SECTION: **POLICY STATEMENT - GENERAL AND ADMINISTRATIVE**

SUBJECT: **SPECIAL ENDOWMENT FUNDS - INVESTMENT GOALS, OBJECTIVES AND POLICIES**

PURPOSE: To provide investment management direction from the Board of Directors concerning Special Endowment Funds.

EFFECTIVE DATE: April 13, 2001

HISTORICAL: May 20, 1988; February 24, 1989

SPECIAL ENDOWMENT FUNDS
INVESTMENT GOALS, OBJECTIVES AND POLICIES

I. GOALS AND OBJECTIVES

A. Business Objectives. Provide direction for separate investment of endowment funds in the following circumstances:

1. Endowment gift instruments that prohibit pooling or commingling of funds.

2. Endowment gifts when the donors prefer to fund a program requiring a higher level of annual support than provided by the spending rules of the unitized investment pools.

3. Term endowments that may make the investment in market sensitive securities inadvisable.

4. Quasi-endowments that are not intended to be perpetual investments.

5. Endowment gifts received prior to the endowment attaining the threshold level.

B. Investment Return Objectives. Provides a return on investments which:

1. Is reasonably stable and predictable from year to year.

2. Equals or exceeds the 90 day treasury bill rate on a consistent basis.

C. Preservation of Capital. The fund is generally expected to preserve capital by avoiding investment in common stock or market sensitive long-term bonds.

D. Spending Objectives. Follow a spending rule that provides a stable, predictable level of spending for the endowed purposes.

II. INVESTMENT POLICIES

A. Permitted Investments. The separate investment of individual endowment funds will generally not permit the diversification required for equity investments. Primary investment of these funds shall, therefore, be in governmental and corporate bonds and fully insured accounts. Typical investments are:

1. Savings and Loan certificates of deposit to the limit insured by F.S.L.I.C.

2. Commercial bank certificates of deposit to the limit insured by F.D.L.I.C,

3. Treasury bills and bonds.

4. Corporate bonds rated "A" or higher by Moody's and Standard and Poor.

5. Miscellaneous obligations issued or guaranteed by the U.S. Government.

6. Assets received from donors.

7. Other investments that meet the security, liquidity and yield requirements and are approved by the Investment Committee.

B. Prohibited Transactions. These funds may not be invested in companies doing business in South Africa.

III. INVESTMENT MANAGEMENT GUIDELINES

A. Investment Discretion. Those individuals designated by Board of Directors' resolution to administer investment activities will have full discretion to invest the assets of the Fund's in a prudent manner, consistent with the Fund's objectives and within guidelines that may be established by the Investment Committee.

B. Manager/Foundation Communications.

1. Management staff assigned responsibility for investments will conduct the investment program in accordance with this policy and with guidelines established by the Investment Committee.

2. Management is expected to promptly advise the Investment Committee of any problems or changes within the investment activities that could require changes in policy.

C. Reporting. After the end of each calendar quarter, management will report to the Investment Committee. This report will provide information on asset allocation, rate of return and significant transactions.

D. Evaluating Manager Performance.

1. Evaluation will primarily be measured on the ability of management staff to attain the goal of equaling or exceeding the 90 day treasury bill rate.

IV. SPENDING RULES

A. Appropriations. Appropriations will be made on a fiscal year basis, and will be based on the individual endowment agreement.

B. Investment Reserve. Any income in excess of the appropriation will be reinvested. The reinvested income will be identified as a Spending Reserve. To the extent that the current year earnings are insufficient to meet the appropriation need, funds held in the Spending Reserve may be drawn upon.