STATEMENT OF POLICY AND INVESTMENT OBJECTIVES

UNIVERSITY OF WEST FLORIDA FOUNDATION, INC.

November 2004
Revised March 2005
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I. INTRODUCTION

The purpose of these assets is to further the overall mission of the University of West Florida. This Investment Policy Statement establishes a clear understanding between the Investment Committee of the University of West Florida Foundation, Inc., the Investment Management Consultant and the Investment Managers as to the investment objectives and policies applicable to the foundation's investment portfolio. This Investment Policy Statement will:

- establish reasonable expectations, objectives and guidelines in the investment of the assets;
- set forth an investment structure detailing permitted asset classes and expected allocation among asset classes;
- encourage effective communication between the Investment Consultant, the Investment Manager(s) and the Investment Committee;
- create the framework for a well-diversified asset mix that can be expected to generate acceptable long-term returns at a level of risk suitable for these assets.

It shall serve the Investment Manager(s) as the principal source for developing an appropriate strategy. In addition, it shall serve as the basis for performance evaluation. Any changes in this Investment Policy Statement will be in writing and will be communicated to the Investment Managers.

II. INVESTMENT OBJECTIVE

The objectives of the assets are the enhancement of capital and real purchasing power while limiting exposure to risk of loss. Real purchasing power or real rate of return will be defined as returns in excess of inflation as defined by Consumer Price Index.

At a minimum, long-term rates of return should be equal to an amount sufficient to maintain the purchasing power of these assets and provide necessary capital to fund the foundation's allocation policy. Maintaining the real purchasing power of the Endowment, the portfolio's return would need to be equal to or greater than the instituted spending policy plus the current rate of inflation. As such, the desired minimum rate of return is equal to the Consumer Price Index (CPI) plus 400 basis points (4%) plus the rate set in the Endowment Allocations and Administrative Fees Policy (Appendix B) on an annualized basis.

The spending from an endowment should be established with consideration to today's beneficiaries in addition to future beneficiaries. Neither generation should receive a greater benefit from the endowment at the expense of the other.

Details regarding the foundation's spending and allocation policy are found in a separate document outside this investment policy statement titled "Endowment Allocations and Administrative Fees Policy".

In light of this return requirement, the portfolio should be constructed using a total return approach with a significant portion of the funds invested to seek growth of principal over time.

The assets are to be invested for the long term, and a higher short-term volatility in these assets is to be expected and accepted.

III. TIME HORIZON

The time horizon for these assets is perpetual. For strategic planning purposes, a minimum of five years will be considered for decision-making purposes. Capital values do fluctuate over shorter periods and the Investment Committee recognizes that the possibility of capital loss does exist. However, historical asset class return data suggest that the risk of principal loss over a holding period of at least three to five years can be minimized with the long-term investment mix employed under this Investment Policy Statement.

IV. RISK TOLERANCE

The Investment Committee recognizes prudent investing requires taking reasonable risks in order to raise the likelihood of achieving the targeted investment returns. Research has demonstrated that portfolio risk is best minimized through diversification of assets. The portfolio of funds will be structured to maintain prudent levels of diversification. In terms of relative risk, the volatility of the portfolio should be in line with general market conditions.

The Investment Committee recognizes that over the long term, the risk of owning equities has been, and should continue to be rewarded with a somewhat greater return than that available from fixed income investments. The role of fixed income investments is to reduce the volatility of the overall portfolio while providing a predictable stream of income.

V. PROCEDURES

The Investment Committee is charged with the oversight of the investment of the endowed, restricted, unrestricted and operating assets of the University of West Florida.

The roles of the Investment Committee, the Investment Consultant, and the Investment Manager(s) with regard to the assets are delineated as follows.

The Investment Committee, with active assistance and recommendations from the Investment Consultant, shall have responsibility for the following:

- Establishing overall financial objectives and setting investment policy;
- Setting parameters for asset allocation;
- Establishing a process and criteria for the selection and termination of investment program managers, custodians
- Selecting a qualified investment management consultant
- Selecting qualified investment manager(s);
- Selecting a qualified custodian;
- Monitoring investment results quarterly to assure that objectives are being

met and that policy and guidelines are being followed;
- Communication on a structured and ongoing basis with those persons responsible for investment results.

The Investment Consultant will be proactive in advising and making recommendations to the Investment Committee regarding:

- Investment Policy
- Asset Allocation
- Manager Selection
- Performance Evaluation
- Other Investment Matters

The Investment Manager(s) will be responsible for the following:

- Determining investment strategy;
- Implementing security selection and timing within policy guideline limitations.

VI. ASSET ALLOCATION AND STYLE DIVERSIFICATION

Research suggests that the decision to allocate total assets among various asset classes will far outweigh security selection and other decisions that impact portfolio performance. The Investment Committee recognizes the strategic importance of asset allocation and style diversification in the investment performance of the assets over long periods of time. Domestic and international equities both large and small capitalization, fixed income, cash equivalent securities, real estate and hedge fund exposure in the form of diversified fund of hedge funds have been determined to be acceptable vehicles for these assets. Additional asset classes and style strategies may be incorporated into the investment philosophy in the future.

A. Summary of Asset Allocation Guidelines:

After reviewing the long-term performance and risk characteristics of various asset classes, the following asset allocation strategy is incorporated to achieve the objectives of these assets:

Asset Category	Minimum	Target	Maximum
Cash	**0.00%**	**0.00%**	**10.00%**
Fixed Income	**10.00%**	**15.00%**	**25.00%**
Core Fixed Income*	0.00%	6.25%	13.50%
Global Diversified Fixed Income	0.00%	3.125%	7.5%
Short Duration High Yield	0.00%	3.125%	7.5%
Short Duration	0.00%	2.50%	10.00%
Equity	**40.00%**	**54.00%**	**70.00%**

US Large Cap	20.00%	30.00%	40.00%
US Mid Cap	2.00%	6.00%	10.00%
US Small Cap	2.00%	4.00%	10.00%
International	5.00%	9.00%	20.00%
Emerging Markets	0.00%	5.00%	15.00%
International Small Cap	0.00%	0.00%	0.00%
MLP and MLP related	0.00%	0.00%	0.00%
Alternative Assets	**20.00%**	**31.00%**	**40.00%**
Real Estate (Private and/or Public)	0.00%	11.50%	20.00%
Fund of Hedge Funds / Specialty Strategies	0.00%	5.00%	10.00%
Private Equity	0.00%	9.50%	15.00%
Private Credit	0.00%	5.00%	10.00%

*The core allocation within fixed income allows for up to 15% exposure to high yield securities

A small allocation of the Large Cap Equity and Core Fixed Income portions of the portfolio may be managed by the Argo Investment Program, a student-run investment fund. Both mandates will operate under the guidelines set forth in their own separate investment policy statements.

There is no set minimum cash requirement; however adequate liquidity should be maintained. It is intended that Investment Managers will be given ample notice for any withdrawals to reduce the probability of adversely affected the portfolio. Additionally, any withdrawals will be funded on a pro-rata basis to ensure that the asset allocation after the withdrawals is within the investment guidelines as listed above.

B. Rebalancing Procedures

From time to time, market conditions may cause the investment in various asset classes to vary from the established allocation. At least on an annual basis, the Investment Committee and their Investment Consultant will review both the specific asset allocation (equity versus fixed) and the style targets for possible rebalancing back to the target allocation, to ensure consistency with the asset allocation guidelines established by this investment policy. If the actual weighting goes above / below the maximum / minimum weighting intra-year, rebalancing may be recommended.

VII. SELECTION AND RETENTION CRITERION FOR INVESTMENTS

A. Investment Management

Investment Manager(s) (including mutual funds) shall be chosen using the following criteria:

- The investment style and discipline of the proposed manager;
- The size of the organization as measured by the amount of assets under management with respect to the investment style under consideration;
- Experience of the organization as measured by the tenure of the professionals with respect to the investment style under consideration;

- Past performance, considered relative to other investments having the same investment objective. Consideration shall be given to both performance rankings over various time frames and consistency of performance
- The historical volatility and down-side risk of each proposed investment
- How well each proposed investment complements other assets in the portfolio

B. Individual Securities

The Investment Committee desires to permit investment managers flexibility to maximize investment opportunities. However, it is cognizant of its responsibility to practice prudent management in order to conserve and protect the assets and to prevent exposure to undue risk. Exceptions to the guidelines stated below may be made upon special written approval of the Investment Committee and shall be subject to annual review.

The Investment Committee foresees the possibility of using mutual funds / collective trust funds / limited partnerships in the form of fund of hedge funds and understands that they would not have any control over the management of such funds with regard to guidelines and restrictions. However, when possible, they intend to utilize funds that generally comply with the investment guidelines stated in this Investment Policy Statement.

i.) Equity Holdings:

Security Types:

Equity securities shall consist of common stocks and equivalents (ADRs, issues convertible into common stock, etc.), and Master Limited Partnerships (MLPs). Issues traded on the New York Stock, Over the Counter, and regional and foreign exchanges are appropriate. There are no specific constraints as to earnings record and dividend policy. For Investment Managers who manage international developed market equity portfolios, up to 25% of the market value of the portfolio may be invested in emerging markets.

Diversification:

No more than ten percent (10%) of the market value of the equity portfolio shall be in one issue. (If more than one investment manager manages equities, this restriction shall apply separately to each equity portfolio.)

Quality:

There are no qualitative guidelines with regard to equity ratings, etc., except that prudent standards should be developed and maintained by the investment manager(s).

No more than the greater of thirty-five percent (35%) or two times the sector weighting in the appropriate index can be invested in any one sector.

Restrictions:

Investment in the following requires written documentation and approval by the Investment Committee:

- Derivative investments (futures or option contracts) for speculative purposes (as opposed to protection of asset value: *Covered call writing is permissible*)
- Direct ownership of letter stock
- Restricted stock
- Venture capital
- Short sales
- Margin purchases or borrowing money
- Stock loans

ii.) Fixed Income Holdings:

Security Types:

Investment in obligations of the U.S. Government, including Treasury Inflation-Protected Securities (TIPS), U.S. Government Agencies, U.S. Corporate entities, Mortgage Backed Securities (MBS), Preferred Stock, Collateralized Mortgage Obligations, Asset Backed Securities, Taxable Municipal securities, Commercial Mortgage Backed securities (CMBS), non-US sovereign debt obligations (including bonds issued in local currencies), debt issued by corporations domiciled outside the US, REIT debt and dollar denominated foreign bonds is permitted unless otherwise prohibited by investment restrictions.

Diversification:

With the exception of U.S. Treasury and Agency obligations, no more than two percent (2%) of the fixed income portfolio at market shall be invested in a single issue or corporate entity. Ifmore than one investment manager manages fixed income, these restrictions apply separately to each portfolio.

Maturity:

The Investment Managers shall have responsibility for setting the appropriate maturity schedule for their portion of the assets based on the fund's investment objectives, risk profile and stated mandate (i.e. low duration, core, etc.) Based on current and expected market conditions, the Investment Manager should determine the structure that will yield optimal performance.

Quality:

a. **Core Fixed Income**
Each debt instrument selected for investment shall be subjected to credit analysis by the Investment Manager prior to inclusion in the portfolio. The minimum acceptable quality is investment grade at the time of purchase by Moody's Investor Service (Baa) or Standard and

Poor's (BBB) with the exception of up to 15% of the fixed income portfolio which can be invested in below investment grade securities. The weighted average quality of the core fixed income allocation shall be A or better. If the rating agencies have split ratings on an issue, the higher rating will apply in determining compliance with these guidelines.

In the event that an issue is downgraded below investment grade, the Investment Manager will review the situation with the Investment Committee and Investment Consultant and discuss the rationalization for holding the security and explanation for a course of action.

b. Global Diversified Fixed Income
Each debt instrument selected for investment shall be subjected to credit analysis by the Investment Manager prior to inclusion in the portfolio. Up to 35% of the global diversified fixed income portfolio can be invested in below investment grade securities.

c. Short Duration High Yield Fixed Income
Each debt instrument selected for investment shall be subjected to credit analysis by the Investment Manager prior to inclusion in the portfolio. The weighted average quality of the short duration high yield allocation shall be BB or better.

Restrictions:

Investment in the following is prohibited without written permission:

- Private Placements (However, private placement medium term notes and securities issued under SEC Rule 144A are permitted)
- Municipal or other tax exempt securities
- Margin purchases or borrowing money to effect leverage into the portfolio
- Inverse floater, interest only and principal only mortgage structures

iii.) Alternative Investments:

Real Estate – The Investment Committee may time to time elect to purchase real estate assets if it is determined that such purchases are intended to be, but not guaranteed to be, in the best interest of the Foundation and the University community as the primary beneficiary over the long term. Such assets will be valued at the lesser of purchase price or fair market value and should at no time comprise more than 15% of the total market value of the Foundation's assets. There are no specific guidelines regarding the characteristics necessary for purchase; however, the Investment Committee should work closely with the Executive Committee in making any acquisitions, evaluating the status of the property with respect to environmental issues, assessing the impact of any contingent liabilities, determining the impact of holding costs and financing options.

In the event that a real estate asset is sold, the Foundation may provide financing, which will be held as an asset of the overall fund. These notes will be monitored in terms of balance, principal repayment and interest payments to reflect the income generated on the overall fund.

Real estate investments may include both private and public real estate and may be in the form of limited partnerships and real estate investment trusts.

Hedge Funds – Fund of Hedge Funds will be held in the forms of professionally managed pooled limited partnership investments offered by professional investment managers with proven records of superior performance over time.

Fund of Hedge Funds are subject to the same due diligence process as traditional investments, however due to their unique nature, additional criteria is to be considered. Additional criteria include, but are not limited to:

- Transparency of the underlying hedge funds and to some degree their individual positions;
- Liquidity terms of the fund of funds to include lock-up period and frequency of withdrawals;
- No significant degree of leverage utilized at the limited partnership level;
- Financial commitment of the General Partner in the fund;
- Length of actual performance track record (no back tested results);
- Sufficient documentation for due diligence, on-going monitoring, and financial controls.

Specialty Strategies - Given the investor suitability or high investment minimums associated with certain private partnerships, liquid alternative vehicles (Specialty Strategies) may be employed to earn risk adjusted returns comparable to hedge funds. These vehicles may include a combination of individual hedge fund partnerships with liberal liquidity terms (i.e. no lock-up and monthly liquidity) and mutual funds under the Investment Advisers Act of 1940 that employ non-traditional strategies. Strategies utilized by these vehicles may include, but are not limited to: long/short equity, equity market neutral, merger arbitrage, convertible arbitrage, credit opportunities, commodities, currencies, volatility, absolute return oriented, tactical asset allocation and alternative beta.

Private Equity/Private Credit – Investments in non-public equities and/or private credit strategies is permissible in the form of limited partnerships by professional investment managers with proven track records of solid performance over time. The Investment Committee will consider certain criteria including, but not limited to, the following in its evaluation of a fund:

- Experience, qualifications, and responsibilities of the General Partner;
- Past investment results of the General Partner;
- Financial commitment of the General Partner in the fund;
- Special expertise of the General Partner in targeted areas of investment;
- Diversification by geography, industry orientation, funding stage, vintage year, and size;
- Sufficient documentation for due diligence, on-going monitoring, and financial controls.

Joint Ventures: If the Foundation's equity interest in a joint venture is so small that it is more in the nature of an investment interest rather than an active participation, it is not necessary to have initiation and veto powers, although it should nevertheless seek to protect its charitable interests to the extent possible. While there is no specific IRS benchmark for evaluating when an interest is small enough to constitute only an investment interest, an equity interest in a joint venture of less than 20% can generally be properly characterized as an investment rather than active participation. Such joint ventures should be considered on a case-by-case basis.

VIII. PERFORMANCE OBJECTIVES

The overall fund performance will be reviewed on a quarterly basis, with long term emphasis placed on results achieved over a three to five-year period. Objectives will be reviewed annually and adjusted, if necessary, after consultation with the Investment Committee, Investment Consultant and Investment Managers.

A. Total Fund:

Overall fund performance will be compared to the performance of a similarly structured balanced index in line with the target allocation in each strategy. This custom index will be comprised of the S&P 500 Index (or Russell 1000 Index), Russell 2000 Index, MSCI All Country World Index (ACWI) ex US, MSCI ACWI ex US Small Cap, MSCI Emerging Markets Index, Bloomberg U.S. Aggregate Bond Index, Citi World Government Bond Index, BofAML High Yield BB 1-3 yr Index, Citi 3 Month Treasury Bill, 50% Alerian MLP / 50% ML High Yield, and Citigroup One-Month Treasury Bill Index and/or other appropriate indices. The Fund should at least equal the performance of the custom balanced index.

The volatility of investment returns, as measured by the standard deviation of quarterly returns, should be comparable to that of the custom index. Volatility greater than the benchmark is acceptable so long as returns are commensurate.

B. Equity Segment:

The performance of the domestic large cap equity portion is expected to meet or exceed the performance of S&P 500 Composite Index or the S&P 500/Citigroup Growth/Value Index/Russell 1000 Growth/Value, depending on the manager's investment style.

The returns of the large capitalization equity portion should rank in the top thirty-three percent (33%) of a nationally recognized evaluation service's universe for comparable funds and investment styles over rolling three to five-year time periods.

The performance of the small capitalization equity portion should meet or exceed the performance of the Russell 2000 Small Stock Index or the Russell 2000 Value / Growth Index, depending on the manager's investment style.

The returns of the small capitalization equity portion should rank in the top thirty-three percent (33%) of a universe for comparable funds over a rolling three to five-year time periods.

The performance of the international developed markets equity portion should meet or exceed the performance of the Morgan Stanley Capital International's All Country World (ACWI) ex US Index or another appropriate index.

The returns of the international developed markets equity portion should rank in the top thirty-three percent (33%) of a universe for comparable funds over a rolling three to five-year time periods.

The performance of the emerging markets equity portion should meet or exceed the performance of the Morgan Stanley Capital International's Emerging Markets Index.

The returns of the emerging markets equity portion should rank in the top thirty-three percent (33%) of a universe for comparable funds over a rolling three to five-year time periods.

The International Small Cap equity portion of the portfolio is expected to exceed the performance of the MSCI All Country World (ACWI) ex US Small Cap Index. The returns should rank in the top thirty-third percent (33%) of a universe for comparable funds over a rolling three to five-year time periods.

The MLP portion of the portfolio is expected to produce returns similar to a blended index consisting of 50% Alerian MLP and 50% ML High Yield while exhibiting less volatility. Therefore, risk adjusted returns will be evaluated.

The volatility of investment returns, as measured by the standard deviation of quarterly returns, should be comparable to that of the segment's appropriate index. Volatility greater than the benchmark is acceptable so long as returns are commensurate.

C. Fixed Income Segment:

The performance of the core fixed income portion is expected to meet or exceed the performance of the Bloomberg U.S. Aggregate Bond index or other appropriate index or mix of indices, which reflect the fixed income portion of the portfolio.

The performance of the global fixed income portion is expected to meet or exceed the performance of the Citi World Government Bond index or other appropriate index or mix of indices, which reflect the fixed income portion of the portfolio.

The performance of the short duration high yield portion is expected to meet or exceed the performance of the BofAML High Yield BB 1-3-year index or other appropriate index or mix of indices, which reflect the fixed income portion of the portfolio.

The returns of the fixed income portion should rank in the top forty percent (40%) of a universe for comparable fixed income funds over a three to five-year time period.

The performance of the low duration fixed income portion is expected to meet or exceed the performance of the Merrill Lynch 1 – 3 Year Treasury index, Citigroup 3 Month Treasury Bill index or other appropriate index or mix of indices, which reflect the fixed income portion of the portfolio.

The cash equivalent investment performance results will be compared against the yield on one-month Treasury Bill securities, MFR All Taxable Money Market index, and are expected to exceed the annualized rate of the Consumer Price Index (CPI).

The volatility of investment returns, as measured by the standard deviation of quarterly returns, should be comparable to that of the segment's appropriate index. Volatility greater than the benchmark is acceptable so long as returns are commensurate.

D. Alternative Investments:

The Investment Committee recognizes that benchmarks for alternative investments, more specifically fund of hedge funds, are relatively new in their creation and there is no perfect benchmark in existence for these types of investments. Hedge fund indexes are created from hedge fund databases. There is no complete database because inclusion in these databases is voluntary and they are subject to survivorship bias. Additionally, each hedge fund, including fund of funds, has diverse investment objectives and characteristics making like comparisons difficult.

To aid in the on-going evaluation of the alternative investment portion of the portfolio, Fund of Hedge Funds investments will be compared to the following benchmarks:

- The appropriate HFRI Fund of Funds Index
- Other benchmark designated by fund of funds manager and agreed upon by the Investment Consultant and the Investment Committee

The performance of the Specialty Strategies portion of the portfolio will be compared to the following benchmarks:

- Appropriate HFRI Fund of Funds Index
- Other benchmark agreed upon by Committee and Consultant

While emphasis will be placed on the performance of the Specialty Strategies portion as a whole, the Investment Consultant will be responsible for monitoring the underlying funds comprising the Specialty Strategies portion to insure they are meeting their individual objectives.

Real estate investments are expected to meet or exceed the performance of the NCREIF Property Index (private), NAREIT Index (public) or other appropriate index which reflects the real estate portion of the portfolio.

The Investment Committee recognizes private equity and private credit returns are not meaningful in the early years of investment and that the evaluation of this type of investments should be considered over the long-term; a ten-year time horizon. To aid in the on-going evaluation of private equity and private credit investments, they will be compared to the Thompson VentureXpert Private Equity Index or other appropriate index.

IX. CONTROL PROCEDURES

A. Review and Evaluation of Investment Objectives:

The achievement of investment objectives will be reviewed on an annual basis by the Investment Committee. This review will focus on the continued feasibility of achieving the objectives and the continued appropriateness of the investment policy statement. It is not expected that the investment policy statement will change frequently. In particular, short-term changes in the financial markets should not require an adjustment in the investment policy statement.

B. Review and Evaluation of Investment Manager(s):

The Investment Committee will meet at least annually with the Investment Manager(s) or their representative(s). Additionally, with or without the Investment Manager(s), the Investment Committee will review investment results quarterly.

These reviews will focus on:

- The Investment Managers' adherence to the policy guidelines;
- Comparison of the Investment Managers' results to the objectives established for each Investment Manager;
- Comparison of the Investment Managers' results against universe of comparable funds investment styles;
- Opportunities available in both the equity and bond markets; and,
- Material changes in the Investment Managers' organizations, such as philosophical or personnel changes.

The Investment Committee may discharge or replace an Investment Manager at any time it deems such action necessary and appropriate.

Guidelines for evaluation, retention, and replacement of Investment Managers will be as follows:

- Establish appropriate benchmark/index to which to compare Investment Managers' performance.
- Establish performance target: To outperform benchmark/index and to achieve investment returns:
    - in the top thirty-third percentile (33%) of peer universe groups for equities over a three-to-five-year period
    - in the top fortieth percentile (40%) of peer universe groups for fixed income over a three-to-five-year period
    - Monitor Investment Managers' performance on a quarterly basis and compare to selected index and peers with similar styles and objectives.

An Investment Manager will be rated in a "Favorable Status" if they are delivering favorable performance and there are no outstanding organizational issues.

An Investment Manager will be in a "Caution Status" if:

- For Equities:
    - Investment Manager's three-year performance is below the 50th percentile of their peer universe, or they are trailing the style benchmark, or
    - Investment Manager's five plus year performance is below the 33rd percentile of their peer universe, or they are trailing the style benchmark

- For Fixed Income:
    - Investment Manager's three-year performance is below the 50th percentile of their peer universe, or they are trailing the style benchmark, or
    - Investment Manager's five plus year performance is below the 40th percentile of their peer universe, or they are trailing the style benchmark.
- For Alternative Investments

  Fund of Hedge Funds
    - Investment Manager's one-year performance is negative, failing to preserve capital, or
    - Investment Manager's three-year performance is below any of the indexes as listed below and in the Investment Consultant's opinion, represents subpar results, or
        - For Fund of Hedge Funds
            - The appropriate HFRI Fund of Funds Index
            - Other benchmark designated by the fund manager and agreed upon by the Investment Consultant and Investment Committee
    - Investment Committee has concerns resulting from the review of on-going documentation.

  Specialty Strategies

  While emphasis will be placed on the performance of the Specialty Strategies portion as a whole, the underlying funds comprising the Specialty Strategies portion will also be compared to their individual stated objectives. An underlying Specialty Strategies fund may be placed on caution status if the Investment Consultant determines that the fund is not achieving its stated objective.

  Real Estate, Private Equity and Private Credit

  Since these types of investments are illiquid and long-term in nature, there are no specific performance criteria for watch status. A manager managing these types of investments may be put on watch status if in the Investment Committee or Consultant's opinion the watch status is warranted.

An Investment Manager will also be considered on "Caution Status" if there is a material change in the ownership structure of their organization, or there is a departure of key investment professionals.

An Investment Manager that falls in "Caution Status" should undergo a formal review by the Investment Consultant. The review will address how the Investment Manager will move back to "Favorable Status" or recommend termination. An Investment Manager can move back to "Favorable Status" by improving its performance above the criteria as listed above. Highest priority will be given to those failing to meet the five-year target and next to those failing to meet the three-year target. There may be situations where immediate problems, questions or short-term performance issues arise regarding an Investment Manager and the priority will shift to review these situations first.

In addition to the above, immediate termination of managers should be considered:

- When they deviate from the Investment Committee's instructions
- When they deviate substantially from their investment disciplines and process
- When Investment Committee members have any material problem or concerns regarding the Investment Manager.

X. COMMUNICATIONS

Month-end accounting of transactions and portfolio holdings, ending portfolio and holdings values will be provided by the custodian(s).

Quarter-end regular accounting of transactions, portfolio holdings, yields, current market values, summary of cash flows, calculations of the portfolio's total rate of return on a latest quarter, year-to-date and since inception basis will be provided by each Investment Manager.

The Investment Managers will maintain communication with the Foundation and the Investment Consultant with as reasonable frequency as market conditions and the portfolio warrant. Major market conditions and major portfolio changes should be called to the attention of the Foundation and the Investment Consultant by the Investment Managers.

Significant changes within the Investment Managers' operations of personnel and the anticipated impact on the assets should be brought to the attention of the Foundation and the Investment Consultant immediately.

Proxies must be voted by the Investment Manager in compliance with the values and philosophy of The University of West Florida Foundation.

The Investment Consultant will provide comparative performance evaluation reports quarterly.

Appendix A

Deposit and Investment Risks

As a component unit of the University of West Florida, the University of West Florida Foundation, Inc. (the Foundation) is required under GASB 40 to make certain disclosures related to deposit and investment risk. Deposit and investment resources of the Foundation represent significant resources necessary for the delivery of educational services and programs. Financial statement users should know that risks are inherent in all deposits and investments and this element of risk could affect the Foundation's ability to provide resources and impact services.

By nature of its function, the Foundation's risk exposure is significantly greater than the deposit and investment risks of the University of West Florida. In general, the common deposit and investment risks are related to credit risk, concentration of credit risk, interest rate risk, and foreign currency risk.

Deposit and Investment Policy: The Foundation has deposit and investment policies related to each of these risks. The policy states that the Investment Committee of the Board of Directors will meet no less than quarterly to review investment performance with our investment consultant. The policy provides guidelines for the evaluation, retention, and replacement of individual investment managers, establishes appropriate benchmarks/indices used to evaluate each investment managers' performance, and establishes performance asset allocation targets and investment quality measures.

Risk Categories

Credit risk: The custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the Foundation would not be able to recover deposits or would not be able to recover collateral securities that are in the possession of an outside party. Therefore, the Foundation shall monitor deposits on account so as to avoid deposits that are not covered by depository insurance or are uncollateralized. In compliance with GASB and FASB standards, to the extent required, the Foundation will disclose in its annual financial statements the credit quality ratings of any external investment pools, money market funds, bond mutual funds, and other pooled investments of fixed-income securities in which they invest.

Concentration of Credit Risk: The Foundation, with the assistance of its investment advisor, shall implement policies and procedures to ensure adequate portfolio diversification. It is the Foundation's policy that, with the exception of U.S. Treasury and Agency obligations, no more than two percent (2%) of the fixed income portfolio at market shall be invested in a single issue or corporate entity. If more than one investment manager manages fixed income, these restrictions apply separately to each portfolio. Furthermore, the Foundation and its investment advisor monitor the asset allocation to ensure investments are within established targets for quality and investment balances remain within the established target range for each asset category.

Interest Rate Risk: As an element of interest rate risk, GASB requires disclosures of investments that have fair values that are highly sensitive to changes in interest rates. The allocation of the

Foundation's portfolio in Fixed Income investments susceptible to interest rate risk will be monitored not to exceed established targets in the approved investment policy. In cooperation with the investment advisor and the investment manager of the Fixed Income investments, the interest rate risk information will be organized by investment type and amount using one of the following methods:

a. Segmented time distribution
b. Specific identification
c. Weighted average maturity
d. Duration
e. Simulation model.

<u>Foreign Currency Risk:</u> The Foundation is required to disclose any investment denominated in a foreign currency. The Foundation has limited its exposure to foreign currency risk by limiting the asset allocation in international investments in accordance with the established targets in the approved investment policy.

Appendix B – Endowment Allocations and Administrative Fees Policy

UNIVERSITY OF WEST FLORIDA FOUNDATION, INC.

Endowment Allocations and Administrative Fees Policy

Approved by Foundation BOD March 10, 2011
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Revised & Approved December 8, 2021, as Appendix B to Statement of Policy and Investment Objectives

I. ENDOWMENT ALLOCATION POLICY

General Purpose:
The University of West Florida Foundation Investment Committee manages the endowment allocation rate annually to ensure intergenerational equity in applying funds for the donors' intended purpose.

Endowment Allocation:
The allocation rate is calculated on a three-year average of the market value of the endowments as of June 30. Spending is awarded for endowments (>$25k) after a one year waiting period. Donors are encouraged to provide separate funding if spending (i.e. a named scholarship award) is desired prior to the end of the waiting period. For the current academic year, the approved spending rate is four percent (4%).

Underwater Endowments:
The University of West Florida Foundation strives to balance the donor's desire to fund current program, faculty, and scholarship needs with the commitment to preserve over time the donor's gifts to the endowment corpus. Furthermore, the Foundation takes seriously its responsibility to provide prudent fiduciary management, oversight of the endowments, and intergenerational equity. However, the Foundation is aware that despite utilizing a well-diversified investment portfolio strategy and the best good faith efforts of its Board members there will be times when the fair market value of an endowment may fall below the endowment corpus value creating underwater endowments. In the event an endowment falls underwater, the Foundation will use a 25% step down allocation method to slow the allocation from the endowment. For each 10% an endowment is underwater, the endowment allocation (exclusive of the operating allocation) will be reduced by 25%. For example, an endowment 9% underwater would receive 75% of its endowment allocation as calculated using the formula above and an endowment 14% underwater would receive 50% of its endowment allocation as calculated using the formula above, and so forth. Any endowment more than 30% underwater will receive no endowment allocation. The intent of this policy is to attempt to continue to provide allocation to support the scholarships, programs, and faculty as designated by the donor and within the limits of Florida laws, while also allowing the endowment to recover more quickly from economic downturns

II. ADMINISTRATIVE FEES

General Purpose:
The Foundation strives to utilize an equitable fee structure to fund the cost of operations. Administrative fees are used to fund the tasks associated with pursuing, managing and investing the various types of funds held by the Foundation. These fees are essential support necessary to The University of West Florida Foundation's overall operation. The fee structure and rates are reviewed annually by The University of West Florida Foundation Investment

Committee.

- **Management Fees Charged to the Endowments (Operating Budget):**

  Because of the long-range nature of the invested assets of the endowments, the Foundation assesses a management fee on market value of all endowments. This fee is used for overseeing the endowment's share of the invested assets and operations of the Foundation.

  Generally, two percent (2%) of a three-year average of the market value of the investment portfolio will be used to fund the operating budget. To accommodate both the needs of the university and keeping with the goal of managing the endowment portfolio for the long term the Board of Directors has fixed the amount at a rate of 1.75%.

- **Administrative Fees on Courtelis Funds:**
  The Foundation adheres to Florida State Statute 1013.79 "University Facility Enhancement Challenge Grant Program" for The Courtelis Matching State Program. Per the Statute, the Foundation is obligated to preserve the original gift and invest the gift in such a way as to assure that the original gift is intact. This fee policy is established to insure compliance with Florida Statue.

  While the Foundation actively solicits and manages Courtelis gifts, these accounts will be charged one quarter of one percent of market value each quarter. The fee will be paid from invested earnings not to exceed the appreciation.

- **Administrative Fees on Housing Revenue:**
  A set percentage fee will be assessed on annual total revenue. The fee will cover Housing's share of costs associated with insurance, software maintenance, audit fees and staff support.

- **Administrative Fees on Non Endowed Gifts and Revenue:**
  A one-time fee is applied to all gifts and other revenue to non endowed accounts and assessed at month-end. An exception is made for gifts from non-profit foundations that explicitly state in their bylaws or written policies that they do not pay administrative fees. This fee is used to support transactional activities and cost of operations associated with non endowed gifts.

Gift Type	Fee Method	Annual Rate
Endowment	3-year Average Balance	1.75%
Courtelis	.25% per quarter	1%
Housing	Based on Annual Total Revenue	1.25%
Non-Endowed	Per gift or other revenue	3.0%