

USM FOUNDATION

SERVING THE UNIVERSITY SYSTEM OF MARYLAND

FUNDS MANAGEMENT AGREEMENT University of Maryland College Park Foundation, Inc.

This Funds Management Agreement is made as of the 1st day of July, 2014 by and between the University System of Maryland Foundation, Inc., (the "USM Foundation") a Maryland non stock corporation with offices at 3300 Metzert Road, Adelphi, MD 20783, and the University of Maryland College Park Foundation, Inc., (the "College Park Foundation"), a Maryland non stock corporation with offices at 2119 Main Administration Building, University of Maryland, College Park, MD 20742.

RECITALS

- A. The USM Foundation is a Maryland non stock corporation exempt from taxation under Section 501 (c) (3) of the Internal Revenue Code of 1986, as amended.
- B. The USM Foundation is organized and operated to receive, hold, invest, manage, use, dispose of and administer property of all kinds, whether given absolutely or in trust, or by way of agency or otherwise for the benefit of the any of the constituent institutions of the University System of Maryland, their Foundations and the Foundations of Maryland based Community Colleges.
- C. The USM Foundation is independently governed by a Board of Trustees but is subject to the University System of Maryland Board of Regents Policy on Affiliated Foundations.
- D. The College Park Foundation is a Maryland non stock corporation exempt from taxation under Section 501 (c) (3) of the Internal Revenue Code of 1986, as amended.
- E. The College Park Foundation is organized and operated to receive, hold, invest, manage, use, dispose of and administer property of all kinds, whether given absolutely or in trust, or by way of agency or otherwise for the benefit of the University of Maryland, College Park.
- F. The College Park Foundation is independently governed by a Board of Trustees but is subject to the University System of Maryland Board of Regents Policy on Affiliated Foundations.

- G. In addition to managing its own endowment and operating funds, the USM Foundation provides investment management services to endowment funds and operating funds of most of the Foundations affiliated with the constituent institutions of the University System of Maryland (USM) and the Common Trust Fund, an endowment pool managed by the USM Board of Regents.
- H. The USM Board of Regents strongly support the pooled investment approach to managing the endowments benefitting the constituent institutions of the USM.
- I. The College Park Foundation and the USM Foundation believe that collective investment and reinvestment of a portion of the College Park Foundation funds (the "Managed Funds") with USM Foundation funds, the Common Trust Fund and with funds of other University System of Maryland Affiliated Foundations and Maryland based Community College Foundations (funds other than USM Foundation Funds and College Park Foundation funds are collectively referred to as "Other Managed Funds") will allow for economies of scale and prudent management of risk and return, furthering the nationally acclaimed effectiveness and efficiency initiatives of the University System of Maryland.
- J. In addition to providing investment management services, the USM Foundation, in cooperation with the USM, provides numerous additional leadership and support services benefitting the individual constituent institutions, their Foundations and the University System as a whole in their development efforts. These include (a) the services of the Chancellor of the USM to meet with and entertain existing and prospective donors, (b) the services of the President and CEO of the USM Foundation as Vice Chancellor for Advancement, (c) quality, affordable professional development seminars for development officers, (d) planned giving expertise, (e) leadership with respect to legislative and regulatory issues affecting institutionally related foundations, and (f) organization of an annual summit bringing together high level executive and volunteer leaders of institutionally related foundations to discuss mutual concerns and best practices.

1. Agency

- a. The USM Foundation shall act as an agent of the College Park Foundation for purposes of securing an outside custodian (the "Custodian") and outside investment managers (the "Managers") for the Managed Funds and shall separately account for such funds.
- b. The USM Foundation reserves the right at any time and from time to time to change the Custodian and Managers, provided, however, that the USM Foundation shall keep the College Park Foundation advised at all times of any changes.

- c. To facilitate the delivery of securities to be held by the Custodian, the College Park Foundation does hereby constitute and appoint the USM Foundation to be its true and lawful attorney-in-fact and does hereby authorize the USM Foundation, in the College Park Foundation's name, place and stead, to register all securities from time to time held hereunder, other than securities issued in bearer form in the Custodian's name, and to execute endorsements, assignments or other instruments of transfer of securities so registered and due bills and dividend orders as the Custodian may deem proper in connection with the transfer of any such securities, the USM Foundation being expressly authorized to execute any such instruments either by signing the College Park Foundation's name alone without any such designation of itself as attorney in fact, or it may sign the College Park Foundation's name as such attorney in fact. Notwithstanding the foregoing, the appointment as attorney in fact and authorization to act there under is limited to actions taken by the USM Foundation which are consistent with and in furtherance of this Agreement.

2. Commingling of Funds

- a. The Managed Funds will be commingled with the USM Foundation's funds and Other Managed Funds, and the risk and returns on the underlying investments will be allocated on a pro rata basis.
- b. The Managed Funds will not be invested in any investment that has a higher risk than USM Foundation funds and Other Managed Funds; all yields and risks will be pooled.
- c. The Managed Funds will be credited monthly with their proportionate share of earnings, realized and unrealized.
- d. The Managed Funds will be debited monthly with their proportionate share of Custodian and Managers' fees.
- e. Both the endowment pool and the operating pool are unitized portfolios. New funds are invested in the pool once a month on the first of the month at the NAV (Net Asset Value) struck on that day.

3. Reporting

- a. The USM Foundation shall provide the Chief Financial Officer of the College Park Foundation with monthly or quarterly reports from Managers within one business day of receiving a request for such report. This obligation may be fulfilled by providing the Chief Financial Officer with access to an online portal.

- b. At least semi-annually, the Chief Investment Officer of the USM Foundation shall attend meetings of the Investment Committee of the College Park Foundation to report on investments.
- c. At least semi-annually, the Chair of the Board or the Chairperson of the Investment Committee and the President of the USM Foundation shall report in person to the College Park Foundation on the state of the USM Foundation in general and the Managed Funds in particular.
- d. The USM Foundation shall cause the Custodian to calculate performance on an unlagged¹ basis for the calendar year and the fiscal year. The calendar year performance shall be reported by June 1st of each year, and the fiscal year performance shall be reported by October 1st.
- e. The USM Foundation shall participate in the NACUBO Commonfund Survey annually and shall deliver the results to the College Park Foundation when available.
- f. The College Park Foundation shall continue to have access to custodian's website and monthly reports.
- g. On or before November 15th, the USM Foundation shall provide the College Park Foundation with a complete report of all fees paid to Investment Managers and Custodian during the previous fiscal year.
- h. Monthly reports showing additions and withdrawals, expenses and realized and unrealized gains and losses will be available on the Custodian website no later than 45 days after the end of the month being reported on. For example, the monthly report for January will be available on the website no later than March 15.

4. Investment, Spending Policy and Budget/Finance Meetings

- a. The Chair of the College Park Foundation Investment Committee and his or her designee and the Chief Financial Officer or designee of the College Park Foundation may attend all meetings of the USM Foundation Investment Committee and sub-committees, USM Spending Policy Committee and the USM Budget/Finance Committee.
- b. The College Park Foundation staff will receive advance materials with respect to the above meetings and will provide USM Foundation staff in advance the names of the persons attending the meetings.
- c. The College Park Foundation may rely on the deliberations of the USM Foundation Spending Policy, but ultimately the College Park Foundation is responsible for determining its own spending policy.

5. USM Investment Committee Representation

- a. The College Park Foundation shall be represented on the USMF Investment Committee by a percentage of the members in no less proportion to the College Park campus assets under management in the pooled funds.
- b. The College Park Foundation currently is represented by 6 of the 13 members of USM Investment Committee, which number shall be changed, if appropriate and necessary to comply with (a) above, upon mutual agreement of the parties.
- c. The College Park Foundation representatives on the USM Investment Committee shall be voting members of the USM Foundation.
- d. The College Park Foundation representatives on the USM Foundation Investment Committee may or may not be Trustees of the College Park Foundation, at the College Park Foundation's sole discretion.
- e. The USM Foundation acknowledges that the College Park Foundation has relied on the terms of the current Charter of the USM Foundation Investment Committee in entering into this agreement and the USM Foundation agrees to abide by the terms of the existing Charter during the term of this agreement or any extensions thereof.

6. Availability of Funds

- a. Except as otherwise provided in Section 7 hereunder, the College Park Foundation shall have the right to withdraw funds from its accounts held by and invested by the USM Foundation upon reasonable notice to the USM Foundation.
- b. The College Park Foundation reserves the right to withdraw any individual or multiple endowment(s) with 30 days notice with no penalties for any reason or for no reason at its discretion as long as the total withdrawals for any calendar quarter do not exceed .50% (one half of one percent) of the total assets of the USM Foundation managed endowment investment pool as measured at the end of the prior calendar quarter.

7. Fees

- a. The fees of the Manager(s) and the Custodian will be deducted directly from the commingled funds in such amounts and in accordance with the Manager(s) and Custodian contracts. Said fees are calculated on all funds under the management of said Manager(s) and with said Custodian,

including funds belonging to the USM Foundation, and funds held on behalf of the College Park Foundation and the other entities for whom the USM Foundation provides investment management services and the College Park Foundation shall pay its proportionate share thereof.

- b. The fees due to the USM Foundation with respect to the services provided hereunder are as follows:
 - i. 30 basis points (.30%) against the Managed Funds (both endowment funds and operating funds) based on market value as of March 31st of the previous fiscal year.
 - ii. The above fees will be due at the beginning of the fiscal year and will be deducted from the Managed Funds in the first quarter of the fiscal year.
- c. The USM Foundation shall, in writing or by email, notify the College Park Foundation of the intent to deduct fees from the Managed Funds, including the specific calculations in detail of the amount(s) to be deducted and basis for the charges, five business days before the deduction on the books of record of the USM Foundation or its Custodian.
- d. The fees may be changed upon mutual agreement of the parties. Specifically, market value based fees described in paragraphs (b) (i) above may be modified by agreement of both parties based on extreme changes in the market value, substantial changes in the method and manner of delivery of services, or other factors mutually agreed to by both parties.
- e. The USM Foundation shall provide the College Park Foundation with a copy of the Investment Management Services Budget together with a statement showing the total revenue collected to support said budget, the fees collected from the College Park Foundation and a calculation showing what percentage of the total Investment Management Services Budget was funded by fees collected from the College Park Foundation. The report shall also show any surplus in the Investment Management Services Budget at the end of the fiscal year, which surplus shall be deposited in a reserve account dedicated to the investment management services operation. The report shall be delivered to the College Park Foundation as soon after the end of the fiscal year as is reasonably practicable.

8. Investment Policy and Benchmarks

- a. The USM Foundation and the College Park Foundation, through its representation on the USM Investment Committee, shall work cooperatively to develop investment objectives and risk profile appropriate

to an endowment designed to last into perpetuity and an operating pool designed for current use.

- b. As a diversified portfolio, invested across geography, market sector, and liquidity structure, the endowment pool will be managed with a goal to perform at or above the rolling 36-month Sharpe Ratio of the Hedge Fund Research Inc. (“HFRI”) Fund of Fund Composite Return. This benchmark is characteristic of a diversified portfolio of alternative investments, as constituted within the existing endowment pool. The Sharpe Ratio is defined as a numerical ratio of portfolio return minus the risk free rate divided by the standard deviation of the portfolio. In using this metric and time period as an assessment of performance, the following features are assessed, acknowledged, and encouraged: (1) a long-term investment horizon of underlying investments, (2) outperformance over the cash rate, (3) risk management over and downside protection of the portfolio. The Sharpe Ratio measures the risk-adjusted performance of a portfolio.
- c. The benchmark may be changed by mutual agreement of the parties.

9. Term

- a. This agreement shall commence on July 1, 2014 and shall continue for a period of two (2) consecutive years, with a two year renewal upon agreement of all parties.
- b. This agreement may be terminated without cause or penalty prior to June 30, 2016 or any extension thereof by delivery by one party to the other of one year's notice in writing.
- c. This agreement may be terminated for cause, defined as a material breach of this Agreement, upon thirty days notice.

10. Termination

- a. On the termination date of this agreement, (“Termination Date”) whether with or without cause, the USM shall distribute the Managed Funds to the College Park Foundation, subject to the provisions contained hereinbelow.
- b. Said funds shall be transferred in cash, or in kind, or partly in cash and partly in kind, as the USM Foundation and the College Park Foundation shall mutually agree.
- c. Notwithstanding the above, if on the Termination Date some or all of the Managed Funds are invested under arrangements pursuant to which (i) the

investment(s) may not, by their terms, be liquidated by the Termination Date, or (ii) a substantial loss or penalty would be incurred by the liquidation of the investment(s) by the Termination Date, said funds shall continue to be held by the USM Foundation on behalf of the College Park Foundation after the Termination Date until said investment(s) may be liquidated at their maturity or liquidated without substantial loss or penalty, at which time said investment(s) shall be liquidated and transferred to the College Park Foundation. Solely with respect to such funds, the Termination Date shall be extended and this agreement shall remain in full force and effect for so long as the USM Foundation holds any said investment(s) on behalf of the College Park Foundation.

- d. If on the Termination Date the USM Foundation has committed funds to one or more Managers that have not yet been called by such Manager(s), the pro rata share of said commitment attributable to the Managed Funds shall be withheld and ultimately distributed in accordance with (c) above.

11. Standard of Care

In investing and managing the Managed Funds, the USM Foundation shall exercise ordinary business care and prudence under the facts and circumstances prevailing at the time of the action or decision, in accordance with the Uniform Prudent Management of Institutional Funds Act, as adopted in Maryland, as it shall be amended from time to time.

12. Indemnification

- a. The USM Foundation agrees to use its best efforts in the selection of the Custodian and the Manager(s). The College Park Foundation agrees to hold the USM Foundation harmless from any acts or things done, suffered, or omitted in the exercise of good faith and without willful default or neglect and from negligent or fraudulent acts of the Custodian and Manager(s).
- b. The USM Foundation shall indemnify and hold harmless the College Park Foundation from and against liability to third parties resulting from gross negligence or willful misconduct on the part of the USM Foundation, its employees, officers, directors or agents.
- c. The College Park Foundation shall indemnify and hold harmless the USM Foundation from and against liability to third parties resulting from gross negligence or willful misconduct on the part of the College Park Foundation, its employees, officers, directors or agents.

13. Fidelity Bond

- a. The USM Foundation shall maintain and provide evidence of a fidelity bond in a minimum amount of Twenty-Five Million Dollars (\$25,000,000) against fraud, alteration or other dishonesty by the USM Foundation agents or employees with respect to the Managed Funds and other assets administered by the USM Foundation.
- b. USM Foundation shall, whenever possible and feasible, require the Custodian and Manager(s) to maintain a fidelity bond against fraud, alteration or other dishonesty by agents and employees of the Custodian and Manager(s).

14. Additional documents

The parties shall execute such additional documents and agreements as may be necessary or convenient to permit the USM Foundation to perform the full range of services desired by the College Park Foundation.

15. Governing Law

- a. This agreement shall be governed by and construed in accordance with the laws of the State of Maryland. All headings are for reference purposes only and shall not affect the meaning or interpretation of this agreement.
- b. If any provision of this agreement is determined to be invalid under any applicable statute or rule of law, it is to that extent to be deemed omitted and it shall not affect the validity of any other provisions of this agreement.

16. Entire Agreement

This agreement contains the entire agreement between the parties. It supersedes all previous oral or written representations or agreements relating to the rights and duties contained herein, and may not be modified or amended, except by written agreement of the parties.

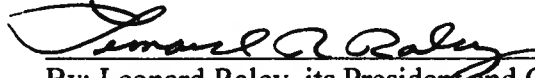
17. Notices

Any notices to the USM Foundation shall be sent to:
Leonard Raley
3300 Metzert Road
Adelphi, MD 20783

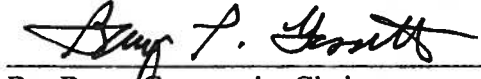
Any notices to the UMCP Foundation shall be sent to:
Peter Weiler
2119 Main Administration Building

University of Maryland
College Park, MD 20742

The University System of Maryland Foundation, Inc.

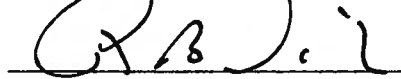

By: Leonard Raley, its President and CEO

Date: 7 July 2014


By: Barry Gossett, its Chairman

Date: July 15, 2014

The University of Maryland College Park Foundation, Inc.


By: Peter Weiler, its President

Date: 6.24.14

ⁱ A portion of the endowment pool is invested with private equity managers, who report performance and valuation on a quarterly basis. These valuations, when received, are typically as of the end of the previous quarter. Performance returns will be calculated both on a lagged basis, incorporating these valuations from the previous quarter and twice a year, on December 31 and June 30, again on an unlagged basis, incorporating the valuations as of that date.