

GREAT SALT LAKE COUNCIL ENDOWMENT BOY SCOUTS OF AMERICA

STATEMENT OF INVESTMENT POLICY AND GUIDELINES

MISSION OF THE ENDOWMENT

The Great Salt Lake Council, Boy Scouts of America is a non-profit, tax exempt organization headquartered in Salt Lake City, Utah.

The mission of the Great Salt Lake Council Endowment is to secure the financial future of Scouting in the Greater Salt Lake area. The primary objective is to support Scouting's future. The secondary objective is to support current operations of the council by enabling programs and activities, important to the Scouting experience of boys and their leaders that cannot be met from current funding sources.

This mission can best be accomplished by:

- Soliciting and receiving contributions from those who value Scouting's ideals and wish to participate in ensuring Scouting's future.
- Broadening the awareness of Scouting as an ideal beneficiary of gifts, bequests and remainder interests from those with charitable intent.
- Actively managing Endowment assets consistent with the objectives of providing first, an increased level of income in the future through growth of assets, and secondarily current income for current needs.

PREAMBLE

Purpose of this Document

This Statement of Investment Policy and Guidelines is set forth in order to:

- Provide a clear understanding of the responsibilities of the various parties to the endowment, i.e. The Executive Board, Executive Committee, Investment Oversight Committee, Endowment Committee, Investment Consultant, Trust Company and the Investment Managers.
- Provide a clear understanding of the nature, purpose, and investment goals of the Endowment.
- Provide guidelines to the Investment Consultant and The Investment Managers regarding the execution of their duties on behalf of the Endowment.
- Provide an agreed upon basis by which the Executive Committee, Investment Oversight Committee, the Endowment Committee and the Investment Consultant evaluate Investment performance.
- Provide Donors to the Endowment a high level of confidence that their contributions are given the utmost care and used for the intended purpose.
- Establish guidelines for the use of income and principle of the Endowment by the Council.

This document is intended to establish a philosophy, which will guide the various parties toward the desired goal. It is intended that the policy and guidelines be sufficiently specific to be meaningful, but flexible enough to be practical.

Responsibilities

Executive Board

- Executive Board is a duly elected governing body authorized with the day to day decision making responsibilities of the Council.

Executive Committee

- Elected by the Executive Board and delegated their responsibilities from that body.
- Charged with the responsibility of protecting, preserving, and growing Endowment Assets.
- Approves and Maintains the Investment Policy and Guidelines Herein.
- Delegates to the Endowment Committee, and Investment Committee the ongoing duties of the Endowment and investments as described in their respective responsibilities below.
- Committee members shall discharge their duties solely in the interest of the Endowment, with the care, skill, prudence and diligence under the prevailing circumstances, that a prudent man, acting in like capacity and familiar with such matters, would use in the conduct of an enterprise of like character with like aims (the “Prudent Man Rule”).

Investment Committee

- 3 members of the Executive Board chosen by the Executive Committee whose experience and skills are in financial and fiduciary capacities.
- Charged with final approval of matters relating to Investments of the Endowment.
- Meets quarterly to review investment issues recommended by the Endowment Committee or their advisors.

Endowment Committee

- Delegated their responsibilities by the Executive Committee.
- Overseeing the selection and retention of any Investment Consultant and Investment Managers employed to manage the assets of the Great Salt Lake Council Endowment. Recommendations of such are presented to Investment Committee for final approval.
- Develop the appropriate asset allocation with the help of the Investment Consultant to meet the needs of the Council. Approve and recommend any changes to Investment Committee for final approval.
- Review the current and anticipated economic climate and its effect on the Endowment assets.
- Develop and manage programs necessary to carry out the Mission of the Endowment to raise awareness of the endowment and solicit additional contributions.
- Review the Investment Policy annually and make recommendations to the Executive Committee of any changes deemed appropriate.
- Report quarterly to the Executive Committee or their delegates on the Investment Oversight Committee, on the performance of the Endowment Assets as well as any other issues relating to the same.
- Report Semi-annually to the Executive Board at their Annual business meeting in June and the last board meeting of the scouting year in February or as requested by Executive Committee.
- Make recommendations to the Executive Board, and/or Committee on implementing needs and requests of the Council with regard to current funding needs and their impact on Endowment assets.
- Participate in a continuing education meeting to understand the asset allocation strategy, as well as the investment manager selection process and the investment process.
- Adhere to the “prudent man” rule described above.

Investment Consultant

- Assist in guidance of the Endowment Committee to operate within the Investment Policy and Guidelines
- Monitor the performance and the process, as outlined in the guidelines, of the Investment Managers to assure compliance with the Investment guidelines.
- Assist in the selection of Investment Managers
- Provide advice as to appropriate asset allocation to meet the needs of both current operations and future growth.
- Report monthly to the Endowment Committee on the performance and asset allocation of Investment assets.
- Adhere to the “prudent man” rule described above.

Investment Managers

- Authorized by the Endowment Committee or their delegates on the Investment Oversight Committee.
- Possess the necessary specialized research facilities and skilled personnel to meet investment expectations within these Investment Policies and Guidelines.
- Registered under the Investment Advisors Act of 1940.
- Provide annually to the Endowment Committee, a copy of their Form ADV, Part II, as referenced by Rule 204-3 of the Act.
- The Executive Committee through this document gives necessary tolerances to the Managers to reasonably safeguard the assets under their control.
- Managers to use best efforts to invest in companies whose business conduct is consistent with the ideals and values of scouting.
- Adhere to the “prudent man” rule as described above.

Trust Company

- Knows and understands trust agreement and any other documents affecting administration of assets held under trust.
- Enforces all aspects of the trust agreement including the disposition of assets for endowment purposes.
- Holds assets in safekeeping.

Objectives of Endowment Assets

Long Range Goals

- Long Range Goals are the primary objective of the Endowment
- Provide reliable source of distributable income to reduce reliance on outside annual funding.
- Position assets to provide for the anticipated yearly increases in the needs of the council.
- Position assets to provide for growth capable of outpacing the loss of purchasing power resultant from the affects of inflation.

While the Great Salt Lake Council expects to be the ongoing recipient of various funds, charitable gifts and bequests, it does not wish to make the meeting of its regular operational expense increases contingent solely on the new contributions. Therefore, growth of income is an important long-rang goal. Growth of income may come from:

- Increase in payments resulting from growth of dividends over time.

- Increase in payments resulting from an increase in interest rates from various debt instruments.
- Increase in value from gains on equity or debt securities that can be sold to obtain more income yielding investments when needed.

All parties to the Endowment understand that higher interest rates are not predictable, nor are they necessarily in the best interest of the equity or the long term fixed income assets of the Endowment. Therefore the Committees should pursue growth of future income as a priority rather than reaching for current yield. It is consistent with the objectives of the Endowment to achieve growth of dividends and interest and the timely redeployment of appreciated assets.

Short Term Goals

- Provide a distributable source of income for the cash flow needs of the Council consistent with the mission of the Endowment and subject to the spending policy outlined in this document.
- Preserve principal by reducing volatility through diversification.

INVESTMENTS

Investment Objectives

The Investment Objectives for the investable assets of the Endowment are as follows:

- A base return of 5% of the original principal, expressed in dollars, above the trailing 3 year average of the Consumer Price Index.
- The above is a total return requirement. This will include dividends and interest from securities, capital gains netted out against losses, price appreciation in market value of the underlying portfolio.
- Asset allocations should be targeted to produce expected returns consistent with this target using long term historical returns of asset classes as a guide.
- Returns to be adjusted for capital contributions and distributions from the Endowment.
- Base return to be net of all management, custodial, transaction, and trustee fees.

Allowable Investments

Equity Securities

All securities should be traded on the major or regional stock exchanges or the liquid Over the Counter Markets. International securities must be traded on any of the primary exchanges for international securities. All assets should have readily ascertainable market values and be fully liquid and marketable.

- Publicly traded common stocks
- Publicly traded preferred stocks and convertibles
- American Depository Receipts (ADR's)
- Real Estate Investment Trusts.
- Mutual Funds investing in the above.
- Closed end funds
- Exchange traded funds and indexes
- Unit Investment Trusts

Debt Instruments

- United States Government obligations
- Government Agency obligations
- Corporate obligations
- Convertible debentures and preferreds
- Foreign debt of sovereign nations with stable governments and security ratings similar to S&P
- High yield corporate debt which Investment Manager research has shown a clear reason to expect an improvement in credit quality. Limited to 10% of total fixed income or 5% of total assets.
- Collateralized Mortgage Obligations (CMO's) domestic only

Maturity structure of all debt instruments will be up to the discretion of the Investment Managers.

Cash and Equivalents

- Short term commercial paper
- U. S. Treasury Bills
- Money market funds
- Certificates of Deposit

Other

- Covered Calls if part of an approved portfolio enhancement strategy
- Protective Puts if part of an approved portfolio protection strategy
- Deferred Annuities issued by an insurance company with a Best rating of A+ or better
- Market Neutral fund strategies
- Holding of gifted Real Estate
- Holding of gifted precious metals, art or collectibles.
- Diversified managed futures funds

Prohibited Transactions

- Venture Capital
- Short sales unless part of a market neutral strategy
- Leveraged transactions
- Purchases of letter stock, private placements, or direct payments.
- Individual Commodity futures transactions
- Puts, calls, straddles, or other option strategies, except as outlined above.
- Purchase of real estate, with the exception of REITs
- Investments in companies who receive a material portion of their revenue from the production or sale of tobacco, alcohol, gambling or the production or distribution of obscene material.

Asset Allocation

The need to provide resources for current operations as well as preserving the purchasing power of assets over time dictates investing for higher returns to outpace these needs. This causes the Endowment to be biased toward equity investing. The long-term growth goals of the Endowment coupled with the Councils vulnerability to inflation further direct the Endowment towards equity investing.

The allocation to various asset classes should be driven by “total return” considerations and not “income only” considerations. Long-term goals of the Endowment should be emphasized when determining the asset allocation with current income a secondary consideration.

The asset allocation model is intended to be a guideline for the entire Endowment. Each individual manager will not be subject to the minimum/maximum asset limitations set forth by this policy. Rather, the Endowment Committee will review the Endowments overall asset allocation quarterly and will make adjustments as needed. The Investment Managers and/or the Investment Consultant may recommend shifts in asset allocation from time to time as market conditions change. It is intended that some asset classes should always be allocated some percentage of exposure due to their long-term history of controlling portfolio volatility and for various other reasons. Therefore the policy is to set minimums for those specific asset classes. Minimum and Maximum asset allocations are as follows:

	Minimum Allocation	Maximum Allocation
• Total Equity Securities	30%	70%
• Large Cap Growth Equities	10%	50%
• Large Cap Value Equities	10%	50%
• Small Cap Growth Equities	0%	20%
• Small Cap Value Equities	0%	20%
• International Equities	0%	30%
• Real Estate Investment Trusts	0%	20%
• Total Debt Securities	30%	60%
• Government Obligations	10%	60%
• High Grade Corporate	10%	50%
• International Debt Securities	0%	10%
• Convertible Securities	0%	10%
• High Yield Corporate	0%	10%
• Cash and equivalents	0%	40%
• Market neutral strategies	0%	10%
• Managed Futures	0%	10%

Performance Monitoring

Investment monitoring will be completed on an annual basis evaluating the performance of the plan's assets in relation to the stated investment objectives. Overall Investment Manager review will be completed after three years, and annually thereafter on a trailing three year basis.

Relative performance measurement may be utilized to evaluate investment management. Performance should be measured relative to:

- Their respective index benchmarks
- Performance of other managers with similar strategies and aims.
- Risk adjusted returns with risk measured to the benchmark index

Special care should be taken in evaluating manager performance to consider sub styles within asset classes and make allowances for differences in performance compared to benchmarks for those sub styles.

The following indices may be used to discuss the evaluation with the Endowment Committee and the Executive Committee:

- Consumer Price Index to measure inflation
- 90 day Treasury Bill to measure cash equivalents
- Lehman Brothers Government/ Corporate Intermediate Bond Index to measure high grade bonds
- Standard & Poors 500 Stock Index to measure large cap Equities

- Russell 1000 Value to measure large cap value
- Russell 1000 Growth to measure large cap growth
- Russell 2000 Value to measure small cap value
- Russell 2000 Growth to measure small cap growth
- Morgan Stanley EAFI index to measure international equities
- Salomon Bros Mortgage Back Bond Index to measure CMO's
- Salomon Bros Non-US Bond Index to measure International Bonds
- CSFB Convertible index to measure convertible bonds.
- Any hybrid of the above indices, so-constituted as to reasonably reflect the asset allocation utilized by the investment manager for those managers using a balanced or blended approach.

Classification of Assets

Donations to the Endowment shall be classified in accordance with standards established by the Financial Accounting Standards Board ("FASB") and the AICPA's guide for not-for-profit entities. Generally assets are classified as "permanently restricted," "temporarily restricted" or "unrestricted" as defined below. Such assets shall be administered subject to the Spending Policy below.

Permanently Restricted Assets

Permanently restricted assets are contributions to revenues received with donor-imposed restrictions that can never be removed by time or the actions of the Council's Executive Committee. Typically, these are gifts to the Council's operating fund, but may also include gifts of permanently restricted fixed assets, such as land that can never be sold. Such restrictions ordinarily will limit the use of both principal and income.

James E. West gifts are always considered permanently restricted by National BSA policy.

Temporarily Restricted Assets

A temporarily restricted contribution generally is recognized as support when it is received and is reclassified from temporarily restricted assets to unrestricted assets when the donor's restriction is satisfied or when the stipulated time has elapsed.

Unrestricted Assets

Unrestricted assets have no donor restrictions imposed on the contribution. Donations to the Endowment will be considered "unrestricted" except for those described above.

Determination of Proper Classification

Donor restrictions can be explicit in the gifting document with specific directions for use and restrictions, or they can be implicit through the gifting campaign conducted by the Council. For example, if the Council is conducting a capital campaign to build a new camp building, any gifts to the campaign would carry temporary donor restrictions for that purpose even though the donor did not specifically declare a restriction in a gifting document.

Furthermore, in certain situations, a donor can place restrictions on unrestricted assets. For example, if a donor makes a permanently restricted gift to the Council's operating fund with the condition that the Council match the gift with unrestricted assets, then both the original gift and the matching amount would become permanently (or temporarily) restricted by the donor's restriction.

Separate Holding or Designated Accounts

In the event that assets are gifted and earmarked for a specific purpose, not consistent with the objectives of the core Endowment investment assets, these assets will be held in a separate Endowment Holding Account. These assets will not be considered in the Endowment's spending policy nor will they have an effect on the Endowment's asset allocation restrictions. Distributions will be made depending upon the specific directions of the donor. The Endowment Committee will request a document outlining the purpose, restrictions and spending policy of the segregated gift. The Endowment Committee will administer the requests of the donor unless a separate trust agreement is required.

The Executive Committee may voluntarily designate and segregate unrestricted assets for specific purposes, projects or investments. This may aid in planning future expenditures. Because such designations are voluntary and may be reversed by the governing board at any time, designated portions are not considered restricted assets.

Multiple accounts may be created for accounting, monitoring and distribution purposes. Investments may include those approved for the Endowment's investable assets unless otherwise directed.

SPENDING POLICY

Spending Policies define an institution's compromise between two very important but often-conflicting goals. First, providing substantial, sustainable support for current operations, and second, preserving purchasing power by growing the endowment to provide for higher levels of support in the future and thereby achieving the long term funding goals of the Endowment.

Endowment Phases

During the first five years of the endowment the principle and income were "locked-up" as the "kick-off" campaign was initiated. That phase of the Endowment has been completed.

During the current "growth" phase of the Endowment the Executive Committee shall balance the past performance and size of the endowment with the current needs of the council to ensure that the priority remains the long-term growth of the endowment. The distributions shall always be in line with the mission of the endowment as specified above. The spending policy during this phase should limit distributions to the dividends and interest earned on Endowment assets. The Great Salt Lake Council budget should never include any amounts in excess of dividends and interest earned from the preceding year.

The spending policy shall be reviewed annually against actual returns and adjustments made if necessary to preserve the purchasing power of the endowment for the future.

The final phase of the Endowment will occur when the Executive Committee deems it appropriate. This should occur when the investment assets have the ability to distribute 5% of the principal amount of the Endowment annually toward the ongoing budget of the Great Salt Lake Council. This distribution level should, at that time, be determined to satisfy the current needs of the Council and only moderate growth to outpace inflation is needed for the future. The distribution rate of 5% should be monitored over a trailing three year period, in relation to the total return achieved by the Endowment assets and may be adjusted upward or downward as needed to preserve the Endowment. It is currently estimated that the value of the Endowment will need to be twenty million dollars before this phase of the spending policy will take affect.

Disbursements

Disbursements shall be made only from the Endowment's income (i.e. dividends and interest). Principal shall not be made invaded except in the case of emergency situations. In determining whether an emergency exists, the Endowment Committee shall determine whether a distribution of principal is consistent with the Mission of the Endowment, and shall consider all other sources of available funds to

meet the perceived need. A distribution of principle must be approved by the affirmative vote of two-thirds (2/3) the Executive Committee and such vote must be ratified by a majority vote of the Executive Board.

Disbursements to secure Scouting's future should be made to:

- Replace lost revenue from grants etc. needed for programs important to Scouting's values.
- Replace lost revenue resultant from potential de-funding by United Way or other agencies.
- Assist in defending the values and ideals of scouting locally.
- Assist in current operations of the Council to the extent of interest and dividends earned as approved by the Great Salt Lake Council Executive Board.
- Assist in the future expansion of the Councils ability to fund programs critical to the needs of the young men in the Greater Salt Lake area.

CONCLUSION

This statement of Investment Policy and Guidelines is designed to be used as a guideline to assist the Executive Committee, the Endowment Committee, the Investment Consultant and the Investment Managers. It should not be considered a legal document or a contractual obligation or right. It should be viewed as a flexible document whose purpose is to assist all parties to the Endowment in the management of the Endowments Investable Assets.

GREAT SALT LAKE COUNCIL, BOY SCOUTS OF AMERICA

_____ Date _____
Council President

_____ Date _____
Council Executive

_____ Date _____
Chairman Endowment Committee