

**CONRAD JACOBSEN MEMORIAL ENDOWMENT FUND
INVESTMENT POLICY**

ESTABLISHED JUNE 2011

TELEIOS MISSION STATEMENT

The Mission of Teleios is to help men reach maturity in Christ through building bonds of friendship with other men.

The establishment and maintenance of the Conrad Jacobsen Endowment Fund is consistent with this mission.

PURPOSE OF CONRAD JACOBSEN ENDOWMENT FUND

The long-range goals of the Conrad Jacobsen Endowment Fund are:

- a) Provide for the long-range financial health of the Teleios ministry;
- b) To honor the memory of our founder in a manner that perpetuates his ministry;
- c) To provide a vehicle that enables the benefits of major gifts and bequests to be extended over a period of time, rather than just during the year of the donation;
- d) To enable Teleios to benefit from the higher rates of return available from equity investments, while minimizing the effects of the inherent volatility of such investments.
- e) Provide a reliable and predictable source of cash for the Operating Fund;

FUNDING OF THE CONRAD JACOBSEN MEMORIAL FUND

The Endowment Fund will be funded from the following sources:

- a) Teleios will establish a Conrad Jacobsen Endowment Fund from funds donated in memory of Conrad Jacobsen in response to his obituary and memorial service in January 2011.
- b) Additional funds will be obtained from bequests, special Endowment Fund donations, and other large gifts.

The Endowment Fund will obtain income from the following sources::

- a) Interest payments from properly managed debt Securities,
- b) Distributions (dividend income, capital gains distributions, and return of capital) from properly managed equity Securities, and
- c) Increased capital resulting from realized and unrealized appreciation in the market value of investments.

GENERAL INVESTMENT PRINCIPLES

- a) Investments shall be made solely in the interest of Teleios.
- b) The Financial Assets shall be invested with the care, skill, prudence, and diligence under the direction of knowledgeable Teleios Board members and others committed to the perpetuation of the mission of Teleios.

- c) Investment of the Financial Assets shall be diversified so as to minimize the risk of large losses
- d) The Cash and Equivalents portion of the Conrad Jacobsen Endowment Fund, is to be employed productively at all times, by investment in short term cash equivalents to provide safety, liquidity, and return.
- e) Investments in the Conrad Jacobsen Endowment Fund will be consistent with Teleios's mission. Accordingly, no equity or debt investments shall be made in either:
 - Individual companies which receive more than 10% of their revenues from products or services that are inconsistent with the Teleios's mission, or
 - Conventional mutual funds or exchange-traded funds which hold more than 10% of their assets in equities of such individual companies.

INVESTMENT MANAGEMENT RESPONSIBILITY

The Board is a fiduciary, and is responsible for directing and monitoring the financial assets of Teleios. The Board has the authority to delegate these responsibilities to the Endowment Fund Committee, which will be formed as follows:

- a) There will be three members, at least two of which will be members of the Teleios Board;
- b) The chair of the Endowment Committee will be a Board member;
- c) The members and chair will be appointed by the Board chair, after consultation with knowledgeable Board members.

The Endowment Fund Committee may employ one or more to professional experts in various fields to attain the investment objectives of the Conrad Jacobsen Endowment Fund.. These include, but are not limited to:

1. **Investment Manager.** Until the size of the Endowment Fund exceeds \$500,000, the Endowment Fund Committee will assume the responsibilities of the Investment Manager. Endowment Fund Committee members will receive no remuneration for their services.

When the size of the Endowment Fund exceeds \$500,000, the Endowment Fund Committee, with the approval of the Board may employ one or more professional Investment Managers to manage the Endowment Fund in accordance with the investment objectives. The Investment Manager under the direction of the Endowment Fund Committee, has discretion to purchase, sell, or hold the specific securities that will be used to meet the Teleios investment objectives, as described in this Statement.

2. **Custodian.** The Custodian will physically (or through agreement with a sub-custodian) maintain possession of securities owned by the Conrad Jacobsen Endowment Fund, collect dividend and interest payments, redeem maturing securities, and effect receipt and delivery following purchases and sales. The Custodian may also perform regular accounting of all assets owned, purchased, or sold, as well as movement of assets into and out of the Conrad Jacobsen Endowment Fund. The initial Custodian will be Charles Schwab & Co.

3. **Others.** Additional specialists such as attorney, auditors, investment consultants, and others may be engaged by the Board or the Endowment Fund Committee to assist in meeting its responsibilities and obligations to administer the Conrad Jacobsen Endowment Fund prudently.

RESPONSIBILITIES OF THE INVESTMENT MANAGER.

The Investment Manager will be held responsible and accountable to achieve the objectives stated in this policy. Specific responsibilities include:

- a) Assist in the development and periodic review of Teleios's investment policies pertaining to the Conrad Jacobsen Endowment Fund.
- b) Research and recommend different investments that fit Teleios's overall investment policy and objectives.
- c) Make specific investment decisions and implement them within the constraints and guidelines of this policy and any additional direction from or agreements with the Endowment Fund Committee.
- d) Act as the Custodian, or work jointly with a third-party Custodian, for the Conrad Jacobsen Endowment Fund.
- e) Meet at least annually with the Endowment Fund Committee or the Board to provide a review of the investment performance of the Conrad Jacobsen Endowment Fund and to answer questions by the members of the Board or committee, and to recommend any changes to the Investment Policy or working agreement, which it deems appropriate.
- f) Provide monthly financial statements of the Conrad Jacobsen Endowment Fund assets . Provide quarterly written reports, including comparisons of performance against benchmarks, meet to discuss these reports with the Endowment Fund Committee when requested by the Endowment Fund Committee.

INVESTMENT OBJECTIVES OVER THE INVESTMENT HORIZON

The investment objectives for the Conrad Jacobsen Endowment Fund over the Investment horizon are:

- a) To maximize total return; net of investment management expsnes;
- b) To obtain a total return that exceeds the inflation rate;:
- c) To retain enough cash to cover investment expenses and anticipated transfers to the Operating Fund.

The goal of the Investment Manager, over the Investment Horizon, shall be to:

- a) Meet or exceed the market index, or blended market index, selected and agreed upon by the Board (or by the Executive Committee if so delegated by the Board) that most closely corresponds to the applicable style of investment management.
- b) Display an overall level of risk in the portfolio which is consistent with the risk level for the investment objectives selected by the Endowment Fund Committee, as outlined in this statement.

LIQUIDITY AND TRANSFERS TO THE OPERATING FUND

When the value of the assets of the Endowment Fund has reached \$25,000, annual transfer to the Operating Fund will begin. The targeted amount will be approximately 4% of the average of the ending balances of the last four calendar years. In no event will a transfer be made that will result in either (1) the total transfers since the establishment of the fund exceeding the total return since the establishment of the fund or (2) the total transfers within the last ten years exceeding the total return during that ten-year period.

The Endowment Fund Committee will periodically provide the Investment Manager with an estimate of expected net cash flow to be provided to the Operating Fund from the Conrad Jacobsen Endowment Fund. The Endowment Fund Committee will notify the Investment Manager in a timely manner, to allow sufficient time to build up necessary liquid reserves

Distributions to the Operating Fund require approval of the full Board.

INVESTMENT GUIDELINES

In order to provide the Investment Manager the freedom to invest within the guidelines of this Statement, the following are permissible and suitable investments for the purpose of managing the Conrad Jacobsen Endowment Fund:

- a) **Cash and Equivalents:** Cash should be materially free from credit risk and be readily liquid.
- b) **Debt Instruments:** Portions of the Conrad Jacobsen Endowment Fund invested in debt instruments shall be invested in such instruments that have an average investment grade credit quality and shall include the categories defined above.
- d) **Equity Securities:** The Board recognizes that Equity Securities represent greater opportunities for capital appreciation; the Endowment Fund Committee establishes 90% as the maximum amount of Conrad Jacobsen Endowment Fund to be invested in equity securities. It is neither necessary or desirable that equity Securities held by Teleios represent a cross section of the economy. In order to achieve a prudent level of portfolio diversification, no more than five percent (5%) of the Conrad Jacobsen Endowment Fund should be in any one company, and no more than twenty percent (20%) of the total amount comprising the Conrad Jacobsen Endowment Fund should be invested in any one S&P industry group.

Prohibited investments include:

- Speculative investments or strategies, such as stock options, commodity futures, hedge funds, short selling or margin purchase.
- Any financial assets, which might result in additional cash, required from Teleios.
- Non-liquid investments which are not marketable

ASSET ALLOCATION GUIDELINES

Until the size of the Conrad Jacobsen Memorial Endowment Fund reaches \$25,000, the funds will be invested in Cash and Equivalents or Debt Securities of less than one year.

When the size of the Conrad Jacobsen Memorial Endowment Fund reaches \$25,000 Investment management of the Conrad Jacobsen Endowment Fund shall be in accordance with the following asset allocation guidelines:

1. Aggregate Conrad Jacobsen Endowment Fund Asset Allocation Guidelines (at market value) are as follows:

Asset Class or <i>Subclass</i>	Target Allocation	Maximum Allocation
Cash	5%	No maximum.
Debt Securities	25%	35%
Equity Securities	70%	80%
<i>Common Stock Securities</i>	50%	60%
<i>Reit's and Preferred Stocks</i>	20%	30%

2. No purchase of debt or equity securities will be made which would result in the maximum allocation to be exceeded in any asset class or subclass. Furthermore, in the event market action causes any maximum to be exceeded at any month end, securities in that asset class or subclass will be sold to reduce the amount below the maximum allocation.
3. The above guidelines are designed to allow the Investment Manager some flexibility for investment of funds. This flexibility allows the Investment Manager a range of asset allocation strategies, while still remaining within Board-approved investment risk levels
4. Changes to the above Asset Allocation Guidelines require the approval of the Board, upon recommendation of the Investment Sub-Committee, with input from the Investment Manager.

SELECTION OF INVESTMENT MANAGER

The selection and retention of the Investment Manager(s) must be based on prudent due diligence procedures. The criteria for selection will include, but not be limited to:

1. Demonstrated invested knowledge and performance.
2. Experience with non-profit investment management.
3. Ability and willingness to provide excellent customer service and communication.
4. Compensation structure and level, with any fee-based annual compensation not to exceed 1% of the assets managed.
5. Demonstrated interest in Teleios as evidence of motivation for a serious commitment to performance and customer service.

A qualifying Investment Manager must be a registered investment advisor under the Investment Advisors Act of 1940, or a trust or insurance company. Teleios requires that each selected Investment Manager provide, in writing, acknowledgment of its fiduciary responsibility to Teleios.

AGREEMENTS WITH AND DIRECTION TO INVESTMENT MANAGER

Agreements with the Investment Manager and direction from Teleios to the Investment Manager will be approved by both:

- A majority of the members of the Endowment Fund Committee;
- A majority of the members of the Board.

INVESTMENT MANAGER PERFORMANCE REVIEW AND EVALUATION

Performance reports shall be compiled at least quarterly and communicated to the Endowment Fund Committee (unless otherwise directed) for review. The investment performance of total portfolios, as well as asset class components, will be measured against commonly accepted performance benchmarks. The Board (unless it otherwise directs the Endowment Fund Committee) intends to evaluate the portfolio(s) over at least a three-year period, but reserves the right to terminate an Investment Manager or Custodian for any reason within Teleios's sole discretion, including but not limited to the following:

1. Investment performance, which is significantly less than anticipated given the discipline employed and the risk parameters established, or unacceptable justification of poor results.
2. Failure to adhere to any aspect of this Statement, including communication and reporting requirements.
3. Significant qualitative changes to the investment management organization
4. Questions regarding the integrity of the Manager or Custodian.

The Investment Manager shall be reviewed regularly regarding performance, personnel, strategy, research capabilities, organizational and business matters, and other qualitative factors that may impact their ability to achieve the desired investment results.

INVESTMENT POLICY REVIEW

To assure continued relevance of the guidelines, objectives, financial status and capital market expectations as established in this Statement, the Board (or if so directed by the Board the Endowment Fund Committee) plans to review investment policy, objectives and guidelines described in this Statement annually.

The undersigned being the President of the Teleios Board of Directors certifies that this Statement was duly adopted by the Board on June 8, 2011.

Mike Andrews, President of Board of Directors
Dated - _____, 2011.