

Bothin Foundation
INVESTMENT POLICY STATEMENT
June 2015

Prepared By:
The Finance Committee of the Bothin Foundation
& Pacific Foundation Services, LLC

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INTRODUCTION

One of the important purposes of this Investment Policy Statement (IPS) is to establish a clear understanding between the Trustees of the Bothin Foundation (“Foundation”) and each of its Portfolio Managers as to the investment goals and objectives and management policies applicable to each Foundation investment portfolio under the discretion of said Portfolio Managers (“Portfolio”).

The Trustee(s) of the Bothin Foundation as of June 2015:

A. Michael Casey
Lyman H. Casey
Devon M. Laycox
Christian Miller
Rebecca Miller
Paul Sussman
Laura K. Pfaff
Pam McCosker
Theodore Griffinger

OVERVIEW COMMENTARY

Foundation Name:
Bothin Foundation

Foundation Address:
1660 Bush Street, Suite 300
San Francisco, CA 94109

Trust Tax ID:
94-1196182

Authorized Decision Makers:

The authorized decision maker(s) for the assets under this IPS and their capacity are the Board of Trustees of the Foundation, who may make any decision which a majority of trustees approve.

Portfolios subject to this investment policy statement:

ACCT. TITLE	APPROXIMATE CURRENT MKT. VALUE
Baker Street Advisors	\$6,400,000
Cornerstone Capital Management	\$13,700,000
Osterweis Capital Management	<u>\$19,700,000</u>
Total:	\$39,800,000

Others who should receive a copy of this IPS:

Tax Advisor:

Robert Lee
Robert Lee & Associates
226 Airport Parkway
Suite 350
San Jose, CA 95110
(408) 316-4970
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Attorney:

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235 Montgomery Street
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San Francisco, CA 94104
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INVESTOR CIRCUMSTANCES

The Bothin Foundation was established by Henry E. Bothin, and his wife, Ellen Chabot Bothin. It incorporated as a private grant-making foundation in the State of California in 1917. The Foundation has relied on investment income and asset appreciation over the succeeding years to grow the endowment and make grants to nonprofit organizations in five counties in California. The Foundation bylaws now confine the grantmaking to capital grants in four counties in Northern California. Mr. Bothin intended that the Foundation should last in perpetuity and the Foundation has always acted with that goal in mind.

INVESTMENT OBJECTIVES

The Foundation's ultimate investment objective is to maintain the real (inflation-adjusted) value of the portfolio - implying an investment return of the Consumer Price Index + 5% (annual grant/expense budget).

TIME HORIZON

The Foundation's objectives for this portfolio are anticipated to continue without significant modification for a period of more than 10 years.

Spending Policy/Distributions amount:

The spending policy for the Foundation will be as follows:

The amount required to be distributed under Section 4942 of the Internal Revenue Code ("Payout Requirement"), plus appropriate non-eligible expenses, including, but not limited to investment management fees as approved by the Foundation.

TAX POLICY

The following are tax issues that should be considered in the management of this portfolio:

- ◆ The Portfolio is subject to Federal Excise tax of 1% or 2% of income. Income for private foundations is defined as: capital gains, interest, dividends, and contributions/donations. As such, the Foundation should be consulted about the tax consequences of a significant rebalancing. However, because of the comparatively low tax rate on private foundations, tax exempt investments should be avoided without the Foundation's approval.

RISK TOLERANCE

The Board recognizes that the pursuit of returns above the risk-free rate requires the assumption of risk. As the Foundation desires to maximize the probability of maintaining the real value of its portfolio, it will have to assume risk. As such, the portfolio will be subject to fluctuations in value. The Board expects the portfolio to have a risk level that falls on the continuum between the bond market (as defined by the Barclays Universal Aggregate Index) and the stock market (as defined by the MSCI All Country Index). Specifically, the Board expects that the portfolio will exhibit a risk level of roughly 65% of that of the global stock market (MSCI ACWI), and may well experience periods where the portfolio falls by as much as 30%. As the Foundation experienced in 2008/2009, the Board has faith in the market's resiliency and is prepared to endure periods of high volatility without change to its Investment Policy.

ASSET ALLOCATION

The Board expects that its managers will consistently maintain portfolios that match its aforementioned risk tolerance. Returns of these portfolios will be broadly measured against a 70% Bloomberg/Barclays US Aggregate Index ~~MSCI ACWI, 30% Barclays Universal Aggregate benchmark~~, while allowing for the use of other benchmarks for any part of the portfolio as deemed fit by the Board.

A balanced portfolio is defined as a Portfolio in which the amount invested in equities does not exceed a maximum of 80% and, except under special risk environments in which all portfolio managers agree that an exception should be made, fall below a minimum of 60% of portfolio value.

FREQUENCY OF IPS REVIEW

This IPS will be reviewed periodically.

DIVERSIFICATION AND INVESTMENT CONSTRAINTS

The Foundation believes that liquidity is vital due to the Foundation's Payout Requirement. As such, the Foundation prefers liquid and marketable securities. Investments shall only consist of investment-grade securities that are readily marketable. The Foundation recognizes that investments go through

cycles and, therefore, there may be periods of time in which the investment objectives are not met or when specific managers fail to meet their expected performance expectations.

Portfolio Limitations and Restrictions

No Portfolio may own more than 5% of the outstanding equity of any one issuer, and no single investment shall represent more than 5% of the entire Portfolio.

Social Screens: Securities of tobacco and gambling/gaming companies are prohibited for active managers.

INVESTMENT MONITORING AND CONTROL PROCEDURES

Reports

- ◆ The Portfolio Manager shall provide the Foundation with monthly statements for each Portfolio. Such reports shall show values for each asset and all transactions affecting assets within the Portfolio, including additions and withdrawals.

- ◆ Each Portfolio Manager shall provide the Foundation no less frequently than on a quarterly basis and within 30 days within the end of each such period the following management reports:
 - Portfolio performance results over the last quarter, year, 3 years and inception to date period
 - Performance results of comparative benchmarks for the last quarter, year, 3 years and inception to date period
 - Performance shall be reported on a basis that is in compliance with AIMR standards
 - End of quarter status regarding asset allocation-current versus policy
 - Any recommendations for changes of the above.

Meetings and Communication between the Foundation and Portfolio Manager

As a matter of course, Portfolio Managers shall keep the Foundation apprised of any material changes in the Portfolio Manager's outlook, recommended investment policy, and tactics. Any material event that affects the ownership of Portfolio Manager the management of the Portfolio must be reported immediately to the Foundation.

In addition, each Portfolio Manager shall meet with the Foundation no less than twice a year to review and explain the investment results and any related issues. Each Portfolio Manager shall also be available on a reasonable basis for telephone and email communication as needed.

ADOPTION

Adopted by the below signed:

Bothin Foundation Finance Chair: _____

Date: _____

Portfolio Manager

Name: _____

Signature: _____

Title: _____

Firm: _____

Date: _____