

Investment Policy Statement

Special Leisure Services Foundation
Investment Policy Statement
Revised October 18, 2022

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Executive Summary

Type of Fund	<ul style="list-style-type: none">• Endowment Fund
Current Aggregate Fund Assets	<ul style="list-style-type: none">• \$1,250,000
Investment Objectives	<ul style="list-style-type: none">• Accumulation of capital funds achieved through a balanced accomplishment of capital growth, income and preservation of principal
Risk Tolerance	<ul style="list-style-type: none">• Willing to tolerate 10 to 15% temporary decline in principal
Investment Time Horizon	<ul style="list-style-type: none">• Five to ten years
Absolute Target Return	<ul style="list-style-type: none">• 7% annual rate of return
Relative Target Return	<ul style="list-style-type: none">• 4% plus CPI
Spending Target	<ul style="list-style-type: none">• Withdrawals shall not exceed 8% of total fund assets unless NWSRA requests additional funding. Maximum 20%
Liquidity Requirements	<ul style="list-style-type: none">• Other: None at this time
Portfolio Restrictions	<ul style="list-style-type: none">•
Asset Allocation Target Weightings	<ul style="list-style-type: none">• 60% Equities, 35% Fixed-Income, 5% Cash
Tax Status	<ul style="list-style-type: none">• Tax Exempt

Investment Policy Statement

This statement of investment policy reflects the investment policies, objectives and constraints of the entire Special Leisure Services Foundation consisting of aggregate assets of \$1,250,000

Purpose

The purpose of the Investment Policy Statement (IPS) is to define the Special Leisure Service Foundation's investment objectives in-order to develop a strategy that can help meet investment goals. This statement is meant to clarify risk factors in-order to establish guidelines consistent with the investment profile of the Special Leisure Services Foundation Funds. Through open communication among the Special Leisure Services Foundation, Investment Consultant and Investment Managers, continuity of investment direction can be more effectively achieved. The implementation of investment management can provide more efficient and timely monitoring of investments and investment strategy going forward. The Special Leisure Services Foundation investment program is defined in the various sections of the IPS by:

- Stating in a written document the Special Leisure Services Foundation's attitudes, expectations, objectives and guidelines for the investment of assets.
- Constructing a process for managing assets available for investment. This process involves identifying appropriate asset classes, investment management styles, acceptable asset allocation ranges and total investment return over the stated time horizon.
- Creating methods for investment portfolios to control the level of overall risk assumed so that the Special Leisure Services Foundation's assets are managed in accordance with the stated objectives.
- Establishing security guidelines for money managers to follow in making investment decisions. These guidelines may include restricting particular types of investments that are deemed inconsistent with achieving the Special Leisure Services Foundation's objectives.
- Setting specific criteria for the evaluation and selection of money managers for all or a portion of the assets.
- Generating standards for effectively monitoring, evaluating and measuring the performance of the Investment Managers on a regular basis.

In general, the purpose of this statement is to outline a philosophy and attitude that can guide the investment management of the assets toward the desired results. It is intended to be sufficiently specific to be meaningful, yet flexible enough to be practical. It is not expected that the IPS will change frequently. In particular, short-term changes in the financial markets should not require adjustments to the IPS.

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Responsibilities of the Board of Trustees

The law charges the Board of Trustees with the responsibility over the management of assets of the Fund. The Board of Trustees shall discharge its duties solely in the interest of the Fund, with the care, skill, prudence, and diligence under the circumstances then prevailing, that a prudent person, acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character with like aims.

Within the broad framework of policy set by the Board of Trustees, the Investment Committee shall be directly responsible for the oversight and management of the investments and for the establishment of investment policies and procedures, such as:

- Establishing reasonable and consistent investment objectives, policies and guidelines that shall direct the investment of the Fund's assets.
- Prudently and diligently selecting qualified investment professionals, including Investment Managers, Investment Consultants, and Custodians.
- Determining the Fund's risk tolerance and time horizon, and communicating these to the appropriate parties.
- Regularly evaluating the performance of the Investment Managers to assure adherence to policy guidelines and monitor investment objective progress.
- Developing and enacting proper control procedures. For example, replacing Investment Managers due to fundamental changes in investment management process or failure to comply with established guidelines.
- Advising and communicating the results of all investment performance reviews. Such reviews shall be held annually and more frequently, if desired.
- Recommending proposed changes and revisions to this Investment Policy Statement.

Delegation of Authority

The Board of Trustees of the Special Leisure Services Foundation is responsible for directing and monitoring the investment management of Fund assets. As such, the Board is authorized to delegate supervision of these investment policies, objectives and guidelines to its Investment Committee. Further, the Board is authorized to delegate certain responsibilities to professional experts in various fields.

Statement of Objectives

The objectives have been established in conjunction with a comprehensive review and assessment of the goals, expectations, investment time horizon, risk associations, present investment allocation, and current and projected financial needs.

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Main Purpose of Funds

The Special Leisure Services Foundation (the "Foundation") desires to build a fund which is longer term in nature than short term bank savings accounts. Such a fund will require investments which have long term growth characteristics and long-term return characteristics.

Investment Objective

Accumulation of capital funds achieved through a balanced accomplishment of capital growth, income and preservation of principal.

Time Horizon

The time horizon is based upon the long-term investment objectives stated in this section, so interim fluctuations should be viewed with appropriate perspective. Similarly, the asset allocation is based upon this long-term perspective.

Five to ten years

Liquidity Needs

To reduce the possibility of a loss occasioned by the sale of a security forced by the need to meet a required payment, the Board of Trustees will periodically provide the Investment Consultant with an estimate of expected net cash flow. The Board of Trustees will notify the Investment Consultant in a timely manner to allow sufficient time to build up necessary liquid reserves. In-order to maintain the ability to deal with unplanned cash requirements that may arise, the Board of Trustees requires that a minimum portion of the assets be maintained in cash or cash equivalents, including money market funds and short-term U.S. Treasury bills.

- Short-term liquidity requirements are anticipated to be 0% - 5% per year.

Definition of Risk

The Board of Trustees realizes that there are many ways to define risk. It believes that any person or organization involved in the process of managing the Special Leisure Services Foundation's assets should understand how it defines risk. This way, the assets are managed in a manner consistent with the objectives and investment strategy as indicated in this statement of investment policy. The Board of Trustees defines risk as:

- The probability of losing money over the investment time horizon.
- The probability of not maintaining purchasing power over the investment time horizon.
- The probability of not meeting the absolute return objective.

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- High volatility (fluctuation) of investment returns.

Volatility of Returns

The Board of Trustees understands that in-order to achieve stated long-term investment objectives, the Fund will experience volatility of returns and fluctuations in market value. The Board of Trustees supports an investment strategy that reduces the probability of losses greater than those stated below. However, it realizes that the return objective is its primary concern. There is, of course, no guarantee that the investment portfolio will not sustain losses greater than those stated herein.

General guidelines for overall volatility are described as:

- Unable to tolerate a maximum total fund loss of more than 15% below the relative policy index in any one-year period. Unable to tolerate a negative absolute total return over a 5-year period.

Risk Tolerance

In establishing the risk tolerance, the ability to withstand short and intermediate-term volatility was considered. The Special Leisure Services Foundation's prospects for the future, current financial condition, and several other factors suggest collectively that interim fluctuations in market value and rates of return may be tolerated in-order to achieve long-term objectives.

The Special Leisure Services Foundation's risk tolerance can be best described as:

- Willing to tolerate no more than a 10 to 15% temporary decline in principal in any one year period.

Marketability of Assets

The Board of Trustees requires that all of the Special Leisure Services Foundation assets be invested in liquid securities, defined as securities that can be transacted quickly and efficiently for the Fund, with minimal impact on market price.

Spending Policy

The Investment Committee will set an annual spending target as a percentage of the total portfolio market value in-order to provide for grants and to cover operating expenses. The Board of Trustees will attempt to balance the short-term, grant-making obligations with its goal to provide grants into perpetuity, and therefore, design a spending policy that is flexible. Since expected investment returns from "riskier" portfolios are not consistent and predictable, the Board of Trustees feels that short-term spending in terms of dollars must be flexible enough to endure periods of underperformance without excessive deterioration of real principal. This spending policy will go into effect once the capital is built to a reasonable level that the Board of Trustees approves.

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Spending Policy Target – Moving Average Determination

The Fund will use the moving average method of determining year-to-year spending in-order to smooth out the effects of distributions from the aggregate portfolio. The “portfolio value” as mentioned under the Spending Policy section and referenced throughout this statement will be determined based on a 5-year moving average of portfolio market value, with a budgeting lead of one year. That is, the moving average will be determined one year before the fiscal year in which the funds are to be spent. As a guideline, withdrawals should not exceed 8% of the total value of the investment portfolio. But if needed by NWSRA – 20% max.

Performance Expectations

The performance goal will be established based on expectations, needs and risk tolerance. Performance expectations should be reasonable over the long term but are not to be used as benchmarks for total fund performance on a year-in and year-out basis. Accordingly, relative performance benchmarks for the Investment Managers are set forth in the Performance Monitoring section of this statement. Investment performance will be reviewed at least annually to determine the continued feasibility of achieving the investment objectives and the appropriateness of the Investment Policy Statement for achieving those objectives.

Over the investment time horizon, the return goals of the aggregate Fund have been established at:

- An absolute rate of return of 7%
- A relative return of the Consumer Price Index (CPI) plus 4%

Capital Markets Expectations

The specific investment goals of the Fund are based on the following expectations of return from the capital markets. These numbers illustrate the historical volatility/return relationship between stocks and bonds:

The following is historical performance data that may assist you in identifying a rate of return goal.

Historical Data: Total Annual Returns 75 Years (1945-2020)

Average Return	Average Return (%)	Standard Deviation (%)
Small-cap stocks	11.86	31.33
Large-cap stocks	10.29	19.67
Long-term bonds (government/corporate)	5.66	9.80
Treasury bills (90-day)	3.29	3.08
Inflation rate (CPI)	2.86	3.98

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Investment Strategy Guidelines

Asset Allocation Parameters

The following broad asset allocation parameters have been identified as appropriate in-order to meet the long-term investment goals:

	Minimum	Target	Maximum
Equity	30%	60%	60%
Fixed Income	30%	35%	60%
Cash	2.5%	5%	20%

After evaluating long-term performance characteristics of various investment styles and considering the stated investment objectives, time horizon and risk tolerance. The following asset classes were selected as appropriate to meet investment goals:

- High grade Corporate Bonds
- U.S. Treasury Obligations
- Mutual Funds
- Bank Certificates of Deposits
- Government Agency Securities
- Exchange Traded Funds
- Bond Mutual Funds

Parameters for each of the above asset classes are described in the Securities Guidelines section of this report.

Strategic Rebalancing

The allocation to each asset class may vary from the target asset allocation depending upon market conditions. When necessary and/or available, cash may be deployed in a manner consistent with the strategic asset allocation limits set by this statement of investment policy.

As a general rule, new cash will be used to rebalance in the direction of the established asset allocation target mix. If the Investment Committee judges cash flows to be insufficient to bring the strategic allocation within the targeted ranges, they shall decide whether or not to implement measures (i.e., buy/sell decisions) to bring the strategic allocation within the threshold ranges.

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Securities Guidelines

The following asset classes have been deemed appropriate investment vehicles but should be used only if they meet the following criteria:

Domestic Equities

- Equity holdings in any one company should not exceed 5% of the market value of the equity portfolio.
- Allocation to any one economic sector should not be excessive and should be consistent relative to a broadly diversified equity market and to managers following similar style disciplines.
- The manager shall emphasize quality in security selection and shall avoid risk of large loss through diversification.
- The manager shall have the discretion to invest a portion of the assets in cash reserves when deemed appropriate. However, the manager will be evaluated against peers on the performance of the total funds under direct management.
- Holdings of individual securities shall be large enough for easy liquidation.

International Equities

- Equity holdings in any one company shall not exceed 20% of the market value of the international equity portfolio.
- Allocation to any one economic sector should not be excessive and should be consistent relative to a broadly diversified international equity market and to managers following similar style disciplines.
- Allocation to any specific country shall not be excessive relative to a broadly diversified international equity manager peer group. It is expected that the non-U.S. equity portfolio will have no more than 10% in any one country.
- The manager may not enter into foreign exchange contracts on currency provided that use of such contracts is limited to hedging currency exposure existing within the manager's portfolio. There shall be no direct foreign currency speculation or any related investment activity.

Domestic Fixed Income

- All fixed income securities held in the portfolio shall have a Moody's, Standard Poor's and/or a Fitch's credit quality rating of no less than "BBB". U.S. Treasury and U.S. government agencies, which are unrated securities, are qualified for inclusion in the portfolio.
- The exposure of the portfolio to any one issuer, other than securities of the U.S. government or agencies, shall not exceed 10% of the market value of the fixed income portfolio.
- Corporate bonds shall include only obligations of U.S. corporations. To the extent possible, the corporate bond section of the total Fund shall be diversified by sector.
- The weighted average maturity of the portfolio shall not exceed 7 years and the maturity of any single issue shall not exceed 12 years.
- Holdings of individual issues shall be large enough for easy liquidation.

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Cash and Cash Equivalents

- Cash and cash equivalent reserves should consist of cash instruments having a quality rating of A-2 or higher. Eurodollar Certificates of Deposit, time deposits and repurchase agreements are also acceptable investment vehicles.
- Any idle cash shall be invested in an interest-bearing vehicle, such as a money market instrument, in a timely manner.

Portfolio Restrictions

Every Investment Manager selected must adhere to the portfolio restrictions established in this statement of investment policy. The following securities and transactions are not authorized unless receiving prior approval:

Prohibited Assets

Prohibited investments include, but are not limited to the following:

- Letter stock, unregistered securities.
- Commodities, futures contracts, private placements.
- derivatives.

Prohibited Transactions

Prohibited transactions include, but are not limited to the following:

- Margin transactions
- Short selling
- Options

Social Constraints

The social responsibility and moral beliefs of the Special Leisure Services Foundation and its members prohibit investing in companies that participate in: (e.g., the production of alcohol, tobacco, firearms, environmentally unfriendly products, weapons of mass destruction.)

- It is the Foundations intention to invest our funds in accordance with the Investment Guidelines in investments that help promote the hiring, care and well-being of the disabled.
- In addition, we will avoid investments that are known to discriminate against the disabled.

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Professional Money Managers

Selection Criteria

Caution must be used in selecting appropriate money managers to manage the assets. At a minimum, the money manager must meet the following criteria:

- Be an investment management company, bank, insurance company, or Investment Consultant as defined by the Registered Investment Advisors Act of 1940.
- Provide historical quarterly performance data calculated on a time-weighted basis, based on a composite of all fully discretionary accounts of similar investment style, and reported net and gross of fees.
- Provide detailed information on the history of the firm, key personnel, fee schedules and support personnel.
- Have no outstanding legal judgements or past judgments that may reflect negatively on the firm.

More specifically, money managers must clearly articulate the investment strategy to be followed. It must be documented that the chosen strategy has been successfully adhered to over time. In doing so, the manager must demonstrate:

- Clearly defined investment philosophies
- Logical buy and sell disciplines
- Adequate experience and academic credentials among management team members

Control Procedures: Duties and Responsibilities of the Money Managers

The duties and responsibilities of each money manager retained by the Special Leisure Services Foundation include the following:

- Managing the assets under its care and control in accordance with the investment objectives and guidelines set forth herein and also expressed in separate written agreements when deviation is deemed prudent and desirable.
- Exercising investment discretion, including holding cash equivalents as an alternative within the investment policy objectives and guidelines set forth herein.
- Revealing information to the Investment Committee and/or Investment Consultant regarding all significant material matters and changes, which could have an effect on the assets, including, but not limited to:

- | | |
|----------------------------|--|
| • Investment Strategy | • Financial condition |
| • Portfolio structure | • Professional staff |
| • Tactical approaches | • All legal material, SEC and other regulatory agency proceedings affecting the firm |
| • Ownership | |
| • Organizational structure | |

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- Promptly voting all proxies and related actions in a manner consistent with the long-term interests and objectives. Each money manager shall keep detailed records of said voting of proxies and related actions and will comply with all related regulatory obligations.
- Utilizing the same care, skill, and prudence that experienced investment professionals acting in a like capacity and fully familiar with such matters would use for funds with similar aims in accordance and in compliance with all applicable laws, rules and regulations from local, state, federal and international political entities as it pertains to fiduciary duties and responsibilities.
- Acknowledgement in writing, is so desired, of the fiduciary responsibility to fully comply with this entire investment policy statement, including any amendments or modifications made in the future.

Performance Monitoring

Quarterly performance evaluation reports, prepared by an objective third party, should be reviewed at least annually to evaluate and measure progress toward the attainment of long-term goals. It is understood that there are likely to be short-term periods during which performance deviates from market indices. During such times, greater emphasis shall be placed on peer-performance comparisons with money managers employing similar investment styles. On a timely basis, the Investment Consultant shall meet with the Investment Committee to focus on:

- The money manager's adherence to stated investment policy guidelines.
- Material changes in the money management organization's investment philosophy and personnel.
- The investment performance results compared to the money manager's composite performance figures to determine unaccounted for dispersion between the manager's reported results and the actual results.
- The money manager's performance relative to managers of like investment style or strategy. Each manager is expected to perform comparably well with respect to the proper style universe. The money managers selected to fulfill the role of each investment style described in the Asset Allocation section of this statement shall be monitored against a relative index as follows:

Performance Benchmarks

Investment Style

World Stock

Large Cap Blend

Large Cap Value

Large Cap Growth

NASDAQ

Relative Index

MSCI World Index

S&P 500 Index

Russell 1000 Value

Russell 1000 Growth

NASDAQ 100 Index

- Other: _____

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It is understood that ongoing review of the selected money managers is required. A thorough analysis of an investment management organization will be conducted given the following circumstances:

- Failure to adhere to any aspect of this statement of investment policy.
- Consistent underperformance compared to a peer group over an extended period of time.
- Deviation from the investment style or discipline the Fund understands to be in place.
- Unsatisfactory communication and service resulting in the Fund's needs not being met.
- Changes in the Fund's objectives where the manager no longer meets the necessary profile.
- Other: _____

Major organizational changes also warrant immediate review of the manager, including:

- Change in senior investment personnel
- Material changes in investment process, discipline, or style
- Considerably inconsistent management across the Fund's portfolios
- Significant personnel turnover
- Excessive growth of the firm
- Substantial account turnover
- Change in ownership
- Other: _____

While performance of the Fund's Investment Managers will be monitored on an ongoing basis, it is at the Fund's discretion to take corrective action by replacing a money manager if the Fund deems it appropriate at any time.

Investment Policy Review

To assure continued relevance of the guidelines, objectives, financial status and capital markets expectations as established in this statement of investment policy, the Investment Committee plans to review the Investment Policy Statement at least annually.

Acceptance and Authorization

This statement of investment policy is adopted on May 18, 2010 by the Board of Trustees of the Special Leisure Services Foundation Fund whose signatures appear below.

Investment Policy Statement

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Investment Management Firm

1/11/2023

Date

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Signature of Authorized Firm Principal

12/14/2022

Date