

Have it Your Way: Lessons from Accepting a Business Franchise

Has your organization ever considered a gift of a business franchise? As a \$1.7 trillion dollar industry with nearly 500,000 franchises in the U.S (according to the most recent US Census data from 2017), a business franchise can be a valuable and worthy asset for a philanthropic gift. In this session, we will discuss a case study gift of a Burger King franchise, what we learned along the way, important considerations, internal and external stakeholders we involved, and how we set donor and organizational expectations.



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NWPGRT Presentation

September 21, 2023

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Rochelle Makela-Goodman, Assistant Vice President, Gift Planning, OHSU Foundation



Rochelle Makela-Goodman

Assistant Vice President, Gift Planning, OHSU Foundation

Rochelle leads the strategy for deferred, life income, and estate gifts that advance the mission of OHSU. In her previous positions at Princeton University, Lehigh University, and Centenary University, Rochelle led and oversaw the strategy and execution for comprehensive fundraising campaigns, major and planned gifts, and grants.

She is an experienced principal gifts officer with a passion for matching a donor's philanthropic goals with university priorities in ways that advance education, research, and the human condition. She has held previous positions as director of Corporate & Foundation relations at Centenary College in NJ and as director of Foundation Relations at Lehigh University where she led task forces to develop novel solutions to address societal needs.





Chelsea Benedict

Managing Sr. Director of Development, OHSU Foundation

Chelsea is responsible for raising significant levels of philanthropic support for OHSU's Knight Cancer Institute and Knight Cardiovascular Institute by providing strategic direction and day-to-day management of a pipeline comprised of major and principal gift level donors. In her role at the OHSU Foundation, Chelsea identifies opportunities to qualify new aspirational prospects, builds and manages the relationships between individual prospects with OHSU, and secures meaningful and transformational philanthropic support. In partnership with senior faculty leadership at OHSU, Chelsea identifies opportunities for global brand recognition of OHSU

and priorities for the institution's growth and impact. Chelsea has over 12 years of experience fundraising at OHSU, including leading campaigns and closing complex planned gifts. She currently manages a fundraising team in partnership with the Knight AVP of Development.

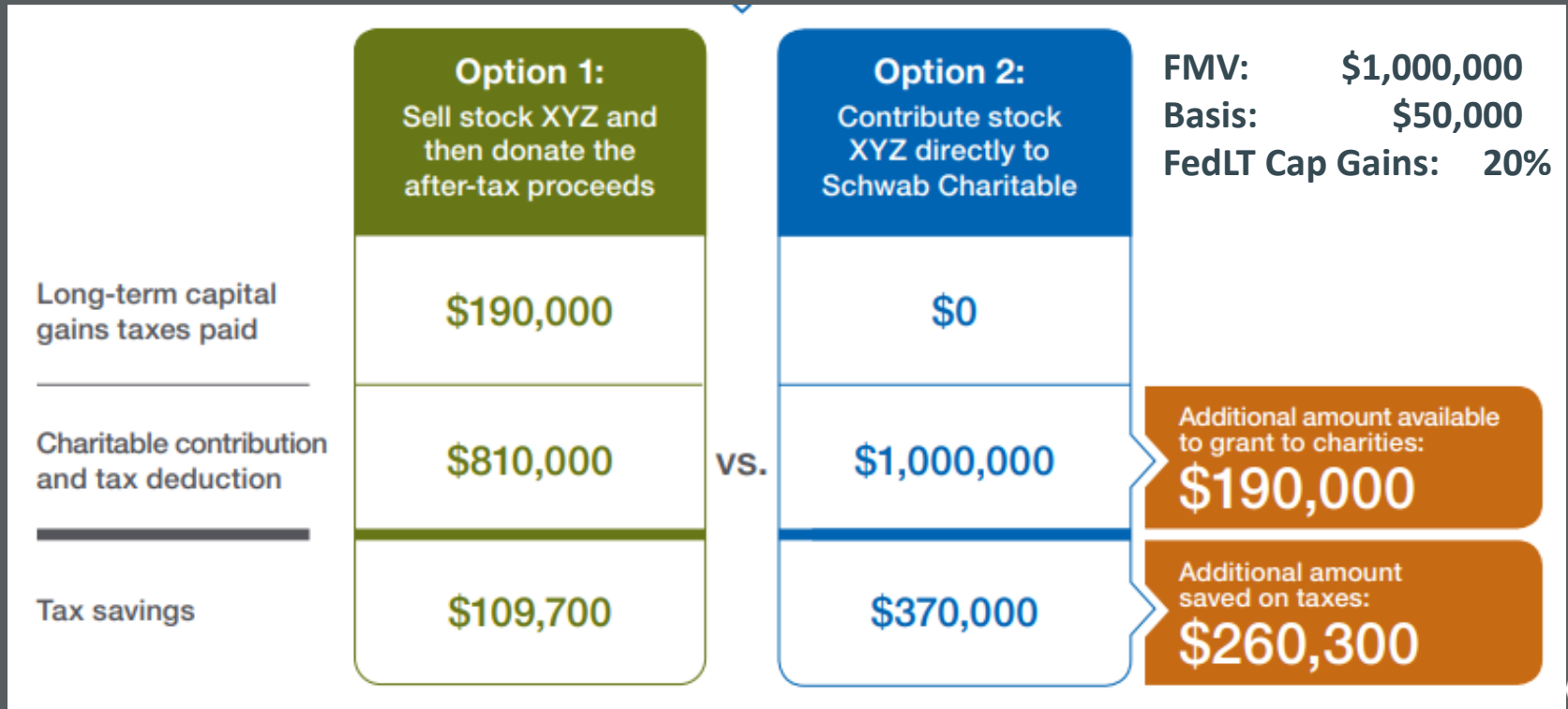


Agenda:

- The “why” of business interest gifts
- Preliminary Considerations
- Risks & Due Diligence
- Lessons Learned
- Alternative Approaches



Donating Business Interests



The Donors:

- Relatively new to philanthropy
- Referred to us by close friends
- From rural Oregon
- Source of wealth from buying and selling commercial properties
- Transitioning to retirement
- Charitable gifts that mitigate these changes
- Interested in joining the FOU program



The Offer: Donation of a Burger King



Understand the gift asset

- Real estate? Business interest? Private Stock?
(sometimes unclear to donor and charity)
- What is it worth?
- Who / what owns the asset? A person(s)? An LLC?
- Does the owner have the right to transfer ownership interest?
- Has the donor owned for at least a year?
- Are there liens or debts against the property?
- What is the adjusted cost basis?
- Exit strategy; buyer in the wings? No pre-arranged sale?

What are the donor's goals?

- Charitable intent?
- Diversification?
- Alternative income?
- Retirement / Succession planning?
- Reducing taxable estate?
- Reducing cost of donation (tax savings)?

Policies & Process

Content Expertise

Defined Process for Acceptance

LLC for the Charity

Gift Agreement Process

Cost of Due Diligence (who pays)

Risks & Due Diligence - First Phase

| Risk | Due Diligence |
|---------------------------------|---|
| Donative Intent, Legitimacy | Many conversations with donor! LLC registered with State? Violations, Judgements, Complaints? |
| Understand Corporate Structure | Operating agreement & all docs charity required to sign to transfer asset; UBIT? |
| Condition & Use as Represented? | Property inspection & report (signed NDA before disclosing information) |
| Value & Debt | Qualified Appraisal, Title Report , Survey, brochures, tax maps, blueprints . . . |
| Carrying Costs | Property Tax, cash flow, insurance, utilities, maintenance, litigation, known defects |
| Environmental Hazards | Owner's Phase I Environmental Assessment |

Risks & Due Diligence – Lease

| Risk | Due Diligence |
|-------------------------------------|--|
| Leasee Defaults / Credit Worthiness | Copy of lease & all amendments Background checks on leasee – reputation, read website, history on business relationship |
| Sufficient Cash Flow to Carry | Requested most recent cash flow statement (checking account of LLC) showing the rent paid and any outflows |

Exit Strategy

| Risk | Due Diligence |
|-------------------------------|--|
| Minimize Holding Period | Lots of donor conversations! Conversations with specialty brokers & got estimates on fees |
| Sufficient Cash Flow to Carry | Requested most recent cash flow statement (checking account of LLC) showing the rent paid and any outflows |

Presenting to Gift Acceptance Committees:

- **OHSU Gift Acceptance Panel** – (Internal) President, VP Development, CFO, VP Advancement Services, AVP Gift Planning, Relationship Manager
- **Property Committee** of the Foundation Board
- **Executive Committee** of the Foundation Board
- Optional – General Counsel

Let the transfer begin!

- ROFR Waiver & Estoppel Agreement
- Assignment of LLC to OHSUF's LLC & Assignment of Lease



Oregon Health
& Science University
FOUNDATION

Transferred the LLC and within a month of listing, sold the Burger King for just over \$3 million



OREGON
HEALTH
& SCIENCE
UNIVERSITY



Lessons Learned:

- We can do this!
- Gift value must be worth the effort & cost
- The donor must be enthusiastic and push for the gift (there will be extra work for all parties; alignment is difficult)
- Opportunity to refine gift acceptance policies
- Choose excellent partners (legal, specialists, brokers...)

Alternative Routes:

- Community Foundation (OCF)
- Donor Advised Fund Administrators
- Specialty Asset Management (Merrill Lynch, BofA, ...)
- Charitable Solutions, LLC



Questions?