

York County Community Foundation
(YCCF)

Investment Policy Statement

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I. DEFINITIONS

BACKGROUND

The York County Community Foundation is a community foundation which makes grants, loans and other awards to charitable organizations which benefit primarily the York County community. These awards are generally made from the investment returns generated by a pool of assets dedicated to the charitable benefit of the community in perpetuity.

PURPOSE

The Investment Policy Statement was adopted by the Board of Directors of The York County Community Foundation (the "Board") to insure good philanthropic stewardship and prudent investment of its investment portfolio (the "Portfolio") in a manner consistent with the investment objectives stated herein. The Board has delegated detailed financial oversight of the Portfolio to the Investment Committee (the "Committee").

This Investment Policy Statement shall be used by the Committee in its duty to oversee (in managing, monitoring and reporting on the investment portfolio) the investment portfolio and by the Portfolio's Custodians, Investment Advisor and Investment Managers (where applicable).

It is expected that this document will be reviewed annually by the Committee. Any revisions will be recommended by the Committee to the Board and the Board will have final approval.

INVESTMENT PHILOSOPHY

The Investment Objective of the York County Community Foundation can be summarized as follows:

- Preserve capital
- Strive for consistent real returns
- Preserve purchasing power by striving for long-term returns which exceed the sum of payout, fees and inflation
- Earn the highest possible return given the risk tolerance established by the York County Community Foundation.

In order to achieve its investment objective, York County Community Foundation will

- Strive to be fully invested, maintaining only those cash balances sufficient to meet liquidity requirements.
- Hire independent, professional management.
- Maintain diversification of assets both by asset type and/or by manager to ensure that adverse results from one security class will not have an unduly detrimental effect on the entire portfolio.

SCOPE

This Policy shall apply to all assets (unless a separate policy is adopted) which are owned or managed by York County Community Foundation.

GENERAL STANDARDS

In seeking to attain the investment objectives set forth in the policy, the members of the Committee must act in good faith, with the care an ordinarily prudent person in a like position would exercise under similar circumstances and in a manner reasonably believed to be in the best interest of the Foundation. Members of the Committee must provide full and fair disclosure to the Committee of all material facts regarding any potential conflicts of interests.

DEFINITION OF DUTIES/RESPONSIBILITIES

The Board has the final responsibility for overseeing the investment of the Portfolio. The Board must ensure that appropriate policies governing the management of the Portfolio are in place and that these policies are being effectively implemented. To implement these responsibilities, the Board sets and approves the Investment Policy Statement, approves the Asset Allocation and delegates responsibility to the Investment Committee for implementation and ongoing monitoring. At least annually the Board will receive a performance report and review of the Investment Policy Statement from the Committee.

INVESTMENT COMMITTEE. The Investment Committee is responsible for adhering to this Policy. The Investment Committee will:

1. Recommend Target Asset Allocations for each portfolio for Board approval.
2. Meet with Investment Advisor as appropriate to review their performance, adherence to investment philosophy and policy guidelines, and to assess that investment fees are appropriate and in line with peers.
3. Report to the Board regularly on Investment Advisor results.
4. Recommend the hiring or termination of Investment Advisor for Board approval.
5. Approve short term exceptions to this Policy and report to the Board.
6. Maintain written guidelines for each portfolio to include the Target Asset Allocation, an Investment Objective and any additions or exceptions to the Investment Guidelines given in this Policy necessitated by legal or other constraints.
7. Selection of Investment Advisor will be recommended by the Investment Committee and approved by the Board. Prospective Advisor will be evaluated based on investment philosophy, past performance, general credibility and reputation, consistency of results and fee structure.
8. The Investment Committee will review, evaluate and recommend to the Board the selection of any Investment Advisor and Custodian(s).

STAFF. The President and/or the Chief Financial Officer will be responsible for day to day contact with the Investment Advisor(s). See related policy dealing with Stock Gifts.

II. OBJECTIVES

The Performance Objective is to grow the market value of assets net of inflation, spending, and expenses, over a full market cycle (generally defined as a three to five year period) without undue exposure to risk. In quantitative terms, the objective is to earn a total return exceeding CPI + 6% without exceeding a standard deviation of 1.2 times a weighted benchmark index.⁽¹⁾ The benchmark index will be comprised of each asset class index weighted by its target allocation. It is also expected that the portfolio will outperform this weighted benchmark index over a full market cycle.

⁽¹⁾ This IPS is measured on a total return basis. Total return includes income, realized and unrealized gains.

REBALANCING

The Investment Advisor will actively manage the asset allocation based on their determination of market valuations, but remain within the ranges at all times. Should any category move out of acceptable range due to market movements, the Investment Advisor will use prudence in rebalancing the portfolio, taking into consideration factors such as illiquidity and investment outlook.

SPENDING POLICY

Background

York County Community Foundation's annual payout to charitable beneficiaries of endowment funds is determined by a Board-approved payout rate known as the Spending Policy. Annually, in September, the Board approves the Spending Policy for the coming year. The Spending Policy for each fund is calculated by applying the payout rate to the average market value of each endowment fund over 12 preceding quarters (or less in the case of newer funds).

The use of a Spending Policy provides for a disciplined stream of income to charitable beneficiaries. It restrains spending in years when total return on funds (growth and income) exceeds the charitable payout, providing for growth of principal – and it enables spending in lean years, even if total return is less than the payout rate.

The intent of the Spending Policy is to provide reasonably stable grants while preserving the inflation-adjusted value of funds. Spending policy development considered the Foundation's dual responsibility to pay out to make charitable distributions and to perpetuate endowments entrusted to it by donors.

Current Policy

The Foundation has initially adopted a spending policy rule in 1993. The terms of the current Spending Policy as approved by the Board of Directors follow:

- 4.5% (general rule)
- 0% for any funds whose June 30 market value is 60% or less of historic endowment contributions

Donor advised funds are eligible for grants and distributions in excess of spending policy, subject to maintaining a minimum fund market value of \$25,000.

Organizational endowments (i.e. Heritage Funds) may elect a 0% automatic reinvestment spending option, subject to the limitations above.

III. IMPLEMENTATION

It is the intent of the Committee to hire an Investment Advisor that will implement the target asset allocation. The Investment Advisor is expected to select and retain the best managers for each asset class and maintain long term mutually beneficial relationships with these managers.

The York County Community Foundation hopes to implement this investment policy in a way that honors these long-term relationships while exercising their fiduciary responsibilities to its donors and to the community. The York County Community Foundation believes its donors and our community will be best served by giving the Investment Advisor the freedom to utilize investment styles that match its internal strengths.

TIME HORIZON

The Foundation seeks to attain investment results over a full market cycle. It does not expect that all investment objectives will be attained in each year and recognizes that over various time periods Investment Advisor and/or Investment Managers may produce significant over or under performance relative to the broad markets. For this reason, long-term investment returns will be measured over a 5-year moving period. The Committee reserves the right to evaluate and make any necessary changes regarding the Investment Advisor over a shorter-term using the criteria established below.

COMPOSITE PERFORMANCE OBJECTIVES

All investment returns shall be measured net of fees. The performance objectives for The Foundation will be reviewed on an ongoing basis and evaluated upon the following criteria:

NOMINAL BENCHMARK

The primary objective of the Foundation is to achieve a total return, net of fees, in excess of spending and inflation.

Total Return greater than Consumer Price Index + 6%

BROAD POLICY BENCHMARK

The secondary objective is to achieve a total return in excess of the policy benchmark, comprised of each broad asset class benchmark weighted by its long-term strategic allocation.

<u>Weight</u>	<u>Index</u>	<u>Asset Class</u>
55%	Russell 3000 Index	U.S. Equity / Hedged Equity / Real Assets
15%	MSCI AC World Index Free ex US	International Equity / Real Assets
30%	Barclays Capital Aggregate	Fixed Income / Diversifying Strategies

RISK PARAMETERS

The volatility (beta) is expected to be no greater than 1.20 versus the relevant Policy Benchmark.

IV. GUIDELINES AND RESTRICTIONS

A. Overview

In today's rapidly changing and complex financial world, no list or types of categories of investments can provide continuously adequate guidance for achieving the investment objectives. Any such list is likely to be too inflexible to be suitable of the market environment in which investment decisions must be evaluated. Therefore, the process by which investment strategies and decisions are developed, analyzed, adopted, implemented and monitored, and the overall manner in which investment risk is managed, will determine whether an appropriate standard of reasonableness, care and prudence has been met for the Fund's investments.

The Investment Advisor shall:

1. Have full investment discretion with regard to security selection, consistent with this Investment Policy Statement;
2. Not employ short-selling, margin trading, private placements, or direct investments in commodities at the portfolio level;
3. Immediately notify the Investment Committee in writing of any material changes in the investment outlook, strategy, portfolio structure, ownership or senior personnel; and
4. Vote proxies and share tenders in a manner that is in the best interest of the Foundation and consistent with the investment objectives contained herein.

The requirements stated below apply to investments in non-mutual and non-pooled funds, where the investment manager is able to construct a separate, discretionary account on behalf of the Fund. Although the Committee cannot dictate policy to pooled/mutual fund investment managers, the Committee's intent is to select and retain only pooled/mutual funds with policies that are similar to this Investment Policy Statement. All managers (pooled/mutual and separate), however, are expected to achieve the performance objectives. Each traditional equity and fixed income investment manager shall:

1. Have full investment discretion with regard to security selection consistent with this Investment Policy Statement
2. Immediately notify the Treasurer/CFO/CIO and consultant in writing of any material changes in the investment philosophy, strategy, portfolio structure, ownership, or senior personnel
3. Make no purchase that would cause a position in the portfolio to exceed 5% of the outstanding voting shares of the company or invest with the intent of controlling management

B. Public Equity Manager Guidelines (including REITs)

Each active equity investment manager shall:

1. Assure that no position of any one company exceeds 8% of the manager's total portfolio as measured at market
2. Vote proxies and share tenders in a manner that is in the best interest of the Fund and consistent with the investment objectives contained herein
3. Maintain a minimum of 25 positions in the portfolio to provide adequate diversification;
4. Construct a properly diversified portfolio across sectors and industries
5. U.S. equity managers should have no more than 20% of the total portfolio invested in foreign stocks or American Depository Receipts (ADRs)

C. **Public Fixed Income Manager Guidelines**

1. Each investment grade fixed income investment manager shall:
 - a. Maintain an overall weighted average credit rating of A or better by Moody's and Standard & Poor's
 - b. Hold no more than 10% of the portfolio in below investment grade (Baa/BBB) securities. Split rated securities will be governed by the lower rating
 - c. Maintain a duration within +/-20% of the effective duration of the appropriate benchmark (does not apply to TIPS managers)
 - d. Assure that any one issuer does not exceed 5% of the manager's portfolio, as measured at market value, except for securities issued by the U. S. government or its agencies
2. Each high yield/bank loan investment manager shall:
 - a. Maintain an overall weighted average credit rating of B or better by Moody's and Standard & Poor's
 - b. Hold no more than 20% of the portfolio in investments rated below B. Split rated securities will be governed by the lower rating
 - c. Assure that any one issuer does not exceed 5% of the manager's portfolio, as measured at market value, except for securities issued by the U. S. government or its agencies

D. **Illiquid and Semi-Liquid Investment Guidelines**

Illiquid investments include private equity, private real estate, and natural resources. Hedge funds are considered semi-liquid due to lock-up periods, redemptions, restrictions, and in some cases, illiquidity of the underlying investments.

Each investment will require a signed Subscription Agreement and Limited Partnership Agreement. The Foundation may wish to have these documents reviewed by independent legal counsel. As these investments are typically private limited partnerships or offshore corporations, the Committee cannot dictate policy. The Committee, however, can request side letters for revisions or addendums to the Limited Partnership Agreement. The manager is ultimately responsible to manage investments in accordance with the Private Placement Agreement (PPM) and Limited Partnership Agreement.

The Foundation is a tax-exempt organization, but certain investments may be subject to taxation on Unrelated Business Taxable Income (UBTI). Given that net risk-adjusted returns are the primary objective of the Fund, potential tax ramifications must be considered during the investment analysis and selection process. The Fund shall seek to minimize UBTI by selecting investment structures and geographic locations most beneficial to the Fund.

Hedge Funds

The objective of the hedge fund allocation is to diversify the Fund and provide returns with low correlation to the public equity and fixed income markets via structural advantages, including controlling market exposure through hedging and increased exposure to manager skill through unconstrained investment management and opportunistic investing.

Hedge funds are not an asset class, but rather an investment vehicle. The majority of hedge funds will have a "lock-up" period of 1-3 years from the date of investment, during which time money generally cannot be withdrawn. Once the lock-up period expires, most hedge funds will then allow redemptions only at scheduled intervals (quarterly, semi-annually, etc.). Hedge funds, therefore, are semi-liquid investments due to the structure of the vehicle rather than the underlying investments (which may or may not be liquid).

For the hedge fund allocation to achieve the expected objectives without unnecessary risk, the Fund should seek access to skilled managers and be diversified. Individual hedge funds may be concentrated on a particular strategy, market or geographic region, but the overall allocation should be diversified. A prudent investment strategy will consider the following areas for diversification.

a. Strategy

The hedge fund universe can be divided into two broad categories: Absolute Return and Directional. Below are the definitions and examples of these strategies.

i. Absolute Return

These strategies are generally non-directional (not correlated to the markets) and tend to utilize multiple strategies that seek to exploit idiosyncratic (unique, non-market) risks that are not impacted by broad economic, political, or social events. Examples of these strategies include: Equity Market Neutral, Fixed Income Arbitrage, Merger Arbitrage, Convertible Arbitrage, and Relative Value Arbitrage.

ii. Directional (Equity Hedge)

These strategies tend to opportunistically invest in a broadly defined market with few constraints. As directional strategies, these funds will tend to be somewhat correlated with market movements, but generally do not closely track a market benchmark. These funds will take both long and short positions, use leverage, and actively manage market exposure. Examples of these strategies include Equity Hedge, Event-Driven, Global Macro, Distressed Securities, Emerging Markets, and Short Selling.

b. Manager Diversification

A “core-satellite” approach of combining a core allocation of fund of funds, with satellite investments in direct funds mitigates manager specific, as well as strategy specific risk.

E. Derivative Security Guidelines

1. For definition purposes, derivative securities include, but are not limited to, structured notes, lower class tranches of collateralized mortgage obligations (CMOs), collateralized loan obligations (CLOs), principal only (PO) or interest only (IO) strips, inverse floating rate securities, futures contracts, forward contracts, swaps, options, short sales, and margin trading. Before allowing managers to utilize derivative instruments, the Committee shall consider certain criteria including, but not limited to, the following:
 - a. Manager’s proven expertise
 - b. Value added by utilizing derivatives
 - c. Liquidity of instruments
 - d. Amount of leverage
 - e. Management of counterparty risk
 - f. Manager’s internal risk controls and procedures
2. The strategies in which derivatives can be used are:
 - a. Index Funds – Derivatives (typically futures contracts) will be used to securitize cash in order to fully replicate the performance of the index being tracked.
 - b. Portable Alpha – Derivatives (typically futures or swaps) will be used to generate “beta”, while the notional exposure amount is actively managed to generate “alpha”.
 - c. Fixed Income – Derivatives will be used as a cost efficient means to control and/or hedge risks such as duration, credit, and currency.
 - d. Overlay/Transition Management – Derivatives (typically futures contracts) will be used to securitize cash to maintain the target asset allocation without buying and selling physical securities.
 - e. Hedge Funds – Derivatives will be used for many purposes. These uses include hedging, risk management, leverage, and market exposure. Due to the wide variety of strategies in which hedge funds employ, broad policies regarding prudent use of derivatives cannot be easily defined.

V. MONITORING AND REPORTING

CUSTODIAN(S)

The custodian(s) is an integral part of managing and overseeing the Foundation's portfolio. Open communications with the Foundation and its Investment Advisor will ensure accurate and timely reporting, and may provide early detection of any unexpected compliance or reporting problems.

The custodian(s) shall:

- a. Provide monthly transaction reports no later than the tenth business day following month end, and monthly asset reports no later than the tenth business day following month end.
- b. Provide the Foundation, its investment managers and consultant special reports as reasonably requested; and
- c. Communicate immediately any concerns regarding portfolio transactions or valuation, or material changes in trustee personnel or procedures.

INVESTMENT ADVISOR

The Investment Advisor is responsible for all aspects of managing and overseeing the Foundation's portfolio. On an ongoing basis the Investment Advisor will:

- a) Implement the overall investment strategy, including the selection/termination of securities and/ or investment managers, within these investment policy guidelines;
- b) Monitor the asset mix and allocate assets of each investment strategy within these investment policy guidelines;
- c) Provide the Investment Committee with quarterly performance reports;
- d) Assist the Investment Committee periodically, with a review of the Investment Policy Statement, including an assessment of the current asset allocation and investment objectives; and
- e) Supply the Investment Committee with other reports or information as reasonably requested.

VI. ACKNOWLEDGEMENT

We recognize the importance of adhering to the mission and strategy detailed in this document and agrees to work to fulfill the objectives stated herein, within the guidelines and restrictions, to the best of our ability. We acknowledge that open communications are essential to fulfilling this mission and if at any time we wish to discuss improvements to this document they are welcome and should be referred through the Foundation or its consultant.

York County Community Foundation

(date)

Fund Evaluation Group, LLC

(date)

VII. ACKNOWLEDGEMENT

We recognize the importance of adhering to the mission and strategy detailed in this document and agrees to work to fulfill the objectives stated herein, within the guidelines and restrictions, to the best of our ability. We acknowledge that open communications are essential to fulfilling this mission and if at any time we wish to discuss improvements to this document they are welcome and should be referred through the Foundation or its consultant.

MANAGER NAME

(date)

VIII. APPENDIX – FEG Manager Due Diligence Overview

FEG believes superior investment firms that meet our quality threshold on organizational structure, personnel, investment philosophy, and performance must also demonstrate six key attributes to be included on the recommended list.

As research analysts, FEG is skeptical and believes that selecting skillful managers is difficult. This requires experienced investment professionals to thoroughly understand the quality of a manager and how a manager's interests are aligned with investors. The six tenets of our research process assist in providing a framework to evaluate managers, which is both a qualitative and quantitative methodology. We believe this analytical structure, which has been developed and refined over the past 22 years, appropriately directs our research focus to select managers who have the ability to outperform over a long investment horizon. In order to evaluate the personnel, philosophy, and performance for a manager, FEG's research analysts utilize the following six attributes in our manager selection and ongoing due diligence process: conviction, consistency, pragmatism, investment culture, risk control, and active return.

1. Conviction: strong belief in the investment philosophy/ willing to put investment decisions ahead of business decisions
2. Consistency: stability of organizational structure, composition of the investment professionals, and the investment philosophy and process
3. Pragmatism: understand market efficiency and focus on areas with a competitive edge
4. Investment Culture: passionate about investing/ proper organizational compensation structure
5. Risk Control: not blind risk takers/ acknowledge mistakes/ implement appropriate controls
6. Active Return: ability to identify and capitalize on investment opportunities/ successful track record

Clearly, five of the six measurements are qualitative, with only one tenet focusing on the quantitative perspective. This is intentional, as we view performance as a component of our research process, but not the dominant element. Furthermore, if a manager exhibits strong elements of the first five aspects, solid performance should follow. As investors, we search for investment managers who are original thinkers, differentiate themselves from their peers, and are willing to put investment decisions before business decisions

For ongoing monitoring, FEG utilizes Quarterly Compliance Questionnaires (QCQ), which are sent to investment managers to gather data and verify performance and compliance with investment objectives and guidelines. The quarterly questionnaires assist FEG's analysts in the examination of returns, characteristics, security positions, and portfolio transactions (at the client level). In addition, FEG gathers monthly performance data for both public market assets and hedge funds, and performs a cursory review to identify any cause for concern. All of these help to identify issues on a timely basis that could adversely affect performance.

During quarterly conference calls with managers, our analysts compare performance-driving factors such as security and sector selection with present market conditions. The consistency of qualitative information combined with our independent analysis serve as a continuous due diligence effort on the investment managers retained by our clients.

APPENDIX

Investment Policy Statement

*For Funds Managed by Mason Investment
Advisory Services*

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I. Asset Allocation

The Committee believes that for the fund managed by Mason Investment Advisory Services (the “Mason Fund”) the risk and liquidity posture are, in large part, a function of asset class mix. The Consultant (“Mason”) has presented, to the Committee, summary information about the long-term performance of various asset classes, focusing on balancing the risks and rewards of market behavior. Considering the Mason Fund’s investment objective, time horizon, risk tolerances, performance expectations, and asset class preferences, an appropriate portfolio allocation was identified, as shown in the following “Asset Allocation Targets” chart. The targets shown in the chart will not be changed without Committee approval.

After the allocation strategy is implemented, the Consultant is responsible for rebalancing the portfolio, applying the methodology approved by the Consultant’s Investment Committee. Any change in methodology will be communicated to the Foundation in writing contemporaneously.

Asset Allocation Targets - "D" Portfolio (Growth)

<u>Asset Category</u>	<u>Portfolio Percentage Allocation</u>
I. Safety Assets	1.0%
Total Safety Assets	1.0%
II. Income Assets	
Domestic Bonds:	
Short Term Maturities (1-5 yrs)	4.0%
Intermediate Term Maturities (5-10 yrs)	4.25%
Long Term Maturities (10+ yrs)	4.25%
Inflation Protected Bonds	4.0%
International Bonds	5.5%
Total Income Assets	22.0%
III. Growth Assets	
Large Cap U.S. Stocks - Value	17.0%
Large Cap U.S. Stocks - Growth	11.0%
International Stocks - Value	9.0%
International Stocks - Growth	6.0%
Growth Real Estate	7.0%
Total Growth Assets	50.0%
IV. Aggressive Assets	
Small Cap U.S. Stocks - Value	11.0%
Small Cap U.S. Stocks - Growth	5.0%
International Small Cap	3.0%
Energy/Natural Resources	4.0%
Commodities	4.0%
Total Aggressive Assets	27.0%
TOTAL PORTFOLIO	100.0%

II. Investment Restrictions

When selecting mutual funds and *separate account managers*, Mason will use due diligence criteria prescribed in this Investment Policy Statement (mutual funds and *separate account managers* will be referred to as “managers” unless specifically referenced).

No “illiquid” investments may be purchased by a separate account manager or by Mason, such as private placements, limited partnerships, and hedge fund vehicles, among others without the approval of the Committee.

III. Due Diligence Policy

For an asset allocation strategy to be effective, each asset class must be represented by using a manager that will best represent the class objective. Otherwise, the results will most likely be different than anticipated. This is particularly true during times of adversity or crisis.

A qualifying manager must be a registered investment advisor under the Investment Advisors act of 1940. In most instances, Mason will use money managers and mutual funds that have established track records of at least five years. A ten year track record is preferred, if possible. Mason will decide which managers to use based upon their particular contribution to the Mason Fund. This often results in having more than one manager for the same asset class, each with a different bias and approach.

To identify managers who fit the implementation objectives, a rigorous research process is followed. The research process involves both a quantitative and qualitative review.

Quantitative Analysis

The quantitative analysis attempts to distill a large universe of managers into a small group of strong performers. Managers who pass this phase of the research process have a history of delivering above-average risk adjusted returns, as measured against their peers who fit the same asset class. Performance during multiple market cycles is observed. The goal is not to chase returns, but to look for consistent, long-term track records of at least five and preferably ten years. Also, a *returns based style analysis* and a *holdings based analysis* is performed to assure accurate asset class fit.

Qualitative Analysis

The qualitative analysis involves an in-depth review of the management company and its history. Several years of all published reports are reviewed for consistency of management style and stability of professional staff. A review of historical portfolios is performed for clues about the true style and risk posture of the manager over time. Personal interviews and on-site office visits are made, wherever possible.

Managers are continuously monitored, and new managers are reviewed in an attempt to find the best managers possible in the judgment of the Committee and Mason.

Benchmarks and Reference Points

Several evaluation benchmarks are required to measure both the success of the allocation strategy as well as the managers used to implement the allocation. To measure the success of the allocation strategy, the Committee will use both Domestic and Global Stock/Bond mixes, as well as a Growth Allocation Reference Point. These benchmarks are described below.

Domestic and Global Stock/Bond Mixes:

The Domestic and Global Stock/Bond Mixes are comprised of the same ratio of equity to fixed income as that of the Mason Fund (77% equity and 23% fixed income). These mixes are derived from the indices described below. Monthly rebalancing is assumed. The performance of the equity/fixed income mixes is presented net of the average annual Exchange Traded Fund (ETF) and Index Fund expense ratio, prorated monthly.

77/23 Domestic Stock Domestic Taxable Bond Mix

- 77% Dow Jones Total Stock Index
- 23% Barclays Capital Aggregate Bond Index

77/23 Global Stock Global Taxable Bond Mix

- 77% S&P Global Broad Market Index
- 23% Barclays Capital Global Aggregate Index

The Dow Jones Total Stock Index represents all U.S. equity securities that have readily available prices. It covers approximately 99% of US publicly traded securities as measured by market cap.

The Barclays Capital Aggregate Bond Index represents the performance of the U.S. investment grade fixed-rate bond market, including both government and corporate bonds.

The S&P Global Broad Market Index (BMI) is a top-down, float capitalization-weighted index which measures the performance of the entire universe of institutionally investable equity securities.

The Barclays Capital Global Aggregate Bond Index provides a broad-based measure of the global investment-grade fixed income market, including government, credit and collateralized securities.

The Mason Fund, which contains both domestic and global investments that are not intended to match the domestic and global weightings of these stock/bond mixes, may achieve returns that are greater or less than these mixes, depending upon the relative performance of the domestic and global investments.

Growth Allocation Reference Point:

This reference point, produced by Morningstar as “Moderate Allocation”, invests in both stocks and bonds and maintains a relatively higher position in stocks. These funds typically have 50%-70% of assets in equities and the remainder in fixed income and cash.

As of 9/30/10 this reference point was comprised of 315 mutual funds.

The Committee agrees that this is a reference point. The performance of the Mason Fund may be greater or less, depending upon how aggressive the asset allocation strategy is relative to the reference point.

Benchmarks for Managers

To measure the success of the managers used to implement the allocation, each manager will be measured against its specific peer group, using a category average of mutual funds with the same asset class focus.

Other Considerations

In all cases, performance evaluations will focus more on trailing three, five, and ten-year performance measures (including risk adjusted measures), rather than short-term variances from the benchmarks. Although short term underperformance will be tolerated and closely monitored by Mason, managers are normally expected to perform at or above their peer group averages. Both qualitative and quantitative measures have been developed to determine when a manager termination is appropriate.

IV. Delegation of Authority and Responsibilities

Investment Consultant (Mason)

For the Mason Fund, Mason will be the primary source of investment education and investment manager information. On an ongoing basis, Mason will:

1. Provide the Committee with quarterly performance reports. This report will measure performance of the Mason Fund and each manager within the Mason Fund, with comparisons to benchmarks and reference points as described in the Due Diligence Policy section (Section VI). Also, this report will illustrate actual asset allocations as compared to the targets set by this Policy Statement;
2. Report to the Committee quarterly;
3. Monitor the activities of each investment manager or investment fund;
4. Provide the Committee with an annual review of this Policy Statement, including an assessment of the Foundation's current asset allocation, spending and distribution policy, and investment objectives; and
5. Supply the Committee with other reports or information as reasonably requested.

Mason shall supervise and direct the investment of the Mason Fund as specified in this Investment Policy Statement Appendix. Supervision is continuous, with limited discretion. Limited discretion means that Mason is responsible for assessing the appropriateness of asset

allocation strategies but does not have discretion to change the strategy without the Committee’s approval. Mason has discretion and is required to rebalance the Mason Fund to maintain the asset allocation using the methodology approved by the Consultant’s Investment Committee. . Mason also has discretion to change managers as required by the Due Diligence Policy described in this Policy Statement.

V. Definitions

Separate Account Manager: An investment firm, registered with the SEC, that manages a portfolio of stocks or bonds that is held in a separate account in the name of the client. In brokerage and consulting language, these arrangements are often called “Separately Managed Accounts” (SMAs).

Returns Based Style Analysis (RBSA): RBSA is a quantitative approach to determining a manager’s investment style and evaluating its consistency. The effective asset mix can be determined by comparing actual portfolio returns to the returns of indices (given a sufficient length of portfolio history and a robust mathematical technique).

Holdings Based Style Analysis: Holdings-based style analysis is a “bottom-up” approach in which the characteristics of a portfolio over a period of time are derived from the characteristics of the securities it contains at various points in time over the period. The choice of characteristics depends on the purpose of the analysis. For example, if the purpose is to describe a portfolio in terms of a set of quantitative style characteristics such as size and value/growth orientation, the prescribed characteristics of each security need to be calculated and then aggregated to the portfolio level.