STATEMENT OF INVESTMENT POLICY

City of Colorado Springs Cemetery Endowment Fund

Date Established: January 1995
Last Revised: November 2011

A. POLICY OVERVIEW

The City of Colorado Springs Cemetery Endowment Fund hereby establishes this Statement of Investment Policy ("IPS") for the investment of all funds comprising the Cemetery Endowment Fund ("Fund"). This IPS defines the investment policies and objectives for the management and oversight of the Fund per direction of the Finance Director.

The purpose of the Fund is to provide perpetual maintenance of the cemeteries under the jurisdiction of the City of Colorado Springs, Colorado. The type of investment assets held by the Fund shall vary from time to time in response to changes in the economy and prospects for achieving the Endowment's objectives commensurate with prudent risk. The guiding principles with respect to the investment of the Endowment are to preserve the ability of the Fund to meet its current and future spending requirements while minimizing risk of realized losses on principal assets.

B. ROLES AND RESPONSIBILITIES

Responsibility of the Finance Director

The Finance Director is responsible for developing the Fund's overall objectives and guidelines. Additionally, the Finance Director, with insight and assistance from the investment advisor and the Investment Advisory Committee, is responsible for developing the IPS, reviewing the IPS as required, and making changes, as necessary. The Finance Director is also responsible for selecting and monitoring the investment advisor, Endowment custodian and any other service providers necessary in the fulfillment of this policy and the Fund objectives. These responsibilities may be delegated by the Finance Director to staff within the Finance Department.

Responsibility of the Investment Advisor

The investment advisor is empowered by the Finance Director under a discretionary investment management agreement (IMA) to take full discretion to make certain decisions and take appropriate action regarding investment of Fund assets while observing and operating within all policies, guidelines, constraints, and philosophies as outlined in the IPS. The specific responsibilities of the Investment Advisor include:

- Assisting in the development and on-going review of investment policy, asset allocation strategy and implementation;
- Selecting qualified investment managers;
- Communicating the investment policy guidelines and objectives to the investment managers;
- Monitoring and evaluating performance results to assure that policy guidelines are being met;
- Rebalancing or reallocating assets based on current market conditions within the Fund's policy guidelines;
- Discharging investment managers and engaging replacements;
- Ongoing communication with the Finance Director on matters of policy, manager research and investment education.

- Meeting with the Finance Director and Investment Advisory Committee on a semi-annual basis to present investment performance results, recap market conditions and discuss other investment issues; and,
- Taking any other appropriate actions.

Responsibility of the Custodian

A general Endowment custodian will be appointed by the Finance Director. With the exception of those investment vehicles that require the use of a separate custodian, such as the limited partnership vehicles,the Endowment custodian will maintain possession of securities owned by the Fund, collect dividend and interest payments, redeem maturing securities, and effect receipt and delivery following purchases and sales. Any custodian that serves in a capacity separate from, or in addition to, the general Endowment custodian, will not be appointed by the Finance Director, but will be vetted by the Investment Advisor as a part of the overall review of the specified investment vehicle. Any custodian will also perform regular accounting of all assets owned, purchased, or sold, as well as movement of assets into and out of the Fund accounts. Any custodian will provide at a minimum monthly reporting of assets and transactions and provide for any additional data requests.

C. INVESTMENT OBJECTIVE

The guiding principles with respect to the investment of the Fund are to preserve the ability of the Fund to meet its current and future spending requirements while minimizing risk of realized losses. Consistent with this goal the Fund's primary investment objectives will be: 1) Protection of principal and minimization of realized losses, 2) Annual income generation to meet the needs of the Cemetery Operations (currently $250,000 per year, to be reviewed with Cemetery management quarterly) adjusted for inflation 3) Net return consistent with the provisions of the investment policy and the Fund's annual income requirements.

Additionally, the Fund will be invested according to the following general principles:

- Investments shall be made solely in the interest of and for the beneficiaries of the Fund;
- Investment of the Fund shall be diversified as to minimize the risk of large losses, unless under the circumstances it is prudent not to do so;
- Risk shall be evaluated in the context of the portfolio in its entirety with particular focus on how the various asset classes and investment strategies correlate to one another;
- Care will be taken to provide adequate liquidity to meet all current spending obligations of the Fund;
- Cash is to be employed productively at all times, by investment in short-term cash equivalents to provide safety, liquidity, and return.

D. ASSET ALLOCATION GUIDELINES

To achieve its investment objectives, the Fund will be allocated among a number of asset classes. These asset classes may be broadly defined to include fixed income, absolute return, global equity, long/short equity & special opportunities, and commodities. The purpose of allocating across these asset classes is to ensure the proper level of diversification within the Fund and improve the risk-adjusted efficiency of the investment portfolio. The investment vehicles used to gain exposure to the asset classes may include mutual funds, commingle trust funds, separate accounts, limited partnerships, and offshore exempted companies. Certain vehicles may provide liquidity constraints that must be managed in the overall context of meeting the Fund's return and income requirements. To that end, any investment vehicles that provide for less than daily liquidity (liquidity restricted investments) shall be limited to not more than 25% of the overall Fund allocation. In the event that the Fund's overall allocation to liquidity restricted investments becomes greater than 25%, the

investment advisor will notify the Finance Director and steps will be taken to reduce the overall allocation to approved levels. Full Asset class descriptions are provided in Appendix A to this policy.

Asset Class	Minimum	Target	Maximum
Global Fixed Income	35%	**57.5%**	70%
Absolute Return	0%	**0%**	15%
L/S & Special Opportunities	0%	**0%**	15%
Global Equity	15%	**37.5%**	50%
Commodities	0%	**5%**	10%

E. REBALANCING OF FUND ASSETS

The asset allocation exposures will be closely monitored with the understanding that the various asset classes may perform differently and that the relative attractiveness of asset classes may vary over time. The Fund's allocation will be reviewed and adjusted as warranted to assure that allocations remain within their respective guidelines and consistent with the long-term objective of the Fund. If an asset class is outside the allowable range, the investment advisor will take appropriate action to redeploy assets. In any investment rebalancing situation the investment advisor will move to reallocate within guidelines as soon as possible after consideration for costs and other investment related factors. In certain circumstances, and only with approval from the Finance Director, the Fund may be allocated outside the ranges provided in the Guidelines.

F. INVESTMENT PERFORMANCE REVIEW AND EVALUATION

Performance reports generated by the investment advisor shall be compiled semi-annually and presented to the Finance Director and Investment Advisory Committee for review. The investment performance of the total Fund, as well as the asset class components, will be measured against commonly accepted performance benchmarks. Consideration shall be given to the extent to which the investment results are consistent with the investment objectives, goals, and guidelines as set forth in this statement. The Committee recognizes the long term nature of the Fund's objectives and the variability of market returns. Periodic underperformance relative to any criteria outlined in this IPS will not necessitate the termination of an investment option.

As referenced above, the Fund's total account performance objective is to preserve the ability of the Fund to meet its current and future spending requirements while minimizing risk of realized losses. To that end, managers have been selected based on their perceived ability to meet and or exceed predetermined benchmarks. The total return of the Fund will be measured against a passive policy index of comparable risk comprised as follows:

Policy Index: 5% US 90 Day T-Bill, 52.5% Barclays US Aggregate Bond Index, 37.5% S&P 500 Index, 5% S&P GSCI Index.

Additionally, the investment advisor will provide the Finance Director and Investment Advisory Committee with the performance of each individual investment alternative against the performance of relevant index benchmarks and peer groups. The investment advisor shall track the investment vehicle's performance relative to the benchmark, and the degree to which variance in the vehicle's performance can be explained by variance in the performance of the benchmark. Initially, indices used for comparison purposes shall include the following:

INVESTMENT CATEGORY	RELEVANT BENCHMARKS
Money Market	US 90 Day Treasury Bills
Intermediate Term Bonds	Barclays US Aggregate Bond Index
Treasury Inflation Protected Securities	Barclays US TIPS Index
US Large Capitalization Stocks—Blended Style	S&P 500 Index
US Large Capitalization Stocks—Growth Style	Russell 1000 Growth Index
US Large Capitalization Stocks—Value Style	Russell 1000 Value Index
US Mid Capitalization Stocks—Blended Style	Russell Mid Cap Index
US Mid Capitalization Stocks—Growth Style	Russell Mid Cap Growth Index
US Mid Capitalization Stocks—Value Style	Russell Mid Cap Value Index
US Small Capitalization Stocks—Blended Style	Russell 2000 Index
US Small Capitalization Stocks—Growth Style	Russell 2000 Growth Index
US Small Capitalization Stocks—Value Style	Russell 2000 Value Index
Foreign Large Capitalization Stocks	MSCI EAFE Index
Emerging Market Large Capitalization Stocks	MSCI Emerging Markets Free Index
Commodities	S&P Goldman Commodities Index
L/S & Special Opportunities - Alternative Investments	S&P 500 Index
Absolute Return - Alternative Investments	Barclays US Aggregate Bond Index

Notwithstanding this initial designation, the investment advisor may change indices used for comparison, if it is determined that a different index provides a more useful or appropriate benchmark for any designated investment vehicle.

In addition to net investment performance, the investment advisor will also review the investment products' risk characteristics in relation to that performance. Risk will be measured in various ways including, but not limited to:

- Standard deviation
- Risk/return ratios such as Sharp or Treynor Ratios
- Up market and down market performance
- Other statistical measures such as Beta, Alpha and Variance

The investment advisor will evaluate the fees, expenses and revenue sharing associated with the Fund's investment options. Care will be taken to minimize the fees and expenses and any applicable revenue sharing will belong to the Fund and, at the Fund's discretion, used solely to offset Fund related expense. The investment options will also be monitored on an ongoing basis for material changes such as personnel departures, research capability adjustments, organizational changes, or alterations in investment style, philosophy, or strategy, as well as adherence to stated guidelines.

G. INVESTMENT POLICY REVIEW

To assure continued relevance of the guidelines, objectives, financial status and capital market expectations as established in this statement of investment policy, the Committee, in consultation with the investment advisor, will review the policy no less frequently than annually.

APPENDICES

Appendix A. (Asset Class Definitions)

Fixed Income Asset Class

This is a broad asset class which can be defined as a class whereby the investable assets provide investors with fixed streams of income. Bonds are the most common example of a fixed income asset and may be issued by a wide range of entities including; corporations, state municipalities and sovereign nations. Fixed income securities are further classified by their credit risk and interest rate risk (duration), though currency and prepayment risks may apply to certain fixed income instruments.

The broad fixed income asset class can be further broken down into more specific sub-asset classes as follows:

- **Fixed Income Money Market** - Provide current income and a high degree of investment safety with little or no fluctuation of principal. The portfolio will primarily invest in high-quality money market obligations maturing in 397 days or less. This includes corporate obligations, U.S. Government and agency bonds, bills and notes, the obligations of foreign governments, and the obligations of U.S. banks and U.S. branches of foreign banks.

- **Low Duration Bond** - Provide capital appreciation and income through a diversified, actively managed fixed income portfolio. The expected duration for the portfolio will generally average 2.5 years, with durations of 1-3 years typical. Average credit quality will be investment grade. The fixed income portfolio will normally be comprised of money market instruments and U.S. Government and Agency bonds, mortgage-backed securities, and corporate bonds (including convertibles). Foreign holdings may be included though generally restricted, as well as corporate securities less than investment grade.

- **Total Return Bond** - Provide capital appreciation and income through a diversified, actively managed fixed income portfolio. The expected duration for the portfolio will generally average 5 years, with durations of 3-7 years typical. Average credit quality will be investment grade. The fixed income portfolio will normally be comprised of money market instruments and U.S. Government and Agency bonds, mortgage-backed securities, and corporate bonds (including convertibles). Foreign holdings may be included though generally restricted, as well as corporate securities less than investment grade.

- **Real Return / TIPS** - Provide current income without undue risk to principal through an actively-managed fixed income portfolio. Securities in the portfolio should be primarily invested in bonds that provide inflation protection (e.g. Treasury Inflation Protected Securities, or TIPS). Issuers may be the U.S. government, government agencies, or corporations of high credit quality. The portfolio may be invested in other types of bonds and money market instruments. Average credit quality for the portfolio is generally AA or better.

- **High Yield Bond** - Non-investment grade or high yield are terms applied to bonds rated below Baa3 on the Moody's® credit rating scale and below BBB- on the equivalent ratings systems from S&P® and

Fitch. The credit ratings are assigned based upon the issuer's ability to pay interest and principal. In the context of corporate bonds, high yield corporate bonds share many of the same features as investment grade corporate bonds. At the same time, they are typically issued with shorter maturities and are more likely to be callable so that if a company's financial condition improves it can take advantage of lower funding rates.

Absolute Return Asset Class

Absolute return investing is an investment philosophy focused on delivering positive returns across a broad range of market environments. This is accomplished by using a range of strategies that are generally focused on minimizing exposure to directional movements in equity or fixed income markets, often referred to as market risk or beta. Investment managers generally minimize beta in their strategies by using various hedging techniques, and this allows returns to be generated largely based on the manager's specific security selection skills. These returns are often referred to as alpha. Generally this asset class offers two primary strategies that focus on long/short equity and long/short fixed income investing. Within these long/short strategies, the manager takes a long position in stocks or bonds that they feel are undervalued while subsequently taking a short position in securities they feel are overvalued. To manage overall risk, or volatility, the managers tend to use low levels of leverage and maintain low levels of net (long positions minus short positions) exposure. The asset class is expected to provide mid-to-high single digit returns with volatility comparable to the broad aggregate fixed income market as measured by the Barclays Capital Aggregate Bond Index.

Long/Short Equity Asset Class

Investment options in this asset class seek to generate returns similar to the broad equity markets but with significantly less risk or volatility. The volatility reduction is typically achieved by utilizing investment strategies that seek to hedge out varying levels of directional exposure (beta) while focusing on individual security selection (alpha) to enhance returns. The asset class is expected to significantly outperform equity markets (long-only) in down markets and moderately lag in up markets. Within this asset class, strategies will generally focus on long/short equity investing but may also include investments in distressed debt or other securities on an opportunistic basis. In these strategies, the manager takes long positions in securities they feel are undervalued and subsequently takes short positions in securities they feel are overvalued. In contrast to traditional long-only strategies, the investment manager is given a great deal of flexibility in managing the net (long positions minus short positions) exposure of the portfolio. This flexibility allows the manager to appropriately position the portfolio based on the opportunities present in the marketplace at any given point in time.

Special Opportunity Asset Class

The Hyas Group generally includes both special opportunity and special situation investments under this broader asset classification. Special opportunity investments are created and defined by temporary cyclical dislocations (price declines/spikes) within a market that we believe create superior risk-adjusted returns on a forward looking basis. These dislocations are typically identified by comparing current valuations and market conditions against long-term historical averages and generally occur during periods of extreme market sentiment, both positive (short opportunities) and negative (long opportunities). Superior returns are expected as market sentiment and valuations revert to historical levels. By definition, these opportunities are temporary and require the purchase and sale of the underlying assets, typically within a short-to-intermediate time horizon.

Special situation investments typically defy conventional asset class definitions and may include investments in fringe asset classes, niche managers, industry specialists or thematic opportunities identified through our research efforts. In contrast to special opportunities, special situation investments may have longer-term investment horizons.

Recent examples of special opportunities have included the implementation of short REIT positions within client portfolios in 2007-2008 as well as long investments in distressed ABS securities, specifically RMBS securities, in 2008-2009. An example of special opportunity investments would include the utilization of healthcare sector specialists to

exploit favorable long-term demographic trends and extreme complexities of new drug discovery and changing health care legislation.

Global Equity Asset Class

This is a broad asset class where investable assets include publicly traded stocks across a broad range of markets and geographies. While the majority of this broader asset class generally consists of domestic (U.S.) equities, return and portfolio diversification enhancements can be achieved by including international equities within the equity portfolio.

The broad global equity asset class can be further broken down into more specific sub-asset classes as follows:

- **Domestic Equities** - Represents stock ownership in companies domiciled in the U.S. and whose prospects for earnings growth, overall business fundamentals and stock price fluctuations are heavily influenced by domestic economics and financial markets. The domestic equity market is further broken down by market capitalization. Large company equities are generally defined as companies with market capitalizations greater than $10 billion. Mid company equities are defined as with market capitalizations between $2 billion and $10 billion. Small company equities are those with market capitalizations under $2 billion.

- **Developed International Equities** - Represents stock ownership in companies domiciled outside the U.S. and in countries whose financial markets are reasonably established/developed. These companies generally have prospects for earnings growth, overall business fundamentals and stock price fluctuations that are more heavily influenced by their own local economy and financial markets. International equities are generally priced in foreign currencies and fluctuations in currency rates often have a meaningful impact on investor returns.

- **Emerging Market Equities** - Represents stock ownership in companies domiciled outside the U.S. and in countries whose financial markets are less established and generally viewed as still early on in their development. These companies generally have prospects for earnings growth, overall business fundamentals and stock price fluctuations that are more heavily influenced by their own local economy and financial markets. Emerging market equities are generally priced in foreign currencies and fluctuations in currency rates often have a meaningful impact on investor returns. This asset class is generally viewed to have significantly more political risk and markets tend to be less liquid.

Commodities Asset Class

Commodity investments represent financial interests in various natural resources/materials that are generally inputs into finished goods. Examples of popular commodities include foods, grains, oil and metals. While investors can invest directly (hard assets) in these commodities, most investors invest indirectly via financial instruments such as futures and exchange traded funds. Due to the lack of liquidity and high transaction costs associated with purchasing hard assets, general implementation is accomplished via passively managed exchange traded funds (ETFs).