

 SASKATOON COMMUNITY FOUNDATION	Policy: Statement of Investment Policy	Last Review Date: November 2019
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Statement of Investment Principles Investment Objectives and Guidelines

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INTRODUCTION

1.1 Purpose of the Pooled Investment Fund Statement of Investment Principles (SIP)

The purpose of this SIP is to provide a framework for management of the Saskatoon Community Foundation Pooled Investment Fund (Pooled Investment Fund), and Non-Pooled endowment funds to achieve a return objective within levels of risk acceptable to the Saskatoon Community Foundation Board (the Board).

A major goal of this SIP is to ensure clear communication between the Board, the Investment Committee, Management, the Investment Manager(s) and donors. Consultation between the parties will take the form of regular meetings supplemented, from time to time, by informal contact when requested by any of the parties. The Board may appoint an Investment Committee and/or one or more investment consultants to assist in developing and maintaining this SIP, managing the funds and measuring investment performance and enhancing the dialogue with the Investment Manager(s).

1.2 Nature of the Pooled Investment Fund

The Saskatoon Foundation was created by The Saskatoon Foundation Act of 1994 and the Foundation's name was amended to the Saskatoon Community Foundation by The Saskatoon Foundation Amendment Act, 2005.

The Foundation's Vision Statement is:

- Making Saskatoon the best community in which to live"

And the Mission Statement is "To contribute to quality of life by

- building endowments,
- strategic grant making and
- community leadership"

The Pooled Investment Fund consists of endowed funds, Agency Funds, which are endowed funds, and Managed Funds. The Managed Funds can be withdrawn from the Pooled Investment Fund with three months' notice subject to any restrictions that may be imposed by the Investment Manager(s). On December 31, 2018 the total value of the Pooled Fund was \$56.9 million including \$14.7 million in Managed Funds.

1.3 Spending Policy

Annually, the Board will set the granting rate based on a recommendation from the Investment Committee. The purpose of the policy is to:

- Where possible, protect the value of the Endowment against inflation over time so that the donor's gifts will continue to work for the benefit of the community for generations to come;
- provide stability in the earnings distribution to allow both the recipients and the Foundation to plan knowing what funds will be made available each year.

Factors to be considered include;

- the market value of the endowment;
- the inflation protection target;
- the inflation adjusted Cumulative Contributions;
- the average excess between the inflation protected target and the market value over a rolling three-year period;
- prior year's granting rate;
- projected CPI and market trends.

1.4 Investment Objectives

The Pooled Investment Fund investment portfolio should be managed prudently in accordance with the investment policies stated herein to obtain a reasonable return while avoiding undue risk of loss.

In accordance with section 5.4 and 10 of The Saskatoon Community Foundation Act, the Contributed Capital of the SCF must be held in perpetuity.

The SCF must have access to enough cash to cover monthly expenses and make cash available for grants made according to Canada Revenue Agency (CRA) regulations.

Operationally, the objectives are to be achieved by adopting an investment framework that emphasizes total return (income and capital gains) at a reasonable level of risk.

Investment Philosophy

The Saskatoon Community Foundation endowment is a comparatively small investment portfolio. Currently, the Foundation uses a single balanced manager that provides a broad range of asset classes that allows for diversification and minimizes costs. This structure simplifies the governance structure, allows the Foundation to benefit from sliding fee schedules, and reduces the need for additional custodial services.

Factors that will be reviewed when considering the hiring of additional manager will include,

- the performance of the portfolio compared with other investment managers,
- the performance of a specific asset class compared with other managers of that asset class,
- the requirement for and cost of additional custodial services,
- the reporting requirements for multiple managers including governance structure and costs,
- the requirement to formally engage the services of an investment consultant including governance structure and costs
- the governance structure and costs associated with the direction of new funds for investment and determining the source of redemptions to meet operating and granting requirements

Capital Preservation

There are several conflicting factors that suggest a balanced or average tolerance for risk:

- (i) Perpetual investment horizon;
- (ii) Real return objective to protect purchasing power;
- (iii) Capital preservation; and
- (iv) Lack of cash inflows from contributions.

Accordingly, the long-term policy asset mix for the Fund is well diversified with a bias to return seeking assets.

Risk Philosophy

To achieve the long-term investment goals, the fund must invest in some assets that have uncertain returns, such as Canadian equities, foreign equities, real estate mortgages and non-government bonds.

However, the Investment Committee attempts to reduce the overall level of risk by diversifying the asset classes and further diversifying within each individual asset class.

Sufficient liquidity shall be maintained within the Fund to support Foundation cash flow requirements. Moderate levels of illiquid assets within the overall Fund are acceptable to enhance the returns necessary to achieve Fund objectives and to reduce volatility.

The investment risk level is discussed and assessed by the Investment Committee on a regular basis during policy reviews. Factors considered include return requirements, cash flow needs, risk and return of the capital markets and risk preference of the Board and Investment Committee. Based on the assessment, the long-term investment goal and benchmark portfolio weights are recommended by the Investment Committee to the Board for approval.

2. ASSET MIX AND DIVERSIFICATION

2.1 Long Term Goal

The long-term investment target of the Pooled Investment Fund is to achieve a nominal annualized rate of return of 5% net of management fees. The long-term investment target is calculated as the sum of Saskatoon Community Foundation administration fee and the distribution. These figures are currently 1.5% for administration and 3.5% for distribution as required by CRA. Risk is mitigated by investing in a well – diversified portfolio of asset classes and investing in a diverse set of securities within these asset classes.

2.2 Pooled Investment Fund Objective and Asset Mix Guidelines and Benchmark

The objective of the Pooled Investment Fund is to earn a return over rolling four-year periods that exceeds the return (including reinvested dividends and income, net of management fees) of a benchmark portfolio.

The benchmark return is based on rates of return on:

- S&P/TSX Composite Total Return Index
- S & P 500 Index (Canadian \$)
- MSCI EAFE Net Index (Canadian \$)
- FTSE TMX Canada Universe Bond Index
- REALpac/Investment Property Databank Canada Annual Property Index (IPD),
- Sixty percent of the FTSE TMX Canada Short Term Bond Index (maturities of 1 to 5 years) and 40% of the FTSE TMX Canada Mid Term Bond Index (maturities of 5 to 10 years) plus a premium of 50 basis points on an annual basis
- FTSE TMX 91-day T-Bill Index

The following table presents the Pooled Investment Fund benchmark and asset mix guidelines. If the Investment Manager believes quality and/or portfolio diversification guidelines, (including the maximum restrictions in the short-term investments), are inappropriate for anticipated market conditions, the Investment Manager is responsible for advising the Investment Committee that a change in guidelines is desirable and the reasons for the proposed changes.

POOLED INVESTMENT FUND ASSET MIX GUIDELINES			
	Minimum %	Benchmark %	Maximum %
Equities			
Canadian Equities	5	10	15
US Equities International	15	20	25
Equities	10	20	30
Real Estate	10	15	20
Mortgages	5	10	15
Fixed Income	15	23	30
Money Market	0	2	10
TOTAL		100	

3. PERMITTED AND PROHIBITED INVESTMENTS

3.1 General Guidelines

The investments of the Pooled Investment Fund must comply with the requirements and restrictions imposed by applicable legislation, including but not limited to the requirements of the Canada Revenue Agency and The Saskatoon Community Foundation Act.

Investments will be diversified and managed exercising the care, skill, diligence and judgment that a reasonable and prudent investor would exercise and consider as a minimum, the following factors;

- general economic conditions,
- the effects of inflation or deflation,
- expected tax consequences, if any, of investment decisions or strategies, the role the contemplated investment plays in the overall portfolio performance,
- the expected total return from income and capital appreciation,
- the other resources of the Foundation,
- the need for liquidity, regularity of income and preservation and appreciation of capital,
- any special relationship or special value the investment may have.

3.1.1 Canada Revenue Agency

Management of the Pooled Investment Fund must comply with CRA regulations which may change from time to time and should be reviewed on an annual basis.

3.1.2 Saskatoon Community Foundation Act

This act allows the Foundation to solicit, receive, invest and reinvest any funds of the Foundation in accordance with its SIP. The Act requires the Board to establish and adhere to a SIP that a reasonable and prudent person would follow to avoid undue risk of loss and obtain a reasonable return.

The Act allows the Board to retain or employ financial institutions licensed or otherwise authorized under the laws of Saskatchewan or Canada to manage and/or advise the Foundation in respect of its investments.

In general, and subject to the restrictions noted in this section the Pooled Investment Fund may invest directly or through pooled funds in the asset classes and investment instruments described in section 3.2 below.

3.2 Permitted Investments

When Pooled Investment Fund funds are invested in a pooled fund and there is a variance between the Statement of Investment Principles and the terms of the pooled fund in the permitted investments, minimum quality investments or maximum quality investments, the terms of the pooled fund shall prevail.

3.2.1 Canadian and Foreign Equities

- (i) Common and convertible preferred stock, traded through a marketplace
- (ii) Debentures convertible into common or convertible preferred stock
- (iii) Rights, warrants and special warrants for common or convertible preferred stock
- (iv) Installment receipts, American Depository Receipts or other recognized depository receipts
- (v) Exchange traded funds

- (vi) Income trusts, including real estate investment trusts (REITs), in jurisdictions that provide limited liability protection to unit holders
- (vii) Exchange traded limited partnerships
- (viii) Private placement equity where the Investment Manager determines the security will become eligible for trading through a marketplace within a reasonable and defined timeframe, not to exceed six months, and the issuing company is publicly traded through a marketplace.

3.2.2 Bonds

- Government bonds (federal, provincial and municipal), debentures issued by Canadian corporations, asset backed securities (ABS), collateralized mortgage backed securities (CMBS), structured products (bonds backed by a pool of other bonds or bank loans), and short-term securities, including cash.
- Canadian bonds denominated in foreign currencies, bonds denominated in Canadian dollars issued by non-Canadian issuers and private placement bonds.
- Repurchase agreements and reverse purchase agreements.

3.2.3 Mortgages

- Investment in mortgages secured against Canadian real estate shall be held in an investment fund vehicle. The guidelines of the investment fund, as updated from time to time, shall be disclosed to the Investment Committee. While it is recognized any mortgage investment fund in which the Fund participates is governed by its own policy, desirable traits in selection of a mortgage manager and investment fund include:
 - An institutional investment focus;
 - First mortgages on commercial properties; and
 - A well-diversified portfolio by borrower, property type and by region.

3.2.4 Real Estate

- The assets of the Pooled Investment Fund may include equity interests in, and mortgages of Canadian real estate. The assets of the Pooled Investment Fund may also be invested in securities or bonds where the asset underlying the security or bond is a mortgage or real estate equity.
- To meet liquidity needs, the Pooled Investment Fund may hold cash or short-term investments such as notes, investment certificates term deposits, treasury bills or similar investments.

3.2.5 Infrastructure

- Tangible assets that provide key services to an economy, that are expected to provide long term stable cash flows
- Infrastructure investments shall be held through open or closed-end pooled funds structured as shares of corporations or limited partnerships formed for institutional funds to invest in infrastructure.

3.2.6 Cash and Short-Term Investments

- Cash and short-term investments will primarily consist of short-term securities and cash, including treasury bills, promissory notes, floating rate securities, banker's acceptances, bearer deposit notes, commercial paper and term deposits, government bonds (federal, provincial and municipal), debentures issued by Canadian corporations including asset backed securities (ABS), short-term bonds, repurchase agreements and floating rate securities of approved Canadian issuers.
- All securities must have a term to maturity of 365 days or less. Cash and short-term investments cannot include investments in foreign currency obligations.

3.2.7 Derivatives

- The use of derivatives (such as options, futures and forward contracts) is permitted to protect against losses from changes in exchange rates, interest rates and market indices; and for non-hedging purposes, as a substitute for direct investment. Sufficient assets or cash must be held to cover commitments due to the derivatives transactions. No derivatives can be used for speculative trading or to create a portfolio with leverage.

Derivatives used in investment funds are subject to the fund guidelines.

3.2.8 Other Investments

- investments in open- or closed-end pooled funds provided that the assets of such funds are permissible investments under this SIP; and
- Money market funds of the custodian can be used to invest surplus cash holdings.

3.3 Minimum Quality Requirements

Within the investment restrictions of the Investment Manager's portfolios, including pooled funds, all portfolios should hold a prudently diversified exposure to the intended market. The Investment Manager may hold any part of the portfolio in one or more pooled or commingled funds managed by the Investment Manager, provided that such pooled funds are expected to be operated within constraints reasonably similar to those described in this SIP. It is recognized by the Foundation that complete adherence to this SIP may not then be entirely possible; however, the Investment Manager is expected to advise the Board in the event that the Pooled Investment Fund exhibits, or may exhibit, any significant departure from this SIP.

- other than for a fixed income high yield bond pooled fund of the Investment Manager, the minimum quality standard for individual bonds and debentures is 'BBB'
- investment in a fixed income high yield bond pooled fund is permissible as long as the pooled fund holdings are well diversified by the Manager;
- the minimum quality standard for individual short-term investments is 'R-1' or equivalent as rated by a recognized bond rating agency, at the time of purchase;
- all investments other than mortgages, infrastructure and real estate shall be reasonably liquid (i.e.: in normal circumstances they should be capable of liquidation within 3 months) and
- asset-backed securities including collateralized commercial mortgages are permitted provided the rating of the issues acquired are minimum 'A' or equivalent.

3.4 Maximum Quantity Constraints

The following restrictions are to be respected:

3.4.1 Equities

- no one equity holding shall represent more than 10% of the market value of the total equity portfolio of the Investment Manager;
- no one equity holding in the Investment Manager's portfolio shall represent more than 10% of the voting shares of a corporation;
- no one equity holding in the Investment Manager's portfolio shall represent more than 10% of the available public float of such equity security;
- private placements and 144a securities may not represent more than 10% of the total equity portfolio of the Investment Manager;
- Not more than 10% of the Canadian equity portfolio shall be invested in securities not included in the

- S&P/TSX Composite Index;
- Not more than 10% of the International equity portfolio shall be invested in countries not included in the MSCI EAFE Index; and
 - Not more than 10% of the International equity portfolio shall be invested in companies having market capitalization below \$1 billion (USD).

3.4.2 Bonds and Short Term

- except for federal and provincial bonds (including government guaranteed bonds), no more than 5% of the Investment Manager's Fixed Income portfolio or 15% of the corporate bond portfolio may be invested in the bonds of a single issuer and its related companies;
- except for federal and provincial bonds, no one bond holding shall represent more than 10% of the market value of the total outstanding for that bond issue;
- 'BBB' and lower rated bonds may not be purchased if the purchase would raise the 'BBB' and lower rated holdings to more than 30% of the market value of the Investment Manager's Fixed Income portfolio;
- no more than 20% of the market value of the Investment Manager's bond portfolio shall be invested in bonds denominated in unhedged foreign currencies;

3.4.3 Pooled Fund Investments

- an investment by the Pooled Investment Fund in a single pooled fund should not exceed 10% of the market value of that fund unless provision has been made to transfer assets out of the fund 'in kind.'

3.4.4 Prior Permission Required

The following investments require prior permission from the Board:

- direct investments in resource properties;
- direct investments in venture capital financing; and
- derivatives other than those otherwise permitted in Section 3.8 above and those specified in the Investment Manager mandates in the Appendices.
- Donations, including gifts in specie, residual interest gifts, charitable remainder trusts and gifts of life insurance policies, that do not meet the minimum or maximum quality restraints, must comply with the Gift Acceptance Policy.

3.5 Securities Lending

The securities of the Pooled Investment Fund may not be loaned, except within pooled funds where the pooled fund investment policy permits securities lending. In such cases, the Investment Manager of the Pooled Investment Fund must disclose the securities lending policies to the Board.

4. RESPONSIBILITIES

4.1 The Board

4.1.1 Assignment of Responsibility

- a) Section 7.1 of the Saskatoon Community Foundation Act assigns responsibility for management of the Foundation to the Board.

4.1.2 The Board shall

- a) review and approve Investment Committee recommendations regarding the management of the Pooled Investment Fund and ensure that the Investment Committee reviews the SIP annually;
- b) establish an investment management structure and strategy which specifies the number of Investment Managers, types of managers, allocation of assets between managers and
- c) ensure there are procedures for rebalancing of the asset mix as described in section 5.3;
- d) approve Investment Committee recommendations regarding the selection, appointment,

- monitoring and replacement of the external service providers (custodians, auditors, investment consultants and investment manager(s) etc.) as appropriate;
- e) approve the financial statements annually; and
 - f) monitor the performance and financial position of the Foundation and the Investment Manager as noted in section 5.4.

4.2 The Investment Committee will

- a. ensure the SIP is adhered to by the Investment Manager(s);
- b. monitor, review and report quarterly to the Board of Directors, on the investment of the endowment capital and Managed Funds of the SCF including the performance of the Investment Manager(s). The endowment capital includes the Pooled Investment Fund and Non-Pooled Funds;
- c. the Committee will always act in a reasonable and prudent manner, in compliance with the Board approved SIP;
- d. the Committee will report to the Board annually using a Board approved reporting format that will include a documented formal review of our investment manager's performance.
- e. recommend to the Board a SIP that preserves the capital and provides income adequate for the SCF's needs;
- f. ensure the SIP is consistent with the requirements of the Saskatoon Foundation Act and meets the "reasonable and prudent portfolio approach" test;
- g. recommend to the Board the appointment of an investment advisor(s), an investment manager(s) and custodian(s);
- h. monitor the performance of the investment advisor(s), investment manager(s) and custodian(s) against the SIP;
- i. annually provide the Board with a recommendation for the granting rate
- j. annually review the costs incurred in the management of the endowment funds and other funds entrusted to the Foundation annually review Committee terms of reference and make recommendations to the Board.

4.3 The Investment Manager

4.3.1 The Investment Manager will:

- a) invest the assets in accordance with this SIP, acknowledging, however, that assets held within a pooled fund will be invested in accordance with their respective fund investment policies;
- b) advise the Investment Committee of any differences between this SIP and the respective pooled fund investment policies:
 - a. at the time investments in the pooled funds are first proposed and approved by the Board, and
 - b. whenever there are changes to their fund investment policies;
- c) maintain safe custody over the assets of the Pooled Investment Fund;
- d) execute the instructions of the Board, as delegated to the Investment Manager to manage the assets of the Pooled Investment Fund;
- e) provide monthly/quarterly/annual financial statements as required;
- f) monitor and affect the rebalancing requirements of the asset mix as described in section 5.3;
- g) comply with the terms of an Investment Manager agreement;
- h) meet with the Investment Committee and/or the Board as required and provide written reports regarding past performance, future strategies and other issues as requested;
- i) file quarterly compliance reports (see Section 5.3); and
- j) advise the Investment Committee on an on-going basis of any changes in the Manager's personnel, ownership, succession plan or investment process.

4.4 The Investment Consultant

4.4.1 The Saskatoon Community Foundation may utilize the services of an investment consultant to:

- a) assist in the development and implementation of the SIP and provide related research;

- b) monitor the investment performance of the Pooled Investment Fund and the Investment Manager on a regular basis;
- c) advise the Board's Investment Committee on matters relating to investment management and administration of the Pooled Investment Fund; and
- d) provide advice to the Board's Investment Committee on a regular basis, as required.

The Board has the authority to retain other consultants/suppliers, as it deems necessary from time to time.

4.5 The Executive Director

4.5.1 The Executive Director will ensure the following is carried out by Foundation staff:

- a) maintain a record-keeping system to account for proportionate ownership of assets in the Pooled Investment Fund account for additions, withdrawals and balances in the various accounts;
- b) manage cash flow to ensure adequate liquidity to meet the conditions of the trusts/funds/account;
- c) prepare a schedule of Pooled Investment Fund balances in conjunction with the annual financial audit;
- d) prepare financial statements which are subject to independent audit;
- e) liaise with donors on matters relating to this investment policy, as appropriate;
- f) liaise with the Investment Manager, Investment Consultant and Investment Committee as needed and
- g) prepare annual endowment fund statements for distribution to donors.

5. MONITORING AND CONTROL

5.1 Performance Measurement and Benchmark

The primary objective for the Pooled Investment Fund is to earn a rate of return, net of investment management fees, that exceeds the rate of return on a benchmark portfolio. The benchmark consists of the following market index total returns weighted as indicated:

FUND BENCHMARK	
<u>Canadian Mandate Benchmark</u> S&P/TSX Composite Total Return Index	10%
<u>US Equities Mandate Benchmark</u> S&P 500 Index (Canadian \$)	20%
<u>International Equities Mandate Benchmark</u>	
MSCI EAFE Index (Canadian \$)	20%
<u>Fixed Income Mandate Benchmarks</u> FTSE TMX Canada Universe Bond Index	23%
<u>Mortgage Mandate Benchmarks</u> See Note #1	10%
<u>Real Estate Mandate Benchmark</u> REALpac/Investment Property Databank Canada Annual Property Index	15%
<u>Money Market Mandate Benchmark</u> FTSE TMX91-day T-Bills	2%
	<u>100%</u>

Note #1 Sixty percent of the FTSE TMX Canada Short Term Bond Index (maturities of 1 to 5 years) and forty percent of the FTSE TMX Canada Mid Term Bond Index (maturities of 5 to 10 years) plus, a premium of 50 basis points on an annual basis

- time weighted rates of return;
- total returns, including realized and unrealized gains and losses and income from all sources; and
- measurement against performance objectives for the Investment Manager will normally be assessed over rolling four-year periods.

5.2 Monitoring and Rebalancing the Pooled Investment Fund’s Asset Mix

The Investment Manager will monitor and rebalance the asset mix as required to ensure that the Pooled Investment Fund operates within the guidelines stated in this SIP.

5.3 Reporting by the Investment Manager

On a quarterly basis, the Investment Manager will provide a performance report for the portfolio under management.

The Investment Manager is also to complete and sign a compliance report each quarter for each mandate. The compliance report should indicate whether the Investment Manager's portfolio was in compliance with this SIP during the quarter. Copies of the compliance reports must be sent to the Foundation Executive Director for distribution to the Investment Committee and Board as well as to the current investment consultant for their review and records. Report formats for the compliance reports will be as agreed between the Investment Manager and the Foundation.

If the Investment Manager is not in compliance with this SIP, the Investment Manager is required to advise the Executive Director immediately, detailing the nature of the non-compliance and recommending an appropriate course of action to remedy the situation.

If the Investment Manager believes the portfolio Guidelines are inappropriate for anticipated economic conditions, the Investment Manager is responsible for advising the Executive Director that a change in guidelines is desirable and the reasons therefore.

5.4 Monitoring the Investment Manager

To enable the Board to fulfill its responsibility of monitoring and reviewing the Investment Manager, the investment consultant will assist the Board, on an ongoing basis, by providing compliance reports that consider:

- The Investment Manager’s staff turnover, consistency of style, and record of service;
- The Investment Manager’s current economic outlook and investment strategies;
- The Investment Manager’s compliance with this SIP; and
- The Investment Manager’s performance in relation to the rate of return expectations stated in this SIP.

5.5 Guidelines for an Investment Manager Review

Issues that could warrant a manager review include but are not limited to:

- Major changes in the organization – If there are changes in the firm’s ownership; significant organizational restructuring; change in the compensation structure of investment professionals; departure of key investment professionals, unexplained increase in personnel turnover; or problems with regulatory or other legal authorities;
- Major changes in assets such as substantial growth or decline in assets under management,

- Change in investment style or philosophy,
- Change in fee structure
- Performance – the manager has not met performance objectives over a prolonged period
 - Underperformed the four-year rolling value added objective above the benchmark for eight consecutive quarters
 - Underperformed the four-year rolling benchmark for four consecutive quarters
- Compliance and reporting issues – failure to comply with the SIP, manager’s mandate or investment agreement
- If a significant issue is identified, a review of the investment manager may be initiated by the investment committee. The review may result in a committee recommendation to the Board to request a proposal from other Investment Managers

6. OTHER ISSUES

6.1 Conflicts of Interest

All parties must be guided by the Saskatoon Community Foundation’s Code of Conduct which includes guidelines for determining potential Conflicts of Interest.

6.2 Related Party Transactions

The Foundation may not enter into a transaction with a related party unless:

- the transaction is required for the operation or administration of the Foundation and the terms and conditions of the transaction are not less favorable to the Foundation than market terms and conditions; and
- the transaction is reported to the Board
- the securities of the related party are acquired at a public exchange; or
- the combined value of all transactions with the same related party is nominal or the transaction(s) is immaterial to the Foundation.

For this section of the SIP, market value of the combined assets of the Foundation will be used as criterion to establish whether a transaction is nominal or immaterial to the Foundation. Materiality will be determined annually by the Foundation’s external auditor in consultation with the Audit and Finance Committee.

A related party is a person who administers the Foundation, including any officer, director or employee of the administrator, or any person who is a member of the Board or committee. It also includes the Investment Manager and their employees, a spouse or child of the persons named previously, or a corporation that is directly or indirectly controlled by the persons named previously, among others. Related party does not include government or a government agency.

Under the conflict of interest guidelines, it is incumbent on any person to notify the Board Chair if a conflict arises. Such conflict includes related party transactions.

6.3 Valuation of Securities Not Regularly Traded

The following principles will apply for the valuation of investments that are not traded regularly:

- equities: average of bid-and-ask prices from two major investment dealers, at least once every

- calendar quarter;
- bonds: average of bid-and-ask prices from two major investment dealers, at least once every calendar quarter;
- mortgages: value based on current spreads to similar term Government bonds;
- real estate: a quarterly certified written appraisal from a qualified independent appraiser ; and
- infrastructure: a written valuation from a qualified independent source at least semiannually.

6.4 Voting Rights

The Board has delegated voting rights acquired through Pooled Investment Fund investments to the Investment Manager. The Investment Manager is expected to vote all proxies in the best interests of the beneficiaries of the Foundation.

The Board, however, may take back voting rights for specific situations.

For private placements, voting rights will be delegated to the Investment Manager, or voted directly by a Board representative.

The Investment Manager should disclose their proxy voting policies and report quarterly on how proxies were voted on the Foundation's behalf and if the proxy guidelines were followed and report on any material deviations.

6.5 Directed Brokerage Commissions

A variety of brokers should be used to gain maximum utilization of the services available. It is the responsibility of the Investment Manager to ensure that the commission distribution is representative of the services rendered.

The Foundation does not use directed commissions (i.e., soft dollars) to pay for any goods or services. Managers may use soft dollars to pay for research and other investment-related services with disclosure to the Board, provided they comply with the Soft Dollar Standards promulgated by the CFA Institute or internal guidelines, if substantially equivalent.