

UTAH SYMPHONY | UTAH OPERA  
INVESTMENT POLICY STATEMENT

I. INTRODUCTION AND PURPOSE

This Investment Policy Statement (“IPS”) provides a framework for the management of investable assets (the “Investment Funds”) of Utah Symphony | Utah Opera (“USUO”). This policy will assist the Board of Trustees in supervising and monitoring the Investment Funds. In accordance with the IPS, a standing committee of the Board, the Investment Committee (the “Committee”), has been authorized to establish, implement, monitor and revise the policies and practices that govern the Investment Funds. The IPS addresses the goals and objectives of the Investment Funds and the investment strategy, including asset allocations, spending policy, and investment guidelines.

This IPS is set forth to:

- A. define the responsibilities of the Committee, USUO staff, investment advisors, investment managers, and custodian;
- B. establish guidelines agreed to by the investment managers and investment committee;
- C. articulate the investment goals, policies, and guidelines designed to support the USUO mission and overall financial objectives;
- D. provide investment advisors, appointed by the Committee, with specific investment guidelines;
- E. create a framework for the Committee to evaluate investment performance, monitor policy compliance, explore new opportunities and revise investment strategies; and
- F. ensure that Investment Funds are managed according to applicable laws, standards of fiduciary responsibility, and in accordance with prudent investment practices.

II. INVESTMENT COMMITTEE

The Committee is appointed by the Board and is responsible for oversight of the investments of the USUO. The Committee reports to the Board through the Executive Committee. Committee members shall discharge their duties solely in the interest of advancing the mission of USUO.

The Committee will have a minimum of three and a maximum of nine members, including the Chairman and one musician. Committee members, including the Chairman, will be appointed by the Chief Executive Officer, the Chairman and Vice Chairman of the Board and approved by the Executive Committee. The Chief Executive Officer and the Chief Financial Officer will serve as ex-officio members of the Committee. The Chairman of the Committee will serve for a term of one year. However, such term may be extended at the election of the Executive Committee.

The Secretary of the Committee will be the Chief Financial Officer of the USUO. While the Committee will oversee investment strategy development and performance evaluation, the CFO will be responsible for investment strategy implementation and communication between investment advisors, investment managers and the custodian.

The responsibilities of the Committee are as follows:

- A. develop investment objectives that support the overall USUO financial planning process;
- B. establish investment policies and procedures which should be set forth in writing and reviewed annually to ensure ongoing support for USUO financial objectives and mission;
- C. determine the investment strategy and asset allocation targets and ranges expected to achieve objectives while mitigating portfolio risk;
- D. appoint and/or discharge investment advisors, investment managers, custodians, and any other service providers related to prudent management of funds;
- E. adopt performance measurement standards, review and evaluate investment results, and implement corrective action as needed;
- F. provide periodic reports to the Executive Committee and the Board on investment objectives, policies and procedures and the status and performance of Investment Funds;
- G. act upon special investment requests received from investment advisors, the Executive Committee or the Board; and
- H. arrange for the management or liquidation of non-cash assets contributed to the USUO, including such items as real estate, gifts in kind, illiquid securities, etc.

### III. INVESTMENT FUNDS

Investment Funds of the USUO are comprised of the following:

#### A. Donor Restricted Endowment Fund

- 1. Qualifying Funds: Endowment funds held for which the donor has restricted the use of principal.
- 2. Guidelines and Restrictions:
  - a. The principal of this endowment fund shall be invested in accordance with the investment policy established by the Committee and approved by the Board.
  - b. Except as provided in paragraph III. A. 2. c. below, the principal of this endowment fund shall not be used as part of the Annual Operating Fund of the USUO, nor shall loans to the Annual Operating Fund be made from this endowment fund.

- c. Unless otherwise designated by donor, a 5% annual draw from the Donor Restricted Endowment Fund for operations is established per USUO's board resolution dated November 21, 2002. This annual draw shall equal 5% of the average fair market value of the Donor Restricted Endowment Fund on the 12 completed calendar quarters before the commencement of a new Symphony Fiscal Year, i.e. the quarter ending June 30. USUO management will be responsible for annually calculating the amount of the 5% draw and working with the Investment Account Custodian on the timing of the fund transfers to achieve the 5% draw.

In 2007 the Utah legislature adopted the Uniform Prudent Management of Institutional Funds Act ("UPMIFA"). Under UPMIFA, any expenditure (draw) over seven percent (7%) of the fair market value of an endowment fund creates a rebuttable presumption of imprudence. Therefore, USUO's annual draw for operations from its endowment funds is restricted under Utah law to a maximum of 7% of the fair market value of the funds.

#### B. Board Designated Endowment Fund

##### 1. Qualifying Funds:

- a. All other endowment funds donated to the Utah Symphony which are not specifically restricted by the donor as to the use of principal.
- b. Other funds that may be designated by the board for long term investment.

##### 2. Guidelines and Restrictions:

- a. The principal of these funds shall be invested in accordance with the investment policy established by the Committee and approved by the Board.
- b. Except as provided in paragraph III. A.2. c. above the principal of this endowment fund shall not be used as part of the Annual Operating Fund of the USUO. However, with the approval of 90% of the voting members of the Board, loans to the Annual Operating Fund may be made from these funds. Such loans shall be repaid without interest within five (5) years from future annual operating surpluses of the USUO.

#### C. Utah Symphony | Utah Opera General Fund

The USUO General Fund consists of the annual operating funds of the USUO, as well as investment assets, such as real estate, art, and securities, which have not been designated for one of the above specified endowment funds.

#### D. Temporarily Restricted Assets

Temporarily Restricted Assets are primarily donations or other revenues that are restricted to a future fiscal year for special projects such as future period sponsorships of concerts or tours, and grants from the Board of Education and Utah Arts Council that are related to the next fiscal year. Unless otherwise donor or Board restricted, any income from Temporarily Restricted Assets may be used for current operations.

#### IV. INVESTMENT PERFORMANCE OBJECTIVES

The investment of funds is intended to support the long term financial viability of USUO. Investment objectives encompass (1) optimizing portfolio efficiency by minimizing expected portfolio risk and seeking opportunities to reduce fees and expenses, (2) providing liquidity to meet near term cash forecast needs while minimizing “cash drag” on portfolio returns, and (3) preserving capital by avoiding significant and sustained loss in market value.

Investment performance objectives will include:

- A. achieving a maximum total rate of return consistent with a prudent degree of risk, which rate of return is to include all earnings, capital appreciation or depreciation, less fees charged by the investment advisors and custodians. However, non-marketable assets, as defined and agreed upon by the Committee, will be excluded in this calculation;
- B. Over three and five-year periods, active investment manager returns (net of fees) are expected to exceed the comparative benchmark index performance. Such index is to be agreed upon by the investment committee and the manager. Additionally, beginning after 3 years, each manager's standard deviation of returns will be compared to a benchmark volatility as represented by the index or indices chosen.

Returns for traditional managers will also be measured versus a comparative peer universe. Over three and five-year periods investment managers are expected to perform in the top half of their comparative peer universe

- C. requiring prudent diversification with regard to the concentration of holdings in individual issues, corporations, or industries with the intent of minimizing the risk of large investment losses; and
- D. prohibiting more than 10% of Investment Funds, including hedge funds, from being invested in non-liquid investments for which an immediate market does not exist.

#### V. INVESTMENT ADVISORS

The Committee, with approval of the Executive Committee, is empowered to appoint investment advisors to whom will be delegated the responsibility of daily management of funds assigned to them according to the following terms and conditions:

- A. investment managers must be registered with the Securities and Exchange Commission pursuant to the Investor Advisor’s Act of 1940, as amended;

- B. investment advisors will be given the discretion to execute trades without prior approval, subject to pre-established policies and guidelines; and
- C. agreements with investment advisors are to be in writing and should be drawn so that the manager can be terminated without prior notice, with or without cause. The Committee shall review annually Investment Advisor Agreements and any reports advisors are legally required to submit to the Committee.

VI. INVESTMENT ADVISOR GUIDELINES

Investment advisors and the Committee will jointly determine and agree on written guidelines to govern management of Investment Funds.

VII. LIQUIDITY

The Committee will be responsible for providing the investment advisors with an estimate of planned cash withdrawals from Investment Funds on an annual basis in order to avoid forced sales of securities. However, as overall portfolio liquidity is considered to be important to facilitate the portfolio changes necessary to adapt to changing economic conditions, marketable securities for which a ready market exists are expected to be the most suitable type of investment for Investment Funds. Illiquid investments should not be acquired except with the expressed written approval of the Committee.

VIII. ACCOUNTING AND REPORTING

The USUO staff is responsible to provide and maintain a complete set of accounting records, recording all transactions relating to Investment Funds in accordance with Generally Accepted Accounting Principles.

A report prepared quarterly by USUO staff for review by the Committee shall contain the following:

- A. itemized listing of Investment Funds by investment category showing both cost and current market value and current dividend and interest income;
- B. summary of changes in the fund balance showing contributions added, withdrawals, fees and expenses, etc. for the current period and year-to-date;
- C. investment performances of total Investment Funds and each component of the portfolio, identifying both the current income yield and the total rate of return;
- D. purchases and sales;
- E. itemized listing of any income past due; and
- F. itemized listing of investment assets not included in professionally managed portfolios.

Reports prepared by the Custodian and/or by an independent evaluator of the investment performance of Investment Funds may be submitted in lieu of quarterly reports by the USUO staff to the extent the above required information is included in such externally prepared reports.

IX. BROKERAGE

All transactions are to be governed on a “best execution” basis. The lowest commission rate need not mean the best realized price. Execution capability, price, and overall effectiveness shall be considered, along with the commission rate.

X. CUSTODIANSHIP

All assets under management of the investment advisors are to be maintained in a custodial account at a major bank or brokerage designated by the Committee.

XI. REVIEW MEETINGS

The Committee or representatives there from, are to meet at least annually with the USUO’s investment advisors to evaluate compliance with established guidelines, review investment performance, respond to investment advisor inquiries and on an overall basis evaluate the investment advisor relationship.

XII. NON-CASH CONTRIBUTIONS

Non-cash contributions must be approved by the Committee. Acceptance of non-cash contributions should be evaluated carefully and accepted only when a ready market for disposition exists, or a certain future disposition date exists, which warrants the acceptance of the gift. Under the direction of the Committee, the USUO staff shall dispose of non-cash contributions according to the following guidelines:

- A. Marketable Securities: Marketable securities should be sold promptly and the proceeds added to the endowment or general funds. The USUO, through its authorized representatives, shall promptly direct in writing the sale of such securities.
- B. Non-marketable Assets: The disposition of non-marketable assets should be determined individually by the Committee. Normally such property should be converted to cash as soon as possible, unless special conditions warrant holding the property.
- C. Valuation of Non-Cash Assets: Neither the Committee, the Board, or the USUO is empowered to provide the donor of a non-cash gift with an appraisal of value. However, for record keeping purposes such gifts will be valued on USUO’s books half way (1/2) between the high and low appraisals prepared by external appraisers. Such appraisals are to be provided upon acceptance of the gift by the USUO from the most qualified available appraiser without undue expense.
- D. Real Property Contributions: Real property will not be accepted without an indemnification from the donor concerning any and all liability associated with ownership of said property.

XIII. PROCEDURES FOR THE DISPOSITION OF MARKETABLE SECURITIES

A. Securities delivered in physical form: All securities delivered to the Custodian by the USUO in physical form must be accompanied by:

1. stock or bond power;
2. current corporate authorization, and
3. written instructions to sell, hold or transfer the securities.

B. Securities delivered electronically to the USUO's custody account: Upon receipt of any securities received electronically, the Custodian shall immediately advise the USUO's Chief Financial Officer and shall dispose of the securities as directed in writing.

XIV. GIFTS SUBJECT TO LIABILITIES

The Committee is to carefully evaluate any gift subject to liabilities or other commitments to ascertain that there is sufficient value in the gift to more than offset obligations to be assumed by the USUO.

Board Approved: [January 27, 2011]

UTAH SYMPHONY | UTAH OPERA  
INVESTMENT ADVISOR GUIDELINES

Until amended in writing, investment advisors are to manage the funds of the Utah Symphony | Utah Opera (“USUO”), which are assigned to them, according to the following guidelines and instructions:

1. Discretionary Account: Investment advisors shall have full discretion in the purchases and sales of investment securities subject to these guidelines.
2. Nature of Portfolio: The investment objective for the USUO’s portfolios is to obtain the maximum total return, including both current income as well as capital appreciation, consistent with a prudent degree of risk. Performance will be evaluated relative to a universe of pension and tax exempt institutional funds over three and five-year periods, active investment manager returns (net of fees) are expected to exceed the comparative benchmark index performance. The principal, capital gains and income of the USUO’s investment funds shall be handled as specified in the Utah Symphony | Opera Investment Policy Statement [January 27, 2011] – Section IV. ]

INVESTMENT PERFORMANCE OBJECTIVES

3. Types of Assets. In order to provide investment advisors with freedom to make investments of various types, the following types of securities are expressly approved for investment:
  - a. Money Market Funds
  - b. Obligations of the U.S. Government and the U.S. Government guaranteed agencies
  - c. Federally insured Bank and Savings and Loan Association deposits
  - d. Commercial Paper, rated A/1 or P/1 or better
  - e. Corporate Bonds, rated BBB or better unless by expressed authorization by the investment committee for an allocation to High Yield
  - f. Preferred Stocks, rated A or better
  - g. Convertible debt or equity Securities convertible into Common Stocks
  - h. Rights to purchase common stock
  - i. Publically Traded Common Stocks
  - j. American Depository Receipt Shares (“ADRs”)
  - k. Warrants
  - l. Mutual and Index Funds
  - m. Hedge Funds\*

\*Hedge Fund investments, should they occur, will be subject to additional policies which will be determined prior to such investment.

Securities selected for the portfolio should be readily marketable globally and have an easily ascertainable market value.



Investment manager(s) shall be prohibited from investing in any of the following securities or instruments, except to the extent such securities or instruments are expressly permitted pursuant to written investment manager guidelines approved by the Directors:

- a. Commodities
  - b. Futures and forward contracts (with the exception of forward currency contracts)
  - c. Options
  - d. Derivatives (with the exception of ADR's, GDR's, convertible bonds and foreign exchange hedging)
  - e. Securities purchased on margin
  - f. Shorted securities
  - g. Private placements
  - h. Limited partnerships
4. Diversification: Investment advisors are expected to diversify Investment Funds to take advantage of current and anticipated economic conditions as well as to control risk. In so doing, they may determine the appropriate weighting of funds to be invested in the various types of investments enumerated above. In no event, however, should more than 75% nor less than 25% of Investment Funds be maintained in common stocks or securities convertible into common stocks without the written approval of the Committee. Cash and cash equivalents securities will be an amount equal to projected annual draws for the next two years.
5. Limitation of Investments: The following specific limitations shall apply to the invested funds:
- a. Federally insured bank and savings and loans deposits, both demand and time, not to exceed federally insured levels.
  - b. Commercial Paper, rated A/1 or P/1 or better, not to exceed 5% of total portfolio assets for any single entity.
  - c. Corporate Debt instruments, rated BBB (per Standard & Poor's, Moody's, or similar service) or better, not to exceed 5% of total Investment Funds for any single entity.
  - d. Common Stocks, not to exceed 6% of the portfolio at cost or 8% at market, whichever is less, in the common stock of any one company, which common stock must be listed on a major stock exchange.
6. Brokerage Purchases and Sales: All transactions are to be governed on a "best execution" basis. The lowest commission rate need not mean the best realized price. Execution capability, price, and overall effectiveness shall be considered, along with the commission rate.
7. Investment Reports: Investment advisors are expected to make a written report to the Committee at least quarterly containing the following information:
- a. Listing of securities reflecting cost and current market value.
  - b. Purchases and sales during reporting period.
  - c. Investment performance for the quarter, year-to date, and for the past three years (if applicable).
  - d. Comments of special interest to the Committee.

Reports prepared by the Custodian and/or by an independent evaluator of the investment performance of the funds may be submitted in lieu of the quarterly reports by the investment advisors to the extent the above required information is included in such externally prepared reports.

8. Manager Visits: Investment managers are expected to be available to meet personally with members of the Committee at least once each year.
9. Custodianship: All assets relating to the USUO's investment funds are to be held in a custodial account in a bank designated by the Committee.

Board Approved: [January 27, 2011]