the number of Directors as fixed by the Board under Section 1 of Article 5 of the Bylaws.

4. The Bylaws (Article 7, Section 17) were further revised to provide that a person elected to fill a vacancy would hold office for the remaining term of office of his or her predecessor rather than until the next annual election of the Board of Directors.

5. The membership provisions of the Bylaws (Article 3, Section 2) have been revised to delete Del Mar Citizens Committee as a member, in view of its disbanding. Instead, the Bylaws provide that the third member of the Foundation shall be a member of the general public selected by the
City Council of the City of Del Mar. The public member must be a resident of the City and may not be a member of the City Council.

I have enclosed a copy of the Bylaws of Del Mar Foundation, as amended, and a copy of the Certificate of Amendment of Articles of Incorporation. This information is provided pursuant to the requirement that any organizational changes be reported to the Franchise Tax Board for determination of the effect, if any, on tax exempt status.

If you have any questions, or need any additional information, please do not hesitate to give me a call.

Sincerely,

W. Scott Williams
City Attorney's Office

WSW/dth
Enclosures
cc: Del Mar Foundation
November 18, 1982

Mr. Joel U. Holliday  
1233 Crest Road  
Del Mar, CA 92014

RE: Del Mar Foundation Appointment

Dear Joel:

The Del Mar City Council, at its Regular Meeting of October 18, 1982, voted to appoint you to a three-year term as a member of the Board of the Del Mar Foundation. You will represent the general public, and your term will expire 7/1/85.

Please forgive the delay in my sending this letter. I was not aware you had not been formally notified.

Best wishes for your continuing efforts on the Foundation. See you on Thursday evening, December 9th, for the 7:00 pm workshop.

Sincerely,

[Signature]

KATHY BUSSEY
Deputy City Clerk

kb

cc: Board of Directors
city of del mar memorandum

To: Del Mar Foundation
From: Bob Nelson, City Manager
Subject: COST OF SERVICES PROVIDED TO DEL MAR FOUNDATION

In relation to Dwight Worden's memorandum in your last packet, I thought you might be interested in my time sheet, which I keep as an in-house record for Kathy's and my time.

Bob Nelson
City Manager

RAN: kb
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**Line 23:**

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**Line 34:**

**Line 45:**
I. FOUNDATION ORGANIZATION AND ADMINISTRATION

A. BY-LAWS

B. Accounting

C. Personnel

1. New director candidates

2. Advisory committee membership candidates

D. Records, Reports, Minutes

II. FOUNDATION DEVELOPMENT

A. Foundation Endowment

B. Fundraising Activities

1. Legacies

2. Trusts

3. Sponsorship of fundraising activities

4. Charity racing proceeds

C. Permanent Development Consultant/Officer

III. FOUNDATION OPERATIONS

A. Del Mar Day

B. Powerhouse Park Acquisition

IV. FOUNDATION NEW PROJECTS

A. Long Term/Short Term

B. Screening/Review Procedure-Scope of Participation
MEMORANDUM

TO:       Del Mar Foundation
FROM:    Lou Terrell, President
DATE:    December 27, 1982
RE:       DEL MAR FOUNDATION PROJECTS:

SHORT-TERM PROJECTS:

A Summer Concert Series in Sea Grove Park.

In order to implement this program a Concert Committee needs to be formed and charged with the following tasks: finding funds and artists; secure performing platform/stage and amplification system, if called for, etc.

LONG-TERM PROJECTS:

1. **Permanent Library/Archive Repository Facility.**

   I envision this facility as being more than just a small town basic Library, but as including an archive capability (a repository to house the history of Del Mar, which Swede Throneson and others have been gathering over the years, and perhaps a room in which a small lecture series could be held.

   Such a Library could become a joint venture project in which the Foundation, the City, the County, and the developer of the current City Hall site could pool their resources.

2. **Endow City Employee Positions.**

   People often endow professorial chairs for universities, why not endow positions in small municipal governments?

   A) **Lifeguard Captain Position.**

      I selected this position because of its visibility, my hunch its salability, and the hope that once established it would be a precedent setter which would stimulate other such endowments.

   B) **Park Maintenance Position:**

      This position was selected because what is often overlooked in the acquisition of open space, is that once the initial purchasing price is covered, and even the development completed, the City will then be confronted with the major ongoing expense of maintaining the park. An endowed position dedicated to this task would appear, therefore, to be a worthwhile undertaking for the Foundation.

Although I am unfamiliar with the basic strategies for pursuing endowment gifts, they do exist and I am sure we could learn them.
SUGGESTED PROJECTS FOR DEL MAR FOUNDATION

DEL MAR CULTURAL CENTER

1. **PURPOSE:** To make available to the public, visual arts, painting, sculpture, architecture, and crafts otherwise not available to the local public.

**FACILITIES:** The facility comprised of approximately 100 linear feet of display wall enclosed by glass at 2010 Jimmy Durante Boulevard will be provided by others.

**PROGRAM:**
- **First Year - Four shows of 90 days each**
  - Two Retrospective Realists Exhibits - local
  - One Architectural Exhibit - local
  - One Group Exhibit

- **Second Year - Six shows of 60 days each**
  - Three One Man Realists Exhibits
  - One Architecture Exhibit
  - One Group Exhibit
  - One Craft Exhibit

- **Third Year - Eight shows**
  - Two One Man Exhibits - 60 days each
  - One Architecture Exhibit - 30 days
  - Two Group Exhibits - 30 days
  - One Craft Exhibit - 30 days
  - One Photo Exhibit - 30 days
  - One Drawing Exhibit - 30 days

**FUNDING:** Foundation to be vehicle to receive donations as non profit organization for funds specified for visual art exhibits.

- **First Year** - Minimal funds needed for advertising, printing promotion as all artists would be local. Use this year to establish exhibits, audience and funding.

- **Second Year** - Funding raised in first year to allow expansion of exhibits to other than local artists, add two shows.

- **Third Year** - Funding should now be available for expansion to two more exhibits.

Sources of funds - would be primarily donations with some income coming from sales and openings. There would be no general admission charge.

2. Audio visual arts program in cooperation with community TV.
   (1) show on Channel 37
   (2) Audio visual cassettes for sale or rent

3. Circulation library of paintings for rent.

4. Organize small musical block parties in various parts of Del Mar.

[Signature]
December, 1982
December 16, 1982

Memo To: Board of Directors,
       Del Mar Foundation

Subject: Two Ideas for Foundation Activities

1. Community Television Association (CTVA). CTVA is an organization deserving community attention and support which the Foundation may augment. Two separate areas of CTVA needs can be considered: (a) that of funding special programming, such as community education and service programs, and (b) that of creating a studio and operating environment for the technical functions.

CTVA began being partially funded in its operations at its inception by Daniels Cablevision, which provided $20,000.00 per year for five years. I do not know the requirements that must be met before CTVA can draw from that funding; Daniels also provided a certain amount for construction of studio facilities.

2. Del Mar Library. The Friends of the Library is an organization worthy of Foundation support. Construction/acquisition of a building and building a collection are both worth considering.

The nature of the relationship to the Foundation of undertakings such as these should be considered.

I have spoken briefly to representatives of each to inform them of the possibility of Foundation interest.

William H. Kirwin, Jr.
Director
December 3, 1982

Financial Status for Del Mar Foundation

Passbook 39-5009 - $1785.32

Flexi-Term CD 39-0305498 - $24,555.64 /pays 10%, matures 12/16/82
The balance in this account represents $20,000 in proceeds from
Del Mar Day 1982 plus the proceeds of the $4400 Repurchase
Agreement previously vested as Del Mar Foundation (plus interest)

Checking account 39-15774 - $3452.54
Vested under Del Mar Day Committee, this account is the working
fund for Del Mar Day 1982 (waiting for Betsy to complete books
and turn them over to me, at that time we will invest balance of
these funds in a Del Mar Foundation account)

Checking account 39-16111 - $120.95
Vested as Powerhouse Park Committee

Liz Youngflesh
Treasurer
December 27, 1982

Financial Status for Del Mar Foundation

Balance of Passbook #39-5009 (1818.37) and Flexi-Term C.D.#39-305498 (24,750.74) have been transferred to a new Money Market Account #39-619781. The balance in the Money Market account is $26,569.11, interest rate is 11.25%, with no term or maturity date. Funds can be withdrawn from this account at anytime with no penalty. Deposits can also be made at anytime. Since there are no restrictions on deposits and withdrawals, it is no longer necessary to maintain the 5½% passbook account.

Checking account 39-15774 – balance according to Valley Federal computers $3,616.57. The check book for Del Mar Day Committee has just been turned over to me. The balance per Betsy Milich is $957.97. The checking account has not been balanced by the Treasurer. I am in the process of obtaining the statements from Betsy for the last few months so I can balance out and see if some deposits have not been entered or if there are still some checks that have not cleared.

Checking account 39-16111 – balance is 162.77

Vested as Poweshouse Park Committee

Liz Youngflesh
Treasurer
December 30, 1982

Mr. Bob Smith
13014 Camino del Rocio
Del Mar, CA 92014

Dear Bob:

Many thanks for helping us on Monday evening. You have been an invaluable resource to us as the Foundation moves through its infancy. If we can keep on course, my feeling is that the Foundation can become a major resource not only for Del Mar but for the region as well.

We will keep you abreast of our development and hope that from time to time we may call upon you for assistance.

Best wishes during this holiday season.

Sincerely,

LOU TERRELL
President

LT:kb
Del Mar Foundation
1050 Camino Del Mar
Del Mar, California  92014

Dear Board Members:

Thank you for the opportunity to meet and discuss with you recently some of the basics of fund raising. I have a sense that the Del Mar Foundation will move forward nicely given appropriate projects and successes.

To reiterate some of the points regarding contributions, I would like to point out nine criteria for successful volunteers:

1. Have themselves given, ideally "until it hurts."
2. Comfortable with prospect and solicit process.
3. Confidence in the organization.
4. If member of a solicitation team, comfortable and interact well with others.
5. Assured that prospect reasonably well-informed and actively cultivated by non-profit.
6. Personal/corporate commitment and obligation to do job well.
7. Enjoy soliciting and are rewarded/recognized for it.
8. Aware of and can articulate reasons why the prospect should become a donor.
9. Believe deeply in the system which makes philanthropy possible.

There is nothing magic about this -- it's simply a matter of identifying the need, drawing people in to help define the solution and ultimate solicitation. Best of luck.

Sincerely,

Robert H. Smith

RHS:kd