The Executive Vice President will oversee Towson University Foundation, Inc. (TUF) investments and Director of Finance in accordance with policies set by the Board of Directors. Policies currently governing significant areas of investment management are based upon actions of the Board of Directors and the Investment Committee.

I. Management of TUF’s Investments

Preamble – Authority for Investment Management: The Board of Directors vests authority to recommend investment policy to the Investment Committee. This Committee reports to the Board at each meeting regarding the status of TUF’s endowment and operating funds, investment policies, and investment results; and makes recommendations for any changes in investment policy to be approved by the Board.

A. General Functions of the Investment Committee

1. The Investment Committee shall review regularly all investments of TUF. Its principal function shall be to develop and recommend to the Board such investment and investment related policies, as it deems appropriate.

2. The Investment Committee shall make detailed reports to the Board of Directors.

3. The Investment Committee shall recommend to the Board appropriate policies and procedures for custodianship and access to securities held by TUF, as it may deem proper.

4. The Investment Committee may engage an investment consultant to work with staff, and advise staff and the Committee on the aspects of investment management including, but not limited to overall investment strategy, general asset allocation, target asset allocation, market trends, investment manager selection, manager evaluation criteria, and other information deemed appropriate.

B. Specific Functions of the Investment Committee

1. Establish investment objectives for the funds invested and managed by TUF.

2. Set asset allocation and manager structure policies for the investments of TUF.

3. Establish and continue to update the investment policy governing TUF investments.

4. Select investment managers for the Operating and Endowment Funds, as well as an investment consultant if deemed necessary, for the investment program of TUF.

5. Establish, monitor, and update the investment process.
6. Review investment performance against established objectives.

7. Review at least annually investment activity to ensure compliance with investment policy.

8. Set the spending rate for the Endowment.

II. Endowment Investment Policy and Guidelines

Preamble – The goal of the investment program for the Endowment is to provide a real total return from assets invested that will preserve the purchasing power of endowed capital, while generating an income stream to support the activities of the funds held for the Endowments of the University. Achievement of the real total return will be sought from a continuation of investment strategies, which provide an opportunity for superior returns within acceptable levels of risk and volatility.

A. Investment Objective

For the long term, the primary investment objective for the Endowment Fund is to earn a total return, net of investment and custodial fees, within prudent levels of risk, which is sufficient to maintain in real terms the purchasing power of the Endowment.

B. Asset Allocation (as revised at June 17, 2008 Investment Committee Meeting)

1. To achieve its investment objective, the Endowment Fund shall be allocated among three asset classes. These asset classes are domestic equity, domestic fixed income, and international equity. The purpose of allocating assets to these asset classes is to ensure the proper level of diversification within the Endowment Fund.

The current strategic asset allocation adopted by the Board is outlined below:

<table>
<thead>
<tr>
<th></th>
<th>Target</th>
<th>Allowable Range</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Equities:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Large/Mid Cap Domestic</td>
<td>35%</td>
<td>30 – 40%</td>
</tr>
<tr>
<td>Small Cap Domestic</td>
<td>10%</td>
<td>5 – 15%</td>
</tr>
<tr>
<td>Non-U.S.</td>
<td>15%</td>
<td>10 – 20%</td>
</tr>
<tr>
<td><strong>Total Equity</strong></td>
<td>60%</td>
<td>45 – 75%</td>
</tr>
<tr>
<td><strong>Alternative Investments</strong></td>
<td>20%</td>
<td>0 – 25%</td>
</tr>
<tr>
<td><strong>Fixed Income:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Domestic</td>
<td>20%</td>
<td>10 – 25%</td>
</tr>
<tr>
<td>International</td>
<td>0%</td>
<td>0 – 10%</td>
</tr>
<tr>
<td><strong>Total Fixed Income</strong></td>
<td>20%</td>
<td>10 – 35%</td>
</tr>
<tr>
<td><strong>Cash &amp; Equivalents</strong></td>
<td>0%</td>
<td>0 – 5%</td>
</tr>
</tbody>
</table>
2. The purpose of equity investments, both domestic and international, in the Endowment Fund is to provide current income, growth of income, and appreciation of principal with the recognition that this class of investment carries with it the assumption of greater market volatility and risk of loss.

3. The purpose of domestic fixed income investments is to provide diversification and a highly predictable, dependable source of income. It is expected that fixed income investments will not be totally dedicated to the long-term bond market, but will be flexibly allocated among maturities of different lengths according to interest rate prospects. Fixed instruments should reduced the overall volatility of the Endowment Fund’s assets and provide a deflation hedge.

4. The Endowment Fund will be diversified both by asset class and within asset classes. Within each asset class, securities for example, will be diversified among economic sector, industry, quality and size. The purpose of diversification is to provide a reasonable assurance that no single security or class of securities will have a disproportionate impact on the performance of the total fund. As a result, the risk level associated with the portfolio investment is reduced.

C. Asset Allocation Review and Balancing Procedure

1. The Investment Committee will review the strategic asset allocation and manager structure policies at least annually.

2. As there are cash flows into and out of the investment portfolio, i.e., new gifts and spending, the staff shall allocate the cash to the investment manager(s) in a manner, which will rebalance to or maintain the target asset and style allocation policies. In addition, the Investment Committee shall review the actual allocations at each meeting in order to ensure conformity with the adopted strategic allocation.

D. Domestic Equity Investments

1. Equity investment managers are engaged to provide growth of income and appreciation of principal. The objective of the Large Cap Equity Portfolio is to outperform the S&P 500 Index, net of fees.

2. The objective of the Small Cap Equity Portfolio is to outperform the Russell 2000 Index, net of fees.

3. Performance is calculated and monitored by the investment manager on a quarterly basis and results are reported to the Investment Committee.
4. Unless otherwise stated in this document, decisions as to individual domestic security selection, security size and quality, number of industries and holdings, current income levels, turnover, and the other tools employed by active managers are left to the manager’s discretion, subject to the usual standards of fiduciary prudence. American Depository Receipts are considered to be domestic securities. Small cap managers are prohibited from holding any stock that exceeds $1.2 billion in market capitalization if that stock exceeds 2.5% of its portfolio. The small cap manager would be expected to either sell such a stock outright or pare back its percentage of the overall portfolio to meet this guideline. (Does not apply to UMF Investments.)

5. Each equity manager may hold some investment reserves of cash but with the understanding that performance will be measured against the benchmarks identified above. It is expected that each manager will remain essentially fully invested all times. It shall be the responsibility of each manager, however, to give reasonable notice to the Committee of its intention to raise its allocation to cash should it believe that market conditions warrant such action. For purposes of this Policy Statement, the term “essentially fully invested” means no more than 10% of the portfolio should be invested in cash equivalents.

6. Equity transactions should be entered into by the equity manager on the basis of best execution, which is interpreted normally to mean best-realized price.

E. Non-U.S. Equity Investments

1. The Non-U.S. Equity investment manager is engaged to provide growth of income, appreciation of principal, and further diversification of the equity portfolio. The objective of the Non-U.S. Equity manager is to outperform the Morgan Stanley Capital International (MSCI) EAFE Index, net of fees.

2. Performance is calculated and monitored by the investment manager on a quarterly basis and results are reported to the Investment Committee.

3. Because the Non-U.S. Equity portfolio is expected to be invested in a commingled vehicle, the investment manager sets the investment constraints and policies. However, as a general understanding, the Non-U.S. Equity manager may invest in common and preferred stock issues of both emerging and major non-U.S. domiciled companies, as well as in ADR’s, which may be traded in U.S. and non-U.S. markets.
F. **Domestic Fixed Income Investments**

Fixed income managers are engaged to reduce the overall volatility of the Endowment’s assets, provide a deflation hedge, and a highly predictable and dependable source of income. It is expected that investments made by the fixed income manager will be flexibly allocated among maturities of different lengths according to interest rate prospects.

1. The objective of the fixed income portfolio is to outperform the Lehman Aggregate Bond Index, net of fees.

2. Performance is calculated and monitored by the investment manager on a quarterly basis and results are reported to the Investment Committee.

3. The fixed income manager may use money market instruments, as well as domestic bonds. However, equities are excluded. The fixed income managers are expected to employ active management techniques, but changes in average maturity should be moderate and incremental for fixed income investments of the Endowment Fund as a whole. The average grade of securities in the overall fixed income portfolio should be investment grade or higher as rated by Moody’s and Standard and Poor’s. Tax-exempt securities shall not be purchased except in unusual circumstances. Yankee bonds are permitted investments and considered to be domestic securities.

4. Unless otherwise stated in this document, decisions as to individual domestic security selection, turnover, number of industries and holdings, and other tools employed by active managers are left to the manager’s discretion, subject to the usual standards of fiduciary prudence. However, obligations of the U.S. Government and federal agencies may be held without limitation.

5. The fixed income manager may at its discretion hold investment reserves of cash, but with the understanding the performance will be measured against the benchmarks outlined above. It is expected that the manager will remain essentially fully invested at all times. It shall be the responsibility of the manager, however, to give reasonable notice to the Committee of its intention to raise its allocation to cash should it believe that market conditions warrant such action. For purposes of this Policy Statement, the term “essentially fully invested” means no more than 10% of the portfolio should be invested in cash equivalents.

6. Fixed income transactions should be entered into by the fixed income manager on the basis of best execution, which is interpreted normally to mean best-realized price.
G. Guidelines for Corrective Action

1. Corrective action should be taken in a timely manner if deemed necessary as a result of the on-going review process for investment managers. While there may be unusual occurrences at any time, the following are instances where corrective action or termination may be in order.

   (a) Major organizational changes in a firm may require a new contract or interview process. Failure on the part of the Investment Manager to notify the Committee of such changes is grounds for termination. At all times communication with the managers should be easy and informative. Each investment manager should be available to meet at least annually with the Investment Committee.

   (b) Violation of terms of contract without prior approval of the Committee constitutes grounds for termination.

   (c) Diversification Strategy: As part of its overall asset allocation strategy, the Committee will choose managers with certain styles and approaches to provide portfolio diversification. Therefore, it is critical that managers adhere to the original intent of the Committee at the time they are engaged. Should the Investment Committee ascertain that significant changes in investment approach have occurred, this may be grounds for termination.

   (d) The Committee will not as a rule terminate a manager on the basis of short-term performance. If the organization is sound and the firm is adhering to its style and approach, the Committee will allow a sufficient interval of time over which to evaluate performance. The manager’s performance will be viewed in light of the firm’s particular style and approach, keeping in mind at all times the Fund’s diversification strategy as well as the overall quality of the relationship.

   (f) Managers may be replaced at any time as part of the overall restructuring of the Fund.

2. Corrective Action Guidelines are applicable to UMF to the extent they do not conflict with UMF’s policies and shall serve as guidelines for performance review of UMF.
III. **Setting the Endowment Fund Spendable Income Rate**

A. Endowment Fund Spendable Income Rate: The Committee will review the rate each year in relation to the Endowment’s investment strategy to determine that adequate funds are being generated to make funds available to Towson University and the fee charged by TUF for administration. The current spendable income rate is 5.0%, calculated as follows: (See Endowment Spendable Income Policy for more details)

<table>
<thead>
<tr>
<th>Description</th>
<th>Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Anticipated 5-year return</td>
<td>7.00%</td>
</tr>
<tr>
<td>Less: Administrative Fees</td>
<td>(2.00%)</td>
</tr>
<tr>
<td>Less: Reserves</td>
<td>(0.00%)</td>
</tr>
<tr>
<td>Less: Investment Management Fees</td>
<td>(0.05%)</td>
</tr>
<tr>
<td><strong>Balance Remaining</strong></td>
<td><strong>5.00%</strong></td>
</tr>
</tbody>
</table>

IV. **Operating Fund Investment Policy and Guidelines**

The distinguishing characteristic of the Operating Fund investments is that they are not held in perpetuity and may be subject to immediate expenditures.

A. **The investment objective of the Operating Fund is to maintain real purchasing power with low to moderate risk.**

B. **Criteria for Investments**

1. A target allocation of 20% of the operating fund, not to exceed 25% of the fund, may be invested in the quasi-endowment.

2. Approximately 10% of the Fund value will be maintained in a money market fund.

3. The balance of operating funds will be invested in U.S. Treasury Notes and investment grade bonds with maximum maturities of ten years.

4. The Operating Fund should be reviewed quarterly in order to determine cash flow implications for the Fund.

C. **Performance Measurement and Evaluation**

1. Performance is calculated and monitored by the Operating Fund investment manager on a quarterly basis, and reported to the Investment Committee.

2. Performance for the Operating Fund should be evaluated against benchmarks appropriate to the asset mix, but in the context of the changing cash flows and with the liquidity needs of the Operating Fund held as a priority.
TOWSON UNIVERSITY FOUNDATION, INC.
Investment Policy & Guidelines

- Revised Investment Policy approved at 1/24/00 Executive Committee Meeting
- Section III updated to reflect FY ’06 Spendable Income Rate, approved 2/18/05 by the Investment Committee
- Section II – B (Asset Allocation) – Revised at the 12/16/05 Investment Committee Meeting
- Section III – A (Setting the Endowment Fund Spendable Income Rate) – Revised at the 6/8/06 Executive Committee Meeting – See Executive Committee Minutes
- Section IV. – B – 1 (Criteria for Investment) – Revised to say "may be invested in the "quasi-endowment" (old language said "equity market") – See email from Glenn Ross dated 8/30/06 sent to the Investment Committee
- Section II. – B - 1 (Asset Allocation) – Revised at the June 17, 2008 Investment Committee Meeting – See Investment Committee Minutes