POLICY STATEMENT (R*)

Purpose
Recognizing that the Foundation’s mission includes assisting the university in accomplishing certain goals that may ordinarily be beyond the capabilities of the university to achieve, this policy sets forth the conditions under which the Foundation will make “directed” investments for the benefit of the University as part of the Foundation’s overall investment portfolio.

REASON FOR POLICY (O*)

RELATED INFORMATION (O*)
The FIU Foundation, Inc. Investment Policy Statement
The FIU Foundation, Inc. Conflict of Interest Policy
The FIU Foundation, Inc. Investing Endowed Funds and Use of Earnings
Florida Statute 1010.62
Board of Governors Debt Management Guidelines

DEFINITIONS (R*)
Directed Investment: Use of endowment assets to make an investment in a project proposed by the university.

PROCEDURES (O*)

University Approvals
Before being presented to the Foundation, any proposed directed investment must have first obtained all required University approvals, including but not limited to approval of an all-funds business plan by the CFO and SVP for Administration and Finance. In addition, all academic units, schools and centers must obtain approval from the Provost and SVP for Academic Affairs for the programmatic plan and documented benefit to academic mission. In addition, any academic unit, school or center seeking a directed investment must be in compliance with all Foundation policies and procedures.

Foundation Committees to Evaluate Proposals
Real Estate Sub-Committee for investments in real estate
Investment Sub-Committee
Finance Committee
Board

Treatment as Investment
The primary purpose of the Foundation’s assets is to support the university. Assets based on unrestricted and
temporarily restricted gifts need to have annual or better liquidity in order to support current operations. Substantial
losses on these assets reduce the Foundation’s ability to support the University as our project directors and donors
expect the funds to be expended for the charitable purpose that motivated the gift. In contrast, endowment assets are
perpetual by nature and are expected to be invested for long term performance. There is an implicit understanding that
endowed investments may occasionally suffer losses, but that over the long term, these losses shall be offset by gains.

As “directed” investments typically require an initial outflow of funds and only an eventual return of capital and gain,
the early part of the investment may show a negative return. Therefore, any directed investment of the Foundation
shall be considered an endowment pool investment. The investment shall be formally part of the Foundation’s
investment pool and shall be separately tracked from inception until the investment is completed.

Specifically excluded from this policy is venture capital funding for scientific, technical or medical start-ups which will be
handled by the Florida International University Research Foundation.

Limitation of Total Amount of Directed Investment
In order to maintain the focus of the endowment pool on its core mission and to provide the outsourced discretionary
investment officer with sufficient assets to achieve the objectives set for them by the Board, there shall be a maximum
of 3% of the endowment investment pool available for directed investment. Any exception to this limitation must
present such a fundamental benefit to the entire university (not a particular unit or school) that it will have a
transformative effect on FIU.

FUPMIFA
All of the Foundation’s assets must be managed in accordance with the Florida Uniform Prudential Management of
Institutional Funds Act (FUPMIFA), Title XXVI, Chapter 617, Section 2104 of the state statutes.

As per FUPMIFA, in evaluating whether to make an investment, the Foundation’s committees and Board
must consider, if relevant:

a. General economic conditions.
b. The possible effect of inflation or deflation.
c. The expected tax consequences, if any, of investment decisions or strategies.
d. The role that each investment or course of action plays within the overall investment portfolio
   of the fund.
e. The expected total return from income and the appreciation of investments.
f. Other available resources of the institution.
g. The needs of the institution and the fund to make distributions and to preserve capital.
h. An asset’s special relationship or special value, if any, to the charitable purposes of the
   institution.

In addition, reputational and other risk factors, as appropriate, should be considered. Management and
investment decisions about an individual asset must be made not in isolation but rather in the context of
the institutional fund’s portfolio of investments as a whole and as a part of an overall
investment strategy having risk and return objectives reasonably suited to the fund and to the institution.

**Rate of Return**
Currently, the stated goal of Foundation’s Investment Policy is to achieve a real annual return of 6% in order to maintain the long term purchasing power of the endowment. Therefore, the Investment Sub-Committee must assess the risk of any proposed directed investment and must determine the required return from the proposed directed investment so that it complements the overall expected rate of return required of the endowment pool. This evaluation must include the nature, benefit, duration, liquidity and riskiness of the proposed directed investment, as well as the composition and performance of the endowment investment pool and general economic conditions. The riskiness of the investment will be based on the nature of the investment and the financial performance of the school or unit making the proposal. In its evaluation, the Investment Sub-Committee may not assume that the university will guarantee the return on the investment unless the proposed directed investment is for the university, as a whole, as certified by the CFO. If the Investment Sub-Committee agrees to the proposed directed investment, it must set the required rate of return to be furnished by the school/unit.

**Collateral**
When the Foundation makes an investment, it purchases either a financial instrument or a share of a partnership. Similarly, directed investment shall only be made when the Foundation can attain an ownership interest in real or personal property to serve as collateral for the full value of the investment.

The Foundation does not make unsecured loans as part of the investment portfolio.

The cash needed for the directed investment shall be made available from the liquid funds available within the endowment pool at the time of the investment.

**Directed Investment and Outside Chief Investment Officer**
Any directed investment shall not be considered part of the Outside Chief Investment Officer’s (OCIO) responsibility except that the OCIO will append the directed investment to the end of its reports on the total investment pool. Information to track the performance of the directed investment shall be provided by the Foundation’s Assistant Director for Budget and Investments.
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<th>RESPONSIBLE ADMINISTRATIVE OVERSIGHT (R*)</th>
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<tr>
<td>Assistant Treasurer</td>
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<td>FIU Foundation, Inc.</td>
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<th>FORMS/ONLINE PROCESSES (O*)</th>
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<td>Link to the above referenced Form(s) available in the &quot;Document Details&quot; Section of the online version of this policy document.</td>
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*R = Required   *O = Optional