

SUMMARY OF FEDERAL AND STATE CONTRIBUTION BENEFITS UPDATED FOR 2012 TAX YEAR

Includes provisions in the American Jobs Creation Act of 2004 affecting charitable donations

The Rolls-Royce Foundation, a research library and educational museum dedicated to Rolls-Royce and Bentley motor cars, seeks your support. Rolls-Royce Foundation is a Pennsylvania nonprofit corporation qualified by the Internal Revenue Service as a publicly supported charity under section 501(c)(3) of the Internal Revenue Code. Your contribution to us will provide a current income tax deduction for you. If you desire to make a bequest in your will to the Rolls-Royce Foundation, your estate will receive a charitable deduction on both Federal and State Inheritance Tax Returns. The following information is provided to assist you in planning your contributions to the Rolls-Royce Foundation.

The value of your donation is a private matter between you and the IRS. Our policy is not to place a value on individual vehicles or items in our reports. Our audited annual financial statements (copies of which are available upon request to the President) contain the following note: The Foundation receives contributions of automobiles, automotive parts and literature related to Rolls-Royce and Bentley motor cars. One of the Foundation's objectives is to preserve the history of these cars by caring for and protecting these donations so that they may be seen by future generations. Although these items are truly valuable assets to the Foundation, it chooses not to place monetary value on them. The value to the Foundation lies in their value as artifacts, not their monetary worth on the open market.

I. AS AN INDIVIDUAL MAKING A DIRECT CONTRIBUTION:

- You may deduct the value of all items donated to 501(c)(3) charitable organizations annually up to 50% of your adjusted gross income, subject to certain reductions and restrictions. If your contributions for a tax year exceed the applicable limit, the excess may be carried forward and deducted during the next five tax years, subject to the same limitations during those years. These rules are complex, but with proper tax planning you can receive the maximum benefit for the value of your donation. Our attorneys and accountants will assist you and/or your tax advisors to make sure you realize every legal benefit of a donation.

- If you make a contribution of an automobile, parts or literature that you have owned for more than one year, you may deduct the full fair market value of your contribution. You cannot deduct more than 30% of your total adjusted gross income each year using the fair market value method (which is presumed to be higher than the exact cost of your contribution). You have two options to determine value: appraised value or documented cost (purchase price plus service/restoration invoices from a third party). If you elect to use the cost method for the property donated, you may take advantage of the higher 50% of adjusted gross limitation on your deduction, but you may not deduct the value of your own labor.

The donation of vehicles and related parts, literature and accessories to the Rolls-Royce Foundation is especially welcome and used for two purposes:

1. As part of our permanent collection. If we confirm your donation as part of our permanent collection, it means we will retain it for a minimum period of three years, which negates us having to notify the IRS via Form 8282 should we decide to sell or otherwise dispose of your donation. As a general statement, we always agree to accept donated Rolls-Royce or Bentley vehicles in good running condition as part of our permanent collection and, in most cases, we pay transportation costs to have the vehicle(s) delivered to us.
2. As part of our fund raising activities. Non running vehicles of any make, parts, literature, artwork, and memorabilia are welcome as a donation and certain items may be sold to raise funds for our public education projects, seminar displays, lecture sponsorships and building needs. It is important that you understand our intended use for your donation prior to making it, and we will discuss it in detail and confirm it in writing. Generally, if you donate a major item such as a vehicle and we accept it with your permission to sell it within a year, we will notify you what we sold it for and that is the amount you may use as a deduction. There are instances where we will, at our discretion and expense, materially improve or restore the donation prior to its sale. This may materially increase the sale price, and you would benefit from this increase. If the donation of parts, literature, memorabilia or artwork is in excess of \$5,000 appraised value or documented cost, it will be important for you to let us know since we will agree to maintain these items for at least a year prior to placing them along with other items marked for deaccession. The current law does require us to notify IRS when we sell a donated item with a value in excess of \$5,000 that we have held less than three years and have not materially altered or improved it.

For each donation, you will receive a letter confirming your gift, which must also contain your social security number (so please supply it to us when you make a donation) along with our intended use of your most welcome gift. In addition, if you are donating a car, during the January following your donation, you will receive copies B and C of the newly instituted IRS Form 1098-C, Contribution of Motor Vehicles, Boats and Airplanes, (IRS gets Copy A). An executed IRS Form 8283 will also be supplied directly to you on receipt of the donated item or items and, if applicable, the title or if you are using an appraiser, to the appraiser for his/her signature and then to you. In order to claim the charitable deduction for the taxable year, you are required to include both Form 1098-C, Copy B and Form 8283 with your return.

- Merely lending Rolls-Royce Foundation an item for an exhibit does not create a tax deduction. Your donation must include unconditional transfer of title. You may, however, sponsor a seminar, an annual achievement or scholarship award, a specific event (like transportation of exhibits to and from meets, etc.), all of which are fully deductible. At your option, you may inform us of the value claimed for the donation on your 1040. We will include that value in our information submitted on our annual reporting form 990. We will not make this information available for public inspection, which is wholly within our rights.
- A check is deductible when mailed.

II. AS AN INDIVIDUAL MAKING A DEFERRED CONTRIBUTION:

- You can name Rolls-Royce Foundation as a beneficiary of a life insurance policy and assign all ownership rights to Rolls-Royce Foundation. This will result in a deduction equal to its replacement value, but not in excess of your basis (premiums paid minus dividends you received) if the policy is paid up. If the policy is not paid up, then your deduction is limited to what is known as the interpolated terminal reserve (an amount slightly higher than the cash value) plus premiums you paid that are applicable to the period after the policy is assigned.
- Contributions consisting of cash or intangible property such as stocks or bonds can result in an immediate tax deduction even though you retain the right to the income for your life or for other beneficiaries you designate. These have to be structured as a charitable remainder annuity trust, a charitable unitrust, or a pooled income trust. Each of these types have certain attributes that make them appropriate in particular circumstances. We will be pleased to discuss these in detail with you, your executor or accountant.

III. AS A BUSINESS MAKING A DIRECT OR INDIRECT CONTRIBUTION:

- You can deduct the lower of either the cost or fair market value of inventory (vehicles, parts, technical manuals, etc.) you contribute to Rolls-Royce Foundation.
- You can make an indirect contribution by sponsoring a Foundation seminar, or the transportation of an exhibit. Your sponsorship will be prominently announced prior to the event, well displayed during the event and acknowledged after the event. Contact the President for details.
- Corporations may deduct a contribution equal to 10% of their adjusted gross income before any deduction for contributions and may take advantage of the same rules as individuals with respect to the contribution of appreciated property. A corporation can take a current year deduction if the intention to make a contribution is formalized before the year end and the transaction is completed within 2 1/2 months after the close of the corporation's tax year.

IV. APPLIES TO BOTH INDIVIDUALS AND BUSINESSES:

- Donations to Rolls-Royce Foundation and other charitable organizations consisting of property (other than cash or listed securities), vehicles, parts, etc. valued in the aggregate in excess of \$5,000 during the year must be appraised to support the amount of the Federal Income Tax deduction if you are using the fair market value method. The appraisal can be done any time before your return (including extensions) is due, but not more than 60 days before the donation is received by the Rolls-Royce Foundation. We will assist in making appraisal arrangements. The appraiser must be a knowledgeable, disinterested third party. The appraiser must include a letter on his or her background and qualifications with each valuation appraisal. If your total contributions exceed \$500,000 in the aggregate for the year, you must attach the appraisal to your return. If you are using the cost method, supporting records must be included with your return.
- Benefactor and Lifetime member status is conferred on the contributor of all major donations, bequests and contributions.

V. WILLS AND ESTATES:

- Bequeathments to the Rolls-Royce Foundation are deductible for Federal Estate and State Inheritance Tax. They are also not subject to Federal Gift Tax. If you wish to make a bequest of cash or tangible assets, the following language is suggested to be included in your will:

I hereby devise and bequest _____ to Rolls-Royce Foundation, a charitable organization, qualified under section 501(c)(3) of the Internal Revenue Code.

If you make a bequest to Rolls-Royce Foundation, we ask that you complete the following and return it to the address indicated. We will immediately acknowledge you as a Benefactor of the Foundation.

We look forward to working with you in planning your contributions to the Rolls-Royce Foundation. Please contact the President or Executive Vice President at your earliest convenience.

DATE: _____

I HAVE NAMED ROLLS-ROYCE FOUNDATION AS A BENEFICIARY IN MY WILL.

SIGNATURE: _____

MY ATTORNEY OR ACCOUNTANT'S NAME: _____

RETURN TO: ROLLS-ROYCE FOUNDATION
189 Hempt Road
Mechanicsburg, PA 17050-2605