SECTION 1: INVESTMENT OBJECTIVES

The overall financial objective of the Endowment is to provide support for the Foundation’s mission.

The primary investment objective of the Endowment is to attain an average annual real total return (net of investment management fees and taxes) of at least six percent (6%) over the long term (rolling three-year periods). Real total return is defined herein as the sum of capital appreciation (or loss) and current income (dividends and interest) adjusted for inflation by the Consumer Price Index. The long-term investment objective provides for some positive real growth of the Endowment’s assets as well as meeting the requirements for annual spending for grants and the operations of the Foundation.

It is recognized that this ambitious investment objective implies a high average allocation to equity securities and consequent market price volatility. The assets governed by this Policy have a longer-term investment time horizon and thus can accept greater short-term market volatility in the pursuit of higher long-term returns. Evaluation of progress toward this objective should be made with a long-term perspective.

The Endowment's investment policies should be based on the assumptions that annual spending for grants distribution will equal five percent (5%) of the trailing twelve-quarter average market value of the Endowment.

SECTION 2: INVESTMENT MANAGEMENT

The Endowment will be managed by external Investment Managers. The public equity portion of the portfolio will be invested with managers selected by the Committee in accordance with criteria set by the Committee and as outlined in Section 4. Investment Guidelines- Equity below. Each investment manager has complete discretion to manage each portfolio to best achieve the investment objectives and requirements within the guidelines as set forth in this policy statement.

Percentages of public equity assets held by one manager may vary over time based on market conditions, reallocation, hiring and firing decisions and/or other criteria as determined by the committee. The Foundation’s long-term target is that no single Investment Manager shall manage more than 50% of the public equity assets. The committee will review the public equity allocations prior to the end of year grant-period in May and June. If required, re-balancing will be done through grants at the end of the fiscal year, or through reallocation to achieve the long-term target allocation.
The Investment Committee’s objective with the Endowment’s investment managers is to develop successful, long term, mutually beneficial relationships with a select, few Investment Managers. For the Endowment, the Chief Investment Officer and an Investment Committee member will work with each Investment Manager to determine the optimal communications and how we will measure success in achieving our goals with the manager.

**SECTION 3: PORTFOLIO COMPOSITION AND ASSET ALLOCATION**

To achieve its investment objective, the Endowment shall be divided into two parts: a "Fixed Income and Cash Endowment" and an "Equity Endowment, including Public and Private Equity."

The equity/fixed income and cash target asset allocation (detailed below) of the total portfolio will be recommended by the Investment Committee and approved by the Board of Trustees. The Investment Managers will be notified of any change in the asset ratio. While the Committee wishes to retain flexibility with respect to making periodic recommendations on changes in the Endowment’s asset allocation, it expects to do so only in the event of material changes to the Endowment, to the assumptions underlying Endowment spending policies, and/or to the capital markets and asset classes in which the Endowment invests.

The XYZ Family Foundation is a long-term investor seeking positive real growth of the Endowment’s assets. Over the long term, stock returns should exceed bond returns. Outlined below are the long-term strategic asset allocation guidelines, recommended by the Committee to be most appropriate, given the Endowment’s long-term objectives.

<table>
<thead>
<tr>
<th>Asset Class</th>
<th>Target Allocation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Equity, Real Estate and Oil and Gas</td>
<td>80-100%</td>
</tr>
<tr>
<td>Fixed Income and Cash (at least $25 million)</td>
<td>Up to 20%</td>
</tr>
</tbody>
</table>

It is expected that the actual asset allocation will vary from its target asset allocation as a result of varying periodic returns earned on its investments. The Investment Committee will review the asset allocation to determine the deviation from target weightings and to determine what actions to recommend to rebalance the Endowment within a reasonable period of time of such variance.

Unless expressly authorized by the Investment Committee, the Endowment and its investment managers are prohibited from:

i) Purchasing securities on margin or executing short sales.
ii) Pledging or hypothecating securities, except for loans of securities that are fully collateralized, and which have been previously disclosed.
iii) Purchasing or selling derivative securities for speculation or leverage.
iv) Engaging in investment strategies that have the potential to amplify or distort the risk of loss beyond a level that is reasonably expected, given their investment objective.
SECTION 4: INVESTMENT GUIDELINES - EQUITY

The primary purpose of the Equity Endowment is to provide long-term capital appreciation in order to facilitate the real growth of the Endowment. Each Investment Manager of the Equity Endowment is expected to exceed the Consumer Price Index (net of fees) by six percent (6%) over the long term. The Endowment may use several equity managers with contrasting or complementary investment philosophies (e.g., growth and value, large-, mid-, and small-capitalization) and demonstrated superior abilities. Managers are also expected to meet or exceed the benchmark appropriately selected or tailored to the manager’s agreed upon investment objective. This benchmark is approved by the Investment Committee. Performance will be evaluated over rolling three, five and ten-year periods, with strong emphasis on long-term performance, in keeping with the Endowment’s overall long-term investment horizon and the Foundation’s intent to work with managers through close, long-term relationships.

The decisions on the allocation within equities, for example international versus domestic, are very important contributors to returns. Investment managers, whose equity mandate includes both the determination of the allocation within equities as well as the management of the funds, will provide analysis annually of the contributions of their asset allocation decisions along with the contribution from the funds’ management.

Decisions as to individual security selection, security size and quality, number of industries and holdings, current income levels, turnover and other tools employed by active managers are left to broad manager discretion, subject to the usual standards of fiduciary prudence. Unless otherwise instructed, an Equity Investment Manager may hold investment reserves of cash equivalents or bonds, but with the understanding that performance will be measured against the stock index benchmark selected by the manager and approved by the Investment Committee.

SECTION 5: INVESTMENT GUIDELINES – FIXED INCOME

Each investment manager of the Fixed Income Endowment is expected to meet or exceed the benchmark appropriately selected or tailored to the manager’s agreed upon investment objective. This benchmark is approved by the Investment Committee. The objective for the portfolios’ average annual turnover should be less than 100%. Performance will be evaluated over rolling three, five and ten-year periods, with strong emphasis on long-term performance.

Fixed Income Guidelines

A. Sector and Security Diversification:

1. Portfolio securities are to be diversified by issuer and sector. At the time of purchase, no more than 10% of the portfolio value will be invested in the obligations of any one issuer and no more than 10% in any one specific issue.

2. Obligations issued or guaranteed by the U.S. government, its agencies, instrumentalities or sponsored enterprises and repurchase agreements collateralized by such obligations are excluded from the above restrictions.
3. Domestic corporate bonds, including Yankees, shall be diversified by sector and industry according to the judgment of the Investment Manager.

B. Credit Quality:

1. All fixed income instruments will carry a minimum rating of BBB- or equivalent by Standard and Poors. Should an issue fall below this rating level, it must be liquidated as soon as possible by the manager. Total exposure to BBB rated or lower securities shall not exceed 10% at the time of purchase.

2. Commercial paper and other short-term obligations will be limited to obligations rated A1/P1.

3. The average credit quality of the portfolio on a weighted value basis will be “A”, based on the highest rating assigned to each security, according to Moody’s or the equivalent by Standard and Poors.

C. Maturity:

There is no restriction on the maturity of individual securities.

D. Eligible Securities:

Subject to the above restrictions, eligible securities will include:

1. Obligations issued or guaranteed by the U.S. government, its agencies, instrumentalities or sponsored enterprises and repurchase agreements collateralized by such obligations.

2. Domestic corporate obligations, Euro and Yankee obligations, provided they meet the above restrictions.

3. Short-term instruments, including but not limited to adjustable rate preferred, Euros, commercial paper, certificates of deposit, bankers acceptances and floating rate notes, provided they meet the above restrictions.

4. Mortgage-backed securities and asset-backed securities, including collateralized mortgage obligations, provided they meet the above restrictions.

5. Except as otherwise provided above, or as consented to by the Investment Committee and approved by the Trustees of The XYZ Family Foundation, Inc., there shall be no investment in complex derivative structures such as options, futures, swaps, inverse floating rate notes, and interest only or principal only strips. This restriction is not intended to apply to investment in mutual fund shares.

E. Non-Eligible Securities:
1. Investments in private placements of debt offerings pursuant to Rule 144A under the Securities Act are not permissible.
2. Municipal securities are not permissible.

F. Miscellaneous

Regarding cash-equivalent investments, see Section 6 “Cash and Short-Term Investments”.

The Foundation maintains liquid reserves for day-to-day cash flow operations, therefore, there is generally no requirement that Investment Managers maintain liquid reserves in principal accounts.

The XYZ Family Foundation, Inc. must comply with provisions of the Internal Revenue Code which require that the Foundation not make any investment in a manner so as to jeopardize the carrying out of its tax-exempt purpose. Specifically, it is required that investment decisions be made by exercising ordinary business care and prudence, under the facts and circumstances prevailing at the time of making the investment decision, in providing for the long- and short-term financial needs of The XYZ Family Foundation, Inc. in carrying out its exempt purposes.

SECTION 6: CASH AND SHORT-TERM INVESTMENTS

The Foundation will maintain cash and cash equivalents of at least $25 million, of which $5 million will be held in a cash demand deposit account. These requirements will be reviewed, and the necessary rebalancing executed in advance of the close of each quarter.

A. Bankers Acceptances: Issued by banks (1) with $50 Billion or more in assets who are required to undergo internal stress tests conducted by their own risk management and the Federal Reserve and (2) that maintain the highest aggregate common equity Tier 1 (CET1) ratio as determined by the Comprehensive Capital Analysis and Review (CCAR), published by the Federal Reserve annually.

B. Euro Dollar Obligations: Issued by banks subject to the European Central Bank (ECB) stress testing requirements and maintain and achieve recognition in the top tier as published by the ECB. Maturity limit of 90 days up to no more than one (1) year.

C. Treasury Bills, Notes: one (1) year or less maturity.

D. Certificates of Deposit - 90 days or less must be government insured.

E. Direct obligations of the United States government.

F. Obligations unconditionally guaranteed (principal and interest) by the United States government.

G. Corporate obligations rated "A" and above and commercial paper rated "A-1" or "P-1" issued by companies domiciled in the United States.
H. Repurchase agreements secured by the United States government and federal agency obligations, such collateral to be priced at least one hundred two percent (102%) of market value.

I. Money market funds of commercial banks and other major investment advisors which essentially adhere to the parameters listed above or are registered with the Securities and Exchange Commission according to Rule 2A-7 under the Investment Company Act of 1940.

J. Any idle cash not invested by the Investment Managers shall be invested daily through an automatic sweep managed by the Custodian.

SECTION 7: INVESTMENT MANAGER CRITERIA

The Investment Committee will evaluate and monitor the Investment Managers and make recommendations to the Board regarding their hiring and termination. These managers:

A. Must be an Investment Advisor as defined by the Investment Advisers Act of 1940.

B. Must provide historical quarterly performance results calculated on a time-weighted basis, based on a composite of The XYZ Family Foundation, Inc.'s portfolio, as well as, a composite of all fully discretionary accounts of similar investment style, for comparative purposes, and reported net and gross of fees.

C. Must provide detailed information on the history of the firm, key personnel, key clients, fee schedule and support personnel. This information can be a copy of a recent Request for Proposal completed by the Investment Manager.

D. Must clearly articulate the investment strategy that will be followed, recommend an appropriate benchmark for judging performance over time and document that the investment strategy has been successfully adhered to over time.

E. Must be aware of Environmental, Social and Governance criteria, and when appropriate consider such criteria when making investment decisions.

SECTION 8: DUTIES AND REPORTING REQUIREMENTS

The duties and responsibilities of each Investment Manager retained by the Committee include:

A. Managing the assets under its care and/or control in accordance with objectives and guidelines set forth herein, and also in accordance with specific guidelines for each Investment Manager expressed in separate written agreements.

B. If at any time an Investment Manager believes that any policy guideline inhibits investment performance, it is the Investment Manager’s responsibility to clearly communicate this view to the Investment Committee.
C. The Endowment portfolios will be monitored on a continuing basis for consistence in investment philosophy and return relative to objectives. Portfolios will be reviewed by the Investment Committee on a quarterly basis, but results will be evaluated over rolling three- to five-year periods. The managers will provide any other information for evaluation purposes required by the Investment Committee.

D. Each Investment Manager will report the following information quarterly: total return for the quarter, one, three, five, ten year and since inception results, (net of all commissions and fees), additions and withdrawals from the account, current holdings at cost and market value, and purchases and sales for the quarter. In addition, each Investment Manager will report the following information monthly: additions and withdrawals from the account, current holdings at cost and market value, and purchases and sales for the month. Annually, the manager will send a copy of its ADV filing, Parts 1 and 2 to the Foundation. Regular communication concerning investment strategy and outlook is expected. Additionally, Investment Managers are required to inform the Investment Committee in writing, preferably by email or fax, of any change in firm ownership, organizational structure, professional personnel, account structure (e.g., number, asset size and account minimum), fee schedule or fundamental investment philosophy. They must also report any legal, SEC and other regulatory agency proceedings affecting the firm.

E. The Investment Managers will meet with the Investment Committee of the Foundation at least once a year, either by attendance at a scheduled Investment Committee meeting or by representatives of the Investment Committee visiting the Investment Managers’ offices. The Chairman of the Investment Committee will report to the Board of Trustees at the annual meeting of the Board.

F. All objectives and policies are in effect until modified by the Board of Trustees upon the recommendation of the Investment Committee, which will review these annually or as often as necessary for their continued pertinence. This charge precludes speculative investments, the leveraging of portfolio assets and undue concentrations which increase the risk of large losses.

SECTION 9: INVESTMENT COMMITTEE

A. The Committee Chairman will be elected from among family members. The Chairman and Vice Chairman will be appointed for three-year terms.

B. The XYZ Family Foundation representatives and external advisory members to the Committee are elected by the Board of Trustees at each Annual Meeting.

C. No Committee members shall have affiliation with investment management providers currently managing Foundation assets. A member of any category (internal/family member, external advisory member or ex-officio member) must discontinue service on the Committee if such a situation develops.
D. At any time, an individual with particular interest or expertise in an agenda topic can be present by invitation at a meeting during which that topic is discussed.