

Pacific Seed Investment Policy Statement

I. Purpose

The purpose of the Pacific Seed Association (PSA) Investment Policy Statement (IPS), which should be reviewed annually by the PSA Board (Board), is to:

- Establish investment objectives and guidelines.
- Identify eligible investments that can be owned or controlled by the organization.
- Identify the criteria against which the investment performance will be measured.
- Communicate the investment objectives to the Board, staff, Investment Advisor (Advisor), Investment Managers (Managers), brokers, donors, and funding sources as appropriate.
- Serve as a review document to guide the ongoing oversight of the management of the investments of the organization.

II. Objectives & Guidelines for Investing

The investment objective of the total fund is to achieve a total return (income and appreciation) of 5% annually.

The following guidelines apply to three main investment classes:

A. Money Market Funds: Recommended Target 5-10% of Total Portfolio.
Allowable range: Minimum 5%; Maximum 60% of total assets.

A quality money market fund will be utilized for the liquidity needs of the portfolio whose objective is to seek as high a current income as is consistent with liquidity and stability of principal. The fund will invest in “money market” instruments with remaining maturities of one year or less, that have been rated by at least one nationally recognized rating agency in the highest category for short-term debt securities. If non-rated, the securities must be of comparable quality.

B. Equities: Recommended Target 10-20% of Total Portfolio.
Allowable range: Minimum 0%; Maximum 40% of total assets.

The equity component of the portfolio will consist of high-quality, small, mid or large capitalization, domestic (U.S.), international, emerging market equity securities traded on the New York, NASDAQ, or American Stock Exchanges. These securities must be screened for their above average financial characteristics such as price-to-earnings, return-on-equity, debt-to-capital ratios, etc.

No more than 5% of the equity portion of the account will be invested in any one issuer and not more than 20% of the equity portion of the account will be invested in stocks contained within the same industry.

It is acceptable to invest in an equity mutual fund(s) and exchange traded funds (ETFs) adhering to the investment characteristics identified above which maintains an expense ratio consistent with those other funds of similar investment styles as measured by the Lipper and/or the Morningstar rating services.

Prohibited equity investments include: restricted securities, private placements, derivatives, options, futures, and margin transactions.

Exceptions to the prohibited equities investment policy may be made only when assets are invested in a mutual fund(s) that periodically utilizes prohibited strategies to mitigate risk and enhance return.

C. Fixed Income: Recommended Target 75% of Total Portfolio.
Allowable Range: Minimum 20%; Maximum 80% of total assets.

Bond investments will consist solely of taxable, fixed income securities that possess a highly liquid secondary market. This may include open end or closed end mutual funds.

No more than 10% of the fixed income portfolio will be invested in corporate bonds of the same issuer. As well, not more than 20% of the fixed income portfolio will be invested in bonds of issuers in the same industry.

Exceptions to the prohibited fixed income investment policy may be made only when assets are invested in a mutual fund(s) that periodically utilizes prohibited strategies to mitigate risk and enhance return.

III. Performance Measurement Standards

The benchmarks to be used in evaluating the performance of individual securities against their peer group in the two main asset classes will be:

Equities: S & P 500 Index-Goal: exceed the average annual return of the index over a full market cycle (3-5 years).

Fixed Income: Barclays Aggregate Bond Index-Goal: exceed the average annual return over a full market cycle (3-5 years).

IV. Investment Committee

The PSA Board will establish an Investment Committee and elect an Investment Committee Chairperson (Chair) from the Board through a majority vote of the Board. This will take place at the first Board meeting of the new fiscal year. The Board will also appoint a Board Director (Director) to oversee, advise, assist and act as a liaison between the elected Chair and the Board.

The Investment Committee (Committee) shall consist of not fewer than three (3) and not more than five (5) members. Committee members other than the Chair will be appointed by the PSA Board and shall consist of PSA members not on the PSA Board.

These positions become effective immediately upon their appointment. The Director, Chair, and Committee members will serve one-year terms consistent with the Fiscal Year of the Organization.

The Director and/or Chair shall be responsible for the preparation and delivery of Committee activity reports as deemed necessary by the Board on a quarterly basis.

V. Duties and Responsibilities of the Investment Committee

The Committee's role is supervisory, not advisory. Discretion is delegated to the Advisor as long as they adhere to these IPS guidelines established by the Board. The Committee's responsibilities include:

- A. Recommending to the Board investment policy and objectives.
- B. Exercising prudent judgment in reviewing, considering and approving financial directions and policies for investment of the PSA's assets.
- C. Establishing Advisor guidelines and reviewing the guidelines with the Board annually.
- D. Reviewing investment results and status of the investment income usage on a regular basis with the Board through use of the 4% comprehensive withdrawal guideline.
- E. To regularly review the performance of the Investment Account (Account) with the guidelines as set forth in this IPS, and report to the Board with updates and recommendations as needed.

VI. Monitoring of the Investment Advisor

The performance of the Advisor will be monitored on an ongoing basis and the results will be reported to the Board. It is at the Board's discretion to take corrective action by replacing an Advisor if they deem it appropriate at any time.

If the Committee decides the present Advisor should be replaced, the Board will be notified by either the Director or Chair of this necessary action and the reason(s) why. Some examples that would cause this to happen are not limited to those listed below:

- The present Advisor resigns
- The present Advisor retires
- The Advisor is not adhering to the IPS investment guidelines
- The Board's investment objectives are not being achieved.

If the Board decides or agrees with the Committee, the Committee will commence with an interview process. Both the Board and the Committee can provide candidates to be interviewed. It is recommended that any member of the Board's family be exempt from consideration.

At the conclusion of the interviews the Committee will recommend to the Board an Advisor for approval and how the Committee arrived at its decision. However, if the Board does not agree

with the recommendation, the interview process will continue employing the above steps until a favorable conclusion is reached.

VII. Duties and Responsibilities of the Investment Advisor

A. Manage the Foundation's assets under its care, custody and/or control in accordance with the IPS objectives and guidelines set forth herein or as expressed in separate written agreements when deviation is deemed prudent and desirable by the Board.

B. Exercising investment discretion, including holding cash equivalents as an alternative, within the IPS objectives and guidelines set forth herein.

C. Promptly inform the Committee in writing regarding all significant and/or material matters and changes pertaining to the investment of the Foundation's assets, including, but not limited to:

- a. Investment strategy
- b. Portfolio structure
- c. Tactical approaches
- d. Ownership of firm
- e. Organization structure
- f. Financial condition
- g. Professional staff
- h. Recommendations for guideline changes
- i. All material legal, SEC and other regulatory agency proceedings affecting the firm.

D. Promptly voting all proxies and related actions in a manner consistent with the investment objectives. The Advisor shall keep detailed records of voting of proxies and related actions and will comply with all regulatory obligations and related hereto.

E. Acknowledge and agree in writing to their fiduciary responsibility to fully comply with the entire IPS as set forth herein, as modified in the future.

VIII. Deposits, Withdrawals, & Recommendations

Only the Board can determine and authorize the dollar amount and timing of deposits and/or withdrawals to/from the Account. The Executive Director and/or the Treasurer are the only individuals who are authorized to provide the Board's direction to the Chair. These instructions will be provided in writing for submission to the Advisor as a communication of the Board's directive.

When a deposit is made, the above instructions will be accompanied with a check. Any withdrawal will be payable to THE ORGANIZATION and mailed to the Board's address.

Upon accepting a deposit or making a withdrawal, the investment guidelines as outlined in Section II of this IPS will continue to be applicable.

The Board may withdraw funds as considered necessary to fund Foundation programs, but it is recommended the Board only withdraw annually up to 4% of the total market value (market

value to be determined as of the last business day of the preceding fiscal year) for any purpose deemed by the Board.

It is recommended the Board not calculate the income for budget purposes.

XI. Adoption

This IPS shall be adopted by resolution of the Board's members. The Committee shall review the policy annually and recommended changes will be presented to the Board for consideration.

IPS History

The initial IPS was approved by the Board on _____. The Section respective to the Investment Committee was subsequently amended on _____.

This major rewrite of the IPS was approved by the Board on _____.

Glossary

Account-Investment Account

Advisor-Investment Advisor

Board-Pacific Seed Association Board

Chair-Investment Committee Chairperson

Committee-Investment Committee

Director-Board Director

IPS-Pacific Seed Association Investment Policy Statement

Managers-Investment Managers

Executive Director- Executive Director