



Lake County's Community Foundation

## **Legacy Foundation External Advisor Program**

### **Donor Request for Asset Management by an External Advisor**

#### **PURPOSE**

To allow Donors to recommend a specific financial advisor to which the Legacy Foundation Board of Directors may delegate the responsibility and authority for investment of the specific fund's assets.

#### **POLICY**

For gifts of \$250,000 and above which establish or contribute to an endowed fund at Legacy Foundation, a separately managed portfolio option may be granted if requested in writing by the donor of the Fund ("Donor") and if approved by the Board. Donors may request asset management by an external advisor with a lesser gift amount if working with an advisor already approved into the program.

#### **PROCEDURE**

Upon the request of a Donor at the time of gift and with the approval of the Board of Directors of Legacy Foundation, the Foundation may enter into an agreement with an independent external advisor ("Advisor") recommended by the Donor to manage assets given to the Foundation by Donor, provided that the following are adhered to:

- 1) The Donor is making a gift of at least \$250,000, or with a lesser amount if requesting to retain an already approved advisor, to the Foundation and requests in writing that the gifted assets be managed by a named individual or firm in an account separate from the Main Portfolio.
- 2) The Advisor submits an asset allocation strategy for consideration by the Foundation's Investment Committee that is acceptable to the Investment Committee and to the Board of Directors of the Foundation.
- 3) The Advisor is a properly licensed and registered investment advisor, a FINRA-registered broker/dealer, bank trust department, or wealth advisor.
- 4) The assets are managed in a separate account owned and titled in the name of Legacy Foundation and the Donor exercises no control over that account, said Donor and Advisor having signed this policy to that effect prior to opening the account.
- 5) The Advisor will disclose to the Foundation any and all potential conflicts of interest and shall agree to sign annual Conflict of Interest and Confidentiality statements.

**Established Firm**

The Advisor must be a firm or a person affiliated with a firm with sufficient capitalization, insurance, assets under management, management oversight, and/or experience to demonstrate his or her/its capability to serve as an investment advisor. The Investment Committee shall request and review in advance of approval of the Advisor, the following documents provided by the prospective Advisor:

- a. History, structure, ownership and management of the Advisor or the firm that Advisor is affiliated with.
- b. Past judicial proceedings, judgments, and/or administrative proceedings against the Advisor or the firm that the Advisor is affiliated with.
- c. Description of investment philosophy and strategies of the Advisor.
- d. Description of investment styles used by the Advisor.
- e. Identification of who makes investment decisions.
- f. Any other information deemed necessary or appropriate by the Foundation.

**Private Benefit to the Donor**

All relationships (personal and professional) between the Donor and the Donor's extended family, with the Advisor or firm that the Advisor is affiliated with must be disclosed for evaluation regarding compliance with federal tax law rules addressing private inurement and private benefit and/or any other applicable federal or state law.

**Asset Allocation and Portfolio Management**

The Advisor and/or the firm that the Advisor is affiliated with must have experience overseeing the investment of assets in various asset classes and across various investment styles. The Advisor must support the Foundation's commitment to comply with The Uniform Prudent Management of Institutional Fund Act (UPMIFA) as applicable and/or any other applicable federal or state law. The Foundation will provide the Advisor the Foundation's Investment Policy Statement as general guidance. The Advisor shall adhere to the investment policies of the Foundation, except as otherwise authorized by the Board of Directors of the Foundation.

**Reporting**

The Advisor must agree to provide the Foundation, at least monthly, account statements in such form and containing such information as the Foundation deems necessary or appropriate. The Advisor must also agree to provide account information to any outside consultant engaged by the Foundation to monitor investment performance, including verification of all securities and other investments held.

**Fees**

All advisory and/or investment management fees must be clearly disclosed and the Advisor must offer fair market, competitive pricing with the application of any discounts the advisor and/or the advisor's firm would offer any client with a similar size account and relationship. Advisor must also disclose all fee sharing arrangements. The externally managed fund will bear all of its own investment expenses as well as any costs incurred by the Foundation that are directly related to the separate investment. In addition, the Donor recognizes that the Foundation's administrative fee will be charged to the Fund according to the fee set by the Board of Directors.

**Revocation or Termination**

The Donor and the Advisor acknowledge that the Board of Directors of the Foundation may, at any time, revoke the authority of the Advisor to invest the assets of the fund. The Donor acknowledges that I.R.S. regulations require that the Foundation Board retain the sole discretion to terminate the Foundation’s relationship with the Advisor, and to transfer the funds held by the Advisor to other investment managers under any facts or circumstances that the Board believes in the sole and unconditional discretion of the Board that such termination and transfer is warranted.

I/We, \_\_\_\_\_ (“Donor/s”) request that Legacy Foundation. (“Legacy”) retain \_\_\_\_\_ (“the Advisor”) of \_\_\_\_\_ (Advisor’s Firm) for purposes of managing the investment of the \_\_\_\_\_ (“Fund”).

I/We recognize that the suggested Advisor must be approved by Legacy and must remain compliant with the External Advisor Program while the Fund is invested by the Advisor.

**DONOR RECOGNIZES:**

1. Suggestions of an External Advisor are advisory only and Legacy may approve or decline the above suggestion.
2. Donor may not receive a private benefit from the investment of Fund’s assets with the Advisor.
3. Failure to comply with private benefit and conflict of interest provisions may result in an IRS regulation violation ending in legal and financial penalties to the Advisor.
4. Investments are subject to normal market risks and volatility, and the Fund’s value will fluctuate.
5. Investment fees incurred by the Advisor for managing, investing, and rebalancing within the asset allocation model are deducted from the total return of the Fund. No additional investment management fees are assessed by Legacy; however, an administrative fee will apply.

Donor Name: \_\_\_\_\_

Donor Signature: \_\_\_\_\_

Date: \_\_\_\_\_