INVESTMENT POLICY STATEMENT

Overview

The purpose of this statement is to establish the investment policy for the management of the assets of The Durfee Foundation. The policy describes the degree of overall investment risk that the Foundation deems appropriate, given prudent investment principles and the basic objective of the preservation of the purchasing power of the Foundation's assets.

The Foundation is expected to operate in perpetuity. Recognizing that the needs for payout are long-term and that investment competence must be measured over a meaningful period of time, the Foundation does not expect to be reactive to short-term market developments. In making investment strategy decisions for the Foundation, the focus shall be on a long-term investment horizon that encompasses a complete market cycle (usually three to five years).

Objectives

The goals of the Foundation's investment program are (1) to earn sufficient investment returns to provide for a 5% level of annual charitable distribution plus operating expenses, (2) to earn an additional return to maintain the purchasing power of the Foundation's invested assets after distributions, expenses, and inflation; and (3) to enhance the purchasing power of the invested assets, if possible. These goals should be pursued without incurring undue risk relative to the practices of comparable charitable foundations.

Statement of Responsibility

The Board of Directors of the Durfee Foundation has overall fiduciary responsibility to ensure that all assets of the Foundation are invested prudently. Accordingly, the Board will:

• establish and approve the Statement of Investment Policies of The Durfee Foundation
• approve the engagement and termination of investment managers
• review and approve reports and recommendations, as appropriate, from the Investment/Finance Committee

The Investment/Finance Committee will:

• oversee the investment policies and guidelines as described in the Statement of Investment Policy
• recommend any changes in investment policy to the board, including the selection or change of investment managers
• allocate funds to investment manager(s) in conformity with the Investment Policy
• review the investment results of each of the funds to ensure that the objectives are being met

The investment managers appointed to execute the policy will invest Foundation assets in accordance with the policy and assigned policy guidelines, but will apply their own judgement
concerning relative investment values. In particular, investment managers are accorded full discretion, within policy limits and restrictions described below, to (1) select individual investments and (2) to diversify assets.

Asset Allocation

The investments shall be broadly diversified to limit the impact of large losses in individual securities on the total invested assets of the Foundation in a manner that is in keeping with fiduciary standards. The Investment/Finance Committee shall allocate the Foundation's assets among diverse asset classes within the following permissible ranges:

<table>
<thead>
<tr>
<th>Asset Class</th>
<th>Target Allocation</th>
<th>Allowable Range</th>
</tr>
</thead>
<tbody>
<tr>
<td>Avery Stock</td>
<td>5-8%</td>
<td>0-10%</td>
</tr>
<tr>
<td>Other US Large &amp; Mid-Cap Stock Equities</td>
<td>35%</td>
<td>31-50%</td>
</tr>
<tr>
<td>Small Cap Equities</td>
<td>15%</td>
<td>5-18%</td>
</tr>
<tr>
<td>International Equities</td>
<td>15%</td>
<td>5-18%</td>
</tr>
<tr>
<td>Total Equities</td>
<td>70%</td>
<td>67.5-75%</td>
</tr>
<tr>
<td>Bonds/Fixed Income*</td>
<td>30%</td>
<td>26-34%</td>
</tr>
<tr>
<td>TOTAL ASSETS</td>
<td>100%</td>
<td></td>
</tr>
</tbody>
</table>

* Minimum average bond portfolio quality will be A.

Liquidity

The Foundation will advise investment managers of any anticipated needs for liquidity as such needs become known. Investment managers are to presume no need to maintain cash reserves other than that identified by the Foundation.

Proxy Voting

The Investment/Finance Committee delegates the responsibility for both proxies to the individual managers. The committee expects proxies to be voted vigorously and in the best interest of the Foundation.

Risk

The concept of risk as referred to in this Statement of Investment Policy includes the diminution of principal, the realization of losses in principal and corpus, and the possibility of not achieving investment objectives. The Foundation will advise its investment managers that its risk tolerance will not exceed 5% in any calendar year.
Performance Benchmark & Evaluation

The Foundation's overall investment objectives are to achieve a rate of return consistent with the asset allocation policy stated earlier. Over reasonable measurement periods (three to five years), the rate of return earned by the Foundation's assets should match or exceed that of a policy benchmark comprised of the following broad market indices and weights:

<table>
<thead>
<tr>
<th>Index</th>
<th>Policy Benchmark</th>
</tr>
</thead>
<tbody>
<tr>
<td>S&amp;P 500 Stock Index</td>
<td>35%</td>
</tr>
<tr>
<td>Russell 2000 Stock Index</td>
<td>15%</td>
</tr>
<tr>
<td>MSCI All Country Ex-US Index</td>
<td>15%</td>
</tr>
<tr>
<td>Lehman Brothers Aggregate Bond Index</td>
<td>30%</td>
</tr>
<tr>
<td>(Avery)</td>
<td>5%</td>
</tr>
</tbody>
</table>

For individual managers, returns will be established and compared to appropriate market indices. For performance evaluation purposes, all rates of return will be examined after the deduction of investment management fees.

The Trustees recognize that real return objective may not be meaningful during some time periods. Performance results should be achieved over a complete market cycle, but results for interim periods will be closely monitored. In such times that investment managers perform below expectations, the Trustees expect that manager to identify and rectify any deficiencies in the manager's process to which under performance can be attributed.

Investment managers will be subject to termination if any of the following conditions arise:

- Poor investment performance over a market cycle (a period not to exceed five years)
- Management (ownership) change within the organization which can reasonably be expected to result in key investment professionals leaving the firm in the near future
- Investment management fees increase above contracted levels
- Investment management style changes or drifts from the product agreed upon at hire date
- Investment manager fails to comply with stated Investment Policy
- The strategy of the Foundation indicates a need for structural change in style or asset allocation of the investment portfolio

Investment Goals to Sustain Spending

To sustain a spending rate of 5.0% requires an investment return exceeding that level by an amount that compensates for inflation and fees. If inflation over the long term has averaged approximately 4% (4.07% for the period 1945 - 2005), and if investment management (management fees and operating overhead combined) averages 1.25%, then the required return moves approximately to 10.25%. An investment return of this level predisposes the asset allocation to be aggressively weighted toward equity markets.