COMMUNITY FOUNDATION OF WESTERN NEVADA
STATEMENT OF INVESTMENT OBJECTIVES

I. Introduction

This is the Statement of Investment Objectives (the "Policy") governing management of the invested assets (collectively referred to in this Policy as the "Investment Portfolios") of the Community Foundation of Western Nevada (hereinafter, "Foundation") as approved by the Investment Committee, a standing committee of the Board of Trustees of the Foundation. The Investment Committee and the Board of Trustees of the Foundation have ratified the Policy. The Policy may be amended from time to time as deemed appropriate.

The Investment Committee is charged with establishing and carrying out the Policy, reviewing it regularly, recommending improvements as circumstances dictate, monitoring and evaluating the performance of the Investment Managers, and employing or terminating Investment Managers.

II. Purpose

The purpose of this Policy is to establish a clear understanding of the philosophy and the investment objectives of the Foundation, including Impact Investments that are intended to improve the quality of life in the Foundation's local area. This Policy, therefore, provides, among other things, for limited Impact Investments and incorporates Impact Investments as a component of the Foundation's Asset Allocation Strategy for all funds established on or after July 1, 2016, so that the Foundation can make investments that may be both in the interest of Donors and the community the Foundation serves.

This Policy further describes the standards that will be utilized by the Investment Committee in monitoring investment performance, as well as serve as a guideline for any Investment Manager retained. In this regard, this Policy provides for Pooled Investment Accounts to meet objectives for charitable funds that will be distributed in Short, Intermediate, and Long-Term time frames. Short term assets are deemed to be those that will be distributed in a 1-3 year time frame; Intermediate term assets are deemed to be those that will be distributed in a 3-7 year time frame; and Long-term assets are deemed to be those to be distributed in a time frame of 8 years or longer. Individual securities within each Fund may have a maturity or time frame greater or shorter than the time frame ranges for each strategy.

Donors may request appropriate Pooled Investment Accounts based on the nature of the charitable assets in their Fund, with the exception that monies that are to be distributed within one year will be held as Cash and Cash Equivalents.

Additionally, funds held for grant payables may be invested separately to fulfill those obligations.

III. Investment Committee Responsibilities

The Investment Committee is responsible for timely establishing investment policies and strategies, selecting Investment Managers, determining and rebalancing asset allocations, establishing an Acceptable Band around each allocation, establishing maximum manager investment strategy allocations, establishing Benchmarks and monitoring the performance of same, monitoring any Impact Investments to ensure compliance with this Policy, and evaluating any Impact Investment opportunity recommended by the Impact Investment Committee in terms of maximum duration of debt investment, liquidity criteria and constraints, fees and expenses, level of subscription to project, and underwriting and approval processes, as well as any other factor which might be important to evaluating any particular Impact Investment in terms of risk, financial performance, and return.

The Investment Committee will be composed of Trustees and Advisory Board members who must disclose any monetary interest or relationship with any of the Investment Managers, subject to the Conflict of Interest provision in this Policy on page 9. All members will be asked to serve annually by the Board of Trustees. The Investment Committee shall meet at least quarterly.

IV. Implementation of Investment Policies

The investment policies of the Foundation will be carried out by means of investment strategies that reflect continuous evaluation of changing investment environments, judgment regarding the allocation of the Foundation's assets among different kinds of Asset Classes, identification of appropriate Investment Vehicles in light of the goals of the Foundation, and the making of specific investment decisions. In seeking to attain investment objectives, the Investment Committee shall exercise prudence and appropriate care.

In this regard, the Foundation has made a commitment to improving the quality of life in the community it serves by making Impact Investments, and this Policy reflects that commitment. Accordingly, this Policy authorizes the Foundation, in its discretion, to make Impact Investments on the following terms and conditions:

For all funds in existence on June 30, 2016:

The advisor of any donor-advised fund with a Long-term or Intermediate portfolio, whether a Dedicated Fund on a Non-Dedicated Fund, after meeting with the President of the Foundation or whomever the President designates, and subject to written consent, may recommend an Impact Investment subject to the following Investment Limitations:

a. Any donor-advised fund may contribute funds to a Pooled Impact Investment Account for the purpose of funding and holding an Impact Investment, although no donor-advised fund may contribute more than 3% of its investable funds to an Impact Investment, except as set forth in subparagraph b. below.

b. Any donor-advised fund in existence on June 30, 2016, may make a Directed Impact Investment by strategically granting and directing any portion of his/her funds to make an Impact Investment, on the condition and with the understanding that any funds in a Directed Impact Investment will not be available for grants from the Fund until the Impact Investment is repaid.

For all funds established on or after July 1, 2016:

The Foundation itself in the case of non-donor advised funds and on behalf of any Non-Dedicated Fund with a Long-term or Intermediate portfolio will be able to make one or more Impact Investment(s) subject to the following Investment Limitation:

a. The Foundation may not contribute more than three percent (3%) of the Pooled Investment Accounts established on or after July 1, 2016 for the purpose of funding and holding an Impact Investment.

The Advisor of any Dedicated Fund established on or after July 1, 2016 with a Long-term or Intermediate portfolio, after meeting with the President of the Foundation or whomever the President designates, may recommend an Impact Investment of no more than three percent (3%) of its investable funds.

Any donor-advised fund established on or after July 1, 2016, may make a Directed Impact Investment exceeding three percent (3%) of the Fund's investable assets by strategically granting and directing any portion of his/her/its funds to make an Impact Investment, on the condition and with the understanding that any funds in a Directed Impact Investment will not be available for grants from the Fund until the Impact Investment is repaid.

V. Investment Objectives

The primary objectives for investment of the Foundation's assets will be to provide for long-term growth of principal and income without undue exposure to risk. The Investment Manager's greatest concern should be total return and managing risk within prudent investor standards for accounts of a similar nature, with consistency in investment performance.

For Pooled Investment Accounts:

1. The total return objective of each portfolio will be expected to exceed the rate of inflation, as measured by the Consumer Price Index:
   a. Cash and Cash Equivalent – Govt. Money Market Rate
   b. Short-Term – CPI plus 1%
   c. Intermediate – CPI plus 3%
   d. Long-Term – CPI plus 5%
2. The total return objective of the equity portion of the portfolio will be to exceed the MSCI World Index return.

3. The total return objective of the U.S. fixed income portion of the portfolio shall be to exceed the Barclays Capital U.S. Aggregate Bond Index and the global fixed income portion of the portfolio shall be to exceed the Barclays Global Aggregate Bond Index for the Intermediate and Long-Term portfolios.
4. The total return objective of each Investment Manager for the discretionary assets is to outperform its assigned Benchmark over a five year period.

It is intended that the investment objectives stated above will be achieved by each Investment Manager over a 5-year moving period, net of investment management fees and transaction costs. However, the Foundation reserves the right to evaluate and make any necessary changes regarding each Investment Manager over a shorter-term basis using the criteria established in the "Evaluation of Investment Manager" section of this Policy.

For Impact Investments:

The total return objective of the Pooled Impact Investment Account will be to obtain a specified return on the investment that is at least equivalent to the return on a short-term, fixed income portfolio.

The total return objective of each Directed Impact Investment Account will be as recommended by the donor-advised fund.

VI. Asset Allocation Strategy

The overall asset allocation strategy shall be to diversify investments to provide a balance that will enhance long-term total return while avoiding undue risk or concentration in any single asset class or Investment Category. The Investment Committee will meet periodically to determine a reasonable asset allocation in light of economic and market conditions.

The Investment Committee shall monitor the following Investment Portfolios:

a. <u>Long-Term</u> – the investment objective is to provide growth and income for the funds invested in this portfolio. This portfolio can employ funds of funds, private equity and alternative investments along with other asset classes. It is permitted to hold up to 15% in Illiquid Assets.
b. <u>Intermediate</u> – the investment objective is to expose funds to market return and risk while maintaining an income flow. The target asset allocation is 50% Equities and 40% Fixed Income, 10% Inflation Protection.
c. <u>Short-Term</u> – the investment objective is to shelter funds from most market risk. The objective of this portfolio is to maintain current principal and income for the invested funds. May hold such stable value investments as cash equivalents, investment grade corporate bonds, high yield, U.S. and sovereign government and Treasury securities and FDIC insured Certificate of Deposit investments. Average duration shall not exceed three years. Maturities may be laddered to provide liquidity.

d. Cash and Cash Equivalent Portfolio – designed to shelter funds from market risk and have daily liquidity.
e. Pooled Impact Investment Accounts – the investment objective is to have a social purpose with defined goals for social impact at a rate which is comparable to short-term, fixed income returns.
f. Directed Impact Investment Accounts - the investment objective is to have a social purpose with defined goals for social impact at any rate, including a below-market rate if such rate is acceptable to the donor-advised fund making the Directed Impact Investment.

The following asset allocation chart covers the Long-term portfolio:

	Minimum	**Target**	**Maximum**	**Benchmarks**
Global Equity	**40%**	**62%**	**80%**	MSCI Global Equity Index
Global Fixed Income, Cash & TIPS	**8%**	**33%**	**45%**	Barclay's Global Fixed Income
Alternative Investments	**0%**	**5%**	**35%**	3-month T-bills plus 5%
Impact Investment	**0%**	**2%**	**3%**	Barclay's Global Fixed Income (if Pooled Impact Investment)

Global fixed income, cash & TIPS may include Core US, international, high yield, cash & equivalents, and other fixed income investments in accordance with this Policy.

The Investment Committee may contract with a registered investment Advisor to manage the endowment in a comingled pooled account that has similar guidelines as those above. Three criteria will be required: 1) No more than 15% in Illiquid Assets and 2) a minimum of 25% of the portfolio should be investment grade or above, and 3) no more than 10% may be in any one hedge fund.

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The following asset allocation chart covers the Intermediate portfolio:

	Minimum	Target	Maximum	Benchmarks
Global Equity	**30%**	**40%**	**50%**	MSCI Global Equity Index
Global Fixed-Income, Cash & TIPS	**25%**	**50%**	**60%**	Barclay's Global Fixed Income
Alternative Investments	**0%**	**10%**	**15%**	3-month T-bills plus 5%
Impact Investment	**0%**	**1%**	**3%**	Barclay's Global Fixed Income (if Pooled Impact Investment)

Global fixed income, cash & TIPS may include Core US, short duration, international, high yield, cash & equivalents, and other fixed income investments in accordance with this Policy.

Core U.S. Fixed Income may include TIPS.

Alternative Investments may include commodities, Infrastructure TIPS, emerging market debt, long-short funds, absolute return funds, multi-strategy, asset specific, and REITS

The following asset allocation chart covers the Short-term portfolio:

	Minimum	Target	Maximum	Benchmarks
Global Equities	**0%**	**20%**	**25%**	MSCI Global Equity Index
Global Fixed-Income	**58%**	**80%**	**100%**	Barclay's Global Fixed Income
Core US	0%	0%	40%	
International Bonds	0%	10%	20%	
Investment Grade Domestic Bonds (1-3 Avg Duration)	55%	65%	75%	
High Yield Bonds	0%	0%	10%	
Cash and equivalents	3%	5%	8%	

The Short-Term Portfolio shall be a short duration fund that is individually managed.

a. Equity Investments

Equity investments may consist of domestic and foreign common stocks and equity oriented bonds (convertibles and high yield).

Investment Managers of the equity component of the Investment Portfolios may use derivative securities and hedged strategies to replicate market exposure and/or to execute a strategy at lesser cost than purchasing or selling the underlying securities.

The equity component of the Investment Portfolios will be broadly diversified taking into account economic sector, market capitalization, investment style (i.e. growth and income), industry, number of holdings and other investment characteristics.

b. Fixed Income Investments

Fixed income investments may consist of a broad variety of bonds which term is meant to include Treasury, sovereign and corporate notes, debentures, appropriate mortgage-backed securities and other debt instruments, and money market instruments.

A minimum of 5% of portfolios in both the Long-Term and the Intermediate Portfolios will be in U.S. Treasuries or FDIC insured CD's.

Up to 25% of the Fixed Income investments may be instruments which are not publicly traded but for which a limited trading market may become available excluding equity and convertible securities. This may include high yield bonds, structured notes, and other alternative fixed income securities. No more than 5% of the portfolio may be from any one issuer, with the exception of the U.S. Government or its agencies.

c. Alternative Investments

The Foundation may employ Investment Managers to pursue alternative investment strategies (other than traditional long-only purchases of stocks or bonds) for the purposes of diversifying the market exposure of the Investment Portfolios, reducing volatility and/or enhancing the overall return. Alternative investments may include hedge funds, partnerships or other similar vehicles investing (long and/or short) in domestic and international securities, venture capital investments, private equity, high yield and distressed securities and loans, commodities, gold, oil and gas interests, real estate and derivative instruments. In each case, the Investment Manager (as with Traditional Investment Managers) will be expected to operate within the guidelines proposed when the Investment Committee approved the strategy.

No one Alternative Investment Manager may exceed 10% of the portfolio.

d. Cash Equivalent Investments

Cash equivalent investments may include T Bills, U.S. Treasury Money Market and Government Money Market Funds.

e. Impact Investments

Impact investments will be made through regional financial intermediaries who carry the highest assessment and rating under CARS (the CDFI Assessment and Rating System for Community Development Financial Institutions) or comparable assessment and ratings in their field of expertise and may include investments recommended by such intermediary in CDFIs and other loaning institutions.

VII. Monitoring of Investments

All Investment Managers are required to report at least on a quarterly basis to the Investment Committee any significant changes in their firm's ownership, organizational structure, professional personnel, account structure (e.g., number of accounts or size of assets under management or account minimums) or fundamental investment philosophy. The Investment Committee will monitor the Investment Portfolios for consistency in each Investment Manager's investment philosophy, return relative to objectives and investment risk measured by Asset Concentration, exposure to extreme economic conditions and volatility. The Investment Committee, at its regularly scheduled meetings, will review performance of the Investment Portfolios as a whole and the Investment Managers individually. Investment Managers should communicate regularly with the Investment Committee concerning their investment strategy and outlook. The Investment Committee may request that Investment Managers be present in person or telephonically at periodic meetings to present their portfolios and results. Investment Managers must provide a copy of their Form ADV annually.

Assets invested in comingled vehicles will be managed within the investment policies, procedures, and guidelines set forth in the applicable prospectus, offering circular or offering memorandum.

VIII. Evaluation of Investment Managers

Each Investment Manager will be reviewed on an ongoing basis and will be evaluated upon the following additional criteria:

- Ability to exceed the relative performance Benchmark.
- Adherence to the philosophy and style, which are articulated by the Investment Committee at, or subsequent to, the time the Investment Manager(s) was(were) retained.
- Continuity and depth of personnel, practices and ownership at the investment management firm(s) for the size of accounts under management.
- Compliance with this Policy.
- Competitive fee structure for the size of account under management.
- Quality and frequency of Investment Manager communication(s) to the Investment Committee.

IX. Investment Consultant/Analyst

The Foundation may retain the services of an Investment Consultant for the purpose of assisting the Investment Committee in developing and attaining its investment objectives. The Investment Consultant may be expected to offer alternative models of asset allocation; identify appropriate managers or funds; produce timely reports that monitor performance of individual managers as well as performance of the entire portfolio against its objectives and against other appropriate indices; and provide guidance on revisions and modifications as appropriate.

X. Investment Portfolios' Cash Flow & Rebalancing

It is the responsibility of the Investment Committee to periodically Rebalance the portfolios to account for cash flow needs.

Additions to Fund: Any large gifts in excess of 10% of the Pooled Investment Account **shall** be invested in equal amounts over a minimum of three months, but not in excess of six months from the date of contribution as determined by the Investment Manager.

XI. Liquidation Policy for Agency Endowment Funds

An Agency's funds will be available for withdrawal on the first day of the month, with written notification to the Foundation at least fourteen days prior to the requested withdrawal date.

XII. Special Arrangements

From time to time, the President of the Foundation may be asked to accept contributions of "unusual assets" such as fine arts, real estate, lettered stock or mineral rights. These assets will either be liquidated or held as part of the Foundation's Investment Portfolio depending upon individual circumstances. Until such time as the assets are liquidated they are not subject to this policy.

XIII. Delegated Investment Manager Requirements

Donors/Agencies who have requested that the Foundation consider a Delegated Investment Manager for assets will be required to submit the request in writing for the Foundation's approval. The Foundation will review the stability of the organization that is recommended and monitor the investment performance of the investments. The Foundation reserves the right to change the Delegated Investment Manager and the investments as it deems appropriate.

The evaluation criteria for a Delegated Investment Manager shall include but not be limited to the reputation of the firm, performance relative to peer group, performance relative to assumed risk, inception date of product, correlation to a specified index, assets under management, expenses, stability of the organization, reduce fee structure to the Foundation, no fee income to the Donor/Agency, no self-dealing, and/or any other due diligence undertaken by the

Foundation. The assets shall be invested in a manner which is consistent with the accomplishment of Charitable Purposes.

The Donor/Agency cannot communicate investment changes directly to the Delegated Investment Manager. All Dedicated Funds will be reconciled on a monthly basis by the Foundation finance staff.

XIV. Conflict of Interest

It is the policy of the Board of Trustees to avoid conflicts of interest in its operations, including the selection of Investment Managers or funds. Each member of the Board of Trustees, Investment Committee and administration shall disclose the nature of any relationship with any Investment Manager of any fund under consideration and recuse themselves from decisions where they have a potential conflict of interest. No Investment Consultant retained by the Foundation shall be a party to any transaction or have a financial or other interest in any Investment Manager providing services to the Foundation or any fund in which the Foundation has an investment.

This Policy shall be reviewed at least annually.

XV. Internal Performance Reporting

FIMS generated reports

a. The Controller shall generate monthly statements on investment performance of all Foundation Pooled Investment Accounts, and a composite report of all combined invested pools. The FIMS report provides a simple calculation of investment performance based on the investment reconciliation data within the FACTS Module. The performance calculation method is approved for use in the COF Investment Survey.

$$\frac{[\text{ending market value} - \text{net contributions} - \text{beginning market}]}{[\text{beginning market} + \tfrac{1}{2}\text{ net contributions}]}$$

Net contributions = contributions / additions less withdrawals / subtractions

b. This method of calculating investment performance is not exact reflection of asset allocation or risk. Further, this calculation, does not take into consideration daily cash flow, etc. Therefore, this information is only to be used as an approximation of total investment return.

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ADDENDUM – TREATMENT OF EXCESS BUSINESS HOLDINGS

Under the Pension Protection Act of 2006 (PPA), the private foundation excess business holdings rules now apply to donor-advised funds as if they were private foundations[i]. That is, the holdings of a donor-advised fund in a business enterprise, **together with the holdings of persons who are disqualified persons with respect to that Fund**, may not exceed any of the following:

- Twenty percent[ii] of the voting stock[iii] of an incorporated business
- Twenty percent of the profits interest of a partnership or joint venture or the beneficial interest of a trust or similar entity

Ownership of unincorporated businesses that are not substantially related to the Fund's purposes is also prohibited.

Donor-advised funds receiving gifts of interests in a business enterprise after the date of the PPA's enactment (August 17, 2006) will have five years to divest holdings that are above the permitted amount, with the possibility of an additional five years if approved by the Secretary of the Treasury. Funds that currently hold such assets will have a much longer period to divest under the same complicated transition relief given to private foundations in 1969[iv].

What is a business enterprise?

A "business enterprise" is the active conduct of a trade or business, including any activity that is regularly carried on for the production of income from the sale of goods or the performance of services. Specifically excluded from the definition are:

- Holdings that take the form of bonds or other debt instruments unless they are a disguised form of equity
- Income from dividends, interest, royalties, and from the sale of capital assets
- Income from leases unless the income would be taxed as unrelated business income
- "Functionally-related" businesses and program-related investments
- Businesses that derive at least 95 percent of their income from passive sources (dividends, interest, rent, royalties, capital gains). This will have the effect of excluding gifts of interests in most family limited partnerships and other types of holding company arrangements.

What is a disqualified person?

Donors and persons appointed or designated by Donors are disqualified persons if they have—or reasonably expect to have—advisory privileges with respect to the donor-advised fund by virtue of their status as Donors. Members of Donors' and advisors' families are also disqualified, but the section does not define "family" and does not cross-reference either section 4958 or 4946 for the definition. Finally, the term includes 35-percent-controlled entities as defined in section 4958(f)(3).

Foundation Policy with regard to assets categorized under the PPA as "excess business holdings"

The Foundation will identify and monitor any new gift to a donor-advised fund of any interest qualifying as an "excess business holding" under the PPA. The Foundation will exercise its best effort to dispose of the contributed interest at the best possible price within five years of the date of the gift, as required under the PPA. In any event, the Foundation will dispose of any excess business holding prior to the five-year time limit, except in the event that the Treasury Department grants an additional five-year holding period. The Foundation will notify potential Donors of such interests of this requirement prior to the contribution of such interest.

Key Terms Definitions

Acceptable Band - Variance or difference between the target allocation and the actual allocation defined by the Investment Committee.

Advisor - One who is accountable for the activities of a portfolio as distinguished from an Investment Manager that executes the investment practice.

Agency – An external legal entity from the Foundation.

Agency Fund – A Fund established to pool monies for investment to the benefit of an Agency.

Alternative Investment Manager – The agent and decision maker of an investment that is non-traditional or illiquid.

Asset Class(es) – Groupings of investments into like investments for the purpose of management and analysis.

Asset Concentration – A measurement of the amount of risk for any one investment against a pool of investments.

Benchmark – A base for measuring the return comparison of an investment, Asset Class, or Pooled Investment Account.

Cash and Cash Equivalents – Currency and highly (overnight) liquid securities with a known market value.

Charitable Purpose(s) – The exercise of philanthropy for the betterment of a cause.

CoF Investment Survey – Council of Foundations collection of statistical data for the dissimilation of information to Foundations.

Dedicated Fund(s) – A Fund managed by a Delegated Investment Manager as defined herein.

Delegated Investment Manager – Investment Manager specifically requested by a Donor/Agency to manage its/his/her Fund and approved by the Foundation to act on behalf of the Foundation for the purpose of investing. A Fund managed by a Delegated Investment Manager is a Dedicated Fund as defined herein.

Directed Impact Investment Account – The account into which any donor-advised fund may strategically grant any portion of its/his/her funds to make an Impact Investment that exceeds the Investment Limitation.

Donor(s) – a person who gives property by gift, legacy, or devise, or who confers a power of appointment.

FACTS Module – Sub-program software written by MicroEdge as part of FIMS (Foundation Information Management System) software used to manage the Foundation's data base of information.

Fund(s) – A charitable supply of money or pecuniary resources for philanthropic purpose held by the Foundation.

Illiquid Asset(s) – Assets which may require more than 31 days to liquidate into U.S. Dollars.

Impact Investment Committee – The Committee of the Community Foundation of Western Nevada that evaluates applications for an Impact Investment opportunity which has been deemed acceptable by the appropriate Foundation Committee, makes recommendations to the Investment Committee, and subject to Investment Committee approval, has the authority to act finally on all matters relating to Impact Investments. At least two members of the Investment Committee, as appointed by the chair of the Investment Committee, shall serve on the Impact Investment Committee.

Impact Investment(s) – A loan from the Foundation that, in addition to an investment return, shall also provide a measurable social and/or economic benefit to improve the quality of life in Northern Nevada.

Investment Category – A grouping of Asset Classes.

Investment Committee – The group of non-compensated individuals that, when taken in context of a Conflict of Interest Disclosure, provide the oversight body of the Foundations investments.

Investment Consultant – An independent party that analyzes and provides review of the Foundation's investments and one who gives professional advice or services with regards to those investments but does not actually manage the Foundation's investments.

Investment Limitation(s) – The 3% contribution limitation established under this Policy for funds to be invested in an Impact Investment.

Investment Manager(s) – One who is the agent and decision maker and manages the activities of a portfolio as distinguished from unmanaged assets.

Investment Portfolio(s) – The grouping of investments that incorporate the Asset Allocation Strategies contained in Section VI of this Policy.

Investment Vehicle – An individual, specific investment.

Non-Dedicated Fund(s) - Any Fund not managed by a Delegated Investment Manager.

Pooled Investment Account(s) – The accounts comprised of monies from different Funds which are Non-Dedicated Funds and which are pooled to achieve economies of scale for the financial gain of all Funds participating.

Pooled Impact Investment Account – The pooling of monies from different Funds for the purpose of funding and holding Impact Investments.

Rebalance – The method to reallocate assets back to the targets allocation as defined.

Traditional Investment Manager – An Investment Manager that operates within the standards of acceptable practice by historical context and professional context.

[i] The language is clear that it is only the donor-advised fund—not the sponsoring charity—that is to be treated as a private foundation. Accordingly, it appears that this section does not apply to assets held by the sponsoring charity's investment pools, or assets held by Funds that are not donor advised.

[ii] Thirty-five percent if it can be shown that persons who are not disqualified persons have effective control of the business.

[iii] Additionally, the donor-advised fund will be barred from holding non-voting stock of an incorporated business unless the disqualified persons collectively own less than 20 percent of the voting stock. Under the *de minimis* rule, the donor-advised fund could continue to hold an interest that did not exceed two percent of the voting stock and two percent of the value. Additional rules apply to cover situations such as mergers, redemptions, and acquisitions.

[iv] Excess holdings acquired by purchase must be disposed of immediately. If purchases by disqualified persons cause the donor-advised fund to have excess holdings, the donor-advised fund will have 90 days to dispose of the excess.