

**Investment Policy Statement
for
The American Booksellers Association**

Adopted: 1993

Revised: July 2001

Revised: July 2003

Revised: May 2004

Revised: January 2006

Reaffirmed: September 2009

Revised: March 2012

Amended: July 2016

Revised: September 2016

Amended: April 2021

Amended: October 2021

Amended: October 2022

Amended: July 2023

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I. Purpose of this Policy Statement

This policy statement outlines the goals and investment objectives for the financial resources of the American Booksellers Association (“ABA”). Because this document is intended to provide guidelines for managing the ABA endowment, this document outlines certain specific investment policies that will govern how those goals are to be achieved. This statement:

- Describes an appropriate risk posture for the investment of the endowment,
- Establishes investment guidelines regarding permissible securities and diversification of assets,
- Specifies the criteria for evaluating endowment performance,
- Defines the responsibilities of the Board of Directors, the Executive Staff, the Investment Adviser, and Investment Manager(s) and other parties responsible for the management of the endowment.

The Board of Directors believes that the investment policies described in this statement should be dynamic¹. These policies should reflect the financial needs and objectives of the ABA and the Board of Directors’ duties regarding the investment of these assets. These policies will be reviewed and revised periodically to ensure they adequately reflect changes related to the ABA and the capital markets.

This policy encompasses all of the operating and long-term capital funds of ABA that fund the mission and operating needs of ABA.

This investment policy is intended to be a summary of an investment philosophy that provides guidance for the Board of Directors, the Executive Staff and other parties interested in the management of the endowment. It is understood that there can be no guarantees about the attainment of the goals or investment objectives outlined here.

II. Information about ABA

Founded in 1900, the American Booksellers Association (the “ABA”) is a not-for-profit organization devoted to meeting the needs of its core members of independently owned bookstores with retail storefront locations through advocacy, education, research, and information dissemination. The ABA actively supports free speech, literacy, and programs that encourage reading. The ABA is headquartered in White Plains, New York, and is located on the web at www.BookWeb.org. The association produces the annual educational conferences Winter Institute and Children’s Institute.

The purposes of the Association are to act as a professional association as defined in Section 501(c)(6) of the Internal Revenue Code of 1986, as amended, and include, but are not limited to, professional advancement, education, and advocacy on behalf of professional booksellers, such as the following:

- a. serving as the voice of professional independent booksellers and advocating on their behalf;
- b. providing professional independent booksellers with access to the information and services they require;

¹ The investment manager(s), the investment adviser or any other interested parties cannot be held accountable for any changes that have not been communicated to them by the Board of Directors.

- c. providing opportunities for peer interaction; and
- d. promulgating policies and conducting activities for the betterment of all those individuals and firms involved in aspects of the professional independent bookselling industry.

Since ABA is a tax-exempt organization, the income and earnings of the Funds are exempt from State and Federal taxes.

III. The Spending Policy

The Board of Directors of ABA has established a Spending Policy as follows:

The endowment spending policy determines the annual flow of funds from the endowment to the operating budget. The ABA endowment spending for a fiscal year will be limited to a maximum of 5% of the three-year average of the endowment net asset value as of the end of the previous fiscal year, such spending to be presented in the annual organizational budget and subject to normal Board voting procedures for budget approval (“Regular Endowment Spending”). Spending above and beyond Regular Endowment Spending will require a supermajority vote of the Board (11 out of 13 members).

The Board of Directors has established Investment Objectives as follows:

- To provide a substantial and moderately stable source of operating income to ABA and its programs for current and contingency expenditures
- To provide a supplement to operating income, where possible, for additional activities and Board-approved projects
- To serve as a long-term strategic reserve for the ABA to support future activities and projects.

Accordingly, the investment of the assets shall be guided by the following underlying principles:

- To preserve capital over most market cycles, maintaining adequate liquidity and generating sufficient investment returns to meet the requirements of Regular Endowment Spending
- To provide a source of income in excess of inflation and disbursements by investing in marketable securities to earn total returns comprised of capital appreciation and current income
- To provide long-term returns in excess of inflation and disbursements by investing with a long-term horizon and sound investment principles.

IV. Responsibilities of the ABA Representatives

Board of Directors

The Investment Adviser is an appointee of the Board of Directors, and the Board is responsible for hiring the Investment Adviser, as well as defining and implementing the investment objectives and policies for the endowment, subject to the overall guidelines set forth in this policy and applicable laws. It is expected that the objectives and policies described here will be used as the criteria for selecting and evaluating the appropriate investment manager(s) for the management of the endowment assets.

Specifically, the responsibilities of the Board of Directors include:

- Reviewing and approving the capital and operating budget needs of the ABA
- To oversee Executive Staff that will be responsible for the oversight of the endowment
- To hire/appoint the Investment Adviser

Executive Staff

The Executive Staff is responsible for the oversight and implementation of approved policy and guidelines. Further, it is the responsibility of the Executive Staff to keep the Board of Directors informed of significant matters that affect the endowment . Other duties of the Executive Staff shall include recommendations to the Board regarding:

- Any changes in approved policy and guidelines;
- Recommend the selection or termination of investment managers;
- Recommend the selection or termination of an investment adviser, administrators, and custodian for the endowment assets;
- The monitoring and evaluation of the performance of the investment manager(s);
- The operating budget and disbursements in excess of Regular Endowment Spending;
- Such other duties as may be described in this policy or delegated by the Board of Directors.
- The daily responsibility for the oversight of the investment manager(s) :
- To act as the day-to-day contact between investment service providers and the ABA and to facilitate communications between the various parties;
- The Executive Staff will also provide to the investment manager(s) on an annual basis the expected cash flow needs of the ABA so that the investment manager(s) may reserve sufficient short-term investments to fund these withdrawals;

Investment Adviser

The Investment Adviser who is appointed by the Board of Directors shall have the following *responsibilities*:

- To assist the ABA in strategic planning for the endowment. This includes providing assistance in developing an investment policy and asset allocation strategy;
- To provide to the Executive Staff quarterly performance measurement reports on the investments and to assist the Executive Staff in interpreting the results. Monthly reports will be made available through the custodian;
- Such other duties as may be mutually agreed to.

Ethics and Conflicts of Interest

Members of the Board of Directors, the Executive Staff and ABA staff involved in the investment process are to refrain from personal business activity that could conflict with the proper execution of the investment program, or which could impair their ability to make impartial investment decisions. Members of the Board of Directors, the Executive Staff, ABA

staff and investment agents are to disclose to the President of the Board of Directors any material interests in financial institutions that conduct business with the ABA. Members of the Board of Directors, the Executive Staff, ABA staff and investment agents are to further disclose any large personal financial/investment positions that could be related to the performance of the endowment.

V. Responsibilities of the Investment Manager(s)

It is the intention of the Board of Directors to utilize separately managed accounts with one or more investment management firms; however, in addition to a single investment manager, mutual or other commingled funds may be used from time to time to implement the investment strategy of the ABA, where practical. For mutual and other commingled funds, the prospectus or Trust documents of the fund(s) will govern the investment policies of the fund investments. The following guidelines apply to each separately managed account.

Fiduciary Responsibilities

Each investment manager is expected to manage the endowment in a manner consistent with the investment objectives, guidelines, and constraints outlined in this statement, their investment management agreement with the ABA, and in accordance with applicable laws. This would include discharging their responsibilities with respect to the "Prudent Investor" standards, and all other fiduciary responsibility provisions and regulations. Each investment manager shall at all times be registered as an investment advisor under the Investment Advisers Act of 1940 (where applicable), and shall acknowledge in writing that they are a fiduciary with respect to the assets they manage.

Security Selection/Asset Allocation

Except as noted below, the investment manager shall have the discretion to determine the portfolio's individual security selections.

The investment manager has been delegated responsibility for establishing and maintaining the asset allocation strategy for a portfolio. The investment manager will operate within the asset allocation ranges established in this document. The performance of the investment manager is measured versus a custom index, or combination of market indices representative of the investment manager's investment style, asset allocation, and risk level.

Proxy Voting

The investment manager is responsible and empowered to exercise all rights, including voting rights, as are acquired through the purchase of securities, where practical. Each investment manager shall vote proxies according to their established Proxy Voting Guidelines. A copy of those guidelines, and/or summary of proxy votes, shall be provided to the Executive Staff upon request. If, however, it is the policy of an investment manager to not vote proxies, then the investment manager shall not be responsible for voting proxies.

VI. Risk Tolerance

Investment theory and historical capital market return data suggests that, over long periods of time, there is a relationship between the level of risk assumed and the level of return that can be expected in an investment program. In general, higher risk (*i.e.* volatility of return) is associated with higher return.

Given this relationship between risk and return, a fundamental step in determining the investment policy for the endowment is the determination of an appropriate risk tolerance. The Board of Directors examined two important factors that affect risk tolerance:

Financial Ability to accept risk within the investment program and, **Willingness** to accept return volatility.

The Board of Directors examined ABA’s risk tolerance by considering several relevant factors pertinent to the endowment. The Board of Directors has analyzed the behavior of the endowment within different economic environments and is comfortable with a risk level of the combined portfolio as measured by volatility (standard deviation) that is similar to the custom index, outlined in the section below.

VII. Asset Allocation Strategy

In line with the return objectives and risk parameters of this endowment, the mix of assets should be generally maintained as follows (percentages are of the market value of the endowment):

Composition of the Endowment

This is the asset allocation strategy for the total endowment.

Asset Class	Minimum	Target Avg	Maximum
Domestic Large/Medium/Small Cap Stocks	40%	45%	60%
International Equity	0%	5%	15%
Real Estate Investment Trusts (REITs)	0%	0%	5%
Alternative Investments ²	0%	0%	10%
Total Equity	40%	50%	70%
Fixed Income	30%	45%	60%
Cash and Cash Equivalents	0%	5%	10%

This composition of the endowment shall be reviewed and updated annually at the time of passage of the Strategic Budget. Deviations from this asset mix guideline may be authorized in writing by the Board of Directors, which may determine if the aggregate deviation does not constitute a material departure from the spirit of the target allocation.

The maximum percentage designated for the “Cash and Cash Equivalents” category is intended to apply after the initial start-up of the endowment. The Board of Directors

² ¹ Investments in these vehicles carry special risks. The fund(s) may utilize speculative investment strategies, trade in volatile securities and use leverage in an attempt to generate superior investment returns. The fund(s) may invest in illiquid securities where there is no ready market and place restrictions on investors as to when funds may be withdrawn.

recognizes that this initial start-up period to become fully invested could be as long as three months after the initiation of a portfolio.

Rebalancing Procedures

The allocation to each asset class and to investment styles within asset classes is expected to remain stable over most market cycles.

Since capital appreciation (depreciation) and trading activity in each individually managed portfolio can result in a deviation from the overall asset allocation, the aggregate asset allocation of the endowment will be monitored by the Investment Adviser and the Executive Staff. Should an allowable range for the asset classes be violated, the Investment Adviser and Executive Staff must agree on a rebalancing strategy and rebalance the existing assets to the annual target asset mix within three months of the time that the deviation is discovered, or the Executive Staff must seek the approval of Board of Directors not to rebalance.

VIII. Performance Objectives

In consideration of the endowment's investment objectives, cash flow needs, and the financial status of ABA, the Board of Directors has established an overall performance objective for the endowment, which is outlined below. The Executive Staff will evaluate the endowment's composite performance on a quarterly basis (the "Composite") and will evaluate the investment manager's contribution toward meeting the investment objectives outlined below over a three- to five-year time period and a full market cycle, unless otherwise noted. The Executive Staff will be prepared to review the performance with the Board on a quarterly basis.

Custom Index: It is desired that the endowment invested with the investment manager(s) seeks to earn returns higher than the "market," as represented by a benchmark index or mix of indices reflective of the endowment return objectives and risk tolerance. This benchmark or "custom index" is to be constructed as follows:

- **45% S&P 500 Stock Index**
- **5% Morgan Stanley Capital International Europe, Australasian, and Far East (MSCI EAFE) International Stock Index (Net)**
- **45% Barclays Aggregate Index**
- **5% Merrill Lynch UST-Bills Index.**

Primary Performance Target

The primary goal of the Composite is to exceed the average annual return of this benchmark on a risk- adjusted basis over a three- to five-year rolling time period and over a full market cycle.

Secondary Performance Targets

- The real return goal (return after adjusting for inflation) for the endowment's assets is **Inflation + 2.5%**. Inflation shall be measured by the U.S. All Urban Consumers Price Index ("CPI").
- A secondary goal of the endowment is to outpace the custom index return and real return target, each measured on a compound average annual return basis after the deduction of investment management fees and annualized over a three- to five-year rolling time period and over a full market cycle.

IX. Investment Strategy

Selection Criteria for Investment Manager(s)

Investment manager(s) recommended by the Executive Staff and retained by the Board of Directors shall be chosen using the following criteria:

- Past performance, considered relative to other investments having similar investment objectives. Consideration shall be given to both consistency of performance and the level of risk taken to achieve results,
- The investment style and discipline of the investment manager,
- How well the manager's investment style or approach complements other assets in the endowment,
- Level of experience, personnel turnover, financial resources, and staffing levels of the investment management firm or fund,
- An assessment of the likelihood of future investment success, relative to other opportunities.

The endowment may utilize a multi-manager structure of complementary investment styles and asset classes to invest the endowment's assets.

Should additional contributions and/or market value growth permit, the Board of Directors may retain additional investment managers to invest the assets of the endowment. Additional managers would be expected to diversify the endowment by investment style, asset class, and management structure and thereby enhance the probability of the endowment achieving its long-term investment objectives.

Any mutual funds retained by ABA shall be registered Investment Companies as defined under the Investment Company Act of 1940.

X. Investment Guidelines

Investment activity must be consistent with the requirements of this policy and applicable laws. For the separately managed account portion of the endowment, the following guidelines will apply.

Socially Responsible Investing

The American Booksellers Association's intention is to invest in socially responsible companies. The investment managers are asked to base investments on valuations and earnings growth and to also consider company performance with regard to socially responsible investing criteria, as determined by the Board under periodic review and in a manner consistent with the association's ends policies. The investment managers are asked to bring existing or potential investments in companies that do not perform well based on these criteria to the board's attention for review.

Asset Allocation

The investment manager(s) has been delegated responsibility for establishing and maintaining the asset allocation strategy for their individual portfolio.

Unless otherwise noted below, under normal market conditions, each investment manager is expected to be invested primarily in marketable securities consistent with their investment style as described in this investment policy and the investment manager's investment management agreement with the ABA. Except for the initial three months after being retained by the Board of Directors, or as noted below, each investment manager shall not invest more than 20% of the market value of their portfolio in cash or cash equivalents. During the initial three months of the account relationship with the endowment, the investment manager may hold cash and cash equivalents in larger proportions in order to invest the portfolio on an orderly basis.

Permitted Securities

Investments in separately managed accounts shall be guided by the general principles and constraints outlined in this investment policy and the investment manager's investment management agreement with the ABA.

Domestic Securities

The securities purchased shall be registered with the Securities and Exchange Commission, and traded on a recognized U.S. stock exchange or over-the-counter-market.

Equity securities include: common stocks, REITs, and securities convertible into common stock of U.S.-based companies.

Convertible securities include: securities that are convertible into the common stock of U.S. or non-U.S. based companies. This would include convertible bonds, convertible preferred stock, and mandatory convertible securities (e.g. PERCs, CHIPs, ELKs). Private placement convertible issues, also known as "144A" convertible issues may be purchased. All convertible securities purchased must be U.S. dollar denominated securities. Individual convertible securities should be rated "B" (or its equivalent) or higher at the time of purchase by a nationally recognized statistical rating agency. Unrated convertible securities may be purchased so long as these securities are traded on a nationally recognized exchange or over-the-counter market and the investment manager has determined that the credit quality of the security would otherwise conform to this investment policy if it was rated.

Fixed income securities include: Domestic fixed and variable rate bonds and notes issued by the U.S. Government and its Agencies or Instrumentalities, including mortgage-backed securities, and collateralized mortgage obligations. Collateralized mortgage backed securities are limited to sequential pay type securities and all other mortgage backed securities are expected to be pass-through type issues. Yankee bonds and notes (bonds or notes issued by non-U.S. based corporations but traded in the U.S.), fixed income securities of U.S. Corporations, asset-backed securities, taxable municipal bonds, private placement "144A" securities and preferred stock are permitted.

International Securities

Allowable international securities are: sponsored and unsponsored American Depositary Receipts (ADR's) or American Depositary Shares (ADS's) or other depositary securities of non-U.S. based companies traded in the U.S. and closed-end country funds. Equities of foreign

domiciled companies that are traded in the U.S. may also be purchased so long as the securities are registered (or filed) with the Securities and Exchange Commission and traded on a recognized national exchange or over-the-counter market. Non-US dollar denominated securities traded on a national or regional exchange outside the US that otherwise conform to this investment policy are permitted.

Diversification Requirements

To minimize the risk of large losses, each investment manager shall maintain adequate diversification in their portfolio. Subject to the constraints outlined in this investment policy and the investment manager's investment management agreement with the ABA, each investment manager shall have the discretion to determine their portfolio's individual security selections.

Large/Medium/Small Capitalization U.S. Stock Portfolio(s)

- Investments in any one individual equity security should not exceed 8% of the market value of the equity portion of the investment manager's portfolio.
- Holdings of any single issue in each investment manager's portfolio shall not exceed more than 5% of the market value of the total outstanding common stock of any one company.
- The maximum allocation to any single economic sector in a portfolio shall not exceed the greater of 15% of the market value of the equity portion of the investment manager's portfolio or 200% of the economic sector's weighting in the S&P 500 Stock Index, or the investment manager's equity policy index, if different. Economic sector definitions shall be according to the investment manager's own classifications, which should be provided to the Executive Staff upon request.
- The minimum market capitalization at the time of purchase should be greater than \$500 million.

International Equity Portfolio(s)

Subject to the usual standards of fiduciary prudence, the investment manager shall have the discretion to determine their portfolio's country allocations. However, the country allocations and portfolio structure should conform to these guidelines:

- Currency hedging is not permitted, except as part of a strategy inside a mutual fund or ETF.
- No more than 8% of the market value of the total equity portfolio may be invested in countries not represented in the MSCI EAFE Index plus Canada.
- No one country shall represent more than 8% of the market value of the total equity portfolio.
- No investments in securities of US based companies or convertible into the securities of US based companies.
- Non-US dollar denominated securities are permitted.
- There are no constraints on the economic sector allocations of the portfolio. The investment manager may concentrate portfolio holdings in a limited number of economic

sectors.

Real Estate Securities Portfolio(s)

- To provide for diversification in the portfolio, investments in any one individual equity security should not exceed the greater of 8% of the market value of the investment manager's portfolio or the security's weighting in the Wilshire Real Estate Securities Index plus 5 percentage points;
- Holdings of any single issue in this portfolio should not exceed more than 5% of the total outstanding common stock of any one company³;
- Holdings shall be diversified by property type and geographic area;
- There is no constraint on the market capitalization range of individual securities in the portfolio;
- Many REITs may invest in multiple property types. Therefore, diversification constraints described here may not be feasible. Nevertheless, the Executive Staff desires that the investment manager keep in mind when selecting REITs for investment, the investment manager shall not concentrate an unreasonable amount of the portfolio in a particular property type (e.g. office buildings, shopping centers, warehouses);
- The investment manager should broadly diversify REIT holdings so that the portfolio has exposure to property holdings in a broad geographic area. Most REIT holdings in the portfolio should be U.S.-based, however, it is understood that some REITs may be headquartered outside the U.S. and/or invest in properties located outside the US. It is not expected, however, that non-US based REITs or properties will comprise more than 10% of the market value of the portfolio;
- There is no constraint on the allocation to perpetual life REITs or finite life REITs. The investment manager should diversify the portfolio to include REITs managed by different management firms.

Alternative Investments Portfolio(s)

- The Alternative Investment portfolio must be diversified by investment style and investment manager. The endowment shall emphasize investments in fund-of-fund vehicles that are diversified by investment style and fund. The endowment, however, may invest in single manager funds, but these investments shall not comprise the majority of the investment.
- The allocation to alternative investments within the overall portfolio shall have a minimum of 0% and a maximum of 10%. If the allocation grows to exceed 10%, Executive Staff will reduce the investment to bring it within range. A decision to make an alternative investment requires Board approval.
- The maximum allocation to any one fund shall not exceed 2.5% of the market value of the total investment portfolio. If an allocation to a fund exceeds this limit at any point in time, the Executive Staff shall rebalance the allocation to the fund at the next opportunity when the fund permits liquidation of fund holdings.
- Investment managers are permitted to hold hedge funds, managed futures funds, venture capital or private equity funds, real estate, or leveraged buy-out and must be approved by the Board

³ It is recognized, however, that an investment manager's holdings of a single issue in all portfolios firm wide may exceed this limit. This constraint applies only to the Fund's holdings.

prior to purchase.

- The Board has not authorized investment in any alternative investment vehicles offered directly by any hedge fund or in any investment vehicle where the endowment's liability can exceed the value of the endowment's investment.

Fixed Income Portfolio(s)

- Because credit risk is minimal with investments in securities issued or backed by the US Government or its Agencies, there is no constraint on the investment in any single issue in this portfolio.
- The maximum maturity (or effective maturity) of any single fixed income security shall not exceed 40 years. There is no constraint on the dollar-weighted average duration of the portfolio.
- Holdings of any single issue in the portfolio should not exceed 5% of the market value of the entire portfolio at the time of purchase.
- The manager will be limited to investing in securities rated at least Baa3/BBB- (at the time of purchase, by at least one of the three major ratings agencies) for 90% of the fixed income portfolio.
- The manager may invest up to 10% of the fixed income portfolio in below investment-grade securities or securities not rated by one of the three major ratings agencies.
- The manager may invest in fixed and floating rate securities and zero coupon bonds.
- In the event of a payment default, the manager will determine whether to continue to hold the securities.
- Mortgage backed securities may be purchased on a "when issued" or "TBA" basis (a forward contract transaction for mortgage backed issues that are to be issued in the near term). A short-term investment can back a "when issued" commitment as long as its effective duration does not exceed 180 days. These short-term investments should be considered within the fixed income allocation of the portfolio.
- Collateralized mortgage obligations are limited to securities classified as "Sequential Pay" and "Planned Amortization Class" securities ("PACs") at the time of purchase. CMO's are limited to no more than 50% of the market value of the portfolio.
- Purchases of mortgage securities whose payment represent the coupon payments on the outstanding principal balance of the underlying mortgage-backed security and pay no principal (*e.g.* interest only securities) are prohibited.
- Mortgage securities whose payment represents the principal payments on the outstanding principal balance of the underlying mortgage-backed security and pay no interest (*e.g.* principal only securities) are prohibited.
- Purchases of mortgage securities whose payment of interest is determined by an index opposite to the changes in a market index (*e.g.* inverse floaters) are prohibited.

Cash and Equivalents

It is generally expected that each investment manager will remain fully invested in equity and/or fixed income securities; however, it is recognized that cash reserves may be utilized

from time to time to provide liquidity or to implement some types of investment strategies. Cash reserves shall be held in the custodian's money market fund⁴, short-term maturity Treasury securities, or high quality money market instruments.

Transactions or unanticipated market actions that cause a deviation from these policy guidelines shall be brought to the attention of the Executive Staff by the investment manager prior to executing transactions, when practical. If the deviation constitutes a material departure from the spirit of this policy, it must be authorized in writing by the Board of Directors.

Exclusions

Endowment's assets in separately managed accounts may not be used for the following purposes:

- Short Sales
- Purchases of letter stock, private placements (except 144A securities as permitted in this policy), or direct payments
- Leveraged transactions
- Commodities transactions
- Puts, calls, straddles, or other option strategies
- Purchases of real estate, oil and gas properties, or other natural resources related properties with the exception of Real Estate Investment Trusts or marketable real estate securities
- Investments in limited partnerships except for publicly traded Master Limited Partnerships
- Investments in futures, use of margin, or investments in any derivatives not explicitly permitted in this policy statement
- Investments in securities whose issuer is operating under a petition for bankruptcy
- Investments in the securities of publishing companies: News Corp, Pearson, CBS, John Wiley & Son, Scholastic, McGraw Hill, Disney (ABC), Lagardere (Hachette) or book retailers: Barnes & Noble, Inc. and Amazon.com
- Investments that don't meet ABA's socially responsible investing criteria.
- Investments by the investment managers in their own securities, their affiliates, or subsidiaries (excluding money market or other commingled funds as authorized by the Board of Directors)
 - *Any other security transaction not specifically authorized in this policy statement, unless approved, in writing, by the Board of Directors. Requests by investment managers to execute transactions that are not currently authorized in this policy should be made prior to executing such transactions.*

⁴ Investments in money market funds other than the custodian's money market fund must be approved by the Board of Directors prior to purchase. For investments in mutual or commingled funds, the prospectus or Trust documents of the fund(s) will govern the investment policies of the fund investments. Accordingly, it is understood that the investment manager for the separately managed account shall not be responsible for the investments in the fund.

XI. Investment Transactions

Trading for the separately managed account portion of the endowment is directed by and is the responsibility of each investment manager to whom the Board of Directors has granted the discretionary authority to determine (subject to the investment objectives and policies outlined herein) the securities to be bought or sold on behalf of the endowment, the amount of such securities, and the brokers or dealers to be used in such transactions. The investment manager is generally obligated, absent the Board of Directors' direction to the contrary, to effect transactions with or through those brokers or dealers that in the investment manager's view are capable of providing best price and execution of client orders.

XII. Meetings and Communications

For separately managed accounts:

- As a matter of course, each investment manager shall keep the Executive Staff or the Investment Adviser apprised of any material changes in the investment manager's outlook, investment policy, and tactics,
- Each investment manager shall meet with the Executive Staff or the Investment Adviser on an annual basis to review and explain their portfolio's investment results,
- Each investment manager shall be available on a reasonable basis for telephone communication when needed,
- Any material event that affects the ownership or capital structure of the investment management firm, senior investment, marketing, or material administrative personnel changes at the investment management firm or any material event that affects the management of this account must be reported promptly to the Executive Staff or the Investment Adviser. This requirement does not include routine employee stock ownership awards or partnership announcements.

All accounts:

- The Investment Adviser will provide written performance reports for each separately managed account portfolio.
- The custodian shall provide monthly statements of assets and transactions.
- The Investment Adviser will provide, on a quarterly basis, written certification to the Executive Staff of compliance with this Investment Policy Statement, including the investment exclusions outlined herein.

XIII. Performance Evaluation

As noted above, the Executive Staff will monitor the performance of the investment managers and of the composite of these accounts on a quarterly basis.

The Executive Staff will evaluate each investment manager's success in achieving the investment objectives outlined in this document over at least a three- to five-year time horizon. The Executive Staff realizes that most investments go through cycles. Therefore, there will be

periods of time in which the investment objectives are not met or when some investment managers fail to meet their expected performance targets.

The investment manager's performance should be reported in terms of rate of return and changes in dollar value. The returns should be compared to appropriate market indexes and peer group universes, for the most recent quarter and for annual and cumulative prior time periods.

The endowment asset allocation shall be reported on a quarterly basis.

Risk as measured by volatility, or standard deviation, should be evaluated after twelve quarters of performance history have accumulated. An attribution analysis should also be performed for the separately managed accounts, to evaluate how much of the portfolio's investment results are due to the investment manager(s)' investment decisions, as compared to the effect of the financial markets. It is expected that this analysis will use the "custom index" as the performance benchmark for evaluating both the returns achieved and the level of risk taken.

The investment managers' performance will be evaluated according to the performance standards outlined in their individual policy statements. The investment manager shall provide quarterly performance reports to the Executive Staff.

Guidelines for Corrective Action

The Board of Directors recognizes the importance of a long-term focus when evaluating the performance of investment managers. The Board of Directors understands the potential for short-term periods when the performance of individual managers may deviate significantly from the performance of representative market indexes. The Board of Directors, however, may require an extra level of scrutiny, which may include termination, of an investment manager based on the following conditions:

- Any material event that affects the ownership or capital structure of the investment management firm, or the management of this account (such as described in Section XI). Failure on the part of the investment manager to notify the Executive Staff or the Investment Adviser may be grounds for termination;
- Any material client servicing deficiencies, including a failure to communicate in a timely fashion significant changes as outlined in Section XII of this investment policy;
- Violation of terms of contract without prior written approval of the Board of Directors constitutes grounds for termination;
- Diversification strategy – as part of its overall asset allocation strategy, the Board may utilize a multi-manager structure of complementary investment styles and asset classes to invest the endowment assets. Therefore, it is important that investment managers remain consistent with the investment style that was intended at the time the manager was engaged.
- The Board of Directors will not as a rule terminate an investment manager on the basis of short-term performance. If the organization is sound and the firm is adhering to its investment style and approach, the Board of Directors will allow a sufficient interval of time over which to evaluate performance. The investment manager's performance will be viewed in light of the firm's particular investment style and approach, keeping in mind at all times the endowment's diversification strategy as well as the overall quality of the relationship.
- One or more investment managers may be replaced at any time as part of an overall

restructuring of the endowment.

XIV. Approval

Board of Directors

It is understood that this investment policy is to be reviewed periodically by the Board of Directors in conjunction with the Executive Staff to determine if any revisions are warranted by changing circumstances including, but not limited to, changes in financial status or risk tolerance. It is the responsibility of the Executive Staff to implement and document any changes to this investment policy. Any changes to this investment policy shall be circulated to the investment adviser, investment manager(s) and any other interested parties. Of course, the investment adviser and investment manager(s) shall not be held accountable for any changes to this investment policy that have not been communicated to them.

President, Board of Directors

Date

Investment Manager

Deviations from the investment policies and constraints outlined in this document may be authorized in writing by the Board of Directors, which can determine if the aggregate deviation constitutes a material departure from the spirit of this investment policy.

The investment policy as set forth in this document will be reviewed annually by the Board of Directors, who can approve and implement changes. If at any time the investment manager believes that these objectives cannot be met or that the investment guidelines constrict performance, the Board of Directors should be so notified in writing. By initial and continuing acceptance of these objectives and guidelines, the investment manager agrees to abide by the provisions of this document effective as of

September 26, 2016.

Investment Manager

Addendum: Investment Policy Updates

July 2003 Update: Information about ABA was updated to reflect the current Purpose description from the ABA's by-laws.

May 2004 Update: Alternative Investments Portfolio added to the current Policy with appropriate language approved by the Board of ABA.

January 2006: Real Estate Investment Trusts (REITs) Portfolio added to the current Policy with appropriate language to be approved by the Board of ABA.

The manager structure was updated to reflect the retention of Heitman Real Estate Securities LLC and AIM Private Asset Management, Inc. and the termination of Nicholas-Applegate Capital Management, Inc.

September 2009 Update: Investment Policy Statement reaffirmed as appropriate without any material changes.

March 2012 Update: Investment Policy Statement reaffirmed as appropriate and with excluded publishers specified.

July 2016 Amendment: Investment Policy Statement amended to reflect change in Investment Manager to Williams Jones Investment Management and change in the style of investment management.

September 2016 Update: Investment Policy Statement revised to reflect changes in excluded investments, specifically acquisition of ABC by Disney, ownership of Hachette by Lagardère Group, and the taking-private of Books-A-Million.

April 2021 Amendment: Investment Policy Statement amended to reflect change in the Board's intention to invest in socially responsible companies.

October 2021 Amendment: Investment Policy Statement amended to reflect the addition of Facebook to the list of restricted stocks.

October 2022 Amendment: Investment Policy Statement amended to change from a Flat Spending Rate (Year-End Portfolio Value x Spending Rate) to a Moving Average Spending (Average Year-End Portfolio Value in Last Three Years x Spending Rate) to ensure consistent delivery of programming to members during periods of market fluctuation, while still maintaining a conservative approach to ensure the association's sustainability.

July 2023 Update: Investment Policy Statement Amendment to reflect the addition of Facebook to the list of restricted stocks is deleted.