

**INVESTMENT MANAGER GUIDELINES
REAL ESTATE
THE ROTARY FOUNDATION**

Adopted April 2001; Amended April 2005

The following guidelines have been developed to be used in the management of real estate for The Rotary Foundation. Where mutual or commingled funds are used, it is expected that the portfolios generally conform to these guidelines, though the prospectus or guidelines of the fund supersede those of The Rotary Foundation. On a quarterly basis, staff and the investment consultant will review the guidelines of the commingled funds and the guidelines set forth below.

Manager responsibilities

The duties and responsibilities of the investment managers include:

- Investing the assets entrusted to them in accordance with these investment guidelines and with the care, skill, prudence, and diligence that a prudent professional investment manager, familiar with such matters and acting in like capacity, would use in the investment of such assets.
- Initiating written communication with the Partnership whenever the investment manager believes the guidelines should be changed.

Guidelines

- Holdings in any single property may not represent more than 20% of the value of the fund, measured at market value.
- A minimum of 10 individual properties should be held.
- No more than 60% of the fund may be held in any single property type.
- Leverage (both property level and portfolio level) should not exceed 60% of the gross real estate value of the fund.
- Real estate assets should represent at least 80% of the fund under normal circumstances.
- Developmental real estate may not exceed 25% of the fund.
- No more than 10% of the fund may be invested in real estate investment trusts, which trade on public exchanges.
- The fund may not invest in non-exchange traded real estate investment trusts.

Performance Measurement Standards

UBS (Core Real Estate)

Over a three-to-five-year period, the annualized return on a net-of-fee basis should:

- exceed the rate of return of the NCREIF Index
- rank in the top 50 percent of the consultant's real estate manager universe

RREEF (Value Added Real Estate Fund)

Over a three-to-five-year period, the annualized return on a net-of-fee basis should:

- achieve an absolute return of 10% net-of-fees.
- exceed the rate of return of the NCREIF Index.

Reporting Requirements

Within six weeks after the end of each calendar quarter, each investment manager will be required to submit a quarterly report containing the following information:

- Overview of real estate markets with comments on economic and market factors, which have impacted the performance of the portfolio manager's decisions.
- Review of investment performance (net of fees) for the quarter, fiscal year-to-date (June 30) and since-inception of the account with comments on any policy or strategy changes, which contributed either positively or negatively to that performance.
- Discussion of those factors, which the manager believes are likely to impact performance over the next 12 months, and what, the manager's strategy is likely to be in response to those factors.
- Where appropriate, the use of any derivative product during the quarter, including information concerning the rationale behind the position and the size of the transaction.
- List of properties in the portfolio at the end of the quarter.

Additionally, each manager has the responsibility to promptly advise the Foundation of any pertinent information potentially affecting performance including:

- change in ownership, affiliations, organization structure, financial condition, and investment personnel
- substantive changes in investment strategy or portfolio structure

On an annual basis, the investment manager shall provide Part II of Form ADV for the most recent year to the Foundation.