



**FAB FOLK INC.**

## **GRANT-MAKING POLICY**

**April 14, 2011**

### **I. General**

1. The Board of Directors shall have the power to make grants to individuals or organizations, domestic or foreign, so long as such grants are in furtherance of Fab Folk Inc.'s ("Fab Folk") tax-exempt purposes, as described in Fab Folk's Statement of Organizational Purpose, and so long as such grants are made in accordance with this grant-making policy ("Policy").
2. This Policy shall apply to all grants, contributions or other renderings of assistance whether made in cash, in-kind, or in services and whether made to individuals and/or organizations, foreign or domestic (all such instances, "Grants"). Unless so stated or context requires otherwise, references in this Policy to Grant "proceeds," "monies," "funds," or similar terms will apply equally to cash, in-kind or non-cash benefits/services.
3. The making of Grants shall be within the exclusive power of the Board of Directors or committee they expressly designate. References to the powers of the "Board of Directors" herein, unless stated otherwise, shall also be deemed to refer to duly authorized committees. In the case of any potential Grant implicating the transactions described in Fab Folk's Conflict of Interest Policy, the Grant shall be evaluated by an independent and disinterested committee of the Board of Directors and otherwise deal with in accordance with the provisions of the Conflict of Interest Policy. The Board of Directors shall have the power to deviate from the provisions of this Policy after due deliberation and with reasons therefor recorded in the "Record" (as defined below), without amendment hereto.
4. Good faith efforts will be made by Fab Folk to execute and operate any Grant in accordance with any applicable U.S. federal income, state, or local tax requirements.

### **II. Basic Information Gathering**

1. Fab Folk will collect information from all potential grantees before making a Grant. In all cases of Grants to individuals, Fab Folk will necessarily gather the following information:
  - a. name of the potential grantee;

- b. address of potential grantee's residence;
- c. name and address of potential grantee's place of business;
- d. a completed grant application, including a "four square" or similar substantive questionnaire about the usage of the Grant funds and any other additional, substantive information required by Fab Folk; and
- e. any other information as the Board of Directors deems necessary under Section V of this Policy.

In the case of all grants to organizations, Fab Folk will necessarily gather the following information:

- a. official name of the potential grantee, as well as any "doing business as" name(s) and any prior name(s);
- b. address of the organization;
- c. name of organization representative responsible for supervision of the Grant;
- d. a completed "four square" or similar substantive questionnaire;
- e. copies of relevant organizing documents for the potential grantee; and
- f. any other information as the Board of Directors deems necessary under Section V of this Policy.

### **III. Evaluation of Potential Grants**

1. The Board of Directors shall review all potential Grants to decide whether such potential Grants should be made by Fab Folk. Such review will be recorded in the minutes of a Board of Directors meeting or other official Fab Folk record (in either case, the "Record"). The receipt of completed proposals from a potential grantee will be acknowledged with an estimate to the potential grantee of when the potential Grant will be reviewed.
2. The Record shall reflect the Board of Directors' rationale in deciding to make any Grant. Generally, the Record shall reflect the merits of the proposed use of the Grant funds and how such usage of the Grant funds will relate to Fab Folk's tax-exempt purposes.
3. The Record shall reflect the Board of Directors' evaluation of the risk that the Grant funds may be misappropriated or misused and/or be used for terrorist financing or other unlawful purposes. The Record shall include the results of running the names of the all grantees (and, in the case of an organization, the names of the organization and/or key individuals of the organization) through anti-terrorist watch lists, including the United

States Department of State's Terrorist Exclusion List and the United States Department of Treasury's Specifically Designated Nationals List.

4. The Record shall reflect the relationship between the potential grant recipient and (1) the officers, or directors of Fab Folk (or a member of the family of any); (2) a grantor or substantial contributor to Fab Folk (or a member of the family of either); and (3) a business entity substantially controlled by any individual or entity described in (1) or (2).
5. Grantees shall be informed of Fab Folk grantee affidavits. All grantees will be required to complete a Fab Folk Inc. Grantee Affidavit – For Individual Recipients or Fab Folk Inc. Grantee Affidavit – For Organization Recipients (in each case, the “Affidavit”), as applicable, which shall specify how the Grant funds will be used and how such usage relates to Fab Folk’s tax-exempt purposes. Such affidavit will be completed before, or approximately contemporaneously with, Fab Folk’s acceptance of the Grant.
6. Grants that would result in an improper private inurement in contradiction of Fab Folk’s exempt purposes and/or Conflict of Interest Policy, or Grants that would be otherwise inconsistent with Fab Folk’s tax-exempt status or organizational documents, will not be made.
7. If the Board of Directors suspects that the potential grantee will use the funds to, directly or indirectly, support terrorist activities or for other unlawful purposes, the grant will not be made and the Board of Directors shall report all relevant facts concerning the Grant to appropriate U.S. federal government authorities.

#### **IV. Post-Grant Diligence**

1. To the extent appropriate and advisable, Fab Folk will structure Grants so as to be dispersed over time to prevent misallocation.
2. Grantees will be required to make periodic reports to ensure that any funds or other assistance received are used for the intended purpose(s) of the Grant only. Such reports will be made at the following times:
  - a. Periodically, as stipulated by Fab Folk in the Affidavit, but no less than once every six months;
  - b. At the conclusion of the use of the proceeds of the Grant; and
  - c. At any other times as the Board of Directors shall determine to be appropriate.
3. The Board of Directors shall review all reports from the Grant recipient, and solicit and analyze any other information that is deemed necessary and prudent, including reviewing the recipient’s other records and/or performing on-site visits with the recipient(s), to ensure that all Grant funds are being used for the intended purpose. If any Grant funds are not being properly used, or are at a reasonable risk of not being used, for the intended purpose(s) of the Grant, Fab Folk will stop providing any monies, goods or other benefits to the grantee and will make a good faith effort to require that the grantee return to Fab

Folk any remaining funds and surrender any items already procured with any Grant funds, in accordance with the procedure described in the Affidavit.

4. If the Board of Directors, before or after the conclusion of the usage of the Grant funds, reasonably suspects that the Grant has been made to an individual or organization that sought to use or used the funds to, directly or indirectly, support terrorist activities or for other unlawful purposes, the Board of Directors shall report all relevant facts concerning the Grant to appropriate U.S. federal government authorities.

**V. Pre- and Post-Grant Anti-Terrorism Diligence**

1. Fab Folk will use its best efforts to comply with Executive Order 13224 and any provisions of the USA PATRIOT Act, and all other current or future United States federal or state governmental requirements relating to anti-terrorist activities that may apply to Fab Folk. To do so, Fab Folk will generally rely upon the guidance offered in the United States Treasury Department's "Anti-Terrorist Financing Guidelines: Voluntary Best Practices for U.S.-based Charities" with consideration to the "risk-based" approach discussed therein.
2. Before a Grant is made, the Board of Directors will deliberate on the risk that a potential Grant's funds may be used directly or indirectly to support terrorist activities or for other inappropriate or unlawful purposes, and the Board of Directors shall decide whether it is necessary and prudent to gather any of the following information/perform any of the following diligence tasks on the potential grantee, as applicable:
  - a. access names and information on key employees, board members and senior management;
  - b. access name and information on the employee(s) who will be principally responsible for monitoring the usage of the Grant funds;
  - c. access information on all important individuals of the organization, including full name, in English and in the language of origin, nationality, citizenship, country of residence, and place and date of birth;
  - d. access a list of all jurisdictions in which the organization maintains a physical presence;
  - e. access names and information on individuals or entities to which the organization currently provides funding, services, or material support;
  - f. access public information on the grantee;
  - g. access names of financial institutions at which the grantee maintains accounts and conduct diligence on such institution;

- h. expand search of any anti-terrorist watch lists, including the United States Department of State's Terrorist Exclusion List and the United States Department of Treasury's Specifically Designated Nationals List to include affiliates or other individuals or organizations related to the potential grant recipient ;
  - i. access any general information on the grantee, such as purpose, history, organizational status, management, activities, etc.;
  - j. access information on the organization's internal controls and oversight proceeds for the use of Grant funds;
  - k. access information on the tax-exempt status of the entity under foreign law and whether it has a determination letter of tax-exempt equivalence under U.S. law;
  - l. access information on the prior history of the grantee in dealing with grants, including whether the grantee has a history of compliance or noncompliance;
  - m. access and analyze references, specifically references with domestic organizations that have been involved in similar charitable projects with the recipient in the past;
  - n. access names and addresses of any vendors or subcontractors used by the recipient;
  - o. access copies of any public filings or releases made by the recipient; or
  - p. access recent financial statements.
3. Fab Folk may delegate any of its duties under this Section V to a third party. In any such case, the Board of Directors will exercise reasonable diligence in analyzing, and deciding whether to supplement, verify and/or rely on, such third party output. The third party's analysis will be made available to the entire Board of Directors.

## **VI. Record-Keeping**

- 1. Records will be kept on all the information required by this Policy. Without limiting the foregoing, records will specifically be preserved for:
  - a. Grantee files and other collections of information on the grantee, grantee correspondence, periodic and final reports to from grantees, cancelled checks or other records evidencing the manner and amount of payments, such as by cash payment, money order, wire transfers, bank fees and other similar fees to effectuate the Grant, and, in the case of grants of services or in-kind items, records will include the amount of services, a description of services, the date(s) such services were provided, an estimated value of the non-cash assistance and the method of valuation (e.g., book, fair market value), and the costs of

effectuating the non-cash assistance, including travel expenses to, from and within the region for employees, officers, directors or other similar persons.

2. All records will be kept in accordance with Fab Folk's Records Retention Policy.
3. Fab Folk will publish a list of Grants at least annually in its annual report or through other similar reports and/or communications.