The overriding goal of The Ohio University Foundation (the “Foundation”) is to support Ohio University’s mission of teaching, research and creative activity, and benefiting mankind through commercial development of discoveries created through Ohio University related research.

Investment Objective

The long-term objective of the Foundation’s General Endowment Fund (the “Fund”) is to maximize the real return, or the nominal return less inflation, of the assets over a complete market cycle with emphasis on preserving capital and reducing volatility through prudent diversification. The Investment Committee of the Foundation (“Investment Committee”) has adopted an investment strategy which has the long-term objective of producing real growth of assets in excess of the Fund’s spending requirements and inflation. In order to achieve this objective, the Investment Committee must be cognizant of the current spending policy of the Foundation, so it has been included as an appendix to this document for reference. Additionally, there may be unique procedures for the “Handling of Gifts”, which are also included as an attachment to this document, but neither the Spending Policy nor the Handling of Gifts are incorporated as part of the Investment Policy. Interim results will be reviewed with the understanding that an important priority of the assets is providing for future generations. Due to capital market volatility, the return may vary significantly over shorter periods of time. Ultimately, it is the Foundation’s position that, unless there are risk concerns related to the markets, as identified by the Managing Fiduciary, or programmatic concerns, as communicated to or identified by the Treasurer of the Foundation, then all gifts or funds directed to the Fund will be invested in accordance with the Investment Plan, identified as Attachment A and handled according to Attachment D.

The Investment Policy may be reviewed and amended by a majority of the Investment Committee, as defined by the Foundation’s Code of Regulations, at any time and will be reviewed, at a minimum, on an annual basis by the Investment Committee. For the Managing Fiduciary, as defined below, to be subject to the Investment Policy terms, amendments to the Investment Policy must be approved by the Managing Fiduciary.

Fiduciary Responsibilities

Oversight of the Fund’s assets will be performed by a tiered fiduciary structure. The Fund’s Investment Committee, also referred to herein as the Governing
Fiduciary, will have ultimate responsibility for ensuring that the long term objectives established and approved for the Fund by the Investment Committee are achieved. The Managing Fiduciary, or Chief Investment Officer, will be authorized by the Governing Fiduciary to implement and manage investments in accordance with the written Investment Plan attached hereto as Attachment A, to achieve the long term objectives of the Fund, work with the various Operating Fiduciaries, hereinafter defined, and report regularly to the Governing Fiduciary. Notwithstanding the previous sentence, the Managing Fiduciary will not have responsibility for those assets defined as “self-directed” under the Managing Fiduciary Client Agreement. Operating Fiduciaries are defined as qualified persons or organizations that provide specialized professional services necessary to fulfill functional and administrative requirements of the Fund.

**Governing Fiduciary**

The Fund’s Investment Committee will act as Governing Fiduciary with responsibility to manage and invest the Fund assets. In its capacity as a Governing Fiduciary, the Investment Committee has the authority to retain qualified organizations or persons to perform the roles of Managing Fiduciary and Operating Fiduciary.

As the Governing Fiduciary, the Investment Committee’s responsibilities include:

1. Recommending revisions in the Investment Policy to the Board of Trustees of the Foundation.
2. Appointing and overseeing the Managing Fiduciary who shall have responsibility and discretion for implementing investment strategies in accordance with the Investment Plan attached hereto as Attachment A.
3. Establishing one or more custody accounts with a custodian to maintain Fund assets.
4. Periodically reviewing the Fund’s asset allocation.
5. Delegating to the Managing Fiduciary specific administrative and operational responsibilities dealing with the investment and reinvestment of the Fund’s assets, as outlined in the Managing Fiduciary Client Agreement.
6. Monitoring compliance with this Investment Policy.
7. Reviewing periodically the following subjects with the Managing Fiduciary:
   a. Investment performance, including comparisons to appropriate benchmarks.
   b. Current asset allocation of all assets included in the Fund.
   c. Progress toward the stated performance objectives documented in this Policy.
The Ohio University Foundation’s Treasurer, or his designee, is accountable to:

1. Facilitate execution, at the direction of the Investment Committee, of the Investment Policy and Investment Plan.

2. Sign the appropriate investment contracts that have been approved by the Investment Committee. This includes the Managing Fiduciary Client Agreement, alternative asset contracts and the custodian agreement. Additionally, all contracts for alternative investments must be executed by an authorized signer of the Ohio University Foundation.

3. Direct the Managing Fiduciary regarding cash flows into and out of the investment accounts. The Managing Fiduciary will have no authority to distribute money outside of these investment accounts without prior written approval by an authorized signer.

4. Monitor the spending policy of the Endowment.

Managing Fiduciary

The Managing Fiduciary, or Chief Investment Officer, will have day-to-day responsibility and discretion for investing the Fund’s assets, including the selection and supervision of the investment managers and interacting with the custodian bank in their respective roles as Operating Fiduciaries, in a manner consistent with achieving the objectives of this Investment Policy. Within its authority to make and put into effect administrative and operational decisions with respect to the investment and reinvestment of the Fund’s assets, the Managing Fiduciary will be responsible to the Governing Fiduciary and report its actions on a regular basis to the Governing Fiduciary as set forth in the Client Agreement that governs the relationship.

The Managing Fiduciary shall be a registered investment advisor and subject to compliance with all applicable federal rules and regulations. As the Managing Fiduciary, the responsibilities of the Chief Investment Officer include:

1. Investing funds, through selected investment managers, within the guidelines and asset allocation ranges as set forth in the Investment Plan attached to this Investment Policy.

2. Administrative and operational functions to support the Investment Policy dealing with the investment and reinvestment of the Fund’s assets.

3. Evaluating the asset allocation of the Fund’s portfolio consistent with the Investment Policy.

4. Periodically reviewing and recommending any changes or modifications of the Fund and the asset allocation ranges to the Governing Fiduciary for its consideration.

5. Allocating contributions and other cash flows to investment managers or to other investment accounts as established.
6. Taking all actions with respect to investment managers including hiring and terminating, monitoring and reviewing of investment manager contracts.

7. Setting investment guidelines for investment managers and monitoring their compliance and reviewing these guidelines and their compliance with the Governing Fiduciary to the extent the account assets are placed in a separately managed account.

8. Meeting with investment managers and evaluating their investment performance.

9. Meeting with the Governing Fiduciary at least quarterly or at other intervals as directed by the Governing Fiduciary.

Asset Allocation

To achieve the investment objective of the Fund, an asset allocation study was conducted to establish percentage ranges for each asset class eligible for investment within the portfolio. The asset allocation study analyzed the expected return, risk and correlation of several asset classes, as well as the expected return and risk of various portfolios of these asset classes. The expected return and risk of various portfolios were evaluated in terms of their ability to best meet the Fund’s long-term investment objectives. Based upon this analysis, an asset allocation policy including ranges for each asset class was constructed that meets the current investment objectives of the Fund. The asset allocation policy is contained in the Investment Plan shown in Attachment A. This Investment Plan may be amended upon a recommendation from the Managing Fiduciary subject to the approval of the Governing Fiduciary.

Rebalancing Procedures

The Managing Fiduciary will periodically rebalance the Fund within the asset allocation ranges set forth in Attachment A. The need for rebalancing should be addressed at least quarterly, or more frequently if warranted by events. Rebalancing should be done only after considering the effect that transaction costs and market impact will have on the overall portfolio.

Although it is the policy of the Managing Fiduciary to invest assets in accordance with the maximum and minimum ranges for each asset class, as set forth in Attachment A, rapid unanticipated market movements or cash flows may cause the asset mix to temporarily fall outside those ranges.

Investment Manager Structure

The assets in each asset class will be invested in accounts managed by one or more independent, third party investment managers that specialize in the specific asset class. Investment managers of varying styles (e.g. growth, value, active,
passive, etc.) may be employed within each asset class. Multiple investment managers may be utilized within an asset class at the discretion of the Managing Fiduciary. Performance results for each asset class will be included in the Managing Fiduciary’s quarterly report to the Governing Fiduciary.

Investment managers will be selected by the Managing Fiduciary to manage assets of the Fund based upon a quantitative and qualitative review process. The investment vehicles used to employ a strategy may include registered 1940 Act Funds. The review process will consider criteria including but not limited to the people, the investment philosophy, the investment process, the investment performance, the organization and the operations of the firm. The investment manager’s strategy will be evaluated regarding its effectiveness in complementing the Fund’s other investment managers in order to achieve the desired result.

**Guidelines for Traditional Investment Managers**

Traditional investment managers that are appointed to manage assets for the Fund through separate accounts will be provided investment guidelines as appropriate. In general, the guidelines will stipulate the types of securities in which the account may invest, the general characteristics for the portfolio and/or the performance benchmark and objectives. The specific guidelines may vary depending upon the asset class or sub-asset class. These guidelines do not pertain to alternative investments. The guidelines will conform to the following requirements:

1. Investment managers shall generally remain fully invested, except for transitional cash that is needed for cash flows and trading, and shall be invested to maintain risk characteristics consistent with their benchmark and their asset class style pursuant to their prospectuses.

2. Investment portfolios shall be diversified across managers, asset classes, and styles.

3. Investment managers shall invest the majority of their assets in securities that reflect their asset class assignment and their prospectuses.

4. The investment managers may invest in fully collateralized derivatives (swaps or futures) to maintain market exposure, provide liquidity, and hedge currency. Notwithstanding the previous sentence, a manager may utilize derivatives as part of their strategy to gain exposure to certain markets and sectors or to maintain portfolio risk, without introducing leverage into the portfolio.

5. Investment managers may invest in private placements with the approval of the Investment Committee.
6. The Fund may invest in commingled funds, in recognition of the benefits of commingled funds as investment vehicles (i.e., the ability to diversify more extensively than in a small, direct investment account and the lower costs which can be associated with these funds). The Investment Committee recognizes that they may not be permitted to give specific policy directives to a fund whose policies are already established; therefore, the Investment Committee is relying on the Managing Fiduciary to assess and monitor the investment policies of such funds.

7. Investment managers are permitted to trade in publicly traded Real Estate Investment Trusts (REIT’s), but cannot invest in private real estate transactions excluding 144A securities without the approval of the Governing Fiduciary.

Alternative Investment Guidelines

The Fund may invest in private real estate, limited partnership interests and alternative investments, including private equity and hedge funds, only with the prior approval of the Governing Fiduciary. The Governing Fiduciary, at the request of the Managing Fiduciary, will determine the appropriateness of each investment on a case-by-case basis, taking into consideration the relevant analysis of the investment as provided by the Managing Fiduciary, including the illiquidity of the investment, in addition to the Fund’s overall allocation to alternative investments. Notwithstanding the foregoing, the Managing Fiduciary does not have investment oversight responsibility of the assets in the “self-directed” account, as outlined in the Managing Fiduciary Client Agreement.

Performance Benchmarks

The Fund will reference two benchmarks for evaluating investment performance of the aggregate portfolio. First, the combined S&P 500 and the Barclays Capital Aggregate Bond Index, weighted to reflect the equity/fixed income composition of the Fund, will be used as the traditional benchmark. Second, a custom benchmark will consist of the common industry benchmarks for the individual asset classes weighted according to the actual asset allocation, excluding private equity during the transition period. After the transition period, the custom benchmark will be weighted according to the target allocation, excluding private equity.

Attachments B and C include a list of all asset class and investment manager benchmarks, respectively, to be used in evaluating performance. These benchmarks will apply until such time as amended upon recommendation by the Managing Fiduciary and approved by the Governing Fiduciary.

Investment Officer
Hirtle, Callaghan & Co. will serve as the Chief Investment Officer and Managing Fiduciary for the Fund. Hirtle, Callaghan & Co. will report directly to the Investment Committee, in its capacity as Governing Fiduciary for the Fund, and will be responsible and have discretion for implementing the Investment Policy contained herein, monitoring the overall investment program and investment managers, recommending changes to the Investment Policy and other duties as discussed in this document. Notwithstanding the above, Hirtle Callaghan, as the Managing Fiduciary does not have investment oversight responsibility of the assets in the “self-directed” account, as outlined in the Managing Fiduciary Client Agreement.

Approval:

This Investment Policy for The Ohio University Foundation is hereby adopted this _____ day of January 2012.

By:

________________________   _________________________
Title:  President and CEO    Title:  President and CEO
The Ohio University Foundation    Hirtle, Callaghan & Co., LLC

________________________   _________________________
Title:  Treasurer   Title:  Treasurer
The Ohio University Foundation    Hirtle, Callaghan & Co., LLC
as Managing Fiduciary as Managing Fiduciary
## Hirtle Callaghan Investment Plan

### Ohio University Foundation - consolidated

<table>
<thead>
<tr>
<th>ASSET CLASS</th>
<th>POLICY</th>
<th>STRATEGY TARGET</th>
<th>RANGE</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Min</td>
<td>Max</td>
</tr>
<tr>
<td><strong>Global Equity</strong></td>
<td>52%</td>
<td>46%</td>
<td>- 68%</td>
</tr>
<tr>
<td>US Large Cap Value</td>
<td>11%</td>
<td>7%</td>
<td>- 15%</td>
</tr>
<tr>
<td>US Large Cap Growth</td>
<td>11%</td>
<td>7%</td>
<td>- 15%</td>
</tr>
<tr>
<td>US Small Cap</td>
<td>4%</td>
<td>2%</td>
<td>- 7%</td>
</tr>
<tr>
<td>Intl Equity - Developed</td>
<td>21%</td>
<td>14%</td>
<td>- 29%</td>
</tr>
<tr>
<td>Intl Equity - Emerging</td>
<td>5%</td>
<td>2%</td>
<td>- 8%</td>
</tr>
<tr>
<td><strong>Alternatives</strong></td>
<td>26%</td>
<td>15%</td>
<td>- 38%</td>
</tr>
<tr>
<td>Private Equity</td>
<td>9%</td>
<td>0%</td>
<td>- 15%</td>
</tr>
<tr>
<td>Special Opportunities</td>
<td>0%</td>
<td>0%</td>
<td>- 5%</td>
</tr>
<tr>
<td>Equity - Hedge</td>
<td>7%</td>
<td>0%</td>
<td>- 15%</td>
</tr>
<tr>
<td>Fixed Income - Hedge</td>
<td>3%</td>
<td>0%</td>
<td>- 8%</td>
</tr>
<tr>
<td>Commodities</td>
<td>4%</td>
<td>0%</td>
<td>- 8%</td>
</tr>
<tr>
<td>Real Estate</td>
<td>4%</td>
<td>0%</td>
<td>- 8%</td>
</tr>
<tr>
<td><strong>Fixed Income</strong></td>
<td>22%</td>
<td>17%</td>
<td>- 42%</td>
</tr>
<tr>
<td>Core Fixed Income</td>
<td>11%</td>
<td>5%</td>
<td>- 16%</td>
</tr>
<tr>
<td>Opportunistic Fixed Income</td>
<td>4%</td>
<td>2%</td>
<td>- 6%</td>
</tr>
<tr>
<td>TIPS</td>
<td>6%</td>
<td>3%</td>
<td>- 10%</td>
</tr>
<tr>
<td>Cash</td>
<td>0%</td>
<td>0%</td>
<td>- 10%</td>
</tr>
</tbody>
</table>

This Investment Plan was developed by Hirtle Callaghan in consultation with Client and is made a part of the Client Agreement. Client acknowledges and agrees, the Investment Plan applies to assets held in the Main Account and all related sub-accounts (existing or opened after the effective date of the plan). In addition, all main accounts (and related sub-accounts) listed on this Investment Plan are to be managed as a consolidated account, which means that while each account alone may or may not conform to the asset allocation listed above, all accounts combined will be managed in accordance with the stated investment allocation.

Market conditions may move an account outside of the approved ranges and the implementation of a change to rebalance the account will be made in an orderly manner and consistent with Hirtle Callaghan’s fiduciary responsibilities to Client and industry standards. Changes to this Investment Plan may be effected upon execution by Client and Hirtle Callaghan of a new Investment Plan, provided that the implementation of such change, if any, will be made in an orderly manner and consistent with Hirtle Callaghan’s fiduciary responsibilities to Client and industry standards.

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Client Signature Date

Investment Officer, Hirtle Callaghan Date

Portfolio Manager, Hirtle Callaghan Date

Hirtle Callaghan Date
Attachment B – Benchmarks (Asset Class)

The performance of each asset class will be evaluated versus the asset class performance benchmark and where available, to a universe of managers of similar investment style. The asset class performance benchmarks are:

<table>
<thead>
<tr>
<th>Asset Class</th>
<th>Benchmark*</th>
</tr>
</thead>
<tbody>
<tr>
<td>US Stocks – Large Cap</td>
<td>R1000 Index</td>
</tr>
<tr>
<td>US Stocks – Small Cap</td>
<td>R2000 Index</td>
</tr>
<tr>
<td>US Equity</td>
<td>R3000 Index</td>
</tr>
<tr>
<td>International Stocks – Developed</td>
<td>MSCI EAFE Index</td>
</tr>
<tr>
<td>International Stocks – Emerging</td>
<td>MSCI Emerging Markets Index</td>
</tr>
<tr>
<td>Global Equity (ex-US)</td>
<td>MSCI ACWI (ex US)</td>
</tr>
<tr>
<td>Hedge Funds – Total Return Strategies</td>
<td>HFR FOF Strategic Index</td>
</tr>
<tr>
<td>Private Equity</td>
<td>S&amp;P 500 Index plus 5%</td>
</tr>
<tr>
<td>Commodities</td>
<td>50% DJ AIG Commodity Index and 50% Custom Stock Index</td>
</tr>
<tr>
<td>Core Fixed Income</td>
<td>Barclays Capital Aggregate Bond Index</td>
</tr>
<tr>
<td>Hedge Funds – Absolute Return Strategies</td>
<td>HFR FOF Conservative Index</td>
</tr>
<tr>
<td>Treasury Inflation Protected Securities (TIPS)</td>
<td>Vanguard TIPS Fund</td>
</tr>
<tr>
<td>Opportunistic Fixed Income</td>
<td>BarCap High Yield BB / B Index</td>
</tr>
<tr>
<td>Real Estate</td>
<td>DJ Wilshire US Real Estate Index</td>
</tr>
<tr>
<td>Cash</td>
<td>91-Day Treasury Bills</td>
</tr>
</tbody>
</table>

*During the transition of the portfolio, it may be appropriate to utilize different benchmarks as the incumbent managers may manage their portfolios to other benchmarks that are different than those listed above.

Approved:

Title: The Ohio University Foundation
Title: Hirtle, Callaghan & Co., LLC
as Managing Fiduciary

Title: Treasurer
The Ohio University Foundation
Title: Hirtle, Callaghan & Co., LLC
as Managing Fiduciary
Attachment C – Benchmarks (Manager)
The performance of each investment manager will be evaluated versus the investment style benchmark for the manager and where available, to a universe of managers of similar investment style. The investment manager style benchmarks are:

<table>
<thead>
<tr>
<th>Asset Class</th>
<th>Benchmark*</th>
</tr>
</thead>
<tbody>
<tr>
<td>US Stocks – Large Cap Value</td>
<td>Russell 1000 Value Index</td>
</tr>
<tr>
<td>US Stocks – Large Cap Growth</td>
<td>Russell 1000 Growth Index</td>
</tr>
<tr>
<td>US Stocks – Large Cap Core</td>
<td>Russell 1000 Index</td>
</tr>
<tr>
<td>US Stocks – Small Cap Value</td>
<td>Russell 2000 Value Index</td>
</tr>
<tr>
<td>US Stocks – Small Cap Growth</td>
<td>Russell 2000 Growth Index</td>
</tr>
<tr>
<td>US Stocks – Small Cap</td>
<td>Russell 2000 Index</td>
</tr>
<tr>
<td>International Stocks – Developed</td>
<td>MSCI EAFE Index</td>
</tr>
<tr>
<td>International Stocks – Emerging</td>
<td>MSCI Emerging Markets Index</td>
</tr>
<tr>
<td>Commodities</td>
<td>50% DJ AIG Commodity Index and 50% Custom Stock Index</td>
</tr>
<tr>
<td>Hedge Funds – Total Return Strategies</td>
<td>HFR FOF Strategic Index</td>
</tr>
<tr>
<td>Private Equity</td>
<td>S&amp;P 500 Index + 5%</td>
</tr>
<tr>
<td>Core Fixed Income</td>
<td>Barclays Capital Aggregate Bond Index</td>
</tr>
<tr>
<td>Treasury Inflation Protected Securities</td>
<td>Vanguard TIPS Fund</td>
</tr>
<tr>
<td>Hedge Funds – Absolute Return Strategies</td>
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<tr>
<td>Opportunistic Fixed Income</td>
<td>BarCap High Yield BB / B Index</td>
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<td>Real Estate</td>
<td>DJ Wilshire US Real Estate Index</td>
</tr>
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<td>Cash</td>
<td>91-Day Treasury Bills</td>
</tr>
</tbody>
</table>

*During the transition of the portfolio, it may be appropriate to utilize different benchmarks as the incumbent managers may manage their portfolios to other benchmarks that are different than those listed above.

Approved:

Title: The Ohio University Foundation
Hirtle, Callaghan & Co., LLC
as Managing Fiduciary

Title: Treasurer
The Ohio University Foundation
Hirtle, Callaghan & Co., LLC
as Managing Fiduciary
Attachment D – Handling of Gifts

These procedures are the responsibility of the Foundation’s Treasurer, or his designee, and Governing Fiduciary and not the Managing Fiduciary.

Programmatic Considerations

In instances wherein the Treasurer of the Foundation has been made aware of a request for special handling of a gift or of the proceeds resulting from a gift, the Investment Committee will review such proposals and discuss them accordingly provided the handling does not violate any existing donor restrictions and that the request be related to programmatic considerations.

Gifts of Marketable Securities and Cash

The Foundation shall utilize a brokerage firm to receive and liquidate gifts of marketable securities. Utilization of a brokerage firm provides the Foundation with the ability to recognize and liquidate stock gifts in a timely and efficient manner. In accordance with IRS regulations, donors will receive gift credit for the average value of the high and low trades of the security on the date of the gift.

It is our goal to liquidate gifts of marketable securities by the close of business on the day subsequent to the official transfer of the ownership of the gift. Recognizing that liquidity and other factors may be involved that could impact the liquidation value, liquidation may be extended to a maximum of 30 days of the official transfer of the ownership of the gift.

So as to avoid adversely affecting the value of marketable securities received:

a) Shares liquidated on one trading day will not exceed 20% of the thirty day average daily trading volume of a stock;

b) If unusual stock specific or market conditions warrant, shares liquidated on one trading day may exceed 20% of the thirty-day average daily trading volume upon approval by the chair of the Investment Committee or his designee. In no event shall the party approving liquidation be the donor of the security.

Gifts of Illiquid or Non-Marketable Securities

Gifts of illiquid or non-marketable securities will be assessed by the Treasurer or his designee for the purposes of promptly recommending an exit strategy to the Investment Committee.
Each illiquid or non-marketable security with a stated or assumed value in excess of $100,000 shall be valued by an independent third party. The Investment Committee shall have the authority to reject such gifts.

**Founder’s Stock**

Opportunities related to technology transfer and conditions of licensing agreements associated with University research can enable the Foundation to receive shares of Founder’s Stock and/or stock options. In those cases where the stock/option is considered to be a closely held stock, provisions of Rule 144 should be addressed. Staff should monitor the status of the applicable provisions and give periodic updates to the Investment Committee, which will be responsible for making hold/sell decisions. Should publicly traded stock be received, then the stock should be sold in accordance with the provisions above.
Attachment E – Guidelines for Illiquid Investments

For the purpose of this policy “Illiquid Investments” shall be defined as investments that are not publicly traded and do not provide daily liquidity. Often the illiquidity of these investments lasts for greater than three years. Illiquid investments include private equity and real estate investments, but may include other instruments that do not fall into those categories. “Private Equity” shall be understood as investment in vehicles (usually private placement limited partnerships) organized to invest in companies that are not publicly traded generally. Illiquid “real estate” includes private real estate that is not publicly traded.

Illiquid investments shall be classified as an alternative investment component in the Investment Policy for long-term assets. The same applies to private equity and real estate. For purposes of determining compliance with this policy, the measurement of current allocation to illiquid investments on an ongoing basis shall be based upon the sum of (i) the most recently available valuation and (ii) any capital called since that valuation and will be cognizant of the asset allocation range.

Purpose

The primary goal of investing in illiquid investments is to generate returns in excess of public market opportunities over the long-term.

Diversification

Illiquid investments will be implemented with a diversification methodology that is appropriate for each type of investment (e.g., Private Equity). Specifically, Private Equity will be implemented with substantial diversification by using multiple managers/partnerships/funds/vintage years and phased-in implementation. A single fund of funds may satisfy this diversification.

Time Horizon

It is understood that this category of investment needs to be made with a long-term time horizon (e.g., generally seven years or more) and that investments are highly illiquid.

Professional Management

The Investment Committee may select one or more “fund-of-funds” managers who research and create portfolios of illiquid investments. This fund-of-funds approach is the preferred method of implementing Private Equity investment, because they build diversified pools comprised of well-established funds in which limited partners such as the Fund purchases an interest. This method creates
broad diversification, delegates the selection of partnerships to the fund-of-funds’ investment manager, and provides access to the best managers.

The Investment Committee recognizes that it is not in a position to conduct research and due-diligence reviews of individual illiquid investments. From time to time there may be exceptional circumstances when the Foundation Trustees agree that a particular partnership would offer unique strategic benefits to Ohio University. These direct investments in individual private companies in the interests of Ohio University shall be approved by the Trustees of the Foundation.

The selection process for any illiquid investment should include a thorough understanding of the investment philosophy, diversification methodology and due diligence of the fund of funds manager. The fund of funds provider should also disclose the fee structure of the partnership, the estimated drawdown schedule of capital to the partnership, potential life of the partnership, and the terms for closing the partnership to new investors.

**Monitoring**

While annual returns and interim valuations do not necessarily provide insight into the investment’s ultimate value, it is nonetheless important that the Investment Committee review on a regular basis the investment results of these illiquid vehicles and their managers.

It is also important to recognize that there are time lags, often one quarter, in the reporting of investment returns of illiquid portfolios. The standard for reporting performance on venture capital and Private Equity is “internal rate of return (IRR)”, which is a significantly different calculation than time-weighted rate of return, which is the standard used for evaluating managers of equity and fixed income portfolios. Therefore, caution must be used in making comparisons between the two types of managers and portfolios. For this reason the Fund will report performance on the “liquid” portion of the portfolio as well as on the total portfolio, which includes the illiquid investments.
Attachment F - Spending Policy

These procedures are the responsibility of the Foundation’s Treasurer, or his designee, and Governing Fiduciary and not the Managing Fiduciary.

Uniform Prudent Management of Institutional Funds Act (UPMIFA)

UPMIFA replaces the Uniform Management of Institutional Funds Act (UMIFA) which was approved by the National Conference of Commissioners on Uniform State Laws in 1972. UMIFA provided guidance and authority to charitable organizations within its scope concerning the management and investment of funds held by those organizations. The changes UMIFA made to the law permitted charitable organizations to use modern investment techniques such as total-return investing and to determine endowment fund spending based on spending rates rather than on determinations of “income” and “principal.”

Recognizing that prudence norms have evolved since the drafting of UMIFA, the new Act provides modern articulations of the prudence standards for the management and investment of charitable funds and for endowment spending. Specifically, as it relates to spending, UPMIFA modernizes the rules governing expenditures from endowment funds, both to provide stricter guidelines on spending from endowment funds and to give institutions the ability to cope more easily with fluctuations in the value of the endowment.

Ohio UPMIFA

Ohio legislature passed Amended House Bill Number 522 (HB522) and enacted a version of UPMIFA which became effective June 1, 2009 and can be found in Sections 1715.51 through 1715.59 of the Ohio Revised Code. HB522 alters several aspects of law concerning:

- the standards of conduct in managing and investing institutional funds,
- rules that apply to institutional endowment funds including those related to spending,
- the delegation of authority to manage investment funds, and
- the release or modification of restrictions contained in charitable gifts made by donors.

Ohio UPMIFA Endowment Spending Standards

Subject to the intent of a donor expressed in the gift instrument, an institution may appropriate for expenditure or accumulate so much of an endowment fund as the institution determines is prudent for the uses, benefits, purposes, and duration for which the endowment fund is established.
The institution shall act in good faith, with the care that an ordinary prudent person in a like position would exercise under similar circumstances, and shall consider, if relevant, the following factors:

- duration and preservation of the endowment fund
- purpose of the institution and the endowment fund,
- general economic conditions,
- possible effect of inflation or deflation,
- expected total return from income and the appreciation of investments,
- other resources of the institution, and
- the investment policy of the institution

To limit the authority to appropriate for expenditure or accumulate, a gift instrument must specifically state the limitations.

Ohio’s version of UPMIFA includes a “5% of fund value” annual spending safe harbor rule and replaces the “historic dollar value” standard of Uniform Management of Institutional Funds Act (UMIFA). Ohio UPMIFA states, “the appropriation for expenditure in any year of an amount not greater than 5% of the fair market value of an endowment, whether or not the total expenditures from it exceeds 5%, calculated on the basis of market values that are determined at least quarterly and averaged over a period of not less than three years immediately preceding the year in which the appropriation for expenditure was made, creates irrefutable presumption of prudence.” The safe harbor spending rule eliminates preexisting restrictions related to underwater endowment accounts and provides a threshold by which prudence can be measured.

**Ohio University Foundation Endowment Spending Policy**

Assuming prudent management helps ensure that endowment funds provide benefits to the University in perpetuity, the spending policy should focus on minimizing reductions in value during periods of poor market performance. To meet this goal, endowment appropriation for expenditures will be limited to the spending rate adopted by the Investment Committee. The spending rate and the administrative fee, will be subject to (i) annual review by the Investment Committee and, if necessary, (ii) recommendation for change by the Foundation’s Finance Committee, with input from the Investment Committee, for approval by the Foundation’s Executive Committee.

**Appropriation of Expenditures**

Spending authority for endowed accounts not underwater will be the product of a 4.0% spending rate and the 36-month moving average of fair market value. These accounts will also be subject to a 2.0% administrative assessment. Should market performance result in an unsustainable change in available
spending, the Investment Committee will address altering the spending rate accordingly.

In the event that endowed accounts are underwater, spending will be restricted to an amount equal to 1.0% of the 36-month moving average of fair market value. These accounts will not be assessed the administrative assessment.

Exceptions to these appropriation guidelines may be granted by the Finance Committee and, ultimately, approved by the Executive Committee.

**Donor Intent**

Donor intent as specifically stated in the fund agreement takes precedence over UPMIFA standards or OUF spending policies. If the fund agreement uses general terminology such as “retain principal” or “spend only income”, then spending will follow OUF spending policies that are in compliance with UPMIFA.

**Spendable Balance Carry-Forward**

In order to enhance fund values and promote prudence, planning units are not permitted spending authority for the carry-forward of the previous year’s spendable balance until sufficient justification is provided unless individual fund agreements specify otherwise. Justifications will be evaluated by staff based on UPMIFA factors for prudent management. A summary of those evaluations will be provided to the Audit Committee annually. This practice also assists in the monitoring of dormant accounts.

**Initial Spending from New Endowments**

Endowments are intended to be held in perpetuity; therefore spending typically comes from accumulated earnings derived from investment performance. Consequently, spending from new endowments will not occur immediately unless the donor specifies a certain amount as non-endowed and available for immediate appropriation. Spending will not commence on a newly established endowment for at least a 12-month period to allow for earnings accumulation. Spending will commence during the first commencement of a fiscal year (e.g., July 1) after the 12-month accumulation period.