

Investment Policy and Objectives

BACKGROUND

Investments of the *organization*, a tax exempt organization under Section 501 (c)(3) of the Internal Revenue Service Code, are to ensure its financial support to the extent necessary to carry out its mission. Investment principal has been derived mostly from investing and reinvesting income received from on-going solicitation programs, capital campaigns, grants, bequests and donor designated endowments. The use of principal is generally unrestricted by contributors, but has been restricted by the Board of Directors to provide for the support necessary to enable the *organization* to conduct its operations, programs, planned and other related activities. The Investment Committee (the Committee) has been commissioned by the Board of Directors with the responsibility of implementing and supervising the *organization's* investment policy and objectives. The Investment Principal shall be managed and invested in good faith and with the care an ordinarily prudent person in a like position would exercise under similar circumstances. As such the Committee and its designees must minimally follow the Eight-Factor Prudence Standard for Managing and Investing when making investment decisions:

1. general economic conditions;
2. the possible effect of inflation or deflation;
3. *the expected tax consequences, if any, of investment decisions or strategies;*
4. *the role that each investment or course of action plays within the overall investment portfolio of the fund;*
5. the expected total return from income and the appreciation of investments;
6. *other resources of the institution;*
7. the needs of the institution and the fund to make distributions and to preserve capital; and
8. *an asset's special relationship or special value, if any, to the purposes of the institution.*

No more than __% of the managed unrestricted portion of the portfolio, based upon the market value of the managed unrestricted portfolio at June 30 of the prior fiscal year may be used for its operations without prior approval by the Board of Directors. Gifts received into the _____ account as current operating revenues, unless conditional (restricted by donor intent), are not considered part of the managed unrestricted portfolio, and as such the policy is to liquidate and withdraw the funds for operations, if needed. The withdrawal and or addition of funds from the portfolio may result in the need to rebalance the portfolio to bring it into compliance with the New York Prudent Management of Institutional Funds Act (NYPMIFA), effective 9/17/2010, also taking into consideration the *organization's* distribution and/or liquidity needs. The purpose for establishing the __% cap for operations is to enable long term investment of the *organization's* investments to foster growth in capital faster than the rate of inflation and to minimize the need for premature liquidation.

DISCRETIONARY AUTHORITY

The *organization* will grant, to those charged with responsibility to manage its investments, full discretion to buy, sell, invest and reinvest its assets consistent with the policy and objectives set forth in this document. In the event the *organization* delegates such authority to an external agent, the governing board must exercise its duty of care in selecting, continuing or terminating, such

agent, inclusive of assessing the agents independence, establishing the scope of the delegation; setting the agents compensation and monitoring performance. The Committee will be responsible for oversight and will make recommendations from time to time in order to assure compliance with the *organization's* policy and objectives. In addition, the Committee shall encourage a mutual awareness and full cooperation among external managers of the *organization's* own investments as well as managers of those investments in which it has only a beneficial or future interest. This action is intended to bring the overall portfolio of investments into agreement with the policy and objectives stated herein.

In addition to providing oversight to those investment managers charged with responsibility to manage the *organization's* investments, the Committee is authorized, subject to Board approval, to retain and delegate certain responsibilities under the Prudent Investment Act, to investment consultants, manager of managers, etc., to assist it in establishing and updating investment policy, objectives and guidelines; selecting and recommending investment managers; measuring and evaluating investment performance and conducting periodic reviews; recommending or arranging for a custodian to physically maintain possession of securities owned by the *organization*, collect dividend and interest payments, redeem maturing securities, and effect receipt and delivery following purchases and sales, including regular accounting of all assets owned, purchased or sold, as well as movement of assets within the *organization's* investment manager accounts

The provisions stated herein will neither encompass nor apply to contingent or conditional gifts of a security or portfolio of securities to hold the investment(s) in the original or donor specified form without diversification, as stated herein. As a sound and prudent fiduciary practice, the stipulation, if approved by the Board of Directors, should be in writing specifying the duration of the contingency and/or condition and that the *organization* shall be held harmless.

OBJECTIVES / INVESTMENT STRATEGY

GOAL

Simply stated, the goal of the *organization* is to maximize long-term total return through a combination of income and capital appreciation in a manner consistent with prudent investment practices. Accordingly, those charged with management of the *organization's* investments will be required to exercise a high degree of fiduciary care, skill and diligence and will adhere to the Prudent Investor Rule as well as ensure compliance with NYPMIFA.

ABSOLUTE INVESTMENT OBJECTIVES

The *organization's* total return objective is to earn at least a ___% to ___% cumulative annual average return on its equity investments, and at least ___% to ___% above inflation on fixed income investments.

By balancing equity with fixed income investments it is the desire of the *organization* to avoid a portfolio composition which might lead to a ___% negative total rate of return in any fiscal year, under poor market conditions. "Total return" shall include returns derived from dividends, interest, realized and unrealized gains and losses.

The *organization* expects that there will be periods within which its absolute objective cannot be met due to general investment market conditions. Since the *organization* does not intend that

investments be changed simply to meet its stated rate of return objective each year, relative as well as absolute performance goals are to be considered during interim periods in a market cycle. Management and investment decisions about a specific asset must be made in the context of the portfolio of investments and as part of an overall investment strategy in light of return objectives reasonably suited to the *organization* and the asset.

RELATIVE INVESTMENT OBJECTIVES

The *organization* desires relative equity performance comparable to the average performance of a suitable index or other managed equity oriented portfolios, not just the standard market indices. The *organization* will compare results with a suitable index of historically outstanding investment management firms.

OTHER CHARACTERISTICS OF RATE OF RETURN

It is recognized that growth can be achieved in part through the purchase and retention of at least some securities whose principal attraction is the steady growth of dividends or the unusually high rate of current income. Lower volatility of total return, together with the *organization's* exclusion from federal income taxes, make dividend paying securities attractive investment candidates. In general, equity securities in this category on average should demonstrate dividend growth at least equal to the rate of inflation as measured by the GNP Deflator. However, it is also the *organization's* expectation that in order to reach its goal, the guiding principle as to source of return will be the timely purchase of equities, whose prices will appreciate.

In adhering to the *organization's* investment objectives, those charged with managing its investments are to avoid becoming wedded to a narrow investment style or mechanical investment practice. Managers are encouraged to be flexible, and it is expected that strategies and tactics will shift as called for by the economic and securities environments. Fundamental industry and company analyses, coupled with sensitivity to both market and price, should be the primary bases for investment decisions.

ASSET MIX

Assets can be distributed among all classes of equities and fixed income securities, provided, however, that no investment transactions shall be made which would cause the market value of equities to exceed __% or be less than __%; and the market value of fixed income to become less than __% or to exceed __%. Under unusual circumstances any of the investment restrictions set forth herein may be waived temporarily by affirmative vote of three-fourths of the members of the Committee.

DIVERSIFICATION AND INVESTMENT QUALITY

Even though the portfolio may have been adequately diversified, in our view it will not be considered diversified if it contains a large proportion of interest-sensitive stocks (such as utility, bank, finance, insurance, construction or companies with unsound debt structures), or other such groups subject to a single significant economic, social or political event, as, for example, a cut in defense spending, increase in the rate of return of inflation in the health care industry, and so forth. The *organization's* governing board may determine that, due to special circumstances, the purposes of the fund are better served without diversification. In the event a decision not to diversify is

approved, the organizations governing board must review that decision at least annually.

GENERAL PROVISIONS

Investments shall be only in marketable stocks and fixed income instruments; this precludes not only private placement, restricted securities and real estate investments, but also new issues and public or nominally public issues for which the market is severely restricted. No investments can be made in pooled funds, except short term investment money funds. All securities shall be of a class listed on the New York Stock Exchange, the American Stock Exchange, or the NASDAQ National Market System. Investments in foreign markets may only be sourced through no-load international or global equity mutual funds or through private money managers and are not to exceed __% at cost or __% at market value. Common stocks in the portfolio shall be actively managed, provided that the annual turnover normally shall not exceed __% of the market value of the equities in the portfolio.

The portfolio should comprise the securities of quality companies to include small and mid-cap names--not necessarily only those of large companies.

Investments may be made in fixed income securities as deemed prudent, including U.S. Government and agency obligations, marketable corporate bonds and debentures, commercial paper, certificates of deposit, short-term investment funds and other such instruments. The quality shall be at least "A" or equivalent in a standard rating service. The quality rating of short-term paper purchased individually shall be rated A-1 or P-1.

Those charged with investing shall not purchase equity securities on margin, sell short, trade in commodity futures, derivatives (not to include convertible securities), or deal in put and call or other option contracts.

FUND REVIEWS

Reviews with the Committee will be held at least semi-annually and sufficiently after the close of the period to have performance measurement results available for review. During each meeting the manager's investments will be compared with this document, in summary form, to ensure policy compliance with the objectives and guidelines. Performance will be measured quarterly by the Committee, but judgments on performance will be made over appropriately longer periods.

All material to be covered during each meeting should be mailed to the *organization* for distribution to the Committee in summary form so as to arrive sufficiently prior to the meeting.

A written quarterly review is required which should include the following:

- Investment environment and strategy employed for the most recent past period and especially departures from the prior outlook report.
- Forward look at the economic and market situation and the Fund's posture given alternative futures.
- Statement of Assets in the manager's current format.

- A listing of the ten largest equity securities holdings showing market value and percent of total Fund market value for each, and for all ten.
- A listing of new securities acquired and those disposed of during the period including book and market value for each.
- Changes, if any, in fixed income/stock ratios.
- Other items of importance which may occur, such as: changes in our working relationship necessary to comply with pertinent legislation; material changes in the manager's organization, investment philosophy, or outlook; recommendations concerning any change in policy which the manager believes should be considered by the Committee.

A statement of assets will be provided on a monthly basis, and upon the request of the Committee, other pertinent information will be furnished in a timely manner.

MISCELLANEOUS

For making calculations of percentages in one kind of security or another, market value will be used as the basis unless otherwise indicated. With respect to the asset mix percentages, maximum levels should not be exceeded for a period greater than thirty days without consultation with the Committee.

If any performance figures are presented by the investment manager, they must be reconciled in advance with the preparer of such figures for the Committee. Gains or losses shall not be realized simply for reporting appearances.

Those charged with investing the *organization's* investments shall use their own judgment in placing securities transactions with brokerage firms. In general, they should deal with financially sound firms capable of giving the Fund a favorable combination of price, commission and service.

This statement is not immutable, but any changes or exceptions to it will be in writing and delivered to those charged with the management of the *organization's* investments.

In addition to any agreement or contract between the *organization* and those charged with management of its investments, a Letter of Understanding will be prepared by the investment manager setting forth the investment goals and objectives and will be signed by both parties.