

All Souls Memorial Episcopal Church
Endowment Board
May 4, 2016 Meeting Minutes
Telephone Conference Call

Attending: Jim Lewis (chair), David Hollis (secretary), Larry Sturgeon, Dale Lewis, Jeff Wells, Jim Solomon, and Terry Cain, Ken Quigley (Program Director, Endowment Management Solutions, Episcopal Church Foundation)

Call to order

Jim Lewis called the meeting to order at 4 p.m.

Approval of prior meeting minutes

The board approved the April 24, 2016 meeting minutes as presented.

Discussion of proposed endowment board charter

David Hollis made a motion, seconded by Larry Sturgeon, to accept the endowment and investment board charter as presented by Ken Quigley on May 2, 2016.

Ken Quigley walked through his recommendations. Call participants suggested and discussed minor changes to three sections: role of the board, authorization of distributions, spending rule.

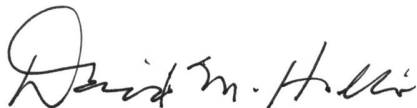
Following discussion, Jim Lewis called for a vote on the motion to accept the proposed endowment and investment board charter as presented and as amended through discussion. The board voted unanimously to accept the charter.

Ken Quigley volunteered to incorporate the final changes and circulate the revised document.

Adjournment

A motion to adjourn was made and approved at 4:50 p.m.

Respectfully submitted,



David M. Hollis
Secretary

Attachments: Endowment Board Charter Changes Redlined 50516
 Endowment Board Charter Changes Redlined Accepted 50516

The Vestry of
All Souls Memorial Episcopal Church
ENDOWMENT & INVESTMENT BOARD CHARTER

Amended and Restated as of ~~_____~~ May 10, 2016

PREAMBLE

The Vestry (the “Vestry”) of All Souls Memorial Episcopal Church, 2300 Cathedral Avenue, NW, Washington, DC 20008 (the “Parish”) hereby amends and restates its Endowment & Investment Board Charter (hereafter called the “FUND”) to enable the Parish to fulfill its mission more completely by developing its ministries beyond what is possible through its annual operating funds. Distributions from the FUND there shall be limited to: (1) capital improvements to the Parish; (2) outreach ministries and grants; (3) seed money for new ministries or special one-time Parish ministry projects; (4) and such other purpose as are specifically designated by donors to the Parish whose gifts are included in the FUND. Distributions shall not be made to the operating budget of the Parish except to fulfill the purposes described above.

The Vestry names the Endowment BOARD (the BOARD) as the custodian of the Endowment Fund, with the authority, responsibility and specific duties as described in this Endowment BOARD Charter (CHARTER). This CHARTER (along with the Gift Acceptance Policy approved on the date hereof) amends and fully restates the prior resolutions and statements of the Vestry with respect to the BOARD and the Endowment Fund, including those resolutions dated February 20, 2001, October 15, 2002 and February 15, 2005 and the statement on Policies and Procedures Regarding the Endowment, dated March 13, 2000.

Currently funds held within the FUND include the following. Please see appendix A for more detail.

All Soul’s Permanent Endowment Fund

All Soul’s Quasi Endowment Fund

All Soul’s Fund for Children

ARTICLE I
THE ENDOWMENT BOARD

SECTION 1.01 Composition. The BOARD shall consist of five members (each, a “Member”), all of whom shall be communicants in good standing of the Parish, and at least one of whom shall have previously been a voting member of the Vestry. The members shall be appointed by the Vestry (the “Appointed Members”). Additionally, the Senior Warden, Treasurer, and Rector shall be invited to participate *ex officio* in all meetings, but shall not have the right to vote and shall not count towards a quorum. Except as otherwise provided for herein, the term of each Appointed Member shall be four (4) years, with terms staggered such that one Appointed Member becomes eligible for retirement or reappointment each year. No Appointed Member shall serve more than two consecutive four (4) year terms. After a lapse of one (1) year or more, former Appointed Members may be re-appointed. In the event of a vacancy on the BOARD, the Vestry shall appoint an Appointed Member to complete the unfulfilled term, upon the completion of which such Appointed Member shall be eligible for re-appointment to a normal four (4) year term to be considered such Appointed Member’s second consecutive term.

SECTION 1.02 Meetings.

(a) The BOARD shall meet at least once during each quarter (with periods ending and beginning on January 1, April 1, July 1 and October 1 of each year), or more frequently as deemed by the BOARD to be in the best interest of the Endowment Fund. Subject to Section 1.02(b), a quorum at meetings of the BOARD shall consist of four (4) Members. The affirmative vote of four (4) Members shall be necessary to carry any motion or resolution. The Secretary shall give reasonable notice of the time and place of each meeting to all Members by email, mail, or telephone.

(b) Members of the BOARD may participate in a meeting of the BOARD by means of conference telephone or similar communication equipment by means of which all persons participating in the meeting can hear each other, and participation in the meeting pursuant to this clause shall constitute presence at such meeting for purposes of determining a quorum. The BOARD may not decide matters without a meeting, except for the routine approval of prior meeting minutes, which may be approved by unanimous written consent.

SECTION 1.03 Officers and Advisors.

(a) The BOARD shall elect from its membership a Chairperson and a Secretary. The Chairperson or, in the absence of the Chairperson, a Member designated by the Chairperson, shall preside at all BOARD meetings.

(b) The Secretary shall (i) maintain complete and accurate minutes of all meetings of the Board, (ii) supply a copy thereof to each Member and (iii) ensure that the Parish has an accurate and accessible record of historical minutes. The Secretary shall also supply a copy of the minutes to the Registrar of the Vestry within two (2) weeks of their approval by the BOARD.

(c) The Treasurer shall maintain, or shall cause a qualified bookkeeper to maintain, complete and accurate books of account for the Endowment Fund. At the discretion of the Vestry, the books may be audited annually by a certified public accountant or other qualified person. Such person shall not be a Member or a close family member of a Member.

SECTION 1.04 Role of the BOARD. The BOARD will oversee the management of and monitor the distributions from the Endowment Fund in compliance with this Charter. The BOARD shall also develop a comprehensive planned giving program to encourage persons, trusts, and estates to consider making gifts, grants, bequests, or other legacy gifts to the Parish. In addition the Endowment BOARD will solicit, review and recommend for approval outreach grant recipients. The Vestry makes the final decision as to whether any grant requests are made and if so, which ones and the amount of the grant. To carry out its duties with regard to grant review and planned giving, the BOARD will form two Advisory Committees one for Grant Review and one for Planned Giving. Each will include three members of the BOARD as well as additional members appointed by the Vestry. While all members may participate in the Advisory Committee discussions, only members of the BOARD will vote on final recommendations or actions.

SECTION 1.05

Limitation of Liability. Notwithstanding anything herein to the contrary, no member shall be liable to the Parish or its members, officers and employees for any loss, damage, liability or expense suffered by such persons (including losses which may be incurred upon the investments of the assets of the Endowment Fund) on account of any action taken or omitted to be taken by such Member while serving in his or her capacity as a Member unless a court determines by clear and convincing evidence that such action or inaction was knowingly fraudulent or in bad faith, and any and all other duties and responsibilities, including without limitation any fiduciary duties, are hereby eliminated and waived in their entirety. The Parish shall indemnify the Members (each an "Indemnified Person") to the fullest extent permitted under

applicable law from and against any and all losses, claims, damages, liabilities, joint or several, expenses (including reasonable legal fees and expenses), judgments, fines, settlements, and other amounts arising from any and all claims, demands, actions, suits or proceedings, civil, criminal, administrative or investigative, that relate to the operations of the BOARD as set forth in this Charter in which an Indemnified Person may be involved, or is threatened to be involved, as a party or otherwise, provided, however, that the Parish shall not be required to indemnify or advance expenses to any Indemnified Person from or on account of such Indemnified Person's conduct that was finally adjudged to have been knowingly fraudulent or in bad faith. No Member shall be liable for the acts or omissions of any other Members.

SECTION 1.06 Conflicts of Interest. No Member shall engage in any self-dealing or transactions with the Endowment Fund in which such Member has a direct or indirect financial interest and shall at all times refrain from any conduct in which such Member's personal interests would conflict with the interest of the Endowment Fund.

SECTION 1.07 Resignation and Removal of Members. Any Member may resign at any time by written notice to the Vestry. Any Member shall cease to be a Member when he or she is no longer a communicant in good standing of the Parish. Any Member may be removed, with or without cause, by a vote of at least two-thirds (2/3) of the membership of the Vestry (and not merely a quorum).

ARTICLE II DISTRIBUTION AND REPORTING PROCEDURES

SECTION 2.01 Annual Report. No later than forty-five (45) days after September 30 of each year, the BOARD shall present a written report (the "Annual Report") to the Vestry setting forth: (a) the performance of the Endowment Fund for the three years ending September 30, (b) the Board's recommended percentage of the Endowment Fund to be made available for distribution in the upcoming year in accordance with the guidelines set forth in Article III, (c) any fees paid to investment advisors or other professionals in connection with the management of the Endowment Fund during the year ending September 30, (d) the expenses of the BOARD for the year ending September 30, (e) any donor restrictions on the funds recommended for distribution pursuant to clause (b) above, and (f) any other matters deemed desirable by the BOARD or the Vestry. The Annual Report shall be made available upon request to any member of the Parish. The Annual Report shall reflect compliance with the objectives, policies and guidelines set forth in Article IV. The BOARD shall provide a brief summary of the Annual Report at each annual meeting of the congregation.

SECTION 2.02 Quarterly Reports. No later than forty-five (45) days after March 31, June 30 and December 31 of each year, the BOARD shall present a written report (a "Quarterly Report") to the Vestry addressing the quarterly performance of the Endowment Fund, which report shall be made available upon request to any member of the Parish. Such report shall reflect compliance with the objectives, policies and guidelines set forth in Article IV.

SECTION 2.03 Authorization of Distributions.

(a) After considering the Annual Report and the needs of the Parish for the upcoming year, the Vestry shall, no later than January 31 of each year, notify the BOARD of the amount to be distributed from the Endowment Fund [for outreach ministries and grants](#) during that year. The Vestry and the BOARD shall

use reasonable efforts to time distributions to ensure adequate cash flow while avoiding unnecessary transaction fees.

(b) The Vestry shall not direct the BOARD to loan, pledge or distribute a percentage of the Endowment Fund that is greater than the percentage distribution amount recommended by the BOARD pursuant to Section 2.01(b) unless (i) such action has received the affirmative vote of at least two-thirds (2/3) of the membership of the Vestry (and not merely a quorum) at two consecutive regularly scheduled Vestry meetings and after giving reasonable advance notice of, and an opportunity to attend, to the BOARD (a “Supermajority Approval”), (ii) such action does not violate any restrictions imposed by donors to the Endowment Fund or applicable law.,

SECTION 2.04 Distributions Account. The BOARD shall establish, or cause to be established, a [general] “Distributions Account”[, **along with separate accounts to hold funds with uses restricted by donors**] (**collectively**), the “Distributions Account”. The BOARD shall, at the direction of the Vestry place all funds distributed from the Endowment Fund into the Distributions Account. **[No funds shall be transferred from the Distributions Account without the signature of [two members of the Vestry, at least one of whom shall be the Rector or the Senior Warden]].** **[Note: Discuss transfer controls with Endowment Board.]**

ARTICLE III SPENDING RULES

SECTION 3.01 Calculation of Distributable Funds.

(a) The BOARD shall determine its annual recommended percentage of the market value of the Endowment Fund for distribution by using a total return principle, i.e., return derived from dividends and interest as well as realized and unrealized capital gains. Such percentage (which will normally fall in the range of 3% to 5%) will be based on a three-year rolling average, with measures taken at the end of September each year striking an average fund value each of the preceding based on three years or twelve (12) quarters. The market value for this purpose shall be taken net of the fees of the Investment Manager (if any).

(b) In determining the percentage of the Endowment Fund available for distribution, ~~the BOARD shall consider the market performance of the portfolio. However, it shall be the goal of the BOARD to grow, or at least maintain, the purchasing power of the Endowment Fund, taking into account the impact of inflation and fees. the BOARD will consider general economic conditions, the possible effect of inflation or deflation, the expected total return from the portfolio after fees, and other resources of the church. The goal of the BOARD will be to grow the endowment, or at least maintain the purchasing power of the FUND net of inflation and fees.~~

(c) Any unspent funds from those available for distribution in a given year shall not continue to be considered available for distribution in subsequent years, but instead shall be added to the Endowment Fund corpus.

SECTION 3.02 Expenses. The expenses of the BOARD, other than brokerage and management fees, shall be paid out of the annual operating budget of the Parish (and not the Endowment Fund) and shall be approved in advance by the Vestry.

ARTICLE IV INVESTMENT GUIDELINES

SECTION 4.01 Asset Management. All assets of the Endowment Fund are to be held in the name of “The Endowment Fund of the Vestry of All Souls’ Parish.” Actions to hold, sell, exchange, rent, lease, transfer, convert, invest, reinvest, and in all other respects to manage and control the assets of the Endowment Fund, including stocks, bonds, debentures, mortgages, notes, warrants of other securities, as in their judgment and discretion they deem wise and prudent, are to be made by a designated Member of the Board, who may be appointed or removed by the BOARD at any time in its discretion. The BOARD may also choose to employ an outside Investment Manager (the “Investment Manager”).

SECTION 4.02 Objectives. The assets of the Endowment Fund are to be invested with the same care, skill and diligence that a prudent person would exercise in investing institutional endowment funds. The primary objective shall be to achieve a reasonable total return on the assets, while limiting the risk exposure to ensure the preservation of capital.

SECTION 4.03 Policies. The BOARD shall make investment decisions in accordance with the objectives set forth in Section 4.02 above. The “prudent investor rule” shall be the governing policy in making investments. These guidelines are not intended to restrict or impede the efforts of the BOARD to attain the Endowment Fund objectives, nor is it intended to exclude the BOARD from taking advantage of appropriate opportunities as they arise. The BOARD shall have discretion and flexibility to implement the objectives and policies herein set forth.

(a) The BOARD shall establish and maintain an asset allocation to reflect and be consistent with the objectives and policies herein set forth and shall disclose its selected allocation in each Annual Report and Quarterly Report.

(b) The BOARD shall not invest in private placement, letter stock, futures transactions, arbitrage and other uncovered options and shall not engage in short sales, margin transactions or other similar specialized investment activities.

SECTION 4.04 Asset Allocation. Because the security market may vary greatly throughout a market cycle, the BOARD may change position the asset mix of the Endowment Fund within the following ranges as long as such asset mix meets the overall objectives and is consistent with the policy guidelines herein set forth.

~~A typical target allocation will fall within the following ranges:~~

	<u>Low</u>	<u>Target</u>	<u>High</u>
<u>Equities</u>	40%	60%	70%
<u>Fixed Income</u>	30%	40%	60%
<u>Cash</u>	0%	0%	20%

The portfolio will hold no more than 75% in equities or less than 25% in cash and fixed income assets.

The target allocation among sub-asset classes within the portfolio shall be determined periodically (and at least annually) by the BOARD in consultation with the Investment Manager, if any, to reflect a prudent response to current market conditions and expected expenditures from the FUND.

SECTION 4.05 Investment Goals. The BOARD shall seek to achieve the following goals:

- (a) An annual return target to exceed the rate of inflation and measure funds performance as an index of similar funds;
- (b) An adequate level of liquidity to assure the ready availability of funds that have been designated as being expendable;
- (c) Moderate turnover of the portfolio (the BOARD shall take appropriate action to curtail to a moderate level any turnover that it finds in its judgment to be excessive); and
- (d) Investment in funds and other investments that have an Equity/Expenses Ratio not to exceed 1.5%.

ARTICLE V MISCELLANEOUS

SECTION 5.01 Amendment of this Charter. The Vestry may amend this Charter following a two-thirds vote at two consecutive, regularly scheduled Vestry meetings.

SECTION 5.02 Disposition or Transfer of the Endowment Fund. In the event that the Parish ceases to exist, whether through a merger, dissolution, or some other event, disposition or transfer of the Endowment Fund shall be at the discretion of the Vestry in conformity with the then-current by-laws of the Parish and with consultation with the Bishop of the Diocese of Washington. Consultation with the Episcopal Church Foundation may be desirable for continuation of Endowment Fund obligations.

APPENDIX A: FUNDS WITHIN THE ENDOWMENT & INVESTMENT FUND

1. ALL SOUL'S QUASI ENDOWMENT FUND

Type of Endowment: Quasi, Vestry-Designated

Purposes: Capital improvements, outreach ministries and grants, seed money for new ministries and special one-time projects, and not for the normal operating budget of the Parish

Spending Policy: Total return, normally 3% to 5% of a rolling three-year average fund value

Protection of Corpus: Up to 10% of the corpus may be spent down by the Vestry following a two-third votes by the Vestry at two consecutive meeting; spending more than 10% requires an additional majority vote of the full congregation. The Vestry may spend more than the Board-recommended annual spending rule following a two-thirds vote at two consecutive, regularly scheduled Vestry meetings.

1. ALL SOUL'S PERMANENT ENDOWMENT FUND

Type of Endowment: True, Donor-Restricted

Purposes: Capital improvements, outreach ministries and grants, seed money for new ministries and special one-time projects, and not for the normal operating budget of the Parish

Spending Policy: Total return, normally 3% to 5% of a rolling three-year average fund value

Protection of Corpus: To be held in perpetuity, protected by UPMIFA

2. ALL SOUL'S FUND FOR CHILDREN

Type of Endowment: True, Donor-Restricted

Purpose: For children

Spending Policy: Total return, normally 3% to 5% of a rolling three-year average fund value

Protection of Corpus: To be held in perpetuity, protected by UPMIFA

The Vestry of
All Souls Memorial Episcopal Church
ENDOWMENT & INVESTMENT BOARD CHARTER

Amended and Restated as of May 10, 2016

PREAMBLE

The Vestry (the “Vestry”) of All Souls Memorial Episcopal Church, 2300 Cathedral Avenue, NW, Washington, DC 20008 (the “Parish”) hereby amends and restates its Endowment & Investment Board Charter (hereafter called the “FUND”) to enable the Parish to fulfill its mission more completely by developing its ministries beyond what is possible through its annual operating funds. Distributions from the FUND there shall be limited to: (1) capital improvements to the Parish; (2) outreach ministries and grants; (3) seed money for new ministries or special one-time Parish ministry projects; (4) and such other purpose as are specifically designated by donors to the Parish whose gifts are included in the FUND. Distributions shall not be made to the operating budget of the Parish except to fulfill the purposes described above.

The Vestry names the Endowment Board (the “BOARD”) as the custodian of the Endowment Fund, with the authority, responsibility and specific duties as described in this Endowment Board Charter. This Charter (along with the Gift Acceptance Policy approved on the date hereof) amends and fully restates the prior resolutions and statements of the Vestry with respect to the BOARD and the FUND, including those resolutions dated February 20, 2001, October 15, 2002 and February 15, 2005 and the statement on Policies and Procedures Regarding the Endowment, dated March 13, 2000.

Currently funds held within the FUND include the following. Please see appendix A for more detail.

All Soul’s Permanent Endowment Fund

All Soul’s Quasi Endowment Fund

All Soul’s Fund for Children

ARTICLE I
THE ENDOWMENT BOARD

SECTION 1.01 Composition. The BOARD shall consist of five members (each, a “Member”), all of whom shall be communicants in good standing of the Parish, and at least one of whom shall have previously been a voting member of the Vestry. The members shall be appointed by the Vestry (the “Appointed Members”). Additionally, the Senior Warden, Treasurer, and Rector shall be invited to participate *ex officio* in all meetings, but shall not have the right to vote and shall not count towards a quorum. Except as otherwise provided for herein, the term of each Appointed Member shall be four (4) years, with terms staggered such that one Appointed Member becomes eligible for retirement or reappointment each year. No Appointed Member shall serve more than two consecutive four (4) year terms. After a lapse of one (1) year or more, former Appointed Members may be re-appointed. In the event of a vacancy on the BOARD, the Vestry shall appoint an Appointed Member to complete the unfulfilled term, upon the completion of which such Appointed Member shall be eligible for re-appointment to a normal four (4) year term to be considered such Appointed Member’s second consecutive term.

SECTION 1.02 Meetings.

(a) The BOARD shall meet at least once during each quarter (with periods ending and beginning on January 1, April 1, July 1 and October 1 of each year), or more frequently as deemed by the BOARD to be in the best interest of the Endowment Fund. Subject to Section 1.02(b), a quorum at meetings of the BOARD shall consist of four (4) Members. The affirmative vote of four (4) Members shall be necessary to carry any motion or resolution. The Secretary shall give reasonable notice of the time and place of each meeting to all Members by email, mail, or telephone.

(b) Members of the BOARD may participate in a meeting of the BOARD by means of conference telephone or similar communication equipment by means of which all persons participating in the meeting can hear each other, and participation in the meeting pursuant to this clause shall constitute presence at such meeting for purposes of determining a quorum. The BOARD may not decide matters without a meeting, except for the routine approval of prior meeting minutes, which may be approved by unanimous written consent.

SECTION 1.03 Officers and Advisors.

(a) The BOARD shall elect from its membership a Chairperson and a Secretary. The Chairperson or, in the absence of the Chairperson, a Member designated by the Chairperson, shall preside at all BOARD meetings.

(b) The Secretary shall (i) maintain complete and accurate minutes of all meetings of the Board, (ii) supply a copy thereof to each Member and (iii) ensure that the Parish has an accurate and accessible record of historical minutes. The Secretary shall also supply a copy of the minutes to the Registrar of the Vestry within two (2) weeks of their approval by the BOARD.

(c) The Treasurer shall maintain, or shall cause a qualified bookkeeper to maintain, complete and accurate books of account for the Endowment Fund. At the discretion of the Vestry, the books may be audited annually by a certified public accountant or other qualified person. Such person shall not be a Member or a close family member of a Member.

SECTION 1.04 Role of the BOARD. The BOARD will oversee the management of and monitor the distributions from the Endowment Fund in compliance with this Charter. The BOARD shall also develop a comprehensive planned giving program to encourage persons, trusts, and estates to consider making gifts, grants, bequests, or other legacy gifts to the Parish. In addition the BOARD will solicit, review and recommend for approval outreach grant recipients. The Vestry makes the final decision as to whether any grant requests are made and if so, which ones and the amount of the grant. To carry out its duties with regard to grant review and planned giving, the BOARD will form two Advisory Committees one for Grant Review and one for Planned Giving. Each will include three members of the BOARD as well as additional members appointed by the Vestry. While all members may participate in the Advisory Committee discussions, only members of the BOARD will vote on final recommendations or actions.

SECTION 1.05

Limitation of Liability. Notwithstanding anything herein to the contrary, no member shall be liable to the Parish or its members, officers and employees for any loss, damage, liability or expense suffered by such persons (including losses which may be incurred upon the investments of the assets of the Endowment Fund) on account of any action taken or omitted to be taken by such Member while serving in his or her capacity as a Member unless a court determines by clear and convincing evidence that such action or inaction was knowingly fraudulent or in bad faith, and any and all other duties and responsibilities, including without limitation any fiduciary duties, are hereby eliminated and waived in their entirety. The Parish shall indemnify the Members (each an "Indemnified Person") to the fullest extent permitted under

applicable law from and against any and all losses, claims, damages, liabilities, joint or several, expenses (including reasonable legal fees and expenses), judgments, fines, settlements, and other amounts arising from any and all claims, demands, actions, suits or proceedings, civil, criminal, administrative or investigative, that relate to the operations of the BOARD as set forth in this Charter in which an Indemnified Person may be involved, or is threatened to be involved, as a party or otherwise, provided, however, that the Parish shall not be required to indemnify or advance expenses to any Indemnified Person from or on account of such Indemnified Person's conduct that was finally adjudged to have been knowingly fraudulent or in bad faith. No Member shall be liable for the acts or omissions of any other Members.

SECTION 1.06 Conflicts of Interest. No Member shall engage in any self-dealing or transactions with the Endowment Fund in which such Member has a direct or indirect financial interest and shall at all times refrain from any conduct in which such Member's personal interests would conflict with the interest of the Endowment Fund.

SECTION 1.07 Resignation and Removal of Members. Any Member may resign at any time by written notice to the Vestry. Any Member shall cease to be a Member when he or she is no longer a communicant in good standing of the Parish. Any Member may be removed, with or without cause, by a vote of at least two-thirds (2/3) of the membership of the Vestry (and not merely a quorum).

ARTICLE II DISTRIBUTION AND REPORTING PROCEDURES

SECTION 2.01 Annual Report. No later than forty-five (45) days after September 30 of each year, the BOARD shall present a written report (the "Annual Report") to the Vestry setting forth: (a) the performance of the Endowment Fund for the three years ending September 30, (b) the Board's recommended percentage of the Endowment Fund to be made available for distribution in the upcoming year in accordance with the guidelines set forth in Article III, (c) any fees paid to investment advisors or other professionals in connection with the management of the Endowment Fund during the year ending September 30, (d) the expenses of the BOARD for the year ending September 30, (e) any donor restrictions on the funds recommended for distribution pursuant to clause (b) above, and (f) any other matters deemed desirable by the BOARD or the Vestry. The Annual Report shall be made available upon request to any member of the Parish. The Annual Report shall reflect compliance with the objectives, policies and guidelines set forth in Article IV. The BOARD shall provide a brief summary of the Annual Report at each annual meeting of the congregation.

SECTION 2.02 Quarterly Reports. No later than forty-five (45) days after March 31, June 30 and December 31 of each year, the BOARD shall present a written report (a "Quarterly Report") to the Vestry addressing the quarterly performance of the Endowment Fund, which report shall be made available upon request to any member of the Parish. Such report shall reflect compliance with the objectives, policies and guidelines set forth in Article IV.

SECTION 2.03 Authorization of Distributions.

(a) After considering the Annual Report and the needs of the Parish for the upcoming year, the Vestry shall, no later than January 31 of each year, notify the BOARD of the amount to be distributed from the Endowment Fund for outreach ministries and grants during that year. The Vestry and the BOARD shall use reasonable efforts to time distributions to ensure adequate cash flow while avoiding unnecessary transaction fees.

(b) The Vestry shall not direct the BOARD to loan, pledge or distribute a percentage of the Endowment Fund that is greater than the percentage distribution amount recommended by the BOARD

pursuant to Section 2.01(b) unless (i) such action has received the affirmative vote of at least two-thirds (2/3) of the membership of the Vestry (and not merely a quorum) at two consecutive regularly scheduled Vestry meetings and after giving reasonable advance notice of, and an opportunity to attend, to the BOARD (a “Supermajority Approval”), (ii) such action does not violate any restrictions imposed by donors to the Endowment Fund or applicable law.

SECTION 2.04 Distributions Account. The BOARD shall establish, or cause to be established, a [general] “Distributions Account”[, **along with separate accounts to hold funds with uses restricted by donors**] (**collectively**), the “Distributions Account”). The BOARD shall, at the direction of the Vestry place all funds distributed from the Endowment Fund into the Distributions Account. [**No funds shall be transferred from the Distributions Account without the signature of [two members of the Vestry, at least one of whom shall be the Rector or the Senior Warden]**]. [**Note: Discuss transfer controls with Endowment Board.**]

ARTICLE III SPENDING RULES

SECTION 3.01 Calculation of Distributable Funds.

(a) The BOARD shall determine its annual recommended percentage of the market value of the Endowment Fund for distribution by using a total return principle, i.e., return derived from dividends and interest as well as realized and unrealized capital gains. Such percentage (which will normally fall in the range of 3% to 5%) will be based on a three-year rolling average, with measures taken at the end of September each year striking an average fund value based on three years or twelve (12) quarters. The market value for this purpose shall be taken net of the fees of the Investment Manager (if any).

(b) In determining the percentage of the Endowment Fund available for distribution, the BOARD will consider general economic conditions, the possible effect of inflation or deflation, the expected total return from the portfolio after fees, and other resources of the church. The goal of the BOARD will be to grow the endowment, or at least maintain the purchasing power of the FUND net of inflation and fees.

(c) Any unspent funds from those available for distribution in a given year shall not continue to be considered available for distribution in subsequent years, but instead shall be added to the Endowment Fund corpus.

SECTION 3.02 Expenses. The expenses of the BOARD, other than brokerage and management fees, shall be paid out of the annual operating budget of the Parish (and not the Endowment Fund) and shall be approved in advance by the Vestry.

ARTICLE IV INVESTMENT GUIDELINES

SECTION 4.01 Asset Management. All assets of the Endowment Fund are to be held in the name of “The Endowment Fund of the Vestry of All Souls’ Parish.” Actions to hold, sell, exchange, rent, lease, transfer, convert, invest, reinvest, and in all other respects to manage and control the assets of the Endowment Fund, including stocks, bonds, debentures, mortgages, notes, warrants of other securities, as in their judgment and discretion they deem wise and prudent, are to be made by a designated Member of the Board, who may be appointed or removed by the BOARD at any time in its discretion. The BOARD may also choose to employ an outside Investment Manager (the “Investment Manager”).

SECTION 4.02 Objectives. The assets of the Endowment Fund are to be invested with the same care, skill and diligence that a prudent person would exercise in investing institutional endowment funds. The primary objective shall be to achieve a reasonable total return on the assets, while limiting the risk exposure to ensure the preservation of capital.

SECTION 4.03 Policies. The BOARD shall make investment decisions in accordance with the objectives set forth in Section 4.02 above. The “prudent investor rule” shall be the governing policy in making investments. These guidelines are not intended to restrict or impede the efforts of the BOARD to attain the Endowment Fund objectives, nor is it intended to exclude the BOARD from taking advantage of appropriate opportunities as they arise. The BOARD shall have discretion and flexibility to implement the objectives and policies herein set forth.

(a) The BOARD shall establish and maintain an asset allocation to reflect and be consistent with the objectives and policies herein set forth and shall disclose its selected allocation in each Annual Report and Quarterly Report.

(b) The BOARD shall not invest in private placement, letter stock, futures transactions, arbitrage and other uncovered options and shall not engage in short sales, margin transactions or other similar specialized investment activities.

SECTION 4.04 Asset Allocation. Because the security market may vary greatly throughout a market cycle, the BOARD may position the asset mix of the Endowment Fund within the following ranges as long as such asset mix meets the overall objectives and is consistent with the policy guidelines herein set forth.

The portfolio will hold no more than 75% in equities or less than 25% in cash and fixed income assets.

The target allocation among sub-asset classes within the portfolio shall be determined periodically (and at least annually) by the BOARD in consultation with the Investment Manager, if any, to reflect a prudent response to current market conditions and expected expenditures from the FUND

SECTION 4.05 Investment Goals. The BOARD shall seek to achieve the following goals:

(a) An annual return target to exceed the rate of inflation and measure funds performance as an index of similar funds;

(b) An adequate level of liquidity to assure the ready availability of funds that have been designated as being expendable;

(c) Moderate turnover of the portfolio (the BOARD shall take appropriate action to curtail to a moderate level any turnover that it finds in its judgment to be excessive); and

(d) Investment in funds and other investments that have an Equity/Expenses Ratio not to exceed 1.5%.

ARTICLE V MISCELLANEOUS

SECTION 5.01 Amendment of this Charter. The Vestry may amend this Charter following a two-thirds vote at two consecutive, regularly scheduled Vestry meetings.

SECTION 5.02 Disposition or Transfer of the Endowment Fund. In the event that the Parish ceases to exist, whether through a merger, dissolution, or some other event, disposition or transfer of the Endowment Fund shall be at the discretion of the Vestry in conformity with the then-current by-laws of the Parish and with consultation with the Bishop of the Diocese of Washington. Consultation with the Episcopal Church Foundation may be desirable for continuation of Endowment Fund obligations.

APPENDIX A: FUNDS WITHIN THE ENDOWMENT & INVESTMENT FUND

1. ALL SOUL'S QUASI ENDOWMENT FUND

Type of Endowment: Quasi, Vestry-Designated

Purposes: Capital improvements, outreach ministries and grants, seed money for new ministries and special one-time projects, and not for the normal operating budget of the Parish

Spending Policy: Total return, normally 3% to 5% of a rolling three-year average fund value

Protection of Corpus: The Vestry may spend more than the Board-recommended annual spending rule following a two-thirds vote at two consecutive, regularly scheduled Vestry meetings.

1. ALL SOUL'S PERMANENT ENDOWMENT FUND

Type of Endowment: True, Donor-Restricted

Purposes: Capital improvements, outreach ministries and grants, seed money for new ministries and special one-time projects, and not for the normal operating budget of the Parish

Spending Policy: Total return, normally 3% to 5% of a rolling three-year average fund value

Protection of Corpus: To be held in perpetuity, protected by UPMIFA

2. ALL SOUL'S FUND FOR CHILDREN

Type of Endowment: True, Donor-Restricted

Purpose: For children

Spending Policy: Total return, normally 3% to 5% of a rolling three-year average fund value

Protection of Corpus: To be held in perpetuity, protected by UPMIFA