INVESTMENT POLICY

(I) Introduction

The purpose of this statement is to establish guidelines for the prudent investment of the Foundation's assets. In the process of identifying the investment strategies to be used, these guidelines provide consistency in the management of the portfolio. This policy driven approach reduces the Board's, Investment Committee's of the Board, and investment manager's propensity to act impulsively during volatile markets. The policy furthermore provides parameters for the portfolio by providing guidelines for selecting appropriate investments and classes of assets. It is recognized that from time to time the Board of Directors' attitudes, expectations and objectives may change. Therefore, this policy statement is intended to be used as a guideline rather than a rigid statement of policy from which there can be no deviation.

(II) Investment Philosophy

The Board's investment philosophy is to exercise ordinary business care and prudence in its investment of Foundation assets considering the long and short-term needs of the Foundation in carrying out its charitable purposes, its present and anticipated financial requirements, expected total return on its investments, price level trends, and general economic conditions. The Board recognizes that the uncertainty of future events, volatility of investment assets, and the potential loss in purchasing power are present to some degree with all types of investments. While high levels of risk are to be avoided, the assumption of a moderate level risk is warranted and encouraged in order to allow the opportunity to achieve satisfactory results consistent with the objectives and investment philosophy of the Foundation.

Modern Portfolio Theory will form the basis of the investment philosophy. Correlation of asset classes will be applied to reduce risk when possible and remain consistent with the portfolio's investment goal. Future variations may occur as new asset classes become available or as the investment advisor makes moderate adjustments.

(III) Investment Objectives

(A) General Objectives

Assets of Foundation shall be invested in a manner consistent with the exercise of ordinary care and prudence under the facts and circumstances prevailing at the time of the investment action.

- (A1) Assets of Foundation should be invested in a manner consistent with the fiduciary standards and prudent investment standards as set forth in the Third Restatement of the Law: Trusts (Prudent Investor Rule) (1992), directed that the prudent man, acting in a similar capacity familiar with such matters, would use an investment of like character with like aims and with due consideration given to the tax exempt status of the Foundation.
  - (A1.1) All transactions must be undertaken for the sole interest of the Foundation's portfolio and its beneficiaries.
  - (A1.2) The assets must be invested with the safeguards to which a prudent person would adhere.
  - (A1.3) Investments shall be diversified so as to minimize the risk of large losses unless under the circumstances it is clearly prudent not to do so.

(B) Broad Objectives

- (B1) Preservation of capital with the potential for capital growth that is moderate in risk.
- (B2) Over all time periods, achieving the highest possible return commensurate with the level of risk assumed.

(III) (B) Broad Objectives (cont.)

(B3) To achieve the highest rates of return feasible within the risk parameters established by the policy.

(C) Investment Goals

The Foundation seeks to achieve as much income as possible, consistent with preservation of capital while considering the potential for capital appreciation. In recognition of this investment goal, the Foundation desires a portfolio of investments having moderate relative volatility, i.e., having a relative volatility as compared to a benchmark index, e.g., the S&P 500, of less than 1.0.

For the benefit of its beneficiaries, the Foundation seeks to deliver a true rate of return after adjustment for inflation. Risk of loss of purchasing power due to inflation is a primary concern and some short term reasonable volatility must be incorporated to offset this risk. A reasonable rate of return on an annualized basis is acceptable over the time horizon state for the portfolio. The portfolio will therefore take appropriate risk commensurate with achieving this goal. In any appropriate asset category or investment utilized, the goal rate will be the market return for that particular asset category or investment.

(D) Risk Measures

Risk measures will be incorporated in the form of standard deviation and initial acceptable levels will be limited by comparison with the standard deviation inherent in the S&P 500 Index and Shearson Lehman Government Bond Index on a blended level 60/40 respectively.

(E) Time Horizon

For the portfolio, evaluation and performance measures will be set to a 6 to 10 year period that is necessary to encompass at least one full market cycle.

(IV) Financial Guidelines

The Board of Directors believes that the Foundation's assets should be managed in a manner which reflects the following statements.

(A) Asset Allocation

(A1) Equities may be represented in the portfolio up to a maximum of 80% of the Foundation's market value with a minimum of 30%. Under normal conditions the target equity exposure should be 60%.

(A2) Fixed income securities (including preferred stocks and convertible bonds) shall have a minimum exposure of 20% and shall not exceed a maximum exposure of 60% of the Foundation's market value. Under normal conditions, the target fixed income exposure should be 40%.

(A3) Cash equivalents (including all senior debt securities with under one year to maturity) may comprise up to 20% of the Foundation's market value.

(B) Fixed Income Investments

(B1) Guidelines:

(B1.1) Fixed income assets selected for the Foundation's portfolio must have a readily ascertainable market value and must be readily marketable.

(B1.2) Bond and corporate debt obligation maturities may not exceed 30 years.

(B1.3) Adequate diversification across the individual holdings should be maintained. The investment manager may not:

(IV) (B) **Fixed Income Investments**

(B1) Guidelines:

(B1.3) (i) Invest more than 15% of the assets taken at cost in any one industry or group of related industries.

(B1.3) (ii) Invest more than 5% of the assets taken at cost in any one company.

(B1.3) (iii) Invest more than 5% of assets taken at cost in any one issue. (U.S. government guaranteed issues and its agencies are excluded from these limitations.).

(B2) Restrictions:

(B2.1) U.S. Government Obligations, including fully-guaranteed Federal Agencies (no restrictions other than maturity limitations as previously stated).

(B2.2) Commercial Paper .

(B2.2) (i) Must be rated within the two highest classifications, by two rating services.

(B2.2) (ii) Must mature within 270 days or less from issue.

(B2.2) (iii) No restrictions on U.S. Government-sponsored Agency Obligations (not fully guaranteed).

(B2.2) (iv) The majority must be rated, at time of purchase, _A_ or better by Moody's or _A_ or better by S&P.

(B3) Cash equivalents. It is desirable that the Board use interest bearing money market funds, FDIC insured certificates of deposit, U.S. Treasury Bills and other cash equivalent securities with a maturity of one year or less and a credit rating of AA or better by the S&P. A commitment to any federally insured institution shall not exceed $250,000.

(B4) Individual Collateralized Mortgage Obligations (CMO's) may not be purchased.

(B5) Individual derivatives may not be purchased.

(C) **Equity Investments – Common Stocks**

The following guidelines on common stock investments shall apply:

(C1) Individual issue or individual commons stock purchases

(C1.1) Should have paid dividends in at least 3 of the past 5 consecutive years during which period net earnings shall have exceeded dividends paid. Ninety percent of all equities held are to meet these criteria.

(C1.2) Should be registered on a national securities exchange, including NASDAQ.

(C1.3) Shall not exceed more than 5% of the outstanding common stock of any one company.

(C1.4) Shall not exceed more than 5% of the Foundation's assets in any one corporation valued at cost.

(C2) Restrictions – Common Stock Investments. The Foundation is not authorized to invest in the following classes of securities, nor will it allow the employment of any of the following market techniques without the Board's written approval:

(C2.1) Purchase individual issues of unregistered or restricted stock.

(C2.2) Deal in direct or individual issues in commodities including gold and silver, commodity futures, oil, gas, or other mineral exploration or development programs.

(C2.3) Purchase on margin or with borrowed funds or sell short.

(IV) (C) Equity Investments – Common Stocks (cont.)

(C3) Other Restrictions. The Foundation is not authorized to invest as follows:

- (C3.1) Purchase private placement debt.
- (C3.2) Direct purchase of real estate.
- (C3.3) Mortgage, pledge, hypothecate or in any manner transfer, as security for indebtedness, any securities owed or held by the Foundation.
- (C3.4) Purchase Conditional Sales Contracts or Lease-Backs.

(V) Administrative and Review Procedures

(A) Review of Policies

All investment policies and investment management guidelines shall be reviewed semi-annually by the Foundation's Board of Directors, or whenever circumstances change to the extent that the policies are ineffective or inappropriate.

(B) Review of Investment Performance

The review of investment results will focus on adherence to investment policies and guidelines and shall be done quarterly.

(C) Distributions

(C1) Distributions will be made annually from the Foundation investments to the Grant Committee. The Distribution amount for grants will come from the income and growth of the investments.

(C2) It is the intention of the Foundation that the principal be preserved and only income and growth be used to make grants. However, there may be an exception to this policy if there is unanimous agreement between the foundation Board and the Investment Committee that the need is compelling and warrants the invasion of principal. This invasion of principal, however, must not exceed 5% of the principal.

(C3) It is also the intention of this Committee that the principal appreciates to keep pace with inflation. The method to be used is to hold back 40% of the annual income and growth each year to add to the principal therefore granting a maximum of 60% of the annual income and growth to the grant committee each year.

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