DELAPLAINE
FOUNDATION
INC.

# INVESTMENT/PAYOUT POLICY

## OVERVIEW

Because Delaplaine Foundation, Inc. is expected to operate in perpetuity, the Board recognizes the needs for payout are long-term and that investment management must be strategic over a meaningful period of time. The Investment/Payout Policy seeks to:

- Preserve and protect the Foundation's assets;
- Maintain liquidity to meet the Foundation's operating requirements; and
- Earn an·appropriate return to investments

### OBJECTIVES

The goal of Delaplaine Foundation's investment program are (1) to earn sufficient investment returns to provide for the minimum 5% requirement of annual charitable distribution plus operating expenses, (2) to earn an additional return to maintain the purchasing power of the Foundation's invested assets after distributions, expenses and inflation; and (3) to enhance the purchasing power of the invested assets, if possible.

### REQUIRED PAYOUT

As a private foundation, Delaplaine Foundation is subject to the 5% minimum payout requirement under IRS Tax Code. Annually, all private foundations must make a qualifying distribution that equals or exceeds 5% of the Foundation's average fair market value of the endowment based on the preceding 12-month running calendar. The 5% payout is satisfied primarily by grants of charitable distribution to qualified nonprofits, however qualifying distributions also may include reasonable administrative expenses necessary for conducting the charitable activities of the Foundation. Failure to meet the 5% minimum payout rule places the Foundation at risk of a penalty equal to 30% of the shortfall or the remaining amount that should have been spent to meet the minimum and may also put the Foundation's tax-free status at risk.

### RESPONSIBILITY

The Board of Trustees of Delaplaine Foundation, Inc. has overall fiduciary responsibility to ensure that all assets of the Foundation are invested prudently. The Board may delegate the monitoring of the assets to the Investment/Finance Committee. The Board shall review and approve the actions recommended and executed through members of the Executive Committee which shall constitute the Investment/Finance Committee. This committee shall be comprised minimally of the Chairman, President and Treasurer (CFO) of the Board. The Investment/Finance Committee will:

- Oversee the investment policies and guidelines as described in the Objectives;
- Recommend any changes in investment policy to the board, including the selection or change of investment managers.
- The Investment Committee reserves the right to recommend modifications to the Board for approval regarding changes to asset allocation targets and range percentages.
- Allocate funds to investment managers. The investments shall be diversified at moderate risk and to maximize total return while limiting the impact of large losses in individual securities on the total invested assets of the Foundation;
- Meet periodically with investment managers to review performance results;
- The Investment/Finance Committee may terminate investment advisors who do not adequately discharge their duties, including, but not limited to, failure to meet the investment objectives, failure to adhere to the investment guidelines, or failure to adequately communicate with the Committee.
- Advise designated investment managers of anticipated financial needs for liquidity for making annual payout/distributions or as other needs become known;
- Review the investment results of each of the funds to ensure that the objectives are being met.