

Clark-Pleasant Education Foundation

INVESTMENT POLICY

PURPOSE OF THE FOUNDATION

The Clark-Pleasant Education Foundation is organized exclusively for the following charitable and educational purposes, including, for such purposes, the making of the distribution to organizations that qualify as exempt organizations under Section 501(c)(3) of the Internal Revenue Code of 1986 (or the corresponding provision of any future United States Internal Revenue Law) or to the The Clark-Pleasant Education Foundation: (a) to encourage, recognize, reward, and support creativity, innovation, achievement and excellence within the students, teachers, and administrators of the Clark-Pleasant Community School Corporation; (b) Develop partnerships with individuals, families, community groups, local businesses and philanthropies to enhance educational opportunities within the Clark-Pleasant Community School Corporation; (c) Inspire parents and alumni of Clark-Pleasant Community School Corporation to participate in the learning process; (d) Work with teachers and administrators in order to enhance the quality of public education; (e) Transact any and all lawful business for which nonprofit corporations may be incorporated under the Act, provided such business is not inconsistent with the Corporation being organized and operated exclusively for non-profit purposes.

INVESTMENT PHILOSOPHY

The Clark-Pleasant Education Foundation, Inc. raises, administers, invests and distributes funds to support the activities of the The Clark-Pleasant Community School Corporation. The Directors of the Foundation are charged with both protecting the funds from permanent significant decline and with investing the funds in a prudent manner that encourages growth of the principal to offset the impact of inflation, administrative and investment expenses. Funds administered by the Foundation include those restricted to specific uses by the donors to those available for use immediately at the discretion of the Foundation Directors.

The Board of Directors believe that a broadly diversified portfolio of investment vehicles, investment styles and investment types or asset classes is the most effective manner in which to accomplish its two objectives: preservation of contributed funds and growth of those funds over a long period of time.

PURPOSES OF THIS STATEMENT

This statement of investment policies and objectives is set forth so that:

1. There is a clear understanding on the part of the Directors of the The Clark-Pleasant Education Foundation and the investment manager(s) of the investment policy and objectives of the Foundation.

2. The investment managers contracted with the Clark-Pleasant Education Foundation are given guidance and limitations as to what is expected of them.
3. The Clark-Pleasant Education Foundation management has a basis for evaluation of the investment performance of the investment manager(s).

It is the intent of this statement to establish an attitude and/or philosophy, which will guide the investment managers toward the performance desired. The objectives are intended to be sufficiently specific to be meaningful, but sufficiently flexible to be practical.

ROLE OF THE INVESTMENT COMMITTEE

The Investment Committee of the The Clark-Pleasant Education Foundation, Board of Directors is charged with the following responsibilities:

- Establish and maintain policies and guidelines for receiving and investing Foundation assets,
- Determine the allocation among those assets,
- Provide a system for monitoring the returns on the assets and investments and to review the performance of the assets and investments,
- Hire and dismiss investment managers and consultants as determined in the best interest of the Foundation,
- Report to the Foundation Board of Directors.

GENERAL GUIDELINES

Funds invested by the mutual fund or investment manager(s) for the The Clark-Pleasant Education Foundation will **NOT** be invested in: commodities, tangible personal property or real property (excluding publicly traded real estate trusts) without the specific authorization of the Foundation.

The custodian, bank, mutual fund and/or investment manager will provide detailed monthly, quarterly, semiannual, or annual reports of investment activities and of the status of the fund.

INVESTMENTS

The funds entrusted to the Clark-Pleasant Education Foundation include:

- Those permanently restricted by the donor, or Endowment Funds;
- Those funds restricted by the Board of Directors for specific purposes (“Temporarily Restricted”);
- Those given to the Foundation intended to be used immediately for a specific purpose or to be used for purposes deemed most urgent by the Board of Directors.

Endowment Funds:

Objectives:

The investment objective of the Endowment Funds (permanently restricted) is to provide income, as determined by the Spending/Distribution Policy, for the specific purpose stated by the donor. The total return of the investments shall be considered as any income (dividends and/or interest) plus/minus the change in market value of the invested funds.

The total return objective of the Endowment Fund shall be to exceed the “Hurdle Rate of Return” consisting of:

- Annual payout defined by the Spending Policy: **4.50% per year**
- Plus, Administrative fees: **1.00% per year**
- Plus, an Inflation Factor: (AUG-AUG/3 YR AVG, BLS) **5.7% per year**
- Total: **11.2% per year**
*****To be adjusted yearly.**

The Board of Directors recognize that it is important to diversify the investment portfolio using a combination of stocks, bonds and cash equivalents; multiple mutual funds with portfolio manager(s) who offer different specialties or particular expertise (style of security selection), exchange traded funds and consideration of both U. S. and non-U. S. securities.

Spending/Distribution Policy:

Distributions from the Endowment Funds shall be determined annually by calculating the average market value of the Endowment Fund for the past three (3) years, as of May 31, and applying the rate of 4.5% to that average to determine the amount of the distribution for the following fiscal year.

Equity Investments:

The mutual fund investment manager(s) is permitted to invest in equity securities listed on the New York Stock Exchange, the American Stock Exchange and other principal U. S. and international exchanges.

The Directors believe that certain mutual fund managers may be selected for their demonstrated expertise in certain styles of investing, or within certain asset classes and/or particular segments of asset classes, and that it may not be desirable that equity securities held in a fund represent a cross section of the economy. The investment manager will be allowed to choose the degree of concentration (or lack thereof) in any industry up to a maximum limit of 25% in any one industry (at cost) and not more than 10% in any one company.

Fixed Income Investments:

Fixed income investments shall be included in the Endowment Fund to provide cash flow and market stability.

- **Individual Issues:** It is the philosophy of the Directors that such assets shall not have an ultimate maturity greater than 10 years, and shall have a minimum quality of “A” by Moody’s or Standard and Poors.
- **Mutual Funds:** Mutual funds with at least a 5-year success record may contain bonds of longer maturities and lower ratings if managed prudently with a proven track record of protecting principal.

Cash Equivalent Investments:

Cash Equivalent investments may be included in the portfolio to provide a short-term and/or temporary store of funds expected to be distributed by the Foundation within a short period of time. Cash Equivalents may also be held to provide protection from adverse pricing trends; as a residual from the investment process employed by an investment manager or mutual fund managers; and/or as a distinct allocation as an asset class by the Board. Cash Equivalent Investments may include money market mutual funds, money market accounts (insured), certificates of deposit and other short-term instruments in which there is little to no risk of price changes and that, upon sale or redemption, the original principal amount is secure.

Types of Assets:

All assets selected for the portfolio must have a readily ascertainable market value and must be readily marketable.

To provide the investment manager with freedom to invest in various types of assets, the following list of assets is expressly approved for investment:

Common Stocks	Money Market Funds or similar cash equivalents
Preferred Stocks	CD’s within FDIC guaranty limit
U.S. Government Securities and Government Backed Securities	Mutual Funds (including closed-end funds)
Convertible Securities	American Depository Receipts (ADR’s)
Over-the-Counter Securities	Publicly traded Real Estate Investment Trusts
Corporate Bonds – A rated or better with an average maturity of ten years or less	Exchange Traded Funds
Stocks of publicly traded non-U. S. companies	

The following types of assets or transactions are expressly prohibited:

Selling Short	Limited Partnerships that are not readily marketable
Commodities	Tangible personal property or real property
Letter (Restricted) Stock	
Exchange Traded Notes	

Operating or “Pass-through” Funds:

Objectives:

The investment objective of the Operating or “Pass-through” Funds is capital preservation. Therefore, the types of investments generally acceptable for this category are Cash Equivalent Investments.

INVESTMENT MANAGER GUIDELINES

Mutual Funds and/or Investment managers will be selected after careful consideration of several factors including: past performance; portfolio characteristics; the process of selecting individual securities; the portfolio manager(s) and team; consistency of investment philosophy with the philosophy of the Foundation; and cost for providing investment management services.

For purposes of measuring results, a reasonable time period will be construed to be one market cycle, normally 3-5 years, rather than expecting equal incremental increases on a quarterly report basis. The Directors expect this objective to be fulfilled within the levels of risk that a prudent man would take under various economic conditions.

As a general guide investment managers should:

- Strive to produce a positive absolute return as measured over 3- and 5-year rolling periods,
- Generate a return profile consistent with the appropriate broad index benchmark return as measured over 3- and 5-year rolling periods.
- Generate a return profile in the upper 40th percentile of managers employing similar styles in selecting securities (Peer Universe) as measured over 3- and 5-year rolling periods,
- Produce positive risk-adjusted returns over 3- and 5-year rolling periods.

The Directors of the The Clark-Pleasant Education Foundation reserve the right to withdraw investments from managers at any time. While the Directors recognize that performance for an interval as short as one quarter normally is not a fair basis for evaluation of the performance of the investment manager, they do reserve the right, in the event of significant portfolio losses (either realized or unrealized), changes in key investment personnel, a change in ownership of the manager, deviations from the investment philosophy of the investment manager or for whatever reason they deem appropriate to change the investment manager.

REVIEW OF POLICY AND GUIDELINES

The Directors of the The Clark-Pleasant Education Foundation shall meet quarterly with the Investment Consultant and/or Manager and shall have written or oral communication as needed with the investment managers to review the following:

1. Changes in this Investment Policy,
2. The strategy being used by the investment managers to carry out the current investment policy, and also to develop an understanding of that policy,
3. The present and prospective economic climate,
4. The level of risk of the securities in the portfolio,
5. The performance of the portfolio with respect to the investment objectives and risk guidelines.

THE INVESTMENT CONSULTANT

The Board of Directors, through the Investment Committee, believe that the Investment Objectives can best be achieved by engaging an investment consultant. The duties of the Investment Consultant are:

- Assist in developing a cohesive Investment Policy that reflects a balance of acceptable risk to the objectives of the The Clark-Pleasant Education Foundation;
- Create and provide quarterly reports consisting of:
 - Investment performance for each investment type
 - Investment performance of mutual funds to:
 - Similarly managed funds
 - Appropriate asset class indices
 - Absolute performance measurements
 - Portfolio performance relative to the Investment Policy objectives and guidelines.
- Suggest modifications to the Investment Policy, objectives and guideline;
- Recommend changes as needed;
- Assist in the implementation of the Investment recommendations.