I. PURPOSE

The purpose of the Investment Alliance Program is to increase charitable giving in East Tennessee through a cooperative effort between the Foundation and selected investment management firms. The Investment Alliance Program consists of a formal business relationship between the Foundation and each Investment Alliance partner whereby both the Foundation and each partner will provide its clients and customers with new product offerings. It is the goal of the Foundation that it and the Investment Alliance partners will market the Alliance Program in ways that will increase and broaden philanthropy in East Tennessee. Through training sessions, seminars, special events, and marketing materials, Investment Alliance partners are encouraged to grow and increase assets for investment management.

II. SELECTION AND EVALUATION OF AND STANDARDS FOR INVESTMENT ALLIANCE PARTNERS

Selection:
The Board has authorized the Investment Committee to approve investment managers (including Investment Alliance Program managers). Potential Investment Alliance partners must complete the “Request for Information” Form to be considered for participation in the Program. The Investment Committee will review the Form at its quarterly meeting and determine whether or not to approve the application. The Investment Alliance applicant will be contacted by staff regarding the Committee’s decision. Approval of the Investment Alliance partner is contingent upon their acceptance of these investment policies (including applicable appendices), indicated by signing the certification included in Appendix D. Investment Alliance relationships may be discontinued at the sole discretion of the Investment Committee.

Evaluation of Investment Performance:
Although the standards for investment performance are specifically stated in this policy, the relationship with each Investment Alliance partner will be subject to many other variables. The final judgment on retention of any relationship shall include not only the quantitative aspects of performance as determined by this policy statement but also any qualitative aspects of the business alliance as determined by the Investment Committee and Board of Directors from time to time.

The primary investment objective of the long-term Investment Alliance funds is stated in the Investment Policies, III. The secondary objective for the Investment Alliance funds is to outperform a blended index weighted 70% in the Wilshire 5000 Index and 30% in the Barclay’s Capital US Aggregate Bond index. Individual Investment Alliance partners may be assigned other benchmarks that are more closely aligned to their objectives and style.
Individually managed Investment Alliance fund portfolios will be monitored on a continual basis for consistency in each manager’s investment philosophy, return relative to objectives, investment risk as measured by asset concentrations, exposure to extreme economic conditions, and market volatility. Portfolios will be reviewed by the Investment Committee on a quarterly basis, but results will be primarily evaluated over rolling five-year periods. The Committee will regularly review managers in order to confirm that the factors underlying performance expectations remain in place.

Standards and Responsibilities:
Investment Alliance partners retained by the Foundation must agree that;

A. The Foundation is the sole owner of assets held in the fund;
B. All such assets are and must remain under the Foundation’s sole control;
C. The Investment Alliance partner’s actions and performance will be overseen by the Investment Committee;
D. The Investment Alliance partner will adhere to the Foundation’s asset allocations, risk tolerance, and rebalancing requirements;
E. The Investment Alliance partner will not purchase securities on margin or sell securities short without the advance approval of the Investment Committee;
F. The Investment Alliance partner will rebalance as necessary to fall within the described target ranges for the investment pool or fund under management. The manager will review the need for rebalancing at least quarterly.
G. The Investment Alliance partner agrees to fees that are reasonable and consistent with what the Foundation pays other money managers for similar services;
H. The agreement may be terminated at any time and assets will be transferred to the Foundation immediately upon termination.
I. The Investment Alliance partner and/or the custodian will provide monthly statements including asset and transactions reports to the Foundation not later than the tenth business day following month end. The statements shall include the current market value of the assets, the cost basis and date of acquisition, income received, distributions made, fees paid, and securities transactions. The statement shall also include gains and losses, both realized and unrealized. The Investment Alliance partner and/or custodian shall also provide periodic (typically quarterly) statements of performance net of fees, including performance relative to appropriate benchmarks. The Foundation may request additional information from time to time as it deems necessary to measure performance; the Investment Alliance partner and/or custodian will provide special reports as reasonably requested.
J. The Investment Alliance partner must agree to distribute to the Foundation such sums as the Foundation may request from time to time, including the Foundation’s administrative fee for any fund under separate management and distributable income.
K. The Foundation will not pay any investment professional or any other party for referring a donor to the Foundation and no existing funds of the Foundation will be transferred to such a person as compensation for a referral.
L. The Investment Alliance partner will advise the Foundation promptly of any event that is likely to adversely affect the management, professionalism, integrity, or financial position of the Investment Alliance partner’s firm or its progress toward the goals and objectives of this policy.
M. The Investment Alliance partner and/or custodian will communicate immediately any concerns regarding portfolio transactions or valuation, or material changes in personnel, procedures, or organizational structure. 

N. The Investment Alliance partner will not invest any part of the Foundation’s assets through transactions that involve self-dealing or an actual or perceived conflict of interest.

O. The Investment Alliance partner understands that failure to comply with any requirement of this investment policy will lead to termination of the Investment Alliance partnership.

III. ASSET ALLOCATION AND INVESTMENT GUIDELINES

The Investment Committee will determine which types of instruments may be utilized by each Investment Alliance Partner after reviewing their application and/or performance history. The following types of instruments will be eligible investments for inclusion in Investment Alliance funds and pools:

<table>
<thead>
<tr>
<th>Type of Security</th>
<th>Investment Alliance Funds</th>
</tr>
</thead>
<tbody>
<tr>
<td>Common and preferred stocks and convertible securities traded on U.S. security exchanges or publicly available in the U.S. over-the-counter market, including mutual funds, exchange-traded funds and other pooled assets comprised of these securities</td>
<td>Yes</td>
</tr>
<tr>
<td>Derivative instruments including but not limited to swaps, options, and futures (except as utilized in mutual funds, exchange-traded funds, and other pooled assets as described above)</td>
<td>No</td>
</tr>
<tr>
<td>Private investments including but not limited to hedge funds and limited partnerships (such as venture capital, buyout, and long-short equity hedge funds)</td>
<td>No</td>
</tr>
<tr>
<td>Fixed-income or other debt securities</td>
<td>Yes</td>
</tr>
<tr>
<td>Pooled real estate and resource investments</td>
<td>No</td>
</tr>
<tr>
<td>Pooled investments in foreign equity or fixed-income securities</td>
<td>Yes</td>
</tr>
</tbody>
</table>

Asset Allocation:
The Investment Committee has established long-term allocation targets (and permissible ranges) for the following asset classes:

<table>
<thead>
<tr>
<th>Asset Class</th>
<th>Target Allocation</th>
<th>Range</th>
</tr>
</thead>
<tbody>
<tr>
<td>Equities</td>
<td>70%</td>
<td>60% - 80%</td>
</tr>
<tr>
<td>Fixed Income</td>
<td>30%</td>
<td>20% - 40%</td>
</tr>
</tbody>
</table>

There is not a target allocation for non-U.S. equities or fixed income securities for the Investment Alliance funds. Investment Alliance partners may, at their discretion, invest
their portfolio in pooled investments in foreign equities or fixed income securities up to a maximum of 15% of the total portfolio.

Investment Alliance partners are to keep the allocations within the defined ranges, rebalancing to within the range if the limits are exceeded. It is recommended to use cash additions and withdrawals to the Investment Alliance funds to rebalance whenever possible, avoiding unnecessary transaction costs or manager disruption.

Investment Guidelines:
A. The Investment Alliance partner will be responsible for making all investment decisions on a discretionary basis regarding all assets placed under their management and will be accountable for achieving the investment objectives indicated herein. Such discretion shall include decisions to buy, hold, and sell securities in amounts and proportions reflective of their current investment strategies and compatible with Foundation investment guidelines.
B. It shall be the policy of the Foundation to be fully invested to the maximum extent possible. Any excess cash and short-term fixed income holdings should be minimized except as required to meet distribution needs. It is recognized that at any point in time an Investment Alliance fund may not be fully invested. For asset allocation purposes these cash investments shall be considered in the asset classes with which they are associated. In turn, the Investment Alliance partner’s performance will be evaluated on the total amount of funds in each portfolio, including any cash component, against the appropriate benchmark that has no cash component.
C. The purchase and sale of securities will be made through nationally recognized, licensed brokers in a manner designed to achieve the best combination of executed prices and competitive commission rates.
D. The equity portfolio is expected at all times to be prudently and statistically diversified to avoid undue exposure to any single economic sector, industry group, or individual security.
E. The fixed income portfolio shall: maintain an overall weighted average credit rating of “A” or better by Moody’s or “AA” or better by Standard & Poor’s, hold no more than 15% of the portfolio in investments rated below investment grade (below Baa/BBB); or maintain a duration within +/-20% of the effective duration of the benchmark index.
F. Custody – The custodian for assets under an Investment Alliance partner’s management will be determined by the Investment Committee at the time the partner relationship is established.

East Tennessee Foundation Investment Policies apply to the Investment Alliance funds. The Investment Alliance partners are expected to respect and observe the specific limitations, guidelines, attitudes, and philosophies stated in the Investment Policies and this Appendix, or as expressed in any written amendments or instructions. Signature of the certification included in Appendix D will constitute a ratification of these policies, affirming the belief that Investment Alliance partners are realistically capable of achieving the objectives within the stated guidelines and limitations.
IV. ADDITIONAL REQUIREMENTS AND RESTRICTIONS

Additional requirements, investment guidelines, and restrictions for the Investment Alliance Program are as follows:

A. **Minimum Account Size:** The minimum amount for participation as an Investment Alliance partner is $1,000,000.

B. **New Funds Only:** Only new gifts to the Foundation are eligible to be included in an Investment Alliance Program account.

C. **Endowed Funds Only:** Only endowed funds of the Foundation are eligible to be included in an Investment Alliance Program account.

D. **Fees:** The Foundation’s base administrative fee ranges from 1.25% to 1.5% depending on the size and type of fund. A tiered structure of reduced fees is in place on balances greater than $250,000. For example, the annual administrative fee for a donor advised fund of $1,000,000 is $8,125 (81.25 bps). The investment management and custodial fee charged in the Investment Alliance Program are in addition to the Foundation’s administrative fee. It is expected that Investment Alliance partners will charge a competitive investment fee, preferably at an institutional rate, depending on the size of the account and the nature of the Investment Alliance partner.

E. **Alliance Relationship after Death of Donor:** Upon the death of the fund’s original donor, the agreement between the Foundation and the Investment Alliance partner will normally terminate upon the death of the donor.

F. **Self-Dealing:** Donors and fund advisors may not act as investment managers and the Investment Committee will not approve any investment manager who is a member of the donor’s family or any investment firm controlled by the donor or fund advisor either individually or together with members of the donor/advisor’s family.

G. **Fee Disclosure:** The Investment Alliance Partner must disclose all fees that the Investment Alliance Partner and his/her firm will receive either directly or indirectly related to this account.

V. ACCOUNT STRUCTURE

Without special arrangement and approval by the Investment Committee, Investment Alliance partners will invest the total assets of the Investment Alliance relationship, not each individual gift or trust. The Foundation will be responsible for the unitized accounting on the Foundation Funds within the Investment Alliance. The Foundation’s database will allocate the percentage investment allocations on a pro-rata basis among the Funds within the pool.