

INTRODUCTION

The Longwood University Foundation, Inc. (“LU Foundation”) is a 501(c)(3) not-for-profit organization that enhances the mission and vision of Longwood University (“LU”) through its many fundraising and alumni activities.

The LU Foundation currently has over \$30 million in its investment portfolio. A copy of the investment policy is included in the attached materials.

The Finance Committee comprised of staff and Board of Director members are responsible for the oversight of the portfolio in accordance with sound fiduciary responsibility and best practices. The LU Foundation currently uses an investment consulting firm to manage a majority of the portfolio. The LU Foundation sets the policy with the assistance and recommendations from the Consultant and the firm executes the details of the policy. The current firm has provided service since 2001. In consideration of our fiduciary responsibility, we are conducting a formal Request for Proposals (“RFP”) process to determine which investment consultant would best serve our needs for managing either our entire portfolio or a part of our portfolio in the future. We welcome the opportunity to partner with an investment consultant who will assist in our efforts to provide additional resources to LU Foundation.

Our deadline for receiving responses shall be:

- **Noon, Monday, January 11, 2010**
- **Responses must be received in the office of Hazel P Duncan, LU Foundation CFO (mailing instructions are in Section VIII of this document).**
- **No late responses will be considered.**
- **Our review will be facilitated by having responses correspond to the sections of this RFP. Please use the section numbers provided herein to organize your response.**

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SECTION I – ORGANIZATION

- A) List the name and address of your firm. Provide a summary of your firm and describe the overall financial strength of your firm and/or parent firm. Include the location of your firm's headquarters, depth of professional and support staff, year formed, ownership structure, primary contact person(s) for this relationship, revenues generated from consulting services, and subsidiary or affiliate relationships.
- B) Provide a brief resume of the individual(s) who will be responsible for, and in direct contact with, the LU Foundation's Board of Directors and staff members (i.e., please do not include support personnel, outside consultants, analysts, etc. who will not be in direct contact with the Board and with staff). This should include any certifications the person has as well as experience and specialties they can bring to the table. Please provide a list of current clients served by this individual.
- C) How many years has your firm provided consulting services? What is your experience in supporting the foundations of Higher Education Institutions? What do you believe our needs to be and how would your firm meet our needs?
- D) Is your firm a registered investment advisor under the Investment Advisors Act of 1940? If your firm is registered as a Registered Investment Advisor (RIA), please **provide a copy of the most current Form ADV for your firm (Parts I and II)**. If not, please provide the documentation authorizing you to render services previously described herein.
- E) Does your firm consider itself to be a fiduciary with respect to the services provided? Is this stated in writing within your contract and, if so, how specifically is it stated?
- F) Describe the ownership structure, including any significant changes within the organizational structure of the firm over the last five (5) years. Describe any anticipated changes within your firm over the next 12-18 months. Please include an organizational chart of your firm.
- G) For the most recent year end, please list the total revenue received from consulting services versus the different services provided by your firm (in \$ terms and % of total revenues). Please provide the most recent financial statement for the firm.
- H) Do you have errors and omissions and/or other insurance coverage for the protection of your clients? If so, please describe (including the limitation on liability). **Please attach a copy of the certificate of insurance.**
- I) Describe what limitation of liability, if any, your firm imposes through its investment advisory contract. Note that a standard of gross negligence will not be accepted.
- J) For your most recent year, please state your assets under advisement. Include details about the average client's portfolio size.

SECTION II – CONFLICTS OF INTEREST

- A) Please indicate how your firm maintains its independence from the investment management community (managers, brokers, custodians, etc.). Are there any circumstances specifically related to your investment activities under which your firm, its officers, or employees receive direct or indirect compensation, or anything of value (tangible or intangible; gifts, travel, lodging, entertainment, and/or meals) from investment managers? If so, describe in detail.
- B) Has your firm or any parent or affiliated firm, if any, derived any direct or indirect revenue from the investment managers included in the firm's investment manager database? Examples include, but are not limited to, money manager or client conferences; soft dollar arrangements; finder's fees; database fees and/or other services provided for fees. If so, please describe in detail.
- C) Please disclose any potential conflicts of interest, or appearance of conflict, which may arise if your firm is selected to represent LU Foundation's investment portfolio.
- D) Does the firm currently, or has the firm previously, have or had professional or personal relations with any member of the LU Board of Trustees, LU Foundation Board of Directors, or LU Foundation staff, or with a firm owned by or affiliated with that individual, during the past 5 years? If yes, please describe fully those relationships. For a list of the respective board members and staff members, the following are web links as appropriate.

<http://www.longwood.edu/foundation/5714.htm>

<http://www.longwood.edu/president/4719.htm>

- E) Does your firm have written Conflict of Interest and/or Code of Ethics policies? Please provide a copy of any policy you have.
- F) Identify all litigation, settlements and investigations initiated or pending against the firm (or its employees) during the past five (5) years by entities such as investment clients, regulatory bodies or professional organizations, and/or any other third parties. Each identified instance should include a description of the event, the year the event occurred, the monetary claim, the estimated liability exposure and the outcome/status of such event.

SECTION III – PROCESS

- A) Describe the philosophy of the firm. Indicate the attributes of your investment consulting philosophy that distinguish your firm from your competitors.
- B) Describe the firm's approach to the improvement of a client's existing investment policy.
- C) How often does the firm conduct in person meetings with clients? What are the goals of those meetings and the typical length of the meetings?
- D) Describe the method for developing asset allocation studies. To what extent is it adapted to client needs? How often does the firm recommend reviewing asset allocation? Rebalancing? Do you recommend modifications to the portfolio structure (asset allocations) to respond to changes in the marketplace (include rationale for recommendation)?
- E) Describe how the firm factors in the characteristics of portfolio income needs in developing asset allocations.
- F) What is the method for gathering information on investment managers? How often is the data updated?
- G) Does your staff visit with money managers, both in-house and on-site? If so, why and how often? If not, why not?
- H) Describe the methodology and sources of data for analyzing and evaluating a potential manager's performance (include both qualitative and quantitative factors in your proposal). How are the factors monitored? Discuss the performance benchmarks you use/recommend and how you make comparisons with other managers. How is risk factored into this analysis? Discuss any attribution analysis that is performed.
- I) If the firm has an in-house database, how often are database managers reviewed? Under what circumstances are managers added to and deleted from the database? How long has it been maintained?
- J) If the firm uses an external database, please describe the database, its management structure, and the review process in place to ensure that the database provides consistent, reliable information.
- K) Does the firm recommend an active or passive approach to investing? Why?
- L) Please provide the firm's philosophy on the use of non-traditional investment assets (i.e., private equity, high-yield, hedge fund, etc.), suggested allocation, and minimum entry.
- M) Does the firm provide investment performance reports on a monthly or quarterly basis? Can the report be customized? How timely after a reporting period is a performance report available? Is full cost-basis accounting provided in reports? Does the firm provide consolidated reporting of all investment returns at least quarterly including written commentary as to why goals have or have not been met? Please provide a sample performance report that includes overall portfolio, asset class, and manager performance.
- N) Explain how your firm provides market updates to its clients. Does your firm provide client training? In what capacity and how often?

SECTION IV–CASE STUDIES

We request your in-depth analysis of the following scenarios. Our expectation is that answers will be concise, understandable to laymen, and will reach a definite conclusion.

Scenario One

Assume that the LU Foundation’s Finance Committee has been considering adding alternative investments to its asset allocation but has been unable to reach consensus and conclusion. .

In addition to this specific issue, describe in detail the methodology for continuing education of the LU Foundation Board, Finance Committee, and LU Foundation staff members related to investments.

Scenario Two

Examine our investment policy. Please comment on whether the benchmarks are appropriate for the asset class (why or why not), and whether the LU Foundation is truly able to determine progress (or lack thereof) towards the policy’s stated goals. Describe the approach the firm would take in leading the committee to an outcome. Describe the firm’s experience and capability for calculating performance. Does the firm calculate performance internally or outsource? If outsourced provide name of vendor. If internal describe the process used. Describe how benchmarks are chosen or developed and if they are customizable. Describe how the firm measures risk and return.

In addition, provide commentary regarding your proposed universe of comparative peers to the LU Foundation, and why this universe would be appropriate.

Scenario Three

Again referring to our investment policy – we have a current methodology for allocating spendable amounts. Please describe how you would review the appropriateness of this methodology on an annual basis, as well as how you would communicate with and educate the Finance Committee.

Scenario Four

Please describe the process for an initial comprehensive asset allocation analysis of our Long-Term, Intermediate, and Short-Term investment pools. What methods would you use for analysis and how would you convey your recommendations to the Finance Committee, the Board of Directors, and the LU Foundation staff?

Scenario Five

With respect to management structure, we wish to explore three methods and ask you to respond with a recommendation that exploits your firm’s strongest capabilities and proven performance applicable to the structures we are considering, or another approach you think appropriate given our endowment’s size and our performance goals. We have identified these three possible approaches:

1. Placing the entire asset management function of the endowment in one firm to include the selection and implementation of traditional and alternative investment decisions.
2. Placing the management function of alternative investments only in one firm to include the selection, implementation and investment decision process.
3. Retain our current investment advisor structure to include traditional and alternative investments with individual manager selection remaining an investment committee decision.

One of the significant challenges for the new manager, in addition to advising the committee on strategy, portfolio construction and related topics, will be the implementation process and the many related issues required in developing the implementation plan. Your answer should include advice on how this should be accomplished.

SECTION V–FEE PROPOSAL

Please provide a comprehensive quote/bid to provide LU Foundation with a full-service contract, to include, as a minimum, all of the following services specified below. (i.e. no ala carte pricing), for approximately \$25 million in assets.

- Risk Tolerance Assessment
- Portfolio Cash Flow Needs Assessment and Analysis
- Investment Objective Determination and Measurement
- Investment Policy Statement Review and Construction
- Modern Portfolio Theory-Based Asset Allocation
- Initial Manager Selection
- Manager Probation and Replacement Triggers
- Asset Allocation Rebalancing Triggers
- Comparative Performance-Based Ranking
- Comparative Performance Assessment
- Investment Policy Statement Compliance Testing
- Ongoing Manager Searches (with no limitation on the number of searches)
- Trustee Counseling and Training

Included in this quote/bid is the commitment to meet with the Finance Committee no less than tri-annually, make presentations to the Full Board on an as-needed basis (the Board meets tri-annually), and to be available to staff as needed (not anticipated to be frequently). Please describe any additional services offered in this full-service contract not already described above.

Fee Quote: *Please describe your fee structure(s), including increases in fees as the portfolio grows.*

SECTION VI – REFERENCES

- A) Provide the total number of investment management clients currently employing your process, including the total assets and the average relationship length per client.
- B) Provide a reference list of at least **four** current consulting clients. If possible, please identify university and/or nonprofit foundations. We place emphasis on experience serving nonprofit and higher education institutions.
- C) What was the client turnover (gains and losses) of the firm over the last three years?

SECTION VII–SAMPLE MATERIALS

The following sample materials were requested in Sections I through VI of this RFP:

- A) If the firm is registered as a Registered Investment Advisor (RIA), please provide a copy of the most current ADV for the firm (Parts I and II). If not, please provide the documentation authorizing you to render services previously described herein (Section I – Question D).
- B) Please attach a copy of your certificate of insurance for errors and omissions insurance (Section I – Question H).
- C) If the firm has a written Conflict of Interest and/or Code of Ethics policy, please provide a copy (Section II – Question E).
- D) Provide a reference list of at least four current consulting clients (Section VI – Question B).

Please provide the following additional materials that were not requested in Sections I through VI of this RFP:

- E) Attach a copy of the company’s proposed advisory contract that applies the specifications detailed in this RFP. Such contract shall incorporate terms and conditions outlined herein, as well as appropriate provisions of the Commonwealth of Virginia’s laws and regulations.
- F) Please provide a sample Quarterly Review similar to the Quarterly Review LU Foundation would receive each quarter.
- G) Please provide an invoice sample that would be similar to the invoice LU Foundation would receive each billing period.
- H) Please provide any other items that you believe LU Foundation should take into account during the selection process.

SECTION VIII–RFP SUBMISSION PROCESS

We appreciate your consideration of our Request for Proposals. Please complete **all** sections and parts in the order that they are presented in this Request for Proposal. The firm shall include a table of contents of its proposal which should, to the degree possible, correspond to the RFP. All responses to the RFP must be received no later than noon (Eastern Standard Time), November 2, 2009 addressed as follows:

Hazel P Duncan
Longwood University Foundation Inc.
201 High Street
130 Lancaster
Farmville, VA 23909

We require one original and six copies of the response and all accompanying materials in the format and the order described in this RFP. In addition, an electronic version of the response should be emailed to RFPInvestmentConsultant@longwood.edu. Please be as clear, concise, accurate, and complete as possible in your responses. Providing incomplete or misleading data may lead to disqualification of the proposal and elimination of the firm from the search process. Late proposals will not be accepted.

Any and all questions should be addressed to: Hazel P Duncan, CFO Longwood University Foundation, Inc. Questions should be in written form, and may be submitted via e-mail at RFPInvestmentConsultant@longwood.edu or via fax at (434)395-2825 by November 20, 2009. Questions and answers will be posted on the Longwood University Foundation website by December 4, 2009. Oral questions related to this RFP **will not** be accepted. Firms may be disqualified if they contact any member of the Board of Directors or any officer other than Hazel P Duncan, regarding this RFP.

Responses will be reviewed by a subcommittee of the LU Foundation's Board of Directors. The subcommittee will make recommendations for finalist firms to the Finance Committee. We anticipate that the Finance Committee will conduct final interviews and site visits on mutually agreeable dates during the month of February, 2010. The LU Foundation, Inc. reserves the right to reject any or all responses to this RFP, to re-solicit or not, and/or to waive informalities as deemed in the best interest of the LU Foundation.

Evaluation Criteria

The Board of Directors will select the firm(s) which, in the Board's sole discretion, best serves the overall needs of LU Foundation. The following is a summary of the general considerations that will be used to determine the firms that will be selected as finalists:

- Firm capabilities and experience
- Firm personnel & proposed consultant team
- Analytical tools, research and processes
- Understanding of LUF's needs
- Ability to communicate effectively
- Client and industry references
- Independence from conflicts of interest
- Fees & compensation

Timetable

The following dates are set forth for informational and planning purposes and may be changed at our discretion.

RFP Advertised/Posted on Website	November 2, 2009
Deadline for questions	November 20, 2009
Questions & Answers posted on website	December 4, 2009
Deadline for submission of proposals	January 11, 2010
Completion of proposal evaluations	January 29, 2010
Due diligence visits of finalists	First quarter 2010
Finalist Interviews (consultant expected to be assigned to account should be present)	First quarter 2010
Final Selection	Second quarter 2010
Contract Negotiations	Second quarter 2010
Contract Start Date	July 1, 2010

SECTION IX–OTHER REQUIREMENTS

Request for Proposals Requirements:

- A) The LU Foundation reserves the right to reject any and all proposals, to waive any informalities or irregularities not involving price in any proposals received, to re-advertise for proposals, or take any other such actions that may be deemed to be in the best interest of the LU Foundation.
- B) The proposal will clearly indicate your legal name, federal taxpayer identification number, address, and telephone number. The person signing the proposal on behalf of the proposing firm will have the authority to bind you to the submitted proposal.
- C) The LU Foundation will not be liable for any expenses incurred in the preparation or presentation of the proposals.
- D) The successful firm(s) will execute a contract, in form and content acceptable to the LU Foundation, incorporating the terms of this RFP and indemnifying and holding harmless the Longwood University Foundation, Inc., Longwood University, their officials, officers, employees, and agents from all claims.