I. PURPOSE AND BACKGROUND

Charles K. Blandin created two distinct but related entities to carry forward his philanthropic legacy. The first entity created was the Blandin Foundation (Foundation) pursuant to a charter dated 1941. The second entity was the Blandin Residuary Trust (Trust), which came into being because of Mr. Blandin’s Will dated 1949. Per the Will, the Foundation is the sole beneficiary of Trust distributions. While the Foundation and Trust are distinct, both recognize the benefit of coordinating investment activities to achieve mutual objectives.

This Investment Policy Statement (IPS) is the basis for governing the management of the Foundation’s assets.

II. ROLES AND RESPONSIBILITIES

The Foundation’s Board of Trustees (Board) has the primary fiduciary responsibility for this IPS, adherence thereto, and the overall management of the Foundation’s assets. The Board has delegated responsibility for investment oversight to a Finance and Investment Committee (Committee), which the Board may appoint from time to time; however, such delegation does not discharge the Board from its primary fiduciary responsibility.

The Committee is responsible for setting overall and long-term investment guidelines, evaluating manager performance, ensuring the Foundation’s assets are invested in an appropriately diversified portfolio, and reporting regularly to the Board.

The main body of this IPS covers the portion of the Foundation’s assets that are under the discretionary control of Investment manager. The Addendum section lays out the Foundation’s Mission Related Investment (MRI) policy, which is not directly applicable to investment manager. A separate Agency Agreement identifies additional duties and responsibilities.

An independent investment advisor will be retained to provide professional advisory services only. These services include investment management oversight, review, verification, and consultation. A separate Agency Agreement identifies additional duties and responsibilities.

The Committee may delegate certain duties and responsibilities to Foundation Staff (Staff) or other Board-established committees, including implementing Committee actions; acting as the primary liaison to the Investment manager and Investment Advisor; and managing cash flows of the Foundation.

Consistent with Uniform Prudent Management of Institutional Funds Act, each member of the Committee and Foundation staff involved in the investment process shall discharge their duties in good faith, in a manner reasonably believed to be in the best interest of the Foundation, and with the care an ordinarily prudent person in a like position would exercise under similar circumstances. A person who has special skills or expertise has a duty to use those skills or that
expertise in managing and investing funds for the Foundation. This standard requires that management and investment decisions about an individual asset not be made in isolation but rather in the context of the investment portfolio and as part of an overall investment strategy having reasonable risk and return objectives.

III. STATEMENT OF OBJECTIVES

The primary long-term investment objective of the Foundation is to grow assets in real terms and in perpetuity. This objective should be met while the Foundation assumes the appropriate levels of risk and disburses funds to carry out its philanthropic mission.

The Board seeks to honor the intent of Mr. Blandin when establishing the Foundation’s long-term investment objective. Language in the will instructs the Trustees of the Residuary Trust to “consider safety of principal of the trust estate as a matter of paramount importance.” In today’s language, this has been interpreted to mean that the Trust’s assets will be managed to achieve “real growth in perpetuity.” The Foundation’s original Certificate of Incorporation, on the other hand, simply states that the Foundation shall exist in perpetuity and provides broad discretion to the Board to utilize both income and principal to generate charitable impact. The Board has since adopted the concept of intergenerational equity, which may limit the use of principal and income.

Thus, the Trust’s and the Foundation’s primary investment objectives are that their respective assets grow in real terms and in perpetuity. It is anticipated that the Trust and the Foundation will manage their respective assets in accordance with similar objectives, policies, and guidelines. The Trustees of the Trust have the primary fiduciary responsibility for the Trust’s assets. Given the Foundation’s status as sole beneficiary of the Residuary Trust, the Foundation’s expectation is that the Trust adopts and implements appropriate investment policies, objectives and guidelines, and manages accordingly to achieve desired returns while safeguarding assets. The Trust and the Foundation will commit to working closely together to achieve common goals, but will not necessarily adopt the same policies, objectives and guidelines.

“In real terms” refers to the growth of assets in excess of inflation, while accumulating an ever-increasing investment base above the purchasing power of the original endowment’s par value. The Committee established a par value of $4,468M, which coincides with the date of the monetization of the Blandin Paper Mill in 1977. The reason being the date of this transaction marks the advent of the contemporary financial structure for both the Trust and Foundation. The current inflation-adjusted par value is stated in Appendix B.

IV. INVESTMENT PHILOSOPHY

Three primary decisions affect the Foundation’s ability to achieve its primary investment objective and they are the following:

1. Strategic asset allocation determination
2. Tactical asset allocation shifts
3. Manager selection

Strategic Asset Allocation
The goal in setting the strategic asset allocation is to determine an asset allocation mix which
maximizes the probability of achieving the portfolio’s objective, while maintaining an appropriate level of risk. Therefore, the Committee will conduct a comprehensive asset allocation study every three to five years to develop strategic asset allocation targets and ranges. Independent investment advisor(s) will assist in this study. The methodology employed will be based on proven asset allocation models and will consider, among other factors, expected returns, standard deviations and correlations, in combination with a qualitative assessment of the asset classes, to determine the optimal strategic asset allocation policy.

The Committee will annually review strategic asset allocation targets and ranges and make a recommendation to the Board. The Board will annually review the Committee’s recommendation and approve the targets and ranges to be adopted for the subsequent year.

**Tactical Asset Allocation**

Strategic asset allocation is driven by long-term asset class return assumptions. Short and intermediate term return expectations may vary from long-term forecasts. Tactical shifts away from asset allocation targets may be used to enhance return expectations and/or reduce risk. Tactical positioning will be within the ranges specified by the Committee.

**Manager Selection**

The Foundation has elected an Outsourced Chief Investment Officer model and retained an asset management firm to be its exclusive investment manager. Investment manager has thereby accepted full responsibility and has been granted full authority to invest the assets either directly or indirectly through third party managers, in complete accordance with the IPS. Investment manager will provide the Foundation with: (a) investment management; (b) investment advice; and (c) fund and investment manager performance.

V. **PERFORMANCE CRITERIA**

The investment performance objective of the total portfolio is to earn an investment return after investment management fees over a market cycle, which meets or exceeds the following three benchmarks:

1. Absolute Return Target = All Urban CPI + 5%
2. Relative Portfolio Performance = 65% MSCI ACWI and 35% Bloomberg Barclays US Aggregate
3. Strategic Policy Benchmark = Benchmark is comprised of indices for each asset class rebalanced monthly to strategic weights (See Appendix A)

Success in achieving the objective will be determined by the strategic asset allocation, tactical asset allocation, and manager selection decisions. These decisions can be evaluated as follows:

Strategic Asset Allocation: Comparing the Strategic Policy Benchmark to the Absolute Return Target will determine whether the strategic asset allocation process identified asset classes with return characteristics sufficient to meet the investment objective for a given period.

Tactical Asset Allocation/Manager Selection: Success in adding value from tactical asset allocation and active manager selection can be determined by comparing the Relative Portfolio Performance to the Strategic Policy Benchmark for a given period.
VI. MANAGER EVALUATION

The Committee will evaluate investment results quarterly and use the performance criteria described in Section V. The Foundation reserves the right to terminate investment manager for any reason. Grounds for termination may include, but are not limited to, the following:

- Failure to comply with the IPS.
- Failure to achieve the performance expectations stated herein over a market cycle.
- Deviation from the investment manager’s stated investment philosophy and/or process.
- Loss of key personnel.
- Evidence of illegal, unethical or conflicting behavior by the Investment manager or their firm.
- Lack of willingness to cooperate with reasonable requests for information, meetings or other material related to the portfolio.
- Loss of confidence by the Board or Committee.
- A change in the Foundation’s investment objectives, which necessitates a shift in investment philosophy.

At the close of each calendar year, the investment manager will certify in writing to the Committee that the investment manager and all other fund managers were in full compliance with the IPS during the year. Any deviations are to be noted within the Committee minutes.

VII. INVESTMENT GUIDELINES AND POLICIES

The primary purpose of all investments is to achieve the investment objectives as stated in the IPS. Foundation assets are to be invested in a manner that maximizes expected returns consistent with modern portfolio theory and applies the prudent person rule. Mission related investments are allowable investment vehicles if a reasonable financial return is expected and a Foundation-aligned social purpose is furthered.

The Foundation will inform investment manager of current and pending Directed Investments (DI), which are part of the MRI policy. The current target range for DIs is $2M to $6M. See Addendum for more information on DIs.

Distributions from the Trust and investment returns are the main sources of income for the Foundation. In addition, the Foundation derives income for annual operations from its own assets and periodic grants and other earned revenue from third parties.

In December, the Board will annually review and approve a payout objective for the subsequent year, which is based on a recommendation from the Committee. The annual payout should approximate 5% over the prior six-year rolling period average monthly market value of investments plus 100% of the previous year’s contribution received from the Trust. Staff will communicate to investment manager the targeted payout forecast and provide timely updates given fluctuations in its operating cash needs.

The IPS, as prepared by the Committee, is to be reviewed annually and then presented to the Board for approval and adoption.

A legal review of the IPS should be conducted at least every five years.
VIII. RISK MANAGEMENT

The Committee recognizes that some risk must be assumed to achieve the investment objectives. In establishing the risk tolerances of the IPS, the ability to withstand short and intermediate term variability are considered. The portfolio's long-term time horizon, current financial condition, and other factors collectively suggest some interim fluctuations in market value and rates of return may be tolerated to achieve the long-term objectives.

Critical risks are volatility, permanent loss of capital, loss of purchasing power, and/or the inability for the Foundation to fulfill its mission due to lack of access to liquidity.

The Committee shall seek to ensure that the risks taken are appropriate and commensurate with the investment objectives.

IX. INVESTMENT CONSTRAINTS

No investment may be made that would place in jeopardy the Foundation’s tax-exempt status or cause the Foundation to incur penalty taxes under the Internal Revenue Code generally and, more specifically, under the provisions prohibiting self-dealing (Section 4941), excess business holdings (Section 4943), and jeopardizing investments (Section 4944). Furthermore, restrictions on investment activities include the following:

- The use of options and other derivatives is prohibited unless used in the alternative investment or real assets strategies or explicitly approved by the Committee.
- Investments in the equity of any one company should not exceed 10% of the market value of that company’s outstanding equity.
- The following transactions are prohibited: purchase of non-negotiable securities, short sales and trading on margin, except for use in the alternative investment strategies.
- Direct real estate ownership for investment purposes is not allowed unless specifically authorized by both the Committee and the Board. All real estate investments shall be made with industry standard forms of limited liability structures such as Limited Partnership, LLCs, publicly traded or private Real Estate Investment Trusts (REITs).
- Direct security lending and investment in unaudited hedge funds is prohibited.
APPENDIX A

ASSET ALLOCATION

<table>
<thead>
<tr>
<th>Asset Class</th>
<th>Minimum</th>
<th>Target</th>
<th>Benchmark Maximum</th>
<th>Index</th>
</tr>
</thead>
<tbody>
<tr>
<td>Domestic Equities</td>
<td>20%</td>
<td>43%</td>
<td>60%</td>
<td>Russell 3000</td>
</tr>
<tr>
<td>International Equities</td>
<td>10%</td>
<td>20%</td>
<td>30%</td>
<td>MSCI EAFE+EM</td>
</tr>
<tr>
<td>Global Fixed Income</td>
<td>10%</td>
<td>15%</td>
<td>30%</td>
<td>Bloomberg Barclays US Government</td>
</tr>
<tr>
<td>Alternative Investments</td>
<td>0%</td>
<td>7%</td>
<td>15%</td>
<td>Cambridge PE Funded Index</td>
</tr>
<tr>
<td>Real Assets</td>
<td>5%</td>
<td>15%</td>
<td>30%</td>
<td>Blended *</td>
</tr>
<tr>
<td>Cash</td>
<td>0%</td>
<td>0%</td>
<td>3%</td>
<td>90-day T-Bills</td>
</tr>
</tbody>
</table>

Real Assets = Natural Resources, Infrastructure, Real Estate, and Commodities
*67% FTSE EPRA/NAREIT Global TR USD and 33% Bloomberg Commodity TR USD

APPENDIX B

The Consumer Price Index for All Urban Consumers inflation calculator provided by the Bureau of Labor Statistics was used to determine $4,468,000 in January 1977 has the same purchasing power as $18,828,534 in December 2017.
ADDENDUM

BLANDIN FOUNDATION
MISSION RELATED INVESTMENT POLICIES
Board Approved: June 2018

PURPOSE
The purpose of the Blandin Foundation’s Mission Related Investment (MRI) activities is to increase the organization’s charitable impact by utilizing a broader range of its financial assets in furtherance of mission, while maintaining prudent, long-term stewardship of assets that preserve its capacity to generate impact into the future. These MRI policies are included as an Addendum to the overall Investment Policy Statement in order to provide comprehensive documentation of the policies guiding the Foundation’s investments. These MRI policies are solely intended to guide the decision-making process of the Foundation and do not apply to the assets under the management of Foundation’s investment manager, Abbot Downing.

STAFFING and ROLES
• The Investment Committee shall:
  o Draft recommended policies for review by the full board.
  o Perform a review of the MRI effort not less than annually and recommend necessary adjustments to the full Board.
  o Secure technical assistance from outside expertise to develop policies and strategy as needed.
  o Evaluate investment opportunities and present recommendations to the full Board for consideration.
• The full board shall:
  o Establish and update MRI policies per recommendations from the Investment Committee.
  o Make final approval decisions for investments per recommendations from the Investment Committee.
• Current Foundation staff will:
  o Identify investment opportunities with assistance from outside experts as needed.
  o Conduct due diligence to assess the mission impact of prospective investments.
  o Monitor and administer investments approved by the Foundation Board, with outside assistance if needed.
• Due diligence regarding the financial risk and reward profile will be conducted by third party investment experts in the case of more complex investments like private equity but may be conducted by staff in less complex situations such as with basic debt investments.
• The Foundation’s investment manager, Abbot Downing, will be notified of current and pending Directed Investments so that they are aware of the overall disposition of Foundation assets. Directed Investments by the Foundation will not be included in the performance of Abbot Downing, nor will Abbot Downing be expected to adjust assets allocations of investments under their control in response to Directed Investments made by the Foundation.

LONG-TERM STEWARDSHIP GOAL for FOUNDATION ASSETS
MRI activities are one of several factors that have the potential to adversely impact the future capacity of the Foundation. Among these factors are annual budgeting levels, the instance of
extraordinary distributions, risk orientation of the Foundation’s normal investments, among others. All these factors must be managed in concert to preserve the Foundation’s ability to deliver similar or greater levels of impact in the future, often referred to as intergenerational equity. For this reason, it is essential for the Foundation to establish a long-term stewardship goal to guide its decision-making.

Defining this long-term goal is within the discretion of the Foundation Trustees. The Foundation’s original Certificate of Incorporation simply states that the Foundation shall exist in perpetuity and goes on to provide broad discretion to the Foundation Trustees to utilize both income and principal to generate charitable impact. As the sole beneficiary of the Blandin Residuary Trust, which was directed by the donor to exist in perpetuity and to “consider safety of principal of the trust estate as a matter of paramount importance”, the Blandin Foundation is assured of a significant source of ongoing income to advance its charitable mission into the future. Additionally, over time, the Foundation has built net assets independent from the Blandin Residuary Trust. The 5 percent mandatory distribution from the Foundation’s assets provides a significant source of annual operating revenue, in addition to serving as a source of funding for extraordinary expenditures for special projects or to mitigate annual variability in revenues from the Blandin Residuary Trust, thus affording financial flexibility to the Foundation Trustees.

For the purposes of establishing the most basic measure of the Foundation’s long-term stewardship goal, it is prudent and feasible to compare the present value of the Foundation to the value of its assets on the date of the monetization of the Blandin Paper Mill in 1977, given that the date of this transaction marks the advent of the contemporary financial structure for both the Blandin Residuary Trust and Foundation. At that point, total investment assets of the Foundation were $4.468M, the inflation-adjusted value of which is roughly $18.8M today. To preserve intergenerational equity, in no event will the Foundation’s inflation-adjusted valuation decline below the 1977 par value of $4.468M.

Furthermore, it should be recognized that the Foundation during its most recent history has become reliant on a significant amount of annual income generated from its total asset value. Consequently, the Foundation Trustees establish a further goal of preserving an asset base in excess of its 1977 par value that will continue to generate significant revenue for annual operations and provide the Trustees with the flexibility to respond to extraordinary opportunities that might arise in the future.

**TYPES OF MISSION INVESTING**

These policies guide the Foundation’s pro-active mission investments. They do not apply to screening investments made by the Foundation’s normal market investment managers nor does it apply to shareholder advocacy. See following definitions of key terms:

- **Screening** involves using social or environmental criteria to select which publicly traded investments a foundation will purchase with its endowment.
- **Shareholder advocacy** involves active engagement with the management of a company in which the foundation owns stock to influence a corporation’s behavior on issues relevant to the foundation’s mission.
- **Proactive mission investing** involves investing in either for profit or nonprofit enterprises with the intent of both achieving mission-related objectives and earning financial returns.
DEFINITIONS
The range of categories for proactive Mission Related Investment is very broad, ranging from start-up venture capital in for-profit business to zero interest forgivable loans to nonprofits. Furthermore, the term proactive Mission Related Investment is an umbrella term that covers all investments -- it does not make a distinction between investments funded by the 5% charitable distributions versus the 95% comprising a foundation’s endowment. For the sake of making a clear distinction on the source of funds, the Blandin Foundation uses the following definitions in its MRI policies:

Directed Investments: Mission related investments funded from the unrestricted net assets of the Foundation will be referred to as Directed Investments.

Charitable Investments: Investments made from the annual 5 percent mandatory charitable distribution of the Foundation for which there is an expectation of partial or full repayment. (Note: Charitable Investments could also be referred to as Program Related Investments [PRIs]; however, the Blandin Foundation has chosen not to use the term PRI because it is often used by other organizations to refer to investments that are drawn from both the 5% payout and from endowment.)

SIZE OF PORTFOLIO
The target range for Foundation assets that will be committed to Directed Investments is from $2M to $6M, which represents approximately 6-17 percent of the Foundation’s unrestricted net assets of $34.4M as of December 2017. In the event there is a significant movement (defined as plus or minus 20 percent) in the Foundation’s current unrestricted net assets, the Board of Trustees will consider whether to adjust the target range higher or lower. The lower end of the target range is a soft target to encourage at least some mission investing, however, if investments are not identified that meet due diligence criteria; this lower end target need not be met. The upper end of the target range is a hard ceiling that will not be exceeded without Board of Trustee approval.

MISSION OBJECTIVES
The Foundation’s MRI activities are intended to advance its overall mission of strengthening rural Minnesota communities, especially the Grand Rapids area. More specifically, mission objectives are consistent with the Foundation’s Expand Opportunity strategy, which seeks to blend educational attainment, economic vitality, and greater inclusion. Indicators of mission impact include the following:

- Number of jobs created that reduce unemployment or poverty.
- Number of jobs retained that reduce unemployment or poverty.
- Economic diversification resulting from new enterprises and/or products.
- Amount of investment leveraged for rural enterprises.
- Growth or development of capital structures serving rural Minnesota.
- Increased incomes for low wage families.
- Improved educational and workforce capacity.
- Improved essential infrastructure in housing, broadband, health care, etc.
GEOGRAPHIC SCOPE
The Will, Charter, or Court agreements do not limit the geography of where the Foundation invests its assets, but to have a mission impact, there must be a correlation to rural Minnesota. The following criteria will be used to determine if an investment opportunity has sufficient alignment with the Foundation’s geographic interests:

- For directed investments, the percentage of a fund that will be invested in rural Minnesota will be at least proportionate to the investment by the Blandin Foundation.
- For charitable investments, the entire fund will be invested in the State of Minnesota, with the amount of benefit to rural Minnesota being at least proportionate to the investment by the Blandin Foundation.

FINANCIAL RETURN OBJECTIVES
The distinction between how Charitable and Directed Investments are funded is of critical importance. Since Charitable Investments are drawn from the 5 percent mandatory qualifying distribution, losses from these investments will not have a negative impact on the Foundation’s assets or future purchasing power. Conversely, if they are repaid, IRS regulations require the repayments to be redistributed for charitable purposes, meaning the Foundation gains double value for each dollar of Charitable Investments that are repaid. Charitable Investments will typically be very high risk with low return expectations, often taking the form of zero percent interest loans. These investments may be fully or partially written off because of the high-risk nature of the investments, but again, to the extent they are repaid, the dollars are required to be redistributed, resulting in even greater mission impact.

The Foundation holds its Directed Investments to a much higher standard than Charitable Investments. Because they are funded from the Foundation’s net assets, loss of principal and/or rates of return that are below what could be obtained for similar investment classes in the traditional investment market, will negatively impact the Foundation’s ability to deliver impact in the future. Furthermore, the prudent investor standard requires that Trustee fiduciaries make reasonable investments. It is essential that the Foundation recognize that losses from Directed Investments are additional spending that undermines the Foundation’s future capacity. Consequently, the Board should consider reducing charitable distributions as an offset to Directed Investment losses if doing so would not unduly disrupt charitable activities or result in failure to meet the mandatory 5% payout.

Thus, Directed Investments will be administered to generate mission impact as well as sufficient financial return to meet the Foundation’s long-term stewardship standard when combined with investment returns from the normal market portfolio. Within Directed Investments, a two-part strategy will be employed:

- Directed Investments that have limited, quantifiable downside risk are expected to provide a rate of return that is slightly lower than traditional fixed income. The rationale for potentially forgoing some financial return for these limited-risk investments is that the best way to preserve the future purchasing power of the Foundation is to limit losses to assets.
- Directed Investments in high risk/high reward asset classes like venture or private equity, for which there is significant risk of loss of principal, are required to generate a similar rate of return as traditional investments in the same asset category. This category of assets provides the potential for growth in the portfolio accompanied by higher risk. Examples
include riskier fixed income, public equities, private equity, and venture capital asset classes.

This approach will not offer all of the same protections as a traditional investment strategy, but the focus on limiting losses should provide more protection to the long-term health of the Foundation’s assets than a focus on attempting to maximize the rate of return. The following table outlines the three different tiers of Mission Related Investments described in this section:

### MISSION RELATED INVESTMENT TIERS

<table>
<thead>
<tr>
<th>Tier 3: Directed Investments with high risk/high reward</th>
<th>Source of Funds</th>
<th>Asset Class</th>
<th>Risk Profile</th>
<th>Financial Return</th>
<th>Liquidity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tier 3: Directed Investments with high risk/high reward</td>
<td>Foundation net assets</td>
<td>Venture • Private Equity • Subordinated, nonrecourse debt</td>
<td>At risk of total or significant loss of principal investment. No downside protection. High growth potential.</td>
<td>Similar return expectations for asset class in broader market.</td>
<td>Low</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Tier 2: Directed Investments with limited risk/fixed income rate of return</th>
<th>Source of Funds</th>
<th>Asset Class</th>
<th>Risk Profile</th>
<th>Financial Return</th>
<th>Liquidity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tier 2: Directed Investments with limited risk/fixed income rate of return</td>
<td>Foundation net assets</td>
<td>Secured debt • Bonds • Insured deposits • Senior debt • Loan funds with established loan loss ratios • Loans with dedicated revenue stream</td>
<td>Downside protections. Risk not exceeding loss of 5 percent of principal (or some other loss limit target). Performance history or structures in place to quantify loss potential.</td>
<td>Average return for this cluster of investments similar to returns for traditional fixed income.</td>
<td>Low</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Tier 1: Charitable Investments</th>
<th>Source of Funds</th>
<th>Asset Class</th>
<th>Risk Profile</th>
<th>Financial Return</th>
<th>Liquidity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tier 1: Charitable Investments</td>
<td>Five percent charitable distributions</td>
<td>Potentially full range of asset classes</td>
<td>High risk of significant or complete loss of principal.</td>
<td>Typically below market for asset class, including zero percent loans. Overall goal is recovery of principal, but losses are acceptable as net assets are not at risk.</td>
<td>Low</td>
</tr>
</tbody>
</table>
ANNUAL REVIEW
The Investment Committee will review the Foundation’s Mission Related Investment Policies at least annually and recommend adjustments as needed to the full Board for consideration.