

The Kappa Delta Rho Foundation Endowment is managed by an investment committee comprised of Trustee and non-trustee volunteers who are professionals in the financial industry. The Committee meets quarterly by conference call to review the portfolio performance and make any adjustments deemed necessary.

The Committee manages the endowment in accordance with the Investment Policy Statement adopted by the Board of Trustees. The Investment Policy Statement follows:

Investment Policy

Amended March 3, 2002, March 4, 2007

Purpose

The foundation, through its Investment Committee, will protect and invest gifts entrusted to the foundation so that income is available to support the programs funded by the foundation and that the gifts are kept for the intended use.

1. Pay-out of Income (Pennsylvania Statute)

- 1.1 The investment portfolio will be considered on a total return basis, which includes consideration of both income from dividends and interest, and also the appreciation or depreciation in the value of the portfolio. From time to time, the Investment Committee will recommend to the Board of Trustees the payout rate for distribution of the income for the foundation grants.
- 1.2 In order to provide some stability of income, the payout rate will be based on a three-year moving average.. The initial rate will be set at 5 percent.
- 1.3 The valuation date each year will be at the fiscal year end date, currently June 30.
- 1.4 The operating endowment income distribution for each fiscal year shall be distributed to the operating fund in equal parts quarterly. (September 30, December 30, March 30, and June 30) This amount is calculated by taking the valuation of the operating endowments at the close of the preceding fiscal year on June 30 each year, multiplying it by the payout rate adopted by the Investment Committee and dividing by four (4).

2. Investments

- 2.1 The Investment Committee is authorized to make investments guided by accepted principles of prudence to produce the maximum return on the investments consistent with the risks involved.
- 2.2 The Investment Committee must ensure adequate diversification, safety of principal, marketability, and liquidity of individual investments when selecting securities for the investment portfolio.
- 2.3 Investments should be made in high quality securities to protect the principal and produce a moderate rate of income while at the same time affording the opportunity for the portfolio to appreciate in value and produce growth in income.
- 2.4 The Investment Committee will allocate parts of the portfolio among equities, fixed income securities, and cash equivalents. Up to 90 percent of the funds are allowed to be invested in equities.

3. Kinds of Investments

- 3.1 **Fixed Income.** The fixed income or bond portfolio may be invested in short-term to intermediate-term (up to ten years) instruments, with the portfolio having a seven year or less average maturity. The bonds must have an AA or better rating or be guaranteed by the federal government or by an agency of the federal government. The bonds may also be collateralized by government bonds or federal agency debt instruments. In addition, the portfolio may also be invested in secured or unsecured loans to The National Fraternity of Kappa Delta Rho, Inc. Any loan to the National Fraternity must be approved by the Trustees of the Foundation.
- 3.2 **Equities.** Common stock and securities convertible to common stock may be purchased of large capitalized corporations or exchange-traded funds listed on one of the three national exchanges.

- 3.3 **Cash Equivalents.** Any short-term cash requirement may be invested in the United States Treasury bills, commercial paper, and corporate notes rated Prime-1 or better. Saving accounts, certificates of deposit, and money market accounts may be made in banks as long as the funds are covered by the FDIC and do not exceed \$100,000 in any one bank.
- 3.4 **Mutual Funds.** Investments may be made in mutual funds, provided that such funds have been in existence at least two years, are part of a family of funds, and are no-load or low-load funds.

4. Restrictions

- 4.1 The foundation may not sell short, trade on margin, invest in commodities, options, futures, limited partnerships, venture securities, or any other liquid investments.

5. Investment Management

- 5.1 The Investment Committee may delegate to a professional investment counselor the management of part or all of the investment portfolio. The management contract will be subject to Board of Trustees approval. The manager is expected to report regularly to the Investment Committee regarding the performance of the investment portfolio.

6. Investment Policy

- 6.1 This investment policy may be amended by the Board of Trustees on the recommendation of the Investment Committee.

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Kappa Delta Rho Foundation

Investment Policy
Resolution on Endowment Management Fees

Amended August 11, 2002

WHEREAS the Kappa Delta Rho Foundation manages various restricted funds for the benefit of the National Fraternity of Kappa Delta Rho, Inc., and its members, and

WHEREAS the Foundation has historically managed these funds without recovering the full cost of the investment program, only charging direct out-of-pocket expenses such as the cost of telephone conference calls and transactional fees, to the funds themselves, and

WHEREAS the funds under management have grown substantially in size and complexity in recent years, and

WHEREAS it is no longer efficient nor desirable for the Foundation to continue managing the restricted funds without recovering the full cost of the investment program, including, but not limited to, expenses such as the cost of conference calls and transactional fees, as well as intangible expenses such as a reasonable portion of the administrative and overhead expenses related to said management,

NOW, THEREFORE, BE IT RESOLVED, that the Kappa Delta Rho Foundation shall assess a managerial fee on a quarterly basis to all funds under management. The managerial fee shall be calculated as $\frac{3}{4}$ of 1% of the Net Asset Value of each fund per annum or .1875% calculated quarterly. Net Asset Value shall be calculated at the end of the second month of each quarter. The managerial fee of .1875% of the net asset value at the end of each quarter shall be assessed in arriving at the net investment income to be distributed to each participating fund.

FURTHER, that this resolution shall become effective for the fiscal year beginning on July 1, 1999.

FURTHER, henceforth, all direct out-of-pocket expenses associated with the management of the endowment shall be charged directly to the various operating expense accounts.