



INVESTMENT POLICY STATEMENT

TABLE OF CONTENTS

I. INTRODUCTION 1

II. SCOPE 1

III. DUTIES AND RESPONSIBILITIES..... 1

 A. Board of Directors 1

 B. Investment Staff 2

 C. Investment Consultant 3

 D. Custodian 3

IV. STATEMENT OF OBJECTIVES 3

 A. Investment Objectives 3

 B. Spending Objectives 4

V. STATEMENT OF INVESTMENT POLICY 6

 A. Asset Allocation Targets and Ranges 6

 B. Rebalancing Procedures 8

 C. Cash Holdings 8

 D. Diversification 9

 E. Volatility 9

 F. Notice to Managers of Withdrawals 10

 G. Voting of Proxies 10

 H. Execution of Security Trades 10

VI. GUIDELINES FOR SECURITY HOLDINGS 10

 A. Equity Security Holdings 10

 B. Real Assets 11

 C. Alternative Investments 12

 D. Fixed Income Security Holdings 13

 E. Cash and Cash Equivalents 14

 F. Prohibited Transactions 14

 G. Individual Manager Guidelines 14

 H. Deviations From This Policy 14

VII. CONTROL PROCEDURES 15

 A. Reporting 15

 B. Review of Investment Returns and Objectives 15

 C. Review of Investment Managers 15

 D. Review of Investment Consultant 16

 E. Performance Expectations 17

 F. Investment Policy Review 17

APPENDIX: Performance Measurement Standards 19

 A. General Endowed 19

 B. BRSF Combined 20

 C. Non Endowed 21

I. INTRODUCTION

The mission of the LSU Foundation (“Foundation”) is to support and promote the activities and programs of Louisiana State University, which includes managing gifts on the University’s behalf. This Investment Policy Statement is intended to establish a general philosophy for the investment of the Foundation’s assets in order to:

- Ensure that General Endowed and Non Endowed assets are invested with the care, skill and diligence, under the circumstances then prevailing, that a prudent person in like position would exercise under similar circumstances; and that Board of Regents Support Fund (“BRSF”) assets are managed in accordance with applicable governing statutes and under the specific guidelines and restrictions established for the BRSF program assets
- Define the investment goals and objectives of the General Endowed, BRSF and Non Endowed Portfolios and communicate those goals and objectives to all involved parties
- Establish a basis for evaluating investment results

II. SCOPE

This policy statement applies to assets held and invested by the Foundation, which are referred to as “assets” for purposes of this policy. Assets held and invested by the Foundation include the following:

- Private funds donated for the benefit of the Louisiana State University System Office, Louisiana State University and Agricultural and Mechanical College, Louisiana State University Agricultural Center and Paul M. Hebert Law Center
- Funds provided for the benefit of the University by the State of Louisiana (“State”) as match to certain qualifying private endowed contributions, pursuant to a funds management agreement between the LSU Foundation and the University’s Board of Supervisors
- Funds of certain other organizations (Tiger Athletic Foundation, LSU-Alexandria Foundation and LSU-Eunice Foundation) operating for the benefit of campuses of the LSU System, pursuant to funds management agreements executed between the Foundation and those organizations

Once matched, those qualifying private endowed contributions and the respective State endowed matching funds are subject to the investment policy of the Louisiana Board of Regents Endowed Chair and Endowed Professorship Programs.

III. DUTIES AND RESPONSIBILITIES

A. Board of Directors (“Board”)

Assume full authority and responsibility for the investment of all assets of the Foundation and delegate to the Finance Committee the authority necessary to manage the investment of such assets and ensure that the policies of the Board are executed appropriately.

1. Finance Committee (“Committee”)

- Establish and revise as necessary investment strategy, including asset allocation parameters and targets for investing funds

- Develop and maintain investment guidelines and performance criteria for each investment asset class
- Evaluate investment performance
- Determine the Foundation's risk tolerance and investment horizon and communicate such to the Chief Investment Officer
- Grant exceptions to the guidelines and restrictions established within this policy on a case-by-case basis, in accordance with responsibilities delegated to the Committee by the Board
- Oversee the Investment Subcommittee

2. Investment Subcommittee (“Subcommittee”)

- Serve at the discretion of the Finance Committee
- Oversee the Investment Staff on an ad hoc basis
- Provide guidance to the Investment Staff on time critical matters

B. Investment Staff (“Staff”)

1. Chief Investment Officer (“CIO”)

- Act as the chief investment officer of the Foundation
- Manage the investment of assets at a managerial and operational level and execute the directives and policies of the Board
- Responsible for the investment of funds in accordance with this policy and the target asset allocation strategy established by the Committee
- Responsible for the maintenance of a system of internal controls and procedures for implementation of this policy
- Coordinate with the CFO to establish and maintain such bank, depository, custodial and investment accounts and other agreements as are, in the opinion of the CIO, necessary to properly manage and account for the assets
- Endorse securities for sale, transfer, merger or other lawful purposes, as necessary to implement investment decisions
- Report investment results to the Board and the Committee periodically and as requested
- Coordinate with the CFO on annual reporting of investment results to the Board of Regents
- Communicate any major changes in economic outlook, investment strategy or other factors which affect implementation of the investment policies or procedures
- Report any irregularities or substantive deviations from these policies to the Board of Directors

2. Senior Investment Manager

- Under the direction of the CIO, assist in managing the investment of assets at an operational level and execute the directives and policies of the Board and CIO, including:
 - Invest funds in accordance with this policy and the target asset allocation strategy established by the Committee

- Maintain a system of internal controls and procedures for implementation of this policy
- Advise the CIO on investment results periodically and as requested
- Advise the CIO of any major changes in economic outlook, investment strategy or other factors which affect implementation of the investment policies or procedures

C. Investment Consultant (“Consultant”)

- Recommend investment policy, including asset-allocation, investment manager structure, and manager selection
- Recommend an asset allocation mix which will diversify the Foundation so as to control risk while enhancing the probability of achieving the return objectives of this policy statement
- Regularly review and make visits to the managers to assess changing conditions, including staff turnover that may affect the performance of the portfolio
- Provide risk/return assumptions
- Provide quarterly reports on investment and manager performance, and meet with Committee to review such results
- Evaluate on an ongoing basis the performance and compliance of asset managers to this investment policy and guidelines, including performance against relevant peer groups and benchmarks on a manager-by-manager basis, asset-by-asset basis, and total fund basis, at least quarterly

D. Custodian

- Collect (through securities owned by the Foundation) dividend and interest payments, redeem maturing securities and effect receipt and delivery following purchases and sales
- Perform regular accounting of all assets owned, purchased or sold, as well as movement of assets into and out of Foundation accounts held by the custodian

IV. STATEMENT OF OBJECTIVES

A. Investment Objectives

1. General Endowed, BRSF & Non Endowed Portfolios

- To ensure that all investments shall be made solely in the interest of the Foundation and University beneficiaries
- To minimize the risk of loss of assets through diversification
- To achieve the desired targeted rate of growth within reasonable and prudent levels of risk
- To maintain sufficient liquidity to enable the Foundation to disburse funds for beneficiary purposes and meet its obligations on a timely basis
- To employ cash productively at all times by investment in short-term (less than twelve-month) cash equivalents and demand deposits to provide principal safety, liquidity and appreciation to the extent possible

- To pursue these objectives except where application within the BRSF Portfolio is limited by governing statutes and specific restrictions which have been established for BRSF program assets

2. General Endowed and BRSF Portfolios (Endowed Portfolio)

- To preserve the real purchasing power of the portfolio by targeting a total rate of return which, over rolling ten-year periods, will at least maintain the value of the portfolio in real terms (i.e., adjusted for inflation as measured by the Consumer Price Index) after distributions (other than extraordinary distributions) and expenses
- To earn the highest total return (i.e., capital appreciation plus dividend/interest income) over the long term, consistent with prudent funds management
- Provide adequate distribution of income to the beneficiaries
- To avoid market timing as an investment strategy
- To pursue these objectives except where application within the BRSF Portfolio is limited by governing statutes and specific restrictions which have been established for BRSF program assets

3. Non Endowed Portfolio

- To provide liquidity sufficient to meet the Foundation's short-term (less than twelve-month) requirements on a timely basis
- To preserve the principal of the fund and to provide for the safety of temporary funds through investment in high quality, low volatility, absolute return, fixed income or fixed income like securities
- To earn the highest return over the short to intermediate term consistent with prudent fund management and legislative requirements

B. Spending Objectives

1. Endowed Portfolios

The spending rate will be determined by the Board on an annual basis with consideration given to market conditions, the spending levels of peer institutions and the level of real return after spending over a rolling sixty-month time period. The spending rate will be applied to the sixty-month moving average market value. The use of a rolling sixty-month time period and the expectation of infrequent adjustments to the spending rate are intended to provide relatively stable spending allocations. No portion of the corpus (original amount of donation) of the endowed portfolios shall be allocated for spending. Additionally, the Board of Regents specifies that the BRSF Combined portfolio must maintain purchasing power. Therefore, no portion of the inflation-adjusted corpus, as calculated pursuant to the applicable policies of the Board of Regents, shall be allocated for spending.

2. Non Endowed Portfolio

Contributions may be spent by the beneficiary, subject to any limits imposed by the terms and conditions of the donation.

The Finance Committee of the LSU Foundation Board of Directors has determined that donations supporting the creation of an endowed chair, professorship, or scholarship and intended to qualify for State matching funds through the Board of Regents' programs shall be managed in the Non Endowed pool until such matching funds are received in order to preserve the principal for matching requirements. Donor agreements associated with such donations shall stipulate that the corpus of the gift shall not be invaded notwithstanding the provision for service fees stated below. Interest earnings shall be allocated annually to each unmatched account in the Non Endowed pool based on the average balance in each account for the fiscal year. Such interest earnings will be allocated at a rate equal to the actual yield earned by the Non Endowed pool for the fiscal year, less a 1.25% service fee retained by the Foundation.

The Finance Committee of the LSU Foundation Board of Directors has also determined that donations for the establishment of a Charitable Gift Annuity ("CGA") within the LSU Foundation shall be managed in the Non Endowed pool. Interest earnings shall be allocated annually to each CGA account in the Non Endowed pool based on the average balance in each account for the fiscal year. Such interest earnings will be allocated at a rate equal to the actual yield earned by the Non Endowed pool for the fiscal year, less a 1.25% service fee retained by the Foundation.

Interest earnings are allocated on an annual basis to major capital project beneficiary accounts in the Non Endowed pool and to non endowed funds which are managed by the Foundation on behalf of other private organizations. The allocation rate is equal to the average daily 90-day Treasury Bill rate for the fiscal year, with a minimum rate of 1.5%. A cap on the allocation is set at 0.5% less than the actual yield earned by the Non Endowed pool for the fiscal year.

The Finance Committee of the LSU Foundation Board of Directors recognizes that some extraordinarily large non endowed gifts are made under special circumstances whereby the donated funds will not be utilized for the beneficiary purpose for an extended time. Those gifts qualifying for special treatment shall have the following characteristics:

- Minimum of \$5,000,000
- Non endowed gift for purpose other than major construction project
- Funds not to be expended for at least one year

Each gift with the characteristics outlined above will qualify to be invested separately from other non endowed funds and other such gifts in highly liquid investments, such as money market securities or similar securities ("Separate Fund"). Specific terms related to these characteristics will be negotiated for each gift and will be incorporated in the donor agreement for the gift.

Actual earnings from each established Separate Fund, net of a service fee as described below, shall be reinvested in the Fund until such time as the Fund is liquidated and made available for expenditure for the donor-designated beneficiary purpose. Those earnings reinvested in the Fund shall not be deemed to reduce the balance of any pledges made by the donor.

A service fee of twenty-five percent (25%) of the amount of actual earnings for each Fund shall be assessed and retained by the Foundation prior to the reinvestment of actual earnings in the Fund, as noted above.

This Policy has been established on the basis of the goals of the Foundation and the projected investment returns of various asset classes.

While there are no assurances that these objectives will be realized, it is believed that the likelihood of their realization is reasonably high based on this Policy and the historical performance of the asset classes discussed herein. The objectives have been based on a ten-year investment horizon and hence interim fluctuations should be viewed with appropriate perspective.

V. STATEMENT OF INVESTMENT POLICY

A. Asset Allocation Targets and Ranges

The Committee is guided by the philosophy that asset allocation is the most significant determinant of long-term investment return. Asset allocation targets shall be established by the Committee to achieve the total return objectives of the Foundation within acceptable risk levels, as considered on a prospective basis. Within the domestic and international large, mid, and small cap equity asset classes, the funds will be invested to maintain a neutral style bias with respect to growth and value, unless otherwise directed by the Committee. Where multiple investment managers are employed within a given asset class and/or style, the CIO will determine the appropriate allocation to each manager on an ongoing basis.

1. General Endowed Portfolio

On the basis of extensive Monte Carlo simulations performed for the Committee by the Consultant, the Committee has determined that the Foundation's desired investment objective has the greatest probability of being achieved with an acceptable level of risk if the Foundation invests in each asset class listed below at a percentage of its total assets which is between the minimum and maximum percentages as shown below:

<u>Asset Class</u>	<u>Minimum</u>	<u>Target</u>	<u>Maximum</u>
Cash & Cash Equivalents	0.0%	3.0%	10.0%
Core Plus Fixed Income	19.5%	24.0%	28.5%
Large Cap US Equity	11.5%	14.0%	16.5%
Small/Mid Cap US Equity	5.0%	7.0%	9.0%
Large Cap Developed Non-US Equity	11.0%	14.0%	17.0%
Small/Mid Cap Developed Non-US Equity	5.0%	7.0%	9.0%

Emerging Market Equity	4.0%	6.0%	8.0%
Non Directional Hedge Fund of Funds	9.0%	12.0%	15.0%
Private Equity	4.5%	7.0%	9.5%
Real Assets	5.0%	6.0%	7.0%

2. BRSF Combined Portfolio

On the basis of extensive Monte Carlo simulations, conducted within the constraints imposed by governing statutes and other restrictions, performed for the Committee by the Consultant, the Committee has determined that the Foundation's desired investment objective has the greatest probability of being achieved with an acceptable level of risk if the Foundation invests in each asset class listed below at a percentage of its total assets which is between the minimum and maximum percentages as shown below.

<u>Asset Class</u>	<u>Minimum</u>	<u>Target</u>	<u>Maximum</u>
Cash & Cash Equivalents	0.0%	3.0%	10.0%
Fixed Income	22.5%	27.0%	31.5%
Core Fixed Income	10.0%	20.0%	30.0%
Developed Non-US Debt	0.0%		5.0%
Emerging Market Debt	0.0%		5.0%
Senior Secured Bank Loans	0.0%		5.0%
High Yield	0.0%		5.0%
Inflation-Linked Bonds	0.0%		5.0%
Large Cap US Equity	22.0%	27.5%	33.0%
Small/Mid Cap US Equity	11.0%	13.5%	16.0%
Large Cap Developed Non-US Equity	5.5%	7.0%	8.5%
Small/Mid Cap Developed Non-US Equity	2.0%	3.0%	4.0%
Emerging Market Equity	3.5%	5.0%	6.5%
Real Estate Investment Trusts	5.0%	6.0%	7.0%
Non Directional Hedge Fund of Funds	6.0%	8.0%	10.0%

The following are additional BRSF requirements:

- Fixed income will represent at least 26% of total program assets at market value
- The overall average credit quality must be AA
- No more than 5% of total program assets at market value may be invested in foreign fixed income securities
- No more than 10% of total program assets at market value may be invested in REITs (considered as part of the total equity allocation)
- No more than 10% of total program assets at market value may be invested in multi-strategy hedge fund of funds (considered as part of the total equity allocation)
- No more than 15% of total program assets at market value may be invested in foreign equity, including emerging markets

3. Non Endowed Portfolio

The asset allocation for the Non Endowed Portfolio is based on Modern Portfolio Theory. Modern Portfolio Theory optimizes expected returns, historical risks, and security correlation.

<u>Asset Class</u>	<u>Minimum</u>	<u>Target</u>	<u>Maximum</u>
Cash & Cash Equivalents	2.0%	10.0%	20.0%
Core Fixed Income	55.0%	65.0%	75.0%
Non Directional Hedge Fund of Funds	20.0%	25.0%	30.0%

B. Rebalancing Procedures

Asset allocations will be reviewed by the CIO on a monthly basis. Reallocations are anticipated to be required infrequently except during extremely volatile market periods. Where multiple investment managers are employed within a given asset class and/or style, the CIO will determine the appropriate level of rebalancing for each manager within the framework of the below procedures.

When an asset class falls below its minimum allocation percentage, a sufficient portion of the investments in such asset class shall be purchased to bring the allocation percentage back into the approved range. Similarly, when an asset class rises above its maximum allocation percentage, a sufficient portion of the investments in such asset class shall be liquidated to bring the allocation percentage back into the approved range.

Cash additions (including cash raised from the liquidation of investments in asset classes which exceed their maximum allocation percentage) shall be allocated first to asset classes that are below their minimum allocation percentages in proportion to the amounts by which they are below such minimums and shall thereafter be allocated to such asset classes that are below their target allocation percentages as are determined by the CIO, taking into account the investment prospects of each asset class.

Cash withdrawals for beneficiary purposes shall be made first from asset classes that exceed their maximum allocation percentages and shall thereafter be made from such asset classes that exceed their target allocation percentages as are determined by the CIO, taking into account such factors as the cost of liquidation and the investment prospects of each asset class. Notwithstanding the above rebalancing provisions, in no case will withdrawals from, or additions to, an individual manager (other than a mutual fund) be less than \$100,000.

Because it is not the intent of this Policy to force sales of illiquid asset classes on unfavorable terms, and because it will not always be practicable to make additional investments in illiquid asset classes, the private equity and hedge fund asset classes may be out of compliance for a period of time while efforts are made to bring the allocation back within the approved ranges.

C. Cash Holdings

It shall be the policy of the Foundation to place all General Endowed and BRSF cash not needed in the immediately foreseeable future with highly liquid investment vehicles. Any excess cash holdings should be minimized.

It is understood that the Foundation's managers at any point in time may not be fully invested. While managed assets of the Foundation may be partially invested in cash equivalents, for asset allocation purposes, these funds shall be considered invested in the asset classes of the respective managers holding them. In turn, each manager's performance will be evaluated on the total amount of assets under its direct management.

For actively managed equity portfolios, cash and short-term instruments maturing in fewer than 360 days shall be restricted to a maximum of 10% of the market value of the funds managed by each manager except for brief periods. Exceptions are allowed when funds are first transferred to a manager, when a manager is building liquidity in anticipation of a large withdrawal or by special permission from the CIO.

Notwithstanding the foregoing, cash equivalent holdings are allowed in the fixed income portfolio to maintain the portfolio duration within policy limits. Cash equivalent reserves shall be invested in cash instruments having quality ratings by at least one rating agency of A-1, P-1 or higher, maturing in 360 days or less. Certificates of deposit shall be placed only with federally chartered, federally insured financial institutions and shall not exceed federal insurance limits.

D. Diversification

Investments shall be diversified for the purpose of minimizing the risk of large losses. Consequently, the total portfolio will be constructed and maintained in a manner intended to provide prudent diversification with regard to the concentration of holdings in individual issues, corporations or industries.

No more than 5% of the portion of the portfolio consisting of the Large Cap, Mid Cap and Small Cap Stocks asset classes (valued at market) may be invested in the common stock of any one corporation. No more than 3% of the outstanding shares of any one company may be held. No more than 25% of the portion of the portfolio consisting of the Large Cap, Mid Cap and Small Cap Stocks asset classes (valued at market) may be held in any one industry category, as defined by the Consultant. When commingled funds, such as mutual funds, are held in the portfolio, Staff will use its best efforts to comply with the above limitations.

With the exception of securities issued by the U.S. Government and its agencies, no fixed income instruments of a single issuer/obligor may represent more than 2% of the Foundation's total portfolio as measured by market value at the time of purchase. Holdings of any individual issue may not exceed 3% of the value of the total issue.

E. Volatility

This Policy is based on the assumption that the volatility of the entire investment portfolio of the General Endowed, BRSF and Non Endowed portfolios will be similar to that of the weighted average blend of benchmark indices which the Foundation determines to be representative of the asset allocation of the total portfolios. (See Appendix)

F. Notice to Managers of Withdrawals

For the General Endowed and BRSF portfolios, when the amount and timing of withdrawals are determined, Staff will notify the affected investment manager(s) as far in advance as possible of any projected withdrawal orders to allow them sufficient time to build up necessary liquid reserves. It should be noted that lock-up provisions may apply with respect to private equity and hedge fund investments.

G. Voting of Proxies

It is expected that the investment managers will review each proxy ballot with respect to securities owned by the Foundation and vote them in a manner that preserves and enhances shareholder value.

Each investment manager shall be required to keep accurate written records of all proxy votes and, if requested, provide a detailed report to the CIO documenting all votes or those requested.

H. Execution of Security Trades

The Committee expects the purchase and sale of securities to be made through responsible brokers in a manner designed to receive a combination of realized prices and commission rates reasonably believed to be in the best interests of the Foundation.

VI. GUIDELINES FOR SECURITY HOLDINGS

A. Equity Security Holdings (General Endowed and BRSF Combined)

Except as provided below under "Alternative Investments," equity holdings shall be restricted to readily marketable securities of corporations that are actively traded on major U.S. exchanges, including NASDAQ.

Stocks shall be diversified by style (growth and value). If allocations are too small to economically diversify by style, the preferred practice is for investments to be made in core portfolios. Stocks should be diversified across large, mid and small cap issues with an overweight to small cap stocks (versus total market indices). For the purposes of this Policy, stocks of companies having market capitalizations of less than \$2 billion are allocated to the Small Cap asset class. Stocks with market capitalizations between \$2 billion and \$10 billion are included in the Mid Cap asset class. Stocks with market capitalizations above \$10 billion are included in the Large Cap asset class.

There is no minimum market capitalization for holdings of individual issues. However, each holding shall be of a sufficiently low percentage of average daily trading volume to ensure sale on favorable terms at the appropriate time.

Futures and options can be used as a substitute for equity securities in stock portfolios provided that they are 100% collateralized by highly liquid, low volatility fixed income securities and therefore do not represent leveraging of the assets.

At least 65% of all non-U.S. equity holdings shall be highly liquid securities issued by corporations headquartered in countries included in the Morgan Stanley Capital International Europe Australia Far East Index and Canada. Issues may be purchased and sold on exchanges in other countries that offer a ready market for individual issues and have no restrictions on the transfer of funds to and from the U.S.

Managers holding non U.S. dollar denominated securities are permitted to employ currency hedging strategies.

B. Real Assets (General Endowed and BRSF Combined)

Real assets are defined as those assets that have physical form. The primary goal is to construct a well diversified, yet balanced, portfolio of real assets. The implementation process should consider different investment vehicles, and the real asset class shall be diversified by strategy, sector, industry, stage, and geographic region. An allocation to these assets may include investments in the following sub asset classes:

1. Real Estate

Real Estate is very much a local business and the success or failure of a real estate investment is highly correlated with local market conditions, thus a real estate allocation shall be diversified geographically, including developed international markets and/or emerging markets. The allocation shall be made through a diversified pool(s).

- Private Equity Real Estate: no less than 60% of the allocation to Private Equity Real Estate shall be in Core, with 20%-30% in Value Add and 10%-20% in Opportunistic. International exposure shall constitute no more than 40% of the allocation.
- Public Real Estate Equities: shall be primarily invested in income-producing common stocks, preferred stocks and other equity securities, including convertible securities issued by real estate companies, real estate investment trusts (REITs), and real estate operating companies (REOCs). No less than 70% of the allocation to Public Real Estate Equities shall be in Global Real Estate.

The BRSF Combined portfolio is limited to holding only public real estate equities as part of the real assets asset class, and such investments are to be considered as part of the overall equity allocation for the BRSF Combined portfolio.

2. Infrastructure

Infrastructure assets are those assets which provide essential services or facilities to a community and can either be social or economical in nature. Social assets represent structures such as schools, hospitals, and prisons. Economic assets typically represent large, long life physical structures that are used for essential services such as transportation, distribution, and communication. Investments in infrastructure shall be diversified across geography and development stage through a diversified pool.

3. Timber

A Timber investment consists of productive land plus growing trees, and it can be in the form of natural forests or plantations. An allocation to Timber shall be diversified by geography, tree type (conifer/softwood vs. non-conifer/hardwood), and end-use (pulp, chip-n-saw, mature saw timber, and poles) through a diversified pool.

4. Farmland

A Farmland allocation shall be diversified across geography, crop type (row crop vs. permanent crop), management style (lease vs. operate), and property size through a diversified pool.

5. Commodities

Commodity markets are global in nature, in that the value of a particular commodity is dependent on global supply and demand imbalances rather than regional factors. Most commodity markets are dollar denominated. While investors can purchase physical commodities, actual ownership can be problematic, thus investors typically do not take physical delivery of commodities. An allocation to Commodities shall be through a diversified pool primarily consisting of the trading of derivative contracts based on the value of the following raw materials:

- Grains (e.g. corn, wheat, soybeans)
- Softs (e.g. cocoa, coffee, sugar, orange juice)
- Livestock (e.g. cattle, hogs)
- Precious Metals (e.g. platinum, gold, silver)
- Industrials (e.g. cotton, copper)
- Energy (e.g. crude oil, natural gas)

6. Natural Resources

A Natural Resources allocation has the potential for overlap with Commodities, but it is more focused on the supply and production side, rather than on trading derivative securities. An allocation to Natural Resources shall be through a diversified pool which may purchase the actual physical commodities, purchase equity of companies that are directly involved in the supply and production of those commodities, and/or access the commodities markets.

C. Alternative Investments (General Endowed, BRSF Combined, and Non Endowed)

Alternative investments for the purposes of this Policy shall include private equity and hedge fund investments. These strategies are designed to have relatively low correlations to publicly traded equity portfolios. This Policy addresses two forms of alternative investments:

- Non directional hedge funds employ securities trading strategies intended to have lower volatility than a portfolio of bonds, while achieving greater returns than are likely to be achieved from investments in fixed income instruments.

- Private equity includes all forms of venture capital, leveraged buyout funds and late stage of development private loans. (Note: the BRSF Combined and Non Endowed portfolios may not invest in private equity)

Alternative investments will be made in the form of partnerships, including one or more fund of funds. Investments will be diversified across multiple strategies in the case of hedge funds to reduce the risks associated with any one strategy or any one manager. Similarly, private equity investments will be diversified across stage of company development, products or industry and geographic region. Private equity investments will be made over multiple years in order to smooth out the effects of fluctuations in the supply and demand of capital committed to these investments, fluctuations in financial markets and general business cycles.

D. Fixed Income Security Holdings (General Endowed, BRSF Combined, and Non Endowed)

The holdings in the Core Fixed Income asset class must maintain a weighted average rating of AA or better in the aggregate as measured by at least one credit rating service. In the event that a Core Fixed Income holding is downgraded below investment grade by any of the major rating agencies (S&P, Moody's, or Fitch), it must be liquidated within 60 days. Investment grade quality is defined as BBB- or higher by S&P, BBB- or higher by Fitch, and Baa3 or higher by Moody's. In cases where credit rating agencies assign differing quality ratings to a security, the lowest rating will be used. The average effective duration of the Core Fixed Income holdings, including mortgage-backed and asset-backed securities, must be maintained at the duration of the Lehman Aggregate Bond Index, plus or minus two years.

Within the Core Fixed Income asset class, the maximum of any one holding shall not exceed 5% of the total fund assets at market value, and the maximum of any one holding shall not exceed 5% of the market value of the debt securities of any one issuer. Direct obligations of the U.S. Government or its agencies (including quasi agencies) and mortgage-backed securities with collateral guaranteed by the U.S. Government or its agencies (including quasi agencies) are excluded from these concentration limitations.

Any mortgage-backed securities held as part of the Core Fixed Income allocation should, collectively, exhibit price, volatility, and liquidity similar to components of the Lehman Mortgage-Backed Securities Index. The intent is to invest only in the most conservative mortgage instruments. Categories of asset backed securities other than mortgages may be held provided they are unleveraged and their values do not change due to the performance of any other security, equity index or commodity (i.e., assets such as equity structured notes may not be held).

The General Endowed portfolio may invest in the Core Plus Fixed Income asset class through an externally managed diversified pool. Financial derivatives may be used as part of the Core Plus Fixed Income strategy, provided that their use does not constitute leveraging of the assets of the Foundation. Credit quality, geographic, and issuer concentration limitations must be provided by the manager in writing and approved by the CIO.

The BRSF Combined portfolio may invest in the Emerging Market Debt, Developed Non-US Debt, Senior Secured Bank Loans, and High Yield sub-asset classes through a diversified pool. The managers

within these sub-asset classes are permitted to hold higher concentrations of foreign fixed income securities and below investment grade securities than Core Fixed Income. Notwithstanding this permission, the BRSF Combined portfolio must remain in compliance with the overall foreign fixed income and credit quality constraints.

If any manager has a question as to the authorization granted to purchase and/or hold a fixed income security because of its issuer, type, effective duration or effective credit quality, the manager shall consult with the CIO. In addition, no investment will be made in any newly developed type of instrument without the explicit consent of the CIO.

E. Cash and Cash Equivalents (General Endowed, BRSF Combined, and Non Endowed)

Investments in cash and cash equivalents shall consist of high-quality money market funds and liquid securities with short-term (less than twelve months) maturities. Certificates of deposit shall be placed only with federally chartered, federally insured financial institutions and shall not exceed federal insurance limits.

F. Prohibited Transactions

The following securities and transactions are prohibited, although such prohibition shall not apply to managers hired as part of the allocations to alternative investments, or where otherwise stated:

- Unregistered equity securities
- Commodities or commodity contracts (except for unleveraged stock or bond index futures)
- Short sales, margin transactions or any leveraged investment
- Financial options and futures used for purposes other than defensive and hedge strategies undertaken to preserve principal
- Stripped (principal or interest only) securities

These prohibitions do not apply to securities donated to the Foundation and accepted in accordance with approved gift acceptance policies. In general, donated securities and real estate are liquidated and not held for investment purposes.

G. Individual Manager Guidelines

This Policy is intended to serve as the primary set of guidelines to be followed by each investment manager. Where appropriate, selected managers will be provided written individual investment guidelines providing additional detail, clarification of permissible securities and investment strategies and performance evaluation criteria.

H. Deviations from Policy

It is recognized that new or unique investment opportunities may become available from time to time which are not specifically addressed in this Policy. As such, the Committee may approve deviations from this Policy, provided that the Committee believes that any and all deviations will enhance long-term return expectations and not unduly increase the Foundation's exposure to investment losses.

All significant deviations from this Policy which are approved by the Committee will be reported to the Board of Directors at the next scheduled Board meeting. It is expected that the Board will review the Foundation's Policy and investment performance at least annually.

VII. CONTROL PROCEDURES

A. Reporting

- The CIO shall provide the following reports to the Committee on a quarterly basis:
 - Comparative Investment Summary Report, listing the funds held by asset class and manager
 - Cash Flow Projection for the succeeding quarter, with recommendations for investment of funds expected to be generated. The CIO shall contact the Chairman of the Committee for authority to alter any recommendations previously approved by the Committee should unexpected market conditions arise which warrant such alteration of recommended actions
- The CIO shall provide the Board and Committee with short-term and long-term investment plans, including projected spending allocation requirements and other information to assist in determining investment strategies and goals. The Committee shall review and approve changes to the long-term plan as warranted.
- The CIO shall submit an annual evaluation of the portfolio to the Committee. This evaluation shall compare actual performance both to the goals established in the long- and short-term plans and to the portfolio performance of selected peer institutions.

B. Review of Investment Returns and Objectives

Investment objectives will be reviewed annually in light of the Foundation's actual and projected disbursements and investment returns in order to determine:

- the continued appropriateness of the Foundation's investment objective
- the continued feasibility of achieving the investment objective
- the continued appropriateness of the Policy for achieving the investment objective

C. Review of Investment Managers

The Committee will review the total Foundation's and each individual manager's performance quarterly with the Consultant and the CIO. Alternative investments will be monitored by the Consultant. The CIO will meet with investment managers periodically to review the objectives, guidelines, and performance of their portfolio(s) and particularly in special circumstances such as where there has been poor performance or a material change in personnel. Any recommendations by a manager as to changes in the investment guidelines applicable to such manager should be submitted to the CIO in writing.

Performance reviews will focus on:

- A comparison of the managers' investment returns and volatility to the investment returns and volatility of managers and funds employing similar policies (in terms of diversification, volatility, style, etc.) and/or to appropriate indices (the Appendix lists the peer universe and benchmark index for each asset class and each portfolio as a whole)
- A determination of the managers' adherence to the Policy guidelines applicable to them
- Material changes in the manager organizations, such as in investment philosophy, personnel, ownership, and acquisitions or losses of major accounts

The Committee encourages the managers to have open communication with Staff on all significant matters pertaining to investment policies and the management of the Foundation's assets entrusted to them. The managers are responsible for keeping the CIO advised in writing of any material changes in personnel, investment strategy, or other pertinent information potentially affecting investment performance.

D. Review of Investment Consultant

The Consultant will be evaluated on an annual basis. The evaluation will coincide with the Foundation's fiscal year (July to June). The Subcommittee and the CIO will evaluate the:

- Timeliness of deliverables: the Consultant's competency to deliver requested reports within the established time frame.
- Appropriateness of search candidates / research capabilities: the Consultant's competency to provide "best of class" investment management firms. Best of class investment management firms will be defined by the Subcommittee and Staff prior to any search. In general, best of class investment management firms will exhibit above average return with below average risk/volatility when compared to investment style peers and/or benchmark indices. Investment return and risk/volatility will be judged over a long-term horizon, not less than five years.
- Asset allocation effectiveness: the Consultant's competency to provide an effective asset allocation. In general, an effective asset allocation will provide the General Endowed Pool above average return with below average risk/volatility when compared to similar foundations/endowments. The National Association of College and University Business Officers (NACUBO) Endowment Study universe or a comparable universe should be used for comparison purposes.
- Portfolio characteristics and performance reporting: the Consultant's competency to report portfolio characteristics and performance reporting. In general, portfolio characteristics will identify potential portfolio risks associated with style drift, personnel changes, and/or litigation. Performance reporting refers to the presentation of performance against appropriate benchmarks and peer groups by:
 - Individual investment managers / products
 - Asset class (Large Cap Value, Large Cap Growth, etc.)
 - Investment pool (General Endowed, Private BRSF, State BRSF, and Non Endowed)

- Ability to work with the Custodian, Staff, Subcommittee, and Committee: the Consultant's ability to work effectively with all Foundation constituencies. In general, the Consultant will be evaluated based on their:
 - Attendance at quarterly performance analysis meetings with the Committee, as requested
 - Successful communication with Foundation constituencies

E. Performance Expectations

The most important performance expectation is the achievement of long-term investment results that are consistent with this Policy. Implementation of the Policy will be directed toward achieving these results and not toward maximizing return without regard to risk.

In order to ensure that investment opportunities available over specific time periods are fairly evaluated, the Committee will use comparative performance statistics to evaluate investment results. The investment performance of the total portfolio and of the portion of the portfolio managed by each investment manager will be expected to achieve minimum performance standards as follows:

- Rank in the top 50% of an appropriate peer group of actively managed portfolios; and/or
- Exceed an appropriate benchmark index, net of management fees.

While these performance standards should be achieved over a complete market cycle, the Committee will also monitor performance over rolling three-year and five-year time periods. Although failure to achieve these performance standards will not result in the automatic termination of a manager, the CIO will be required to engage in an in-depth review of a manager which fails to achieve them and to document the reasons for retaining the manager.

F. Investment Policy Review

The Investment Policy Statement shall be reviewed periodically for modification in order to conform to changes in objectives, guidelines or selection criteria as deemed necessary by the Board.

This policy shall be periodically reviewed by an appropriate committee or subcommittee of the Board of Directors, and any recommended revisions and updates will be presented to the Board of Directors for approval.

Approved 05/04/1988
Amended 07/20/1989
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Amended 05/23/2008
Amended 10/31/2008
Amended 03/06/2009
Amended 05/22/2009
Amended 08/28/2009

APPENDIX: Performance Measurement Standards**GENERAL ENDOWED**

Asset Class	Manager	Peer Universe	Benchmark Index
		<i>Exceed 50th Percentile</i>	<i>Outperform Net of Investment Fees over rolling 3 to 5 years</i>
Cash & Equivalents	Cash	Money Market Fund Universe	3mo. T-Bill
Fixed Income	Core Plus	US Broad Market Core Plus	Barclays Capital US Aggregate Bond Index
Domestic Equity	Large Growth Large Value Large Core	Large Growth Equity Universe Large Value Equity Universe Large Core/Neutral Equity Universe	Russell 1000 Growth Index Russell 1000 Value Index Russell 1000 Index
	Mid Growth Mid Value Mid Core	Mid Growth Equity Universe Mid Value Equity Universe Mid Core/Neutral Equity Universe	Russell Midcap Growth Index Russell Midcap Value Index Russell Midcap Index
	Small Growth Small Value Small Core	Small Growth Equity Universe Small Value Equity Universe Small Core/Neutral Equity Universe	Russell 2000 Growth Index Russell 2000 Value Index Russell 2000 Index
Developed Non-US Equity	Large Growth Large Value Large Core	Large Growth Int'l Equity Universe Large Value Int'l Equity Universe Large Core Int'l Equity Universe	MSCI EAFE Growth Index MSCI EAFE Value Index MSCI EAFE Index
	Small Core	Small Core Int'l Equity Universe	MSCI EAFE Small Cap Index
Emerging Non-US Equity	Growth Value Core	All Emerging Markets All Emerging Markets All Emerging Markets	MSCI EM Growth Index MSCI EM Value Index MSCI EM Index
Private Equity	Fund of Funds	Venture Economics: All Private Equity Funds for Vintage Year ¹	Russell 1000 Index + 300bps ¹
Hedge Funds	Fund of Funds	Hedge Fund of Funds Universe	3mo. T-Bill + 400bps HFRI Fund of Funds Conservative Index
Real Assets	Domestic Real Estate	Domestic Real Estate Sector Funds	FTSE NAREIT All REIT Index
	Global Real Estate	Global Real Estate Sector Funds	FTSE EPRA/NAREIT Global REIT Index
Total Fund	General Endowed	Foundation & Endowment Universe	3% 3mo. T-Bill; 24% Barclays Agg.; 21% Russell 3000; 21% MSCI EAFE; 6% MSCI EM; 7% (Russell 1000 + 300bps); 6% REIT Composite; 12% HFRI FoF Conservative

Note: 1. Measured over five to seven years.

BRSF COMBINED

Asset Class	Manager	Peer Universe	Benchmark Index
		<i>Exceed 50th Percentile</i>	<i>Outperform Net of Investment Fees over rolling 3 to 5 years</i>
Cash & Equivalents	Cash	Money Market Fund Universe	3mo. T-Bill
Fixed Income	Core	Intermediate-Term Investment Grade Bond Universe	Barclays Capital US Aggregate Bond Index
	Developed Non-US	Intermediate-Term Investment Grade Non-US Bond Universe	Barclays Capital Global Aggregate Bond Index
	Emerging Markets	Emerging Markets Fixed Income	JP Morgan EMBI Global Index
	Bank Loans	Senior Secured Bank Loan Universe	Credit Suisse Leveraged Loan Index
	High Yield	Non Investment Grade Bond Universe	Barclays Capital US Corporate High Yield Index
	Inflation-Linked	Treasury Inflation Protected Securities	Barclays Capital US TIPS Index
Large Cap Equity	Growth Value Core	Large Growth Equity Universe Large Value Equity Universe Large Core/Neutral Equity Universe	Russell 1000 Growth Index Russell 1000 Value Index Russell 1000 Index
Mid Cap Equity	Growth Value Core	Mid Growth Equity Universe Mid Value Equity Universe Mid Core/Neutral Equity Universe	Russell Midcap Growth Index Russell Midcap Value Index Russell Midcap Index
Small Cap Equity	Growth Value Core	Small Growth Equity Universe Small Value Equity Universe Small Core/Neutral Equity Universe	Russell 2000 Growth Index Russell 2000 Value Index Russell 2000 Index
Developed Non-US Equity	Growth Value Core	Large Growth Int'l Equity Universe Large Value Int'l Equity Universe Large Core Int'l Equity Universe	MSCI EAFE Growth Index MSCI EAFE Value Index MSCI EAFE Index
Emerging Non-US Equity	Growth Value Core	All Emerging Markets All Emerging Markets All Emerging Markets	MSCI EM Growth Index MSCI EM Value Index MSCI EM Index
REITs	Domestic Global	Domestic Real Estate Sector Funds Global Real Estate Sector Funds	FTSE NAREIT All REIT Index FTSE EPRA/NAREIT Global REIT Index
Hedge Funds	Fund of Funds	Hedge Fund of Funds Universe	3mo. T-Bill + 400bps HFRI Fund of Funds Conservative Index
Total Fund	BRSF Combined	Foundation & Endowment Universe	3% 3mo. T-Bill; 27% Barclays Agg.; 41% Russell 3000; 10% MSCI EAFE; 5% MSCI EM; 6% REIT Composite; 8% HFRI FoF Conservative

NON ENDOWED

Asset Class	Manager	Peer Universe	Benchmark Index
		<i>Exceed 50th Percentile</i>	<i>Outperform over rolling 3 to 5 years</i>
Cash & Equivalents	Core	Short-term cash and cash equivalents	3mo. T-Bill
Fixed Income	Core	Intermediate-Term Investment Grade Bond Universe	Barclays Capital US Aggregate Bond Index
Hedge Funds	Fund of Funds	Hedge Fund of Funds Universe	3mo. T-Bill + 400bps HFRI Fund of Funds Conservative Index
Total Fund	Non Endowed	Foundation & Endowment Universe	65% Lehman Agg., 10% 3mo. T-Bill, 25% HFRI FoF Conservative