

FLORIDA KEYS EDUCATIONAL FOUNDATION

INVESTMENT POLICY

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Policy Statements

This document provides a set of general guidelines that will permit the Florida Keys Educational Foundation, Inc. (the Foundation) Investment Committee to oversee the investment of the assets of the Foundation. It details the authority and responsibility for the safekeeping and effective management of its funds and other assets of the Foundation. These guidelines serve a fourfold purpose. First, they constitute the plan for investing the Foundation's fund assets. Second, they serve as a communication tool between the Foundation Board and the Investment Advisor(s). Third, they provide a framework to measure the performance of the investments. Fourth, they will help define the spending policies of the Foundation.

Scope

This Investment Policy (the Policy) reflects investment policy, objectives and constraints of the Foundation.

Investment Authority

The Foundation's Board of Directors has appointed an Investment Committee to oversee certain policies and procedures related to the operation and administration of the Foundation. The Foundation Board will have authority to implement the investment policy and guidelines in the best interest of the Foundation to best satisfy the purposes of the Foundation. In implementing the Policy, the Foundation Board may delegate certain functions to:

1. An Investment Advisor (IA) to assist the Foundation Board in the investment process and to maintain compliance with the Policy. The IA may assist in establishing investment policy, objectives, and guidelines; selecting Investment Managers (IMs); reviewing such managers over time; measuring and evaluating investment performance; and other tasks as deemed appropriate. The IA may also select IMs with discretion to purchase, sell, or hold specific securities that will be used to meet the Foundation's investment objectives. The IA must be registered with the Securities and Exchange Commission.
2. A custodian to physically maintain possession of securities owned by the Foundation, collect dividend and interest payments, redeem maturing securities, and effect receipt and delivery following purchases and sales, among other duties. The custodian will also provide regular accounting of all assets owned, purchased, or sold, as well as movement of assets into and out of the Foundation. As directed by the Investment Committee, the Custodian may pay any invoices that the Investment Committee wishes to be drawn out of the earnings from the investment portfolio.
3. Additional specialists such as attorneys, auditors, actuaries, and others to assist the Foundation Board in meeting its responsibilities and obligations to administer Foundation assets prudently.

Statement of Investment Objectives

The Investment Committee shall provide oversight management of the Foundation assets, and may utilize a professional IA to provide day to day management of any and/or all funds. The primary long-term management objective is to provide income while preserving capital. After the primary goal, the investment objectives shall be, in order of importance:

- (1) the production of a satisfactory level of current income and total return, and,
- (2) growth of principal to preserve the real purchasing power of capital.

The investment objectives and strategy shall call for disciplined, consistent management using a current “prudent person” philosophy so as to achieve the highest possible return consistent with “safe investing.” Under the terms of these guidelines, “highest possible return” shall include both those investments made to produce current income, i.e. money market accounts, certificates of deposit, municipal bonds, corporate and government fixed income vehicles, and those investments made to pursue “growth of principal.”

Investment Guidelines

Operational Cash

The Foundation’s investment objectives for Operational Cash are to provide Safety, Liquidity and Yield. Operational cash is considered to be funds that will need to be accessed during the fiscal year for operational and program expenses. The Investment Committee will recommend to the Board an appropriate amount. Operating cash needed for daily operations will be deposited in a local financial institution. Funds not required for daily operations may be segregated and invested for 0-3 years in the following securities.

Nonnegotiable interest-bearing time certificates of deposit or interest bearing accounts in financial institutions organized under the laws of this state and/or in national financial institutions organized under the laws of the United States and doing business and situated in the State of Florida, provided that any such deposits are secured by the Federal Deposit Insurance Corporation. Additionally, the financial institution shall not be listed with any recognized credit watch information service.

United States Treasury Securities: maximum of 100% of the portfolio

Federal Instrumentality Securities: maximum of 100% of the portfolio

Government Agency Securities: maximum of 50% of the portfolio

Corporate Bonds: maximum of 25% of the portfolio

Maximum of 5% per issuer

Issuers must be rated at least AA by two of the three rating agencies

Municipal Securities: maximum 50% of the portfolio
Maximum of 10% per issuer
Issuers must be rated at least AA by two of the three rating agencies

Money Market Mutual Funds: maximum of 50% of the portfolio
Funds must be AAA rated and registered with the SEC

It is anticipated that any investments that do not provide daily liquidity will be held to maturity in order to avoid having to sell securities at a market price that will result in recognizing a loss.

Investments

Time Horizon

The Foundation's investment objectives are based on an average 3-10 year investment horizon. Interim fluctuations should be viewed with appropriate perspective. The Foundation Board has adopted a long-term investment horizon such that the chances and duration of investment losses are carefully weighed against the long-term potential for appreciation of assets.

Liquidity and Diversification

Investments shall be diversified with the intent to minimize the risk of investment losses. Consequently, the total portfolio will be constructed and maintained to provide prudent diversification with regard to the concentration of holdings in individual issues, issuers, sectors, countries, governments, or industries.

Asset Allocation

The Foundation Board believes that to achieve the greatest likelihood of meeting the Foundation's investment objectives and the best balance between risk and return for optimal diversification, the investment assets will be invested in accordance with the targets for each asset class as follows:

Investment Assets

<u>Asset Classes</u>	<u>Asset Weightings</u>	
	<u>Range</u>	<u>Target</u>
Domestic Equity	23% - 43%	33%
International Equity	11% - 31%	21%
REIT	0% - 10%	3%
Inflation Hedged	0% - 10%	3%
Fixed Income	20% - 65%	40%
Cash Equivalent	0% - 20%	0%

The IMs shall have discretion to temporarily invest a portion of the assets in cash equivalents when they deem it appropriate. The IMs will be evaluated against their peers on the performance of the total funds under their direct management.

Rebalancing Philosophy

The asset allocation range established by the Policy represents a long-term perspective. As such, rapid unanticipated market shifts or changes in economic conditions may cause the asset mix to fall outside the Policy ranges. When these divergences occur, the IA will rebalance the asset mix to its appropriate targets and ranges. Similarly, if the cash requirement to handle liquidity needs falls to a level where near-term distributions (over the following six months or less) cannot be met and no contributions are anticipated, the IA will rebalance the fund to its appropriate targets and ranges.

When the IA is notified of new contributions, the IA will review the Foundation allocation and fill the liquidity allocation first and the remaining investment allocations last.

Risk Tolerance

The Foundation will be managed in a style that seeks to minimize principal fluctuations over the established time horizon and that is consistent with the Foundation's investment objectives.

Performance Expectations

Over the long-term, a rolling ten year period, the performance objective for Foundation assets will be to achieve an average total annual rate of return that is equal to or greater than the Foundation's hurdle rate, a combination of expected spending and inflation. Spending shall be defined as the funds expected to be distributed from the Endowment investment earnings during the fiscal year. Inflation is defined as the annualized change in the Consumer Price Index (CPI). Investment performance will be reviewed quarterly and adjusted by the Foundation as spending requirements and market conditions warrant. Additionally, it is expected that the annual rate of return on Foundation assets will be commensurate with the then prevailing investment environment. Measurement of this return expectation will be judged by reviewing returns in the context of industry standard benchmarks, peer universe comparisons for individual Foundation investments and blended benchmark comparisons for the Foundation in its entirety.

Selection of Investment Managers

The IA shall prudently select appropriate IMs to manage the assets of the Foundation. IMs must meet the following criteria:

- The IM must be a bank, insurance company, or investment adviser as defined by the Investment Advisers Act of 1940.

- With respect to Foundation assets invested in a mutual fund, the IMs must provide historical quarterly performance data for the mutual fund compliant with Securities Exchange Commission (“SEC”) and National Association of Securities Dealers (“NASD”) standards.
- The IMs must provide historical quarterly performance data compliant with Global Investment Performance Standards (GIPS®), calculated on a time-weighted basis, based on a composite of all fully discretionary accounts of similar investment style and reported net of fees.
- The IMs must provide detailed information on history of the firm, key personnel, support personnel, key clients, and fee schedule (including most favored nation clauses). This information can be a copy of a recent Request for Proposal (RFP) completed by the IM.
- The IMs must clearly articulate the investment strategy that will be followed and document that the strategy has been successfully adhered to over time.
- The IMs for portfolios other than Pooled Vehicles (see Guidelines for Portfolio Holdings) must confirm that it has received, understands and will adhere to the policy and any manager specific policies by signing a consent form provided to the IM by the IA prior to investment of Foundation assets.

Guidelines for Portfolio Holdings

The IA shall make every effort to prudently select funds that follow the guidelines listed below.

Pooled Vehicles

Every effort shall be made, to the extent practical, prudent and appropriate, to select commingled funds and/or mutual funds that have investment objectives and policies that are consistent with the Policy (as outlined in following sub-sections of the “Guidelines for Portfolio Holdings”). However, given the nature of commingled funds and mutual funds, it is recognized that there may be deviations between the Policy and the objectives of these pooled vehicles. A commingled fund or mutual fund will not be included in Foundation portfolio unless it complies with the Investment Company Act of 1940’s diversification requirement.

Cash Equivalents

Cash equivalents shall be held in funds complying with Rule 2(a)-7 of the Investment Company Act of 1940.

Equities

Pooled equity vehicles, including mutual funds, shall comply with the diversification rules outlined in the Investment Company Act of 1940. No more than 5% of the total stock portfolio valued at market may be invested in the common stock of any one corporation. Ownership of the shares of one company shall not exceed 2% of those outstanding. Not more than 15% of stock valued at market may be held in any one industry category. Other than these constraints, there are no quantitative guidelines suggested as to issues, industry or individual security diversification. However, prudent diversification standards should be developed and maintained by the IMs.

The overall non-U.S. equity allocation should include a diverse global mix that is comprised of the stocks of companies from multiple regions and sectors. The emerging markets exposure as defined by Morgan Stanley Capital International Inc. ("MSCI") should be limited to 35% of the non-U.S. portion of the portfolio.

In order to maintain an effective money management structure that is style neutral, the target growth to value allocation in all market capitalizations is one-to-one. However, in no case will the growth to value allocation for market capitalizations exceed two-to-one. Conversely, value shall not exceed growth by the same ratio.

Fixed Income

Fixed income investments shall be high quality pooled vehicles with a preponderance of the investments in (1) U.S. Treasury, federal agencies and U.S. Government guaranteed obligations, (2) corporate issues rated "A" or better, including convertibles, and (3) municipal securities rated "A" or better.

Fixed income securities of any one issuer shall not exceed 5% of the total bond portfolio at time of purchase. The 5% limitation does not apply to issues of the U.S. Treasury or other Federal Agencies. The overall rating of the fixed income assets shall be at least "AA", based on the rating of one of the three rating agencies (Fitch, Moody's or Standard & Poor's). In commingled or mutual funds where the yield spread adequately compensates for additional risk, non-investment grade securities (securities where one of the three rating agencies (Fitch, Moody's or Standard & Poor's) have average BB-ratings) should be limited to a maximum of 10%. Non-investment grade securities cannot exceed 5% of the total fixed income portfolio including those in the mutual funds and commingled pools.

Active bond management is encouraged and may require transactions that will temporarily lower the return or change the maturity of the portfolio in anticipation of market changes.

Prohibited Investments

The following securities and transactions are not authorized and shall not be purchased: letter stock and other unregistered securities, commodities or commodity contracts, short sales, margin transactions, private placements (with the exception of Rule 144A securities); derivatives, options or futures for the purpose of portfolio leveraging are also prohibited, issues of or by instrumentalities deemed to be in violation of the prohibited transactions standards of the prudent man rule. Natural resource properties such as oil, gas or timber may not be held except by purchase of publicly traded securities. The purchase of collectibles is also prohibited.

Safekeeping

All securities shall be held by a custodian appointed by the Board for safekeeping. The custodian shall produce statements at least monthly listing the name and value of all assets held, and the dates and nature of all transactions. Assets of the Fund held as liquidity or investment reserves shall, at all times, be invested in interest-bearing accounts.

Control Procedures

Review of Investment Objectives

The IA shall review annually the appropriateness of the Policy for achieving the Foundation's stated objectives. It is not expected that the Policy will change frequently. In particular, short-term changes in the financial markets should not require an adjustment in the investment policy.

Review of Investment Performance

The IA shall report on a quarterly basis to the Foundation Board to review the total Foundation investment performance. In addition, the IA will be responsible for keeping the Foundation Board advised of any material change in IMs, and other pertinent information potentially affecting performance of the Foundation. The IA will not make changes in investment strategy without approval of the Foundation Board of Directors.

The IA shall compare the investment results on a quarterly basis to appropriate benchmarks, as well as market index returns in both equity and debt markets. Examples of benchmarks and indexes that will be used include the S&P 500 Index for large cap equities, Russell 2000 Index for small cap equities, MSCI Europe, Australia, and Far East Index (EAFE) for international equities, Barclays Capital Aggregate Bond Index for fixed income securities, and the U.S. 91 Day T-bill Index for cash equivalents.

Voting of Proxies

IMs selected by the IA are expected to be aware of corporate provisions that may adversely affect stockholdings, including but not limited to "golden parachutes," "super majorities," "poison pills," "fair price" provisions, staggered boards of directors, and other tactics. Proxies should be vigorously voted with the interest of preserving or enhancing the security's value.

The IM(s) of a commingled fund or mutual fund that holds the assets of the Foundation along with assets of other funds with conflicting proxy voting policies must reconcile the conflicting policies to the extent possible, and, if necessary, to the extent legally permissible, vote the proxies to reflect the policies in proportion to each fund's interest in the pooled fund.

Adoption of Investment Policy Statement

Any changes and exceptions to the Policy will be made in writing and adopted by the Foundation Board. Once adopted, changes and exceptions will be delivered to each IM as appropriate by the IA

Approved by the Board of Directors:

July 21, 2010

Date



Chair, Frank Toppino