

**The Mohawk Council of Kahnawà:ke's
Investment and Revenue Committee**



Request for Proposals
Investment Management Services
for the
Kahnawà:ke Sovereign Wealth Fund

Deadline: September 22nd, 2023



The Investment & Revenue Committee

I. Request for Proposals Purpose

The **Mohawk Council of Kahnawà:ke (MCK)** is seeking proposals from qualified investment management firms and managers to provide comprehensive investment management services for the **Kahnawà:ke Sovereign Wealth Fund (KSWF)**. The purpose of this Request for Proposals (RFP) is to identify and select a firm with a proven track record, expertise, and innovative solutions to provide portfolio management services for our diverse portfolio. These services must be in line with our investment policy and objectives.

II. Introduction

The MCK is a government organization that provides governmental, administrative, and operational services to the community of Kahnawà:ke located on the south shore of Montreal, Quebec, Canada. The MCK is recognized as a public body performing the function of government of Canada and, therefore, is tax exempt in Canada pursuant to s. 149(1)(c) of the *Income Tax Act, RSC, c 1 (5th Supp)*. The organizational structure of the MCK is composed of two main sectors: political and administrative/operational. The political sector of the MCK comprises the Council of Chiefs and the Office of the Council of Chiefs. The Council of Chiefs is the primary governing body of the MCK and provides political direction on matters concerning Kahnawà:ke and its affairs. The Office of the Council of Chiefs (OCC) provides support services to the Mohawk Council of Kahnawà:ke Chiefs.

The MCK's administrative and operational units include:

- Executive Office
 - Revenue and Business Development
 - Strategic and Organizational Development
 - Public Relations
 - Legal Services
 - Human Resources
 - Information and Records Management
 - Finance and Asset Management
- Operations
 - Infrastructure Services - Capital and Public Works
 - Lands and Environment
 - Client Based Services - Recreation, Social Assistance, Housing and Membership, Kanien'kéha Language & Culture
 - Labor Office - Workmen's Compensation and Qualifications
- Public Safety
- Justice Services

The **Revenue and Business Development Unit (RBDU)** is a branch of the Executive Office within the MCK. It is mandated with the authority and duty to administer and develop strategy, scope and standards that drive own-source revenue and support economic development for the MCK and, by extension, the community of Kahnawà:ke. The for-profit investment mandate is the responsibility of the RBDU. The **Investment and Revenue Committee (IRC)** is the decision-



The Investment & Revenue Committee

making body with the delegated authority to make decisions regarding the management and administration of Kahnawà:ke's Sovereign Wealth Fund and the MCK's business interests operated by the RBDU.

III. About KSWF

The MCK is looking to develop the KSWF. The funds within the KSWF are intended to be a designated pool of investment capital that will be used as a wealth building vehicle for the MCK and the community of Kahnawà:ke for many generations. The purpose of the KSWF, over the long-term, is to render the Mohawks of Kahnawà:ke entirely financially independent, over and above all external funding levels.

The KSWF will begin with **\$32,000,000.00** of investable capital with all earnings to be reinvested for a minimum of 10 years. Additional contributions can be made to the KSWF depending on available capital, at the discretion of the Council of Chiefs. Unforeseeable events aside, the KSWF will not have any near-term obligations. Compounding at acceptable rates of return over a long period of time is the fund's focus for the foreseeable future.

Of the **\$32,000,000**, **\$3,200,000 to \$6,400,000** will be retained by the RBDU for direct investments or alternative funds based on private business opportunities that become available to the MCK from time to time. Therefore, it is expected that **\$25,600,000 to \$28,800,000** will be allocated towards public securities and made available for the manager(s) selected through this RFP. The MCK may opt to allocate the available funds to one (1) or more applicants.

At inception, the Public Securities portfolio will be:

- Equities - 50%
- Income - 50%

The IRC is the delegated decision-making body within the MCK that will make portfolio allocation decisions with regards to income and positive flows. It is our expectation that the capital base in each portfolio will be relatively permanent. The internal investment policy can be viewed at Annex "A".

The KWSF is currently in cash and cash equivalents and can be deployed immediately.

IV. Scope of Services

The selected investment manager will be responsible for the following:

1. Develop and implement an investment strategy in line with the KSWF investment policy and objectives.
2. Actively manage the KSWF investment portfolio, including asset allocation, risk management, and performance monitoring.
3. Regularly report and communicate with the IRC by providing, amongst other things, performance updates and recommendations for any strategic changes.
4. Ensure compliance with all relevant regulatory requirements and industry best practices.
5. Collaborate with the MCK's internal team and external advisors as needed.



V. Submission Guidelines

Interested firms should submit their proposal with the following information:

1. Company Overview
 - A brief introduction to your firm, including its history
 - Size and location(s)
 - Key personnel - experience, credentials, and tenure with the firm, with an emphasis on those that will be working with the KSWF.
 - Corporate Structure
 - Breakdown of AUM, number of accounts and Indigenous accounts, if applicable.
 - Briefly describe your familiarity working with Indigenous clients
2. Investment Philosophy and Strategy
 - A description of your firm's investment philosophy and style
 - What is the investment decision making process? Who makes the decision?
 - What is your policy on diversification and overall risk management?
 - Do you have a model portfolio? What could our portfolio be composed of?
 - How do you view short vs. long-term performance?
 - How is your time allocated between micro and macro analysis?
3. Tax Considerations
 - Do you have access to tax experts/consultants to assist you in the development of your investment strategy?
 - How does your investment strategy incorporate the MCK's tax status?
 - How would you render the KSWF portfolio tax efficient?
4. Track Record
 - A summary of your firm's historical performance, gross and net of fees, including relevant benchmarks.
 - Explain your historical returns from a risk perspective.
 - What market conditions would favour your investment style?
 - Can you provide information and contact details of three (3) comparable clients to the MCK?
5. Reporting and Communication
 - A description of your firm's reporting process, including the frequency and format of reports
 - Who would be the point of contact for questions?
 - If required, would the Investment Manager be prepared to attend quarterly meetings either in person or virtually?
6. Fees and Expenses
 - A detailed outline of your proposed fee structure, including management fees, performance fees, and any other relevant costs.
 - What do the fees cover in terms of services?



The Investment & Revenue Committee

- What other fees could be charged?
- 7. Compliance and Oversight
 - Has your firm been involved in any regulatory audits during the past three years and, if so, what were the findings?
 - Has your firm been involved in any litigation within the last 5 years?
 - Confirm that there are no actual or perceived conflicts of interest should your firm assume the investment management of the KSWF.
 - Policies on personal trading and code of ethics.
 - Anti-money laundering (AML), and anti-terrorist financing (ATF) policies.
 - Policies regarding client confidentiality.

VI. Evaluation and Selection Process

All proposals will be reviewed and evaluated by the IRC based on the following criteria:

1. Firm's experience and expertise in managing similar (i.e. investment strategies for indefinite term portfolios, such as non-profits, charities, governments, pension funds, etc.) portfolios. - **15 points**
2. Alignment of the investment strategy and philosophy with the KSWF's investment objectives and risk tolerance. - **10 points**
3. Transparency, quality, and frequency of reporting and communication. - **10 points**
4. Experience working with Indigenous clients or communities - **5 points**
5. Long-term stability (past, present and future), firm succession plan, and experience of the personnel assigned to the portfolio - **20 points**
6. Historical performance and track record. - **20 points**
7. Competitiveness of fees and expenses. - **20 points**

Total Points: 100

The IRC of the MCK reserves the right to reject any or all proposals or to negotiate with any applicant.

VII. Minimum Qualifications

All proposals must meet the following minimum criteria:

1. Registered under Canadian securities legislation for the proposed services.
2. Applicant must have been in business for a minimum of 10 years.
3. Applicant must have provided similar investment management services to other similarly sized clients.
4. Applicant must employ a professional team dedicated to investment research and analysis.
5. Applicant must assign individuals to the KSWF portfolio with a minimum of five (5) years professional experience in the investment consulting and investment management fields.



VIII. Proposal Specifications

- **Response Deadline**

Completed responses must be received by the IRC by email to Branden Morris, Investment Manager, by 4:00 p.m. Eastern Time on September 22nd, 2023. Any responses received after the deadline will not be considered. Email: Branden.Morris@mck.ca

The response must be accompanied by a cover letter that should be signed by at least one (1) individual who is authorized to bind the firm contractually.

- **Communications with the IRC and RBDU**

Other than questions related to this RFP, firms which intend to submit a response should not contact any member of the IRC or RBDU staff, without the approval of the Executive Director, Onerahtokha Marquis. An exception applies to any firm currently doing business with the MCK, but any contact should be limited to that business, and should not relate to this RFP. Email: onerahatokha.marquis@mck.ca

- **Questions relating to this RFP**

All questions concerning this RFP must be received in writing via email by September 15th, 2023. Questions can be submitted to the MCK's Investment Manager by email. Firms should amalgamate any questions they have into one email by the question deadline date. Questions by telephone and/or letter will not be accepted. Email: Branden.Morris@mck.ca

- **Selection of Firm**

The IRC members will evaluate all responses having met established criteria. The IRC may at its discretion invite two (2) or more candidate firms to make a presentation to the IRC of the Mohawk Council of Kahnawà:ke, in Kahnawà:ke. Travel and board will be at the candidate's expense. Unsuccessful candidate firms who submit responses to this RFP will be notified. All firms that are asked to make a presentation will be notified of the IRC's decision. The IRC is not obligated to provide a rationale for its decision to unsuccessful candidate firms.

- **Tentative Timetable**

1. August 18th, 2023: Issuance of RFP
2. September 15th, 2023: Question Deadline
3. September 22nd, 2023: RFP Submission Deadline
4. Early to mid October 2023: Interviews with selected applicants
5. November 2023: Notification of the successful applicant(s)

IX. Representations and Warranties

All applicants are required to submit an executed copy of the following representations and warranties as an attachment to the cover letter described in Section VIII of this RFP:

- Applicant warrants that it will not delegate its responsibilities to a third party.
- Applicant warrants that it has completed, obtained, and performed all registrations, filings, approvals, authorizations, consents, or examinations required by government or relevant accreditation authorities.



The Investment & Revenue Committee

- Applicant warrants that it meets all of the minimum qualifications applicable to the firm under Section VII above of this RFP.
- Applicant warrants that it has not paid and will not pay, has not given and will not give, any remuneration or thing of value directly or indirectly to the MCK, its Chiefs or any of its IRC members, officers, or employees with its response to this RFP or otherwise.
- Proposer warrants that it has established ethics and conflicts of interest policies and procedures, and proper internal compliance controls are in place.

X. Terms and Conditions

The MCK reserves the following rights, which may be exercised at MCK's sole discretion:

1. To supplement, amend, substitute, withdraw or otherwise modify this RFP at any time;
2. To conduct inquiries with respect to the qualifications and experience of each applicant;
3. To issue additional requests for information;
4. To waive any defect or irregularity in any applicant it receives;
5. To require an applicant to supplement, clarify or provide additional information in order for the MCK to evaluate its proposal;
6. To share the applicant's proposal with MCK Chiefs, employees or agents in addition to the IRC members as deemed necessary;
7. To award all, none, or any part of the Scope of Work set forth in this RFP that is in the best interest of the MCK with or without re-solicitation;
8. To discuss and negotiate with an applicant any terms and conditions in the proposal including but not limited to financial terms;
9. To enter into any agreement deemed by the MCK to be in the best interest of the MCK;
10. To reject any or all proposals submitted; and
11. To re-advertise for proposals using this RFP or a different RFP or solicitation.

The MCK assumes no responsibility for conclusions or interpretations derived from the information presented in this RFP, or otherwise distributed or made available during this selection process. In addition, the MCK will not be bound by or be responsible for any explanation, interpretation or conclusions of this RFP or any documents other than those provided by the MCK through the issuance of addenda. In no event may an applicant rely on any oral statement in relation to this RFP. It is up to the applicant to ask for and obtain clarifications that they require in their review of this RFP. Only written addenda will modify this RFP document or RFP Process. Any other communication will be deemed non-binding.

Applicants are responsible for any and all costs associated with the proposal process including, but not limited to, the creation of the proposal and any interviews (if applicable). No applicant will be compensated for their proposal, or any costs accrued to create their proposal.

An applicant's participation in this process might result in the MCK selecting the applicant to engage in further discussions including the negotiation of the Scope of Services. Such discussions and negotiations, however, do not signify a commitment by the MCK to execute an agreement



The Investment & Revenue Committee

or to continue discussions and negotiations. The MCK may terminate discussions and/or negotiations at any time and for any reason prior to the award of a binding contract by the Executive Director and/or the Council of Chiefs, and either abandon the selection process or select another applicant with whom to enter into negotiations.

The MCK reserves the right to amend or supplement this RFP at any time during the process, if it believes that doing so is in the best interests of the MCK. Any such amendment or supplement will be fully explained in an addendum emailed to all Proposers.

All proposals and supplementary material provided as part of this process will become the property of the MCK. In submitting a proposal, each applicant agrees that the MCK may reveal any trade secrets or confidential information to the MCK Chiefs, employees, consultants or agents assisting with this RFP and resulting agreement.



The Investment & Revenue Committee

Annex A



MOHAWK COUNCIL OF KAHNAWÀ:KE
SOVEREIGN WEALTH FUND

Executive Summary
Guiding Principles
Investment Policy

Approved: July 31st, 2023



Executive Summary

Kahnawà:ke Sovereign Wealth Fund (KSWF) has two main functions:

1. **Generate substantial wealth for Kahnawà:ke by growing its asset base.**
2. **Reduce financial risk by diversifying Kahnawà:ke's sources of income.**

These functions support the **KSWF 100-year vision:**

**The Mohawks of Kahnawà:ke are prosperous,
wealthy and completely independent.**

This goal will be attained by investing the KSWF into various investment strategies such as stocks, bonds, alternatives, direct investments, etc. To take advantage of the MCK's life span and increase the long-term impact of the Fund, the KSWF will utilize an indefinite time horizon, until financial independence has been achieved.

By allowing the KSWF to compound over a long period of time, the Mohawk Council of Kahnawà:ke can eventually be in a position where own-source revenue can fulfill its operations and the community's needs. We are collectively deciding to sacrifice some expenditure today, so that future generations of Kahnawakero:non can be in a position of self-reliance.

YEARS	NAV GOAL
10	\$63,000,000
25	\$174,000,000
50	\$943,000,000
100	\$28,000,000,000

The 100-year goal of \$28B is based on a 7% return, \$32M of starting capital, with no additional contributions or distributions. Furthermore, with \$2M/year in additional contributions, \$1B could be achieved within 42 years.

The KSWF is governed by the Investment & Revenue Committee (IRC) which is entrusted to oversee the KSWF. The IRC must ensure that the investment policy is being adhered to and that all affairs related to the Fund are being done with the highest level of integrity and in the best interest of Kahnawà:ke.

The KSWF Public Securities portfolio is to be managed by external accredited investment professionals with a long and exemplary track record of portfolio management. A smaller portion of the KSWF, which will be known as Alternatives, will be used for direct investments made by the MCK and will be managed by the Revenue and Business Development Unit.



Guiding Principles

Capital Allocation

The Investment and Revenue Committee (IRC) is tasked with capital allocation decisions with regards to the Kahnawà:ke Sovereign Wealth Fund (KSWF) and will allocate capital in the best interest of the fund. The committee shall not overly concern itself with portfolio rebalancing to the point where the Fund is constantly trimming and adding to various asset classes. Throughout the Funds lifespan, it is the expectation that the portfolio weights will be different in any given year, but they should stay within the respective min and max weights. The underlying quality of the assets is of much greater concern to the IRC and Revenue and Business Development Unit (RBDU).

Portfolio Managers

The managers should be passionate, long-term focused individuals with unquestionable integrity that are well aligned with their clients. When the KSWF team is picking a manager, they should evaluate them with the mindset that they will be with them forever. Preference should be given to managers that have a long track record of excellence, especially those that worked through a major stock market crisis, such as a large decline (-25% or more) or a recession/depression. A long enough track record is required to ensure that proper risk-adjusted returns were attained. Understanding the manager's investment process is the key to the relationship, past performance does not guarantee future results.

Risk Management

We must be content with the fact that when making an investment, risk cannot be calculated, even after the events have occurred. When analyzing the fundamentals of an investment, risk is something that counts tremendously, but cannot be counted. Risk is a function of asset quality and the price paid. Volatility calculates how prices go up and down compared to other prices. It is important to not confuse the two and understand when returns/losses are due to a strategy rather than skill. Skill can only be determined over a long period of time and during periods when a strategy is out of favor.

Investment Philosophy

The KSWF makes sound investments by deploying capital, for the most part, into ventures with predictable cash-flows, simple business models, strong balance sheets and experienced and trustworthy management. It does so by paying a price that will ensure a proper risk-adjusted return. The RBDU management and the IRC will deploy capital in the best interest of the community, use a long-term approach and focus on capital preservation.

The IRC will ensure that investments are aligned with the community's social and environmental principles while also ensuring a well-diversified portfolio.

The KSWF will concern itself primarily with **passive** investments. Passive in this context refers to a hands-off approach with regards to the management and operations of the businesses.



Investment Policy

Purpose

The purpose of the Investment Policy is to provide governing rules for the investment of Kahnawà:ke’s Sovereign Wealth Fund (the “KSWF”). The Policy is in place to protect and preserve the KSWF capital and its future income.

Delegated Authority

The Investment and Revenue Committee (the “IRC”) is the delegated authority empowered to oversee the KSWF and are bound to invest the KSWF pursuant to the guidelines set out in this Policy.

The Committee may delegate its authority under this Policy to an officer, employee or agent of the MCK to carry out its instructions in compliance with this Policy, but shall not delegate its decision-making authority.

The Investment and Revenue Committee will operate pursuant to the Investment Committee Terms of Reference and By-Laws.

Investment Guidelines

The Investment and Revenue Committee may invest the KSWF as outlined in this policy.

Current Investment Policy

This Investment Policy applies solely to the KSWF and is the only MCK investment policy that applies to the KSWF.

Inception Allocation

KSWF STRATEGY	WEIGHT %
PUBLIC SECURITIES	80-90%
ALTERNATIVES	10-20%

To account for the investment needs of the MCK, the RBDU will keep 10%-20% of the KSWF in liquid or easily liquidated assets (i.e. cash, term deposits, etc.) at the inception of the fund depending on the quality of prospective investments.

Public Securities Portfolio Inception Allocation

PUBLIC SECURITIES STRATEGY	WEIGHT %
EQUITY	50%
INCOME	50%



Public Securities Portfolio Min & Max Allocation

PUBLIC SECURITIES STRATEGY	MIN & MAX WEIGHT %
EQUITY	30% & 70%
INCOME	30% & 70%

Public Securities Portfolio Reallocation

If the portfolio allocation approaches the min and max weight, the portfolio should be recalibrated to a more acceptable weighting, this decision will be made by the committee at that point in time. Returning the portfolio to its original inception allocation can be considered.

Public Securities Portfolio Managers

1. Managers must be certified investment professionals that are in good standing with all Canadian securities regulations and must be willing to be independently audited.
2. An investment policy must be created by the investment manager.
3. “Active” and “passive” managers are acceptable.
4. Benchmarks will be selected in conjunction with the managers to evaluate performance.
5. Managers will be selected through a Request for Proposals process by the IRC.

Constraints for Managers - Equity Portfolio

1. “Long” only, “shorting” is not permitted.
2. Leverage of any kind is not permitted (portfolio loans, margin debt, etc).
3. Financial Derivatives are not permitted except for currency hedging.
4. Maximum allocation on a cost basis: 5% (Minimum of 20 positions on a cost basis)
5. Maximum size of a single position in the portfolio: 12%, Maximum allocation per sector: 30%
6. On a cost basis, 70% of holdings should have a market capitalization over \$5 billion USD or CAD.
7. Minimum allocation to the United States of America and Canada: 70%
8. Minimum % of businesses with normally positive cash flow from operations: 90%
9. Only publicly listed equities trading on major exchanges are acceptable (OTC is not permitted).
10. Funds of Active Funds as an overall strategy is not permitted, all holdings should be directly held.
11. For active managers, ETF’s are acceptable to gain exposure to a certain area but cannot exceed 20% of the portfolio.
12. For passive managers, ETF’s are acceptable as an overall strategy. The constraints mentioned must also be respected for passive managers. The manager’s fees should reflect this passive strategy.
13. Managers may purchase an ETF which is sold by their financial institution if it has the lowest management expense ratio in that category.



The Investment & Revenue Committee

14. Only ETF's managed by BlackRock, Vanguard, State Street, Invesco, Charles Schwab and the Major Canadian Banks are acceptable. With approval from the IRC, exceptions can be made to this if deemed necessary.

Constraints for Managers - Income Portfolio

Income Portfolio Target Allocation:

ALLOCATION	WEIGHT %
FIXED INCOME*	80-100%
HIGH DIVIDEND EQUITIES**	0-15%
OTHER***	0-15%

* Treasury Notes, Bills and Bonds, Municipal Bonds & Corporate Bonds. Minimum "BBB+" by Standard and Poors or "Baa1" by Moody's Credit Rating.

** Companies that payout a large portion of their earnings in dividends or companies that have a meaningful dividend that can grow over time. "High Dividend" is greater than the Canadian 10-year treasury yield.

*** Preferred Shares, REIT's, Royalty Corps & "Junk" Bonds. "Junk" is defined as anything under "BB+" by Standard and Poors or "BA1" by Moody's.

Constraints for Managers:

1. "Long" only, "shorting" is not permitted.
2. Leverage of any kind is not permitted (portfolio loans, margin debt, etc).
3. Financial Derivatives are not permitted except for currency hedging.
4. Maximum allocation on a cost basis: 4% (Minimum of 25 positions on cost basis), excluding Government Bonds.
5. Maximum size of a single position in the portfolio: 7.5%, excluding government bonds.
6. Minimum allocation to the United States of America and Canada: 80%
7. For any equity holding in this portfolio, only publicly listed securities trading on reputable exchanges are permitted (OTC is not permitted).
8. Funds of Active Funds as an overall strategy is not permitted, all holdings should be directly held.
9. For passive managers, ETF's are acceptable as an overall strategy. The constraints mentioned must also be respected for passive managers. The fees should reflect this strategy.
10. Managers may purchase an ETF which is managed by their financial institution if it has the lowest management expense ratio in that category.
11. Only ETF's managed by BlackRock, Vanguard, State Street, Invesco, Charles Schwab and the Major Canadian Banks are acceptable. With approval from the IRC, exceptions can be made to this if deemed necessary.

Distributions

Until the first 10-year milestone has been reached, all income and gains produced by the KSWF will be retained and reinvested. Once the first 10-year milestone has passed, changes to this investment policy regarding distributions can be made.



The Investment & Revenue Committee

Investment of New Capital

In the event of positive capital flows into the KSWF, the Committee will decide what the best allocation of capital would be for the KSWF. If it is allocated to the Public Securities Portfolio, the funds can be used to rebalance the portfolio.

Alternatives

The Alternatives investment portfolio is characterized as anything that is not a part of the publicly traded securities portfolio. This consists of a wide range of possibilities such as investing into alternative funds, investing directly into public or private businesses or assets, providing capital for wholly owned businesses, etc. The Council of Chiefs must approve the investment into new alternative assets (i.e. private business opportunities) over \$250,000. The RBDU and the IRC are responsible for the investment decisions of ongoing business pursuant to the Terms of Reference.

Acceptable Alternative Investments & Respective Constraints

- **Private Alternative Investment Funds**

Private Equity, Real Estate & Infrastructure

Strong preference for:

1. Funds that have the scale to purchase a diversified group of assets within the Fund.
2. Funds with a minimum of a 10-year track record.
3. Funds and managers that invest alongside their partners and where alignment is well reflected in the fees.

Constraints:

1. Must be experienced operating in the given sector (ie. renewable energy) and country.
2. On a cost basis, no more than 5% of the KSWF may be allocated to a specific Fund.
3. Debt can be used by the funds.
4. Debt cannot be used by the MCK to invest into the funds.

- **Direct Business Investments**

Common & Preferred Equity, Debt & Royalties (Private or Public)

Constraints

1. Start-ups will not be considered unless the proponents have experience in the given sector and are themselves financially invested. On a cost basis, altogether, start-ups will not be allocated more than 2% of the KSWF.
2. On a cost basis, no more than 5% of the KSWF may be allocated to a specific business.
3. Debt can be used by businesses.
4. Debt cannot be used by the MCK to invest into businesses.



The Investment & Revenue Committee

- **Direct Asset Investments**

Cash producing real assets. Real Estate, Infrastructure & Power.

For example: real estate is permitted, but gold or bitcoin are not permitted.

Constraints

1. Debt can be used by the MCK in Direct Asset Investments to increase return on equity and have access to larger ventures.
2. The financing can be secured but cannot be recourse financing. For clarity, the asset and shares in the asset can be used as collateral, but the MCK cannot directly guarantee the financing. The remaining KSWF portfolio cannot be used as collateral.
3. On a cost basis, no more than 5% of the KSWF may be allocated to a specific asset.

- **Capital for New or Existing Wholly Owned Businesses**

From time to time, it may be appropriate for the MCK to develop its own business.

Constraints

1. On a cost basis, no more than 5% of the KSWF may be allocated to a specific venture.
2. Debt cannot be used to fund this venture.
3. The business entity itself can raise capital through debt.
4. An internal business proposal must be accompanied by a properly prepared business plan which will include financial forecasts and the expected return on investment.

Overall Constraints & Requirements

All investments, regardless of size, must be accompanied by an investment thesis report which will describe the business or asset, the management, the financials and ultimately include a valuation of the business or asset. This will be prepared by the RBDU team.

If the investment exceeds \$500,000, an independent investment advisory services firm must be retained to evaluate the business and investment. The costs associated with the retained investment advisors should be added to the investment costs.

Due diligence must be done by the RBDU, IRC and legal counsel before any investment.