THE HEALTH SCIENCE CENTER AT BROOKLYN FOUNDATION, INC.

POLICIES & PROCEDURES

Title: Investment Management

Reviewed by: Foundation Management

Approved by: HSCBF Board

Original Issue Date: 06/2000

Revised Date: 05/2016

SUNY Policy Ref. No. N/A

1. BACKGROUND

The Foundation was established for the benefit of the State University of New York Health Science Center at Brooklyn, Inc. The Foundation is exempt from federal income tax under section 501c(3) of the Internal Revenue code. A Finance and Investment Sub-Committee (FIS) was appointed by the Foundation's Board of Directors on 10/15/90 to provide advice and consultation to the Board in its finance and investment activities and to perform such other duties as the Board shall prescribe. On 5/23/95 the Board adopted an Investment Policy that requires the FIS to report quarterly to the Board the following:

- On the status of the investment portfolio
- Proposed changes in the Investment and Spending policy.

In 2010, the New York Prudent Management of Institutional Funds Act (NYPMIFA) was passed. This policy is amended to adapt to NYPMIFA.

Purpose of the Investment and Spending Policy Statement

- The purpose of this Investment and Spending Policy Statement (IPS) is to assist the HSCB Foundation FIS in effectively supervising, monitoring and evaluating the investment of the Unrestricted and Restricted assets. The spending policy will be determined giving consideration to achieving an objective of an estimable revenue stream for fund holders that protects the long-term purchasing power of the Foundation. The investment program is defined in the various sections of the IPS. Stating in a written document the FIS's attitudes, expectations objectives and guidelines, for the investment of all assets.

- Setting forth an investment structure for managing all assets. This structure includes various asset classes, investment management styles, asset allocation and acceptable ranges that, in total, are expected to produce a sufficient level of overall
diversification and total investment return over the long-term.

- Providing guidelines for each investment portfolio that controls the level of overall risk and liquidity assumed in that portfolio, so that all assets are managed in accordance with stated objectives.

- Encouraging effective communications between the FIS, the Investment Management Consultant (Consultant) and the money managers.

- Establishing formalized criteria to monitor, evaluate and compare the performance results achieved by the money managers on a regular basis.

- Complying with all applicable fiduciary, prudence and due diligence requirements that experienced investment professionals would utilize, and with all applicable laws, rules and regulations from various local, state, federal and international political entities that may impact HSCB Foundation assets.

This IPS has been formulated based upon consideration by the FIS of the financial implications of a wide range of policies and describes the prudent investment process that the FIS in conjunction with the Board of Directors deems appropriate.

A. THE FINANCE AND INVESTMENT SUB-COMMITTEE GUIDELINES

The FIS recognizes that matters concerning the investment of the assets owned by the HSCB Foundation merit serious attention and frequent consideration.

1. The FIS is responsible for directing all of its efforts toward the investment objectives stated herein.

2. The FIS is responsible for performing at least an annual review of the investment objectives stated herein to ensure that the objectives are practical and reflect the mission of the HSCB Foundation.

3. The FIS, with guidance and recommendations of the Consultant, is responsible for the development, implementation and monitoring of an asset allocation strategy that is consistent with the investment objectives and guidelines of the Foundation.

4. The FIS will evaluate the need for re-balancing the asset allocation to target levels on an annual basis, or when deemed necessary as a result of significant market movement and/or donor activity.

5. The FIS, with the guidance and recommendations of the Consultant, is responsible for the selection and continued monitoring of qualified, competent
Investment Managers. Investment Managers whose performance is deemed inadequate will be discharged.

6. The FIS is responsible for developing and reviewing the investment objectives and guidelines given to each specific Investment Manager.

7. The FIS will meet not less than quarterly. At such meetings, it will review the results of the investment portfolios and determine whether the investment objectives set forth herein are being met and whether the investment guidelines are being followed.

8. The FIS is responsible for reviewing the annual 3-year investment earnings projection presented by the Treasurer.

9. The Consultant will prepare written quarterly management reports. These reports should include, but are not limited to:

   • Value and change in value of the portfolio compared to preceding quarters and fiscal years.
   • Total earnings for the quarter.
   • Effective current yield and yield to maturity.
   • Comparison of performance results to investment earnings projections and guidelines

10. The Foundation will provide performance reports to the HSCB Foundation Board on a regular basis.

11. The FIS will provide an annual report to the Board regarding compliance with the Foundation's investment policies and objectives.

12. As authorized by Article V, Section 5 of the By-Laws of the HSCB Foundation, the Treasurer shall have the care and custody of all the funds and securities of the corporation and shall deposit said funds in the name of the corporation in such bank or trust company as the directors may elect. The directors, on February 8, 1993, approved a blanket authorization allowing the Treasurer to open accounts from time-to-time without specific authorization from the Board.

<table>
<thead>
<tr>
<th>Officer</th>
<th>Authorized to</th>
</tr>
</thead>
<tbody>
<tr>
<td>Treasurer</td>
<td>Open and close investment accounts as approved by the FIS</td>
</tr>
<tr>
<td>Secretary</td>
<td>Certify appropriate signatories for each account</td>
</tr>
</tbody>
</table>
Any Two Officers

Transfer, endorse, buy, sell, assign and set over, and deliver all shares of stocks and bond debentures, notices, evidence of indebtedness, or other securities in the name of the HSCB Foundation, and to make, execute and deliver, under the corporate seal of HSCBF any and all written instruments necessary or proper to effectuate the authority hereby conferred, with the prior approval of the FIS.

INVESTMENT OBJECTIVES

The objectives of the HSCB Foundation have been established in conjunction with a comprehensive review of the current and projected financial requirements. The objectives are:

1. To maximize total return within reasonable and prudent levels of risk.

2. To increase the purchasing power of all investable assets.

3. To have sufficient cash balance at all times to assure operational liquidity.

4. To control costs of administering and managing the HSCB Foundation and managing the investments.

5. To ensure that the investment portfolios are managed responsibly and in compliance with State guidelines, donor guidelines and expectations (where applicable), and the investment guidelines set forth herein. Investment policies and objectives are the critical elements in achieving the desired investment results. The investment earnings from future contributions are expected to be used to support new programs.

6. The investment guidelines are based on a long-term horizon; therefore, interim fluctuations should be viewed in their appropriate perspective. Similarly, the HSCB Foundation strategic asset allocation is based on this long-term perspective.

7. The FIS recognizes the difficulty of achieving the HSCB Foundation investment objectives in light of the uncertainties and complexities of contemporary investment markets. The FIS also recognizes that some risk must be assumed to achieve the Foundation's long-term investment objectives. In establishing the risk tolerances of the IPS, the ability to withstand short and intermediate term variability are considered.

8. The Foundation will seek diversity in the financial agencies through which it carries out its investment policy.
ASSET ALLOCATION

Objective

The strategic (long-term) asset allocation strategy of the HSCB Foundation is to maximize total return within prudent risk parameters.

The single most important decision made by an FIS is the asset allocation decision. Investment research has determined that a significant portion of a fund's investment return can be attributed to (1) the asset classes/styles which are employed by the fund, and (2) the weighting of each asset class/style. It is the responsibility of the FIS to determine the asset allocation that offers the highest probability of achieving the investment objectives.

Guidelines

1. An asset allocation strategy should include strategic (long-term) target levels, as well as allocation ranges to allow for tactical (short-term) adjustments. The strategic target levels, allocation ranges and current tactical position should by determined by the Committee with guidance and recommendations by the investment consultant.

2. The Committee, with guidance and recommendations from its consultant, should review the asset mix on an ongoing basis and make revisions as necessary. Some of the factors which may impact the target allocation, thereby requiring an asset allocation review and possible re-balancing include:

   • The Committee's assessment of the intermediate-term outlook for different types of asset classes and styles,
   • The Consultant's assessment of the intermediate-term outlook for different types of asset classes and styles,
   • Divergence in the performance of the different asset classes and styles,
   • The investment managers' decisions to raise or lower cash positions.

3. Where more than $100,000 is deposited at any one institution covered by the FDIC or FSLIC, excess over $100,000 is identified, whenever possible, with a distinct beneficiary interest.

Permissible Investments and Strategies (Applicable to Investment Managers)

- Domestic Equity
- International Equity
- Domestic Fixed Income
- Preferred Stocks
- Convertible Bonds
- Covered Calls
- Real Estate (marketable)
- Commercial Paper (rated A1 by Standard & Poors, Pl by Moodys)
• Repurchase Agreements
• Eurobonds

Prohibited Transactions and Strategies (Applicable to Investment Managers)

• Naked Options and Futures Contracts (unless approved by the Investment Committee as part of a strategy)
• Non-marketable securities
• Collateralized Mortgage, Obligation Derivatives (i.e. Inverse Floaters, Interest-Only Strips, Principal-Only Strips, etc., unless approved by the FIS as part of a strategy).

ASSET & STYLE ALLOCATION RANGES PERMITTED

<table>
<thead>
<tr>
<th>ASSET CLASS</th>
<th>MINIMUM%</th>
<th>MAXIMUM%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Equity</td>
<td>20.00</td>
<td>60.00</td>
</tr>
<tr>
<td>Domestic</td>
<td>0.00</td>
<td>50.00</td>
</tr>
<tr>
<td>International: Developed</td>
<td>0.00</td>
<td>15.00</td>
</tr>
<tr>
<td>International: Emerging</td>
<td>0.00</td>
<td>5.00</td>
</tr>
<tr>
<td>Total Fixed Income</td>
<td>30.00</td>
<td>80.00</td>
</tr>
<tr>
<td>Domestic: Investment Grade</td>
<td>0.00</td>
<td>60.00</td>
</tr>
<tr>
<td>Domestic: Below Investment Grade</td>
<td>0.00</td>
<td>20.00</td>
</tr>
<tr>
<td>Alternative Strategies</td>
<td>0.00</td>
<td>20.00</td>
</tr>
<tr>
<td>Real Estate</td>
<td>0.00</td>
<td>10.00</td>
</tr>
<tr>
<td>Hedge Funds</td>
<td>0.00</td>
<td>10.00</td>
</tr>
<tr>
<td>Total Cash &amp; Equivalents</td>
<td>5.00</td>
<td>20.00</td>
</tr>
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</table>

INVESTMENT MANAGEMENT

The FIS, with the assistance of the Consultant, will select appropriate money managers to manage the HSCB Foundation assets. Managers must meet the following minimum criteria:

1. Be a bank, insurance company, investment management company, or investment adviser as defined by the Registered Investment Advisers Act of 1940.

2. Provide historical quarterly performance numbers 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.

3. Provide detailed information on the history of the firm, key personnel, key clients, fee
schedule, and support personnel. This information can be a copy of a recent Request for Proposal (RFP) completed by the manager.

4. Provide the Consultant with a copy of the firm's Form ADV Part II.

5. Clearly articulate the investment strategy that will be followed and document that the strategy has been successfully adhered to over time.

6. As disclosed in the firm's Form ADV Part II, selected firms shall have no outstanding legal judgments or past judgments that may reflect negatively upon the firm.

7. Meet Conflict of Interest Criteria as established and approved by the Foundation Board.

8. Registered open-ended mutual funds are recognized as a permissible investment vehicle and the Foundation also acknowledges that mutual funds may not be able to meet some of the above criteria due to their commingled structure.

Criteria for Investment Manager Review and Replacement

The FIS is aware that the ongoing review and analysis of money managers is just as important as the due diligence implemented during the manager selection process. Accordingly, a thorough review and analysis of a money manager will be conducted if a manager's actual and/or composite results:

1. Perform in the bottom quartile (75th percentile) of their peer group over an annual period.

2. Fall in the southeast quadrant (below average performance with above average volatility) of the risk/return scatter-plot for 3- and/or 5-year time periods.

3. Have a 5-year risk adjusted return that falls below that of the median manager within the appropriate peer group.

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

1. Change in professionals
2. Change in investment strategy/style
3. Significant increase/decrease in number of accounts
4. Significant growth/loss of assets under management
5. Change in ownership

In addition to the other factors previously described, performance (actual and/or composite) which may require the replacement of a manager includes:

1. Manager's risk adjusted returns consistently fall below the median (50th percentile) of their universe:
- 1/2 of cumulative periods (1, 3, 5, 7, 10 years)
- 1/2 of available annual periods
- 1/2 of available rolling 3-year periods

2. Managers perform below the median (50th percentile) of their peer group over a five-year period.

The performance of the HSCB Foundation investment managers will be monitored on an ongoing basis and it is at the discretion of the FIS to take corrective action by replacing a manager if deemed appropriate at any time.

**PERFORMANCE GOALS & INVESTMENT CONSTRAINTS**

**Domestic Equity**

1. To be in the top one-third (1/3) of a universe of managers with a similar style and philosophy over rolling twelve (12) quarter periods.

2. To be in the top half of a universe of managers with a similar style and philosophy over rolling four (4) quarter periods.

3. To exceed the return (net of fees) of the appropriate equity indices over rolling four (4) quarter periods.

4. The maximum weighting (cost basis) in any one company of the manager's portfolio holding is 10% and in any one industry (defined as the 99 industry groups specified by the Frank Russell Co.) in the manager's portfolio holdings, the maximum weighting (market value) is 25%. **This constraint does not apply to mutual or commingled funds. These types of funds should exemplify a prudently diversified portfolio, but the FIS recognizes that specific constraints cannot be applied to mutual or commingled strategies.**

**Domestic Fixed Income**

1. To be in the top one-third (1/3) of a universe of managers with a similar style and philosophy over rolling twelve (12) quarter periods.

2. To be in the top half of a universe of managers with a similar style and philosophy over rolling four (4) quarter periods.

3. To exceed the return (net of fees) of the appropriate index over rolling four (4) quarter periods.

4. All fixed income securities should be of investment grade, unless a specific strategy utilizing below investment grade securities is selected and approved by the FIS.

5. No holding in any one security of more than 10% (at cost) in the manager's portfolio. This does not apply to U.S. government and agency issues.
6. No collateralized mortgage obligation derivatives (i.e. Inverse Floaters, Interest-Only Strips, Principal-Only Strips, etc., unless approved by the FIS as part of a strategy).

Global or International Equity

1. To be in the top one-third (1/3) of a universe of managers with a similar style and philosophy over rolling twelve (12) quarter periods.

2. To be in the top half of a universe of managers with a similar style and philosophy over rolling four (4) quarter periods.

3. To exceed the return (net of fees) of the appropriate equity indices over rolling four (4) quarter periods.

4. The use of currency futures to enhance performance and/or hedge currency exposure by international and/or global managers is at the discretion of the manager, provided this activity is part of the managers' stated strategy.

Short Term Investments (Separate Cash Account)

1. To meet or exceed the return of the 90 Day Treasury Bills.

2. To see that all cash, dividends and coupon interest are invested promptly.

Alternative Strategies

1. Performance goals and investment guidelines will be adopted for each special strategy on a case by case basis when approved by the FIS for investment.

REPORTING REQUIREMENT

The Consultant will be responsible for the preparation of the reports concerning performance evaluation. These reports will comply with standards developed by the Association for Investment Management and Research. While the assets will be monitored on a continuous basis, the Committee will focus primarily on the achievement of its objectives over a rolling three-year time horizon. However, if any manager consistently underperforms their stated objectives or changes management, philosophy, personnel or ownership, a review will be conducted to determine if the investment manager remains appropriate for the Foundation's purpose.

B. SPENDING POLICY

The spending policy will be stated as a percentage and will be reviewed annually and set in the spring of each year with an effective date of the upcoming August 1 to July 31. The FIS of the Board of Directors will prepare the "Annual Spending Rate by Fiscal Year" document for review and approval by the Board of Directors.
The policy adapts the Moving Average Method to "smooth" the overall spending rate and to reduce the impact of a single year's increase or decrease in value. This method involves the application of a spending policy rate to a moving average of beginning-period values over a defined historical period.

**REVIEW AND REVISIONS TO THE IPS**

Investment Policy will be reviewed at least annually to determine the continued feasibility of achieving the investment objectives and the appropriateness of the IPS for achieving those objectives.

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.

Any revision to the IPS requires a majority vote by the voting members of the FIS when a quorum is present. All changes to the IPS must be submitted to the HSCB Foundation Board for final approval.