

POLICIES GOVERNING THE ARKANSAS INVESTMENT POOL

Investments in the Arkansas Pool

Investments will include our three existing loan funds (Forge, Communities Unlimited, Southern Bancorp) and additional investments to be determined by the Community Foundation's board of directors. Donors will not have authority to select investments.

Governance structure

As needed, the community investment committee within the Community Foundation's board of directors will seek and vet investment opportunities and make recommendations to the full board. Action on an investment will require a majority vote of the board.

Due diligence

As needed, the Community Foundation may engage outside consultants to perform due diligence on investment opportunities. This decision will be made on a case-by-case basis.

Funds in the pool

Individual donors can establish their own named funds within the pool or contribute to a Giving Tree-style communal fund within the pool.

- Gifts of less than \$25,000 — pooled in the Impact Investing Giving Tree Fund. Unrestricted gift to the Community Foundation, becomes "foundation-directed."
- Gifts of \$25,000 or greater — can establish a named fund.
- Gifts of \$1,000,000 or greater — can choose own impact investments, with oversight and approval from the Foundation.

Donors may create a fund in the Arkansas Pool by:

- Making a new gift to the Community Foundation.
- Moving all or a portion of a previously existing non-endowed fund.
- Moving a portion of a quasi-endowed fund (using only the portion of the fund that is currently considered "spendable").
- Moving the spendable balance of an endowed fund.

Donors MAY NOT invade the principal of a previously existing endowment in order to participate in the Arkansas Pool.

Fee

Funds in the Arkansas Pool will be assessed a fee of 0.5%, which is half of the Community Foundation's standard fund fee. The other half is our contribution to this special project. Fees are subject to change with the approval of the board of directors.

Frequency of grantmaking/spend rate for named funds

Because impact investments are typically less liquid, grants from

these funds won't be possible each year. Rather, we will ask donors to commit to a term of 5 years to keep their fund in the pool. During that time, no grants will be made; instead, impact will be achieved through investing capital through the fund, not through grantmaking. At the end of the 5-year term, investment returns will be allocated proportionally to each fund within the Arkansas Pool (as with the traditional balanced pool), and donors may choose to:

- Grant out the investment returns to nonprofit organizations and reinvest the corpus in the Arkansas Pool.
- Grant out the investment returns and move the corpus into our traditional balanced pool.
- Reinvest returns and corpus in the Arkansas Pool.
- Grant out the entire balance of the fund.

Note that these options apply only to named funds above \$25,000. Smaller gifts will be pooled in a communal Giving Tree-style fund for impact investing; this fund and subsequent grantmaking or investment decisions will be made by the Community Foundation.

Investment types

Investments in the Arkansas Pool may include loans or equity investments in Arkansas-focused projects. First and foremost, the goal of these investments is to generate a "social return" by providing capital for an unmet need or opportunity in the state. A secondary goal is to generate a financial return, although expectations for returns in the Arkansas Pool may be lower than the objective set for our traditional balanced pool. Priority will be given to projects that:

- Meet a need that is not a good fit for a traditional financial tool (i.e., our purpose is not to compete for investments that could otherwise be well served by a traditional lender).
- Involve a trusted intermediary partner who can service the investment, vet the project and provide technical assistance, if needed, to make the project successful.
- Support entrepreneurship/small businesses, workforce development and community infrastructure/placemaking; however, these are not an exclusive focus.
- Provide a financial return in the 1-3% range.
- Provide liquidity within a 3-7 year time frame, although longer investments could be considered.

Funds in the Pool that are not currently deployed in an "impact investment" may be invested in other financial vehicles until a new impact investment is identified and the funds deployed again.

The board reserves the right to modify these priority guidelines as needed to fit changing circumstances.