

ARLINGTON TOMORROW FOUNDATION
STATEMENT OF INVESTMENT POLICY
Revised February 15, 2012
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I. GOVERNING AUTHORITY

Pursuant to the Grant Agreement between the City of Arlington, Texas (the “City”) and the Arlington Tomorrow Foundation (the Foundation”), this Statement of Investment Policy (“SOIP”) is and shall be consistent with Chapter 2256 of the Texas Government Code, cited as the Public Funds Investment Act (the “Act”), and Chapter 163 of the Texas Property Code, cited as the Uniform Prudent Management of Institutional Funds Act. The Board of Directors on an annual basis shall consider a resolution stating the investment policy and investment strategies have been reviewed, and the resolution shall record any changes made to either the policy or strategies.

II. PURPOSE AND SCOPE OF THE STATEMENT OF INVESTMENT POLICY

This Statement of Investment Policy (SOIP) governs the management of the financial assets of the Foundation. Financial assets contributed by the City include the Park Land Fund, the Airport Land Fund, and the Other Land Fund. Other funds that may be contributed and created from time to time shall be administered in accordance with the provisions of these policies.

III. INVESTMENT OBJECTIVE

The Foundation is a non-profit corporation pursuant to Section 501(c)(3) of the Internal Revenue Code of 1986, as amended (the “Code”) and established by the City to enhance the City’s budget priorities through the distribution of interest earned on investment of gas lease bonus revenues. The primary emphasis of this policy is safety and liquidity of the Foundation’s assets. In addition to seeking return and preserving capital, the portfolio will be diversified so as to reduce the probability of large losses. Assets of the Foundation will be invested prudently and at a reasonable cost. Asset performance will be measured relative to an appropriate benchmark or benchmarks. Interest earnings, earnings, and appreciation, as used in the Grant Agreement, shall mean the amounts realized that exceed the principal amount used to purchase investments, including all interest, income, capital gains, appreciation, and earnings realized by sale, liquidation, dividend or otherwise from the Foundation’s investments.

IV. ASSET ALLOCATION AND INVESTMENT GUIDELINES

The Board has carefully and thoroughly reviewed the specific risk parameters of the Foundation. The Board also has reviewed various asset allocation options available to the

Foundation. The Board recognizes that the Texas Government Code, Chapter 2256, Section 2256.0202 provides guidance on the range and methods of allowable investments of funds received by the City from a lease or contract for the management and development of land owned by the City leased for oil, gas, or other mineral development, and that the funds received by the Foundation from the City pursuant to the Grant Agreement are funds covered by Section 2256.0202. Therefore, consistent with the Grant Agreement and Section 2256.0202 of the Act, the Foundation may invest such funds in any investment authorized to be made by a trustee under Subtitle B, Title 9, Property Code (Texas Trust Code), also known as the Uniform Prudent Investors Act.

While the Foundation operates under the prudent person standard allowed under Section 2256.0202 of the Act and Subtitle B, Title 9, of the Property Code, the Foundation also acknowledges that the Grant Agreement with the City requires adherence to other portions of the Act. A list of other permissible investments and items required under the Act are included in Appendix C.

The asset allocation policy has been designed to provide adequate income to meet the granting needs of the Foundation while also building a permanent corpus for the Foundation to exist in perpetuity. The table below provides the current asset allocation targets for the corpus and the allowable range around each target. The corpus portfolio will be rebalanced if the actual allocation exceeds the allowable range. . A specific list of allowable investments and of individual manager guidelines is included in the appendix of this SOIP.

Current Corpus Asset Allocation

Asset Class	Target Allocation	Allowable Range
Global Equity	50.0%	45.0% - 55.0%
Fixed Income	50.0%	45.0% - 55.0%

The Foundation’s assets shall be managed with considerations to (i) the requirements of any gift instrument applicable to a fund, (ii) the charitable purposes of the Foundation, and (iii) these factors as applicable:

- General economic conditions.
- The possible effect of inflation or deflation.
- Expected tax consequences of investment decisions or strategies.
- The role that each investment or course of action plays within the overall investment portfolio of the fund.
- Expected total return from income and the appreciation of investments.
- Other resources of the Foundation.
- The needs of the Foundation and the fund to make distributions and to preserve capital.
- An asset’s special relationship or special value, if any, to the charitable purposes of the Foundation.

The Board retains the right to modify asset allocation and investment guidelines in the future. The Board recognizes that as the Foundation grows and matures, further diversification into equity investments and other capital appreciation-oriented investments may be warranted. The Board, in conjunction with its Investment Consultant, will review no less than annually the Foundation's risk tolerance and asset allocation to determine if any change in policy is warranted. This SOIP will be modified as needed to reflect any future change in asset allocation and investment guideline.

If additional asset classes or categories are selected, the Board will identify the target range for each asset classes and the allowable ranges around those targets and articulate a policy for rebalancing among the different asset classes.

V. GRANTING POLICY

As stated in the governing authorities and agreements for the Foundation, the Foundation is vested with the responsibility of distributing the interest earned in the form of grants to a variety of program areas. Interest earnings, earnings, and appreciation, as used in the Grant Agreement, shall mean the amounts realized that exceed the principal amount used to purchase investments, including all interest, income, capital gains, appreciation, and earnings realized by sale, liquidation, dividend or otherwise from the Foundation's investments. Granting policy decisions are made by the Board pursuant to the Grant Agreement between the City and the Foundation, dated August 14, 2007, and after deducting administrative costs.

The Board recognizes that the Granting Policy for the Foundation is relatively unique compared to other Foundations. The Board further recognizes that at some point in the future, as the Foundation matures, Granting Policy may be revised under the procedures outlined by the applicable governing authorities and agreements.

VI. DISTINCTION OF RESPONSIBILITIES

Board of Directors

The Board of the Foundation shall establish the investment policy (described below) that is to guide the investment of the Foundation's assets. The investment policy describes the degree of overall investment risk that the Board deems appropriate, given prudent investment principles and the objectives of the Foundation.

The Board may hire other service providers to assist in the discharge of its duties. The role of Service Provider is detailed in this SOIP.

The Board retains the right to delegate some of its duties to an Investment Committee in the future. If the Board establishes an Investment Committee in the future, this SOIP will

be modified to reflect the establishment of the Investment Committee and to clarify the roles of the Board and the Investment Committee.

Investment Officers

Management responsibility for the investment program is hereby delegated to the Director of Finance of the City of Arlington. The City's Director of Finance, Treasurer, and Cash and Debt Administrator are designated as Investment Officers. No persons may engage in an investment transaction except as provided under the terms of this Policy and the procedures established by the City's Director of Finance. The City's Director of Finance shall be responsible for all transactions undertaken, and shall establish a system of controls to regulate the activities of other designated Investment Officers. In conjunction with the City's annual financial audit, an annual compliance audit of management controls on investments and adherence to the Board's approved Investment Policy will be undertaken.

Service Providers

The Board may hire service providers, including Investment Managers, Custodians and an Investment Consultant, to assist in discharging its duties. The Board may contract with an investment management firm to provide for the investment and management of funds under its control. The investment management firm (the "Investment Manager") must be registered either under the Investment Advisers Act of 1940 or with the Texas State Securities Board. The contract with the Investment Manager shall be limited to a maximum term of two years with renewal or extension subject to approval of the Board of Directors. The Board may designate an employee of its contracted investment management firm as Investment Officer in addition to any member or members of the Board and any City personnel assigned under the Administrative Services Agreement, dated August 14, 2007, with the duties of investing and managing the assets of the Foundation. All Investment Management firms must sign the certification in Exhibit A acknowledging that the firm has received and reviewed the Foundation's investment policy and that reasonable procedures and controls have been implemented to preclude investment transactions that are not authorized by the Foundation's policy.

The Board's approved investment policy shall govern the management of its funds. No persons may engage in an investment transaction except as provided under the terms of this policy and any written procedures established by the Board. An annual compliance audit of management controls on investments and adherence to the Foundation's established investment policies will be undertaken in conjunction with the annual financial audit.

The role of the Investment Manager, Custodian and Investment Consultant are described below:

Investment Manager

The investment manager will manage assets under investment guidelines detailed in Appendix B of this document, In addition, the investment manager has the following duties:

- Making day-to-day selections of investments for the Foundation, in compliance with the Investment Policy, the asset allocation policy, and any applicable regulations.
- Monitoring investment activity (and the market price of investments acquired with public funds) for full compliance with the Investment Policy and the asset allocation policy.
- Preparing and providing reports in compliance with the Public Funds Investment Act.
- Maintaining adequate detailed records of all transactions. The Investment Manager shall provide information and documentation on specific broker transactions as requested.
- Promptly informing the Board and its representatives regarding all significant matters pertaining to the investment of the assets. The Board shall be kept apprised of major changes in investment strategy, portfolio structure, market value of the assets, and other matters affecting the investment of the assets. The Board should also be informed promptly of any significant changes in the ownership, affiliation, organizational structure, financial condition, or professional personnel staffing of the Investment Manager.

Investment transactions shall be made with judgment and care, under prevailing circumstances, that a person of prudence, discretion and intelligence would exercise in the management of the person's own affairs, not for speculation, but for investment, considering the probable safety of principal as well as the probable income to be derived.

The Board may replace the Investment Manager with or without cause. In appointing an Investment Manager, the Board shall have the following duties:

- Determining whether the Investment Manager's fee schedule for investment services is reasonable, when compared to other such managers.
- Investigating and determining whether the past performance of the Investment Manager in managing investments has been reasonable.
- Investigating and determining whether the Investment Manager has complied with the Investment Management Agreement, including the asset allocation policy and the Investment Policy.
- Investigating any other factors which may bear on whether the Investment Manager is suitable.

- Providing information to the Investment Manager regarding funds available for investment in order for the Investment Manager to maintain a sound investment program.
- Reviewing reports and other information provided to the Foundation.

Custodian

The duties of the custodian will include the following:

- Serving as book of record for Foundation accounting purposes. The custodian will work with the Foundation and City to ensure all reporting requirements are met.
- Holding all Foundation assets, processing corporate actions, receiving dividend payments, income, and other common custodial duties.

Investment Consultant

The duties of the investment consultant will include the following:

- Establishing, reviewing and modifying types of investments and asset mix permitted by the Investment Policy and the asset allocation policy.
- Adopt and comply with an approved conflict of interest policy for all transactions.
- Assisting the Board with ongoing education.
- Proposing Investment Policy changes to the Board for approval at least annually.
- Perform such other duties as may be agreed upon between the investment consultant and the Foundation.

VII. EDUCATIONAL RESPONSIBILITIES

Investment training in compliance with the Act for Investment Officers designated by the Board shall be required in order to ensure the quality and capability of investment management. Training will be provided through courses and seminars offered by independent sources, including such professional organizations and associations such as the Government Treasurers Organization of Texas, the Government Finance Officers Association of Texas, the Association of Financial Professionals and its local chapters, the University of North Texas Center for Public Management, and others as approved by the Board. Investment Officers shall receive 10 hours of investment training from an approved source within 6 months of appointment or assumption of duties and, thereafter, 8 hours

every two years as required by the Act. In addition, Board members will comply with any educational requirements stated within the governing authority for the Foundation. The investment officer shall prepare a report on this subchapter and deliver the report to the governing body of the state agency not later than the 180th day after the last day of each regular session of the legislature.

VIII. REPORTING

The Investment Consultant will prepare a quarterly investment report containing all information related to investment activity required by the Act. As part of the quarterly report, all Board-designated Investment Officers shall sign a statement of compliance of the investment portfolio with the Act and the investment strategy stated in the investment policy. The Investment Consultant quarterly report will include an analysis of returns versus appropriate benchmark indices and include an analysis of returns vs. a peer group of other not-for-profit entities.

The investment manager will also provide monthly reports containing current market values, transactions made, market commentary, and other information that may be relevant to the Board. The investment manager and/or custodian will also work with Foundation staff to ensure proper account of Foundation assets.

IX. POTENTIAL CONFLICTS OF INTEREST

An Investment Officer who has a personal business relationship as defined by the Act with a business organization offering to engage in an investment transaction with the Foundation or with a business organization offering to contract with the Foundation for investment management services shall file a statement disclosing that personal business relationship. An Investment Officer who is related within the second degree by affinity or consanguinity, as determined under Chapter 573 of the Texas Government Code, either to an individual seeking to sell an investment to the Foundation or to an individual representing an investment management firm offering to contract with the Foundation for investment management services shall file a statement disclosing that relationship. The required disclosure statements shall be filed with the Board and the Texas Ethics Commission.

EXHIBIT A

**Texas Public Funds Investment Act
Certification by Investment Manager**

This certification is executed on behalf of the Arlington Tomorrow Foundation (the Investor) and _____ (the Investment Manager) pursuant to Chapter 2256, Government Code, cited as the Public Funds Investment Act, in connection with investment transactions conducted between the Investor and the Investment Manager.

The undersigned Qualified Representative is an officer and/or principal of the Investment Manager and hereby certifies on behalf of the Investment Manager that:

1. The Qualified Representative of the Investment Manager is duly authorized to execute this Certification on behalf of the Investment Manager, and
2. The Qualified Representative of the Investment Manager has received and reviewed the Investment Policy furnished by the Investor, and
3. The Investment Manager has implemented reasonable procedures and controls in an effort to preclude investment transactions conducted between the Investment Manager and the Investor that are not authorized by the Investor's investment policy, except to the extent that this authorization is dependent on an analysis of the makeup of the Investor's entire portfolio or requires an interpretation of subjective investment standards.

Investment Manager Qualified Representative

Business Organization (firm)

Signature

Name (Printed)

Title

Date

EXHIBIT B
Investment Manager Guidelines

All investment manager mandates will be subject to the “Governing Authority language detailed in Section I of the SOIP. In addition, individual manager guidelines applying to each manager are specified below:

- Registered with the SEC.
- Track record of 7 years or more as fixed income manager.
- Performance record that is compliant with the Global Investment Performance Standards of the CFA Institute.
- \$5 billion of institutional, tax-exempt assets under management in strategy.
- \$10 billion in firm-wide assets.
- Team that has worked together for 7 years or more.
- Favorable risk-adjusted performance.
- Strong rating from Aon Hewitt research team.

EXHIBIT C

List of Permissible Investments Under Public Fund Investment Act

Unless otherwise stated, the Foundation's investment strategies and policies applicable to funds covered by Section 2256.0202 of the Public Fund Investment Act (the "Act") shall be guided by and subject to the prudent investor standards set forth in the Act. The Grant Agreement with the City requires that this SOIP be consistent with the Act. In order to comply with the Grant Agreement and the Act, below is a list of additional items governing the Foundation's investment of funds pursuant to this SOIP:.

- The investment of funds pursuant to this SOIP shall be made using only those investment types which are authorized by and in accordance with authorizing federal and state laws, including, but not by way of limitation, the Act and the Texas Government Code, Chapter 2256, Section 2256.0202. In addition, the approved investment types include all authorized investments permissible under Section 2256.0202 as well as those listed in Sections 2256.009-2256.016 of the Act, which Sections and their respective lists of authorized investments are incorporated herein by this reference as if set out in full for all purposes.
- The Foundation is not required to liquidate investments that were authorized investments at the time of purchase, if they subsequently become unauthorized. However, an investment that requires a minimum rating under the Act does not qualify as an authorized investment during the period the investment does not have the minimum rating. Investment Officer(s) will take prudent measures that are consistent with this SOIP to liquidate an investment that does not have the minimum rating.
- All security transactions entered into with the Foundation shall be conducted on a "Delivery Versus Payment" (DVP) basis through the Federal Reserve System, with the exception of investment pools and mutual funds. By doing this, funds are not released until the Foundation has received, through the Federal Reserve wire, the securities purchased. The Foundation shall authorize the release of funds only after the purchased security has been received in the safekeeping account of the Foundation.