



COMMUNITY FOUNDATION *of Northeast Alabama*

DONOR RECOMMENDED INVESTMENT MANAGER POLICY

The Community Foundation of Northeast Alabama (Foundation) recognizes that the pooling of invested assets reduces administrative and investment-related expenses and thereby allows more money to go toward the charitable good. For this reason, the Foundation has established guidelines for situations when a donor wishes to recommend a specific investment manager (“Recommended Manager”) to manage his or her fund.

At the same time, the donor acknowledges the Recommended Manager must make investments only pursuant to the approval of the Foundation and within the Foundation’s Investment Policy and Guidelines which is included as part of this document. The Recommended Manager must understand the Foundation has complete fiscal control over all gifts and assets.

Policy

Upon request by a donor at the time of a gift and establishment of a fund, and subject to the approval of the Foundation Board of Trustees, the Foundation may enter into a contract with an individual investment manager (“Recommended Manager”) to manage assets given to the Foundation by said donor, provided:

Minimum Requirements:

- The total market value of the separately managed fund must equal or exceed \$100,000. If the fund balance falls below \$100,000, the Foundation, at its discretion, may fold the fund into the pooled endowment fund.
- The donor recommends a Manager in writing;
- The Recommended Manager, at a minimum, must be actively registered with FINRA and affiliated with a Member Firm. The Foundation prefers the Recommended Manager be a Registered Investment Advisor under the Investment Advisors Act of 1940 with fiduciary responsibilities and oversight by the Securities and Exchange Commission; The Recommended Manager is not a disqualified person. The Internal Revenue Service may impose serious penalties on a public charity that engages in or allows disqualified gifts, grants, contracts or transactions. The Foundation takes great effort to avoid or prohibit transactions among persons who are prohibited from benefiting due to their relationship with donors. A disqualified person includes an affiliation with the

donor within the third degree (parent, spouse, child, grandchild, great grandchild, niece, nephew, or first cousin). These relationships include persons who are legally adopted. A disqualified person also includes direct business relationships.

- The assets must be managed in a separate account belonging to the Foundation and the donor may exercise no control over that account.
- The Recommended Manager may not serve as both the investment manager and the donor advisor for any Foundation fund managed by their company.
- New Recommended Managers must be approved by the Foundation's Board of Trustees.

Fees:

- The donor acknowledges the fees and expenses charged by the Recommended Manager will be deducted solely from the total return on the funds held by the Recommended Manager.
- The donor agrees an annual administrative fee will be deducted from the total return on the funds. The administrative fee will be determined in accordance with the then current fee policy of the Foundation.
- The donor agrees an annual fee of \$1,000 will be deducted from the total return on the funds to support the Foundation's additional expenses related to a separately managed fund.

Investment Management:

- Each separately managed fund shall be owned and titled in the name of "Community Foundation of Northeast Alabama" with a reference to the fund name.
- The donor acknowledges the Recommended Manager must make investments only within the guidelines of the Foundation's Investment Policy and Guidelines, will communicate regularly with the Foundation, and will provide inquiry only, automated access to account data, where possible, to the Foundation's pooled investment advisor.
- The donor acknowledges the Recommended Manager must adhere to all investment instructions, advice and guidance provided by the Foundation, and will be evaluated according to the same criteria and benchmark requirements as apply to the other investment managers holding funds for the Foundation.

- The Recommended Manager shall take instructions (both written and verbal) only from authorized employees of the Foundation (never from the donor who created the fund).
- The donor acknowledges the investment earnings of the fund managed by the Recommended Manager will be added solely to the total return on the funds held by the Recommended Manager.
- The donor acknowledges the money held by a Recommended Manager will be a part of the Foundation's Endowment Fund portfolio and investment performance returns will be tracked separately for each Recommended Manager from the Foundation's pooled investments.
- The donor acknowledges the Recommended Manager and the donor must comply with the Foundation's Gift Acceptance Policy.
- For donor advised funds neither the donor; nor individuals related to the donor; may have investment management control over the fund or receive compensation in any form from the fund. The Recommended Manager may be in the same investment firm as the donor provided the Community Foundation of Northeast Alabama receives a letter from the investment firm's compliance officer and/or legal counsel that confirms the Donor and any related individuals will not receive any compensation from the investment management of the fund.
- The donor acknowledges the recommendation is limited to a specific person and not to an investment management firm. Should the recommended manager leave the employment of his/her firm the outside manager relationship will automatically terminate and the investment account closed.

Revocation or Termination:

The donor acknowledges the Board of Trustees of the Foundation may, at any time, revoke the privilege of the donor recommendation. The donor acknowledges that I.R.S. regulations require that the Foundation Board retain the sole discretion to terminate the Foundation's relationship with the Recommended Manager, and to transfer the funds held by the Recommended Manager to other investment managers under any facts or circumstances that the Board in good faith believes warrant such termination and transfer. Such facts and circumstances will include but not be limited to a determination made in the sole discretion of the Board that the Recommended Manager has failed to meet the benchmark requirements set forth herein, including any amendments that may be made from time to time; has failed to perform comparably to other managers; has charged fees that are incommensurate with services provided; has failed to adhere to the Foundation's investment instructions, advice or guidance; or has otherwise failed to perform as requested by the Foundation.

In the case of an agency donor, the board of the agency must pass a resolution directing the agency to request that the Foundation enter into a contract with a recommended manager. The agency donor must supply that resolution to the Foundation at the time of making its request.

The Foundation will not pay any Recommended Manager or any other party a commission or fee for bringing a donor who creates a fund to the Foundation, and no existing assets of the Foundation may be transferred to a Recommended Manager or other party as “compensation.”

Each instance of the requests contemplated by this Policy will be evaluated individually. As always, the Board reserves the right to refuse any gift deemed to be against the best interests of the Foundation.

I understand and agree to all of the above guidelines:

_____ Date _____
Donor Signature

Recommended Manager Contact Information:

Manager Name: _____

Manager Title: _____

Company Name: _____

Company Address: _____

Manager Phone: _____

Manager Email: _____

Approved by the Board of Trustees on July 29, 2015

Revised February 11, 2016

Revised August 11, 2016