

Shepherd's Center of Webster/Kirkwood, Inc.

Investment Policy Statement

Executive Summary

Type of Fund	Endowment
Investment Objectives	Primary: Growth. Secondary: Preservation of capital.
Main Goal of Fund	Provide long-term growth of funds.
Risk Tolerance	The Fund is willing to accept a moderate amount of risk.
Investment Time Horizon	Indefinite.
Absolute Target Return	6.00% annual rate of return.
Target Return	3.00% plus CPI.
Spending Target	Dividends and interest earned by the investment portfolio.
Liquidity Requirements	3.00% per year of the Fund balance on January 1 st .
Portfolio Restrictions	None.
Asset Allocation Target Weightings	70.00% equities/25.00% fixed-income/5.00% cash
Tax Status	Tax-Exempt

Investment Policy Statement

This statement of investment policy reflects the investment policies, objectives and constraints of the entire Shepherd's Center of Webster/Kirkwood, Inc. Endowment Fund.

Purpose

The purpose of the Investment Policy Statement ("IPS") is to define the Endowment Fund's investment objectives in order to develop a strategy that can help meet investment goals. This statement is meant to clarify risk factors in order to establish guidelines consistent with the investment profile of the Endowment Fund. Through open communication among the Endowment Fund, Investment Consultant and Investment Managers, continuity of investment direction can be more effectively achieved. The implementation of investment management can provide more efficient and timely monitoring of investments and investment strategy going forward. The Endowment Fund's investment program is defined in the various sections of the IPS by:

- Stating in a written document the Endowment Fund's attitudes, expectations, objectives and guidelines for the investment of assets.
- Constructing a process for managing assets available for investment. This process involves identifying appropriate asset classes, investment management styles,

acceptable asset allocation ranges and total investment return over the stated time horizon.

- Creating methods for investment portfolios to control the level of overall risk assumed so that the Endowment Fund's assets are managed in accordance with the stated objectives.
- Establishing security guidelines for money managers to follow in making investment decisions. These guidelines may include restricting particular types of investments that are deemed inconsistent with achieving the Endowment Fund's objectives.
- Selling specific criteria for the evaluation and selection of money managers for all or a portion of the assets.
- Generating standards for effectively monitoring, evaluating and measuring the performance of the Investment Managers on a regular basis.

In general, the purpose of this statement is to outline a philosophy and attitude that can guide the investment management of the assets toward the desired results. It is intended to be sufficiently specific to be meaningful, yet flexible enough to be practical. It is not expected that the IPS will change frequently. In particular, short-term changes in the financial markets should not require adjustments to the IPS.

Responsibilities of the Board of Directors & Investment Committee

The law charges the Board of Directors with the responsibility over the management of the assets of the Fund. The Board of Directors shall discharge its duties solely in the interest of the Fund, with the care, skill, prudence and diligence under the circumstances then prevailing, that a prudent person, acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character with like aims.

Within the broad framework of policy set by the Board of Directors, the Investment Committee shall be directly responsible for the oversight and management of the Fund and for the establishment of investment policies and procedures, such as:

- Establishing reasonable and consistent investment objectives, policies and guidelines that shall direct the investment of the Fund's assets.
- Prudently and diligently selecting qualified investment professionals, including Investment Managers, Investment Consultants, and Custodians.
- Determining the Fund's risk tolerance and time horizon, and communicating these to the appropriate parties.
- Regularly evaluating the performance of the Investment Managers to assure adherence to policy guidelines and monitor investment objective progress.
- Developing and enacting proper control procedures. For example, replacing Investment Managers due to fundamental changes in investment management process or failure to comply with established guidelines.
- Advising and communicating the results of all investment performance reviews. Such reviews shall be held annually or more frequently, if desired.
- Recommending proposed changes and revisions to this Investment Policy Statement.

Delegation of Authority

The Board of Directors of the Shepherd's Center of Webster/Kirkwood, Inc. is a fiduciary and is responsible for directing and monitoring the investment management of Fund assets. As such, the Board of Directors is authorized to delegate supervision of these investment policies, objectives and guidelines to its Investment Committee. Further, the Board is authorized to delegate certain responsibilities to professional experts in various fields. These include, but are not limited to:

Investment Management Consultant. The Investment Management Consultant may assist the Investment Committee in the following: establishing investment policy, objectives, and guidelines, including investment time horizon, risk tolerance and total return objectives; selecting one or more Investment Managers; measuring and evaluating the performance of Investment Managers over time; and other tasks as deemed appropriate.

Investment Manager. The Endowment Fund has entered into an agreement with each of the selected Investment Managers who shall provide day-to-day investment management services to the Fund. Each Investment Manager will have discretion to purchase, sell or hold the specific securities that will be used to meet the Fund's investment objectives.

Custodian. The Custodian shall provide full custodial services. It will maintain possession of securities owned by the Fund, collect dividend and interest payments, redeem maturing securities, and effect receipt and delivery following purchases and sales. The Custodian may also perform regular accounting of all assets owned, purchased, or sold, as well as movement of assets into and out of the Fund's accounts. In addition, the Custodian will provide monthly documentation of portfolio activity and portfolio value.

Additional Specialists. Additional specialists may be employed by the Investment Committee to assist in meeting its responsibilities and obligations to administer the Fund's assets prudently.

Statement of Objectives

The objectives have been established in conjunction with a comprehensive review and assessment of the goals, expectations, investment time horizon, risk associations, present investment allocation, and current and projected financial needs.

Main Purpose of the Fund. The main purpose of the Fund is to provide for the ongoing and future financial support of the Shepherd's Center of Webster/Kirkwood, Inc.

Investment Objectives. The Investment objectives of the Fund are 1) the long-term moderate growth of capital, 2) the generation of income, 3) the preservation of purchasing power.

Primary Investment Objective. The primary objective of the Fund is long-term moderate growth of capital.

Secondary Investment Objectives. The secondary investment objectives of the Fund are the generation of income that may be used for the ongoing operations of the Shepherd's Center and the preservation of purchasing power.

Time Horizon. The time horizon of the Fund is based on long-term investment objectives stated in this section, so interim fluctuations should be viewed with appropriate perspective. Similarly, the asset allocation is based upon this long-term perspective.

The time horizon for the Fund is indefinite – the Investment Committee does not envision an end date or termination for the Fund.

Liquidity Needs. To reduce the possibility of a loss occasioned by the sale of a security forced by the need to meet a required payment, the Board of Directors will periodically provide the Investment Consultant with an estimate of expected net cash flow. The Board of Directors will notify the Investment Consultant in a timely manner to allow sufficient time to build up necessary liquid reserves. In order to maintain the ability to deal with unplanned cash requirements that may arise, the Board of Directors requires that a minimum portion of the Fund's assets be maintained in cash or cash equivalents, including money market funds and short-term U.S. treasury bills.

Short-term liquidity requirements are anticipated to be 3.00% per year.

Definition of Risk. The Board of Directors realizes that there are many ways to define risk. It believes that any person or organization involved in the process of managing the Endowment Fund's assets should understand how it defines risk. This way, the assets are managed in a manner consistent with the Fund's objectives and investment strategy as indicated in this Investment Policy Statement. The Board of Directors defines risk as:

- The probability of losing money over the Fund's investment time horizon.
- The probability of not maintaining purchasing power over the Fund's investment time horizon.
- The probability of not meeting the Fund's absolute return objective.
- High volatility (fluctuation) of investment returns.
- The probability of not generating the target income amount or percentage.

Volatility of Returns. The Board of Directors understands that in order to achieve stated long-term investment objectives, the Fund will experience volatility of returns and fluctuations in market value. The Board of Directors supports an investment strategy that reduces the probability of losses greater than those stated below. However, it realizes that the Fund's return objective is its primary concern. There is, of course, no guarantee that the Fund will not sustain losses greater than those stated herein.

General Guidelines for Overall Volatility. Overall volatility is described as unable to tolerate a maximum total fund loss of more than 5.00% below the relative policy index in any one-year period, and unable to tolerate a negative absolute total return over a three-year period.

Risk Tolerance. In establishing the risk tolerance of the Fund, the ability to withstand short and intermediate-term volatility was considered. The Endowment Fund's prospects for the future, current financial condition, and several other factors suggest collectively that interim fluctuations in market value and rates of return may be tolerated in order to achieve long-term objectives.

The Endowment Fund's risk tolerance can best be described as moderate.

Marketability of Assets. The Board of Directors requires that all of the Fund's assets be invested in liquid securities, defined as securities that can be transacted quickly and efficiently for the Fund, with minimal impact on market price.

Spending Policy. The spending policy of the Endowment Fund consists of transfer of dividend and interest income from the investment portfolio to the annual operating budget of the Shepherd's Center of Webster/Kirkwood, Inc

The spending policy target has been established at a rate of 10.00% per year (not to exceed 12.00% per year based on a five-year moving average).

Performance Expectations. The performance goal will be established based on the Fund's expectations, needs and risk tolerance. Performance expectations should be reasonable over the long term but are not to be used as benchmarks for total Fund performance on a year-in and year-out basis. Accordingly, relative performance benchmarks for the Investment Managers are set forth in the Performance Monitoring section of this Statement. Investment performance will be reviewed at least annually to determine the continued feasibility of achieving the investment objectives and the appropriateness of the Investment Policy Statement for achieving these objectives.

Over the investment time horizon, the return goals of the aggregate Fund have been established at:

- An absolute rate of return of 6.0%.
- A relative return of the Consumer Price Index (CPI) plus 3.00%.

Investment Strategy Guidelines

Asset Allocation Parameters. The following broad asset allocation parameters have been identified as appropriate in order to meet the long-term investment goals of the Fund:

- Equity
 - Minimum = 50.00%
 - **Target = 70.00%**
 - Maximum = 80.00%

- Fixed Income
 - Minimum = 17.00%
 - **Target = 25.00%**
 - Maximum = 47.00%
- Cash
 - Minimum = 3.00%
 - **Target = 5.00%**
 - Maximum = 33.00%

After evaluating long-term performance characteristics of various investment styles and considering the Fund's stated investment objectives, time horizon and risk tolerance, the following asset classes were selected as appropriate to meet investment goals:

- Domestic large-cap equities
- Domestic mid-cap equities
- Domestic small-cap equities
- Investment-grade fixed-income instruments
- Cash
- International ADRs/ADSs
- Exchange-Traded Funds
- Index funds
- Mutual funds

Parameters for each of the above asset classes are described in the Securities Guidelines section of this IPS.

Target Asset Allocation for Equities. The target asset allocation is based on the investment goals, time horizon, risk tolerance, performance expectations and asset class preferences of the Fund. The following guidelines reflect a mix of assets within the asset allocation constraints set above:

- Domestic large-cap equities
 - Lower limit = 30.00%
 - **Target allocation = 50.00%**
 - Upper limit = 70.00%
- Domestic mid-cap equities
 - Lower limit = 10.00%
 - **Target allocation = 30.00%**
 - Upper limit = 40.00%
- Domestic small-cap equities
 - Lower limit = 10.00%
 - **Target allocation = 20.00%**
 - Upper limit = 30.00%

- International equities
 - Lower limit = 5.00%
 - **Target allocation = 15.00%**
 - Upper limit = 25.00%

Strategic Rebalancing. The allocation to each asset class may vary from the target asset allocation depending upon market conditions. When necessary and/or available, cash may be deployed in a manner consistent with the strategic asset allocation limits set by this ISP.

As a general rule, new cash will be used to rebalance the total Fund in the direction of the established asset allocation target mix. If the Investment Committee judges cash flows to be insufficient to bring the strategic allocation within the targeted ranges, they shall decide whether or not to implement measures (i.e., buy/sell decisions) to bring the strategic allocation within the threshold ranges.

Securities Guidelines. The following asset classes have been deemed appropriate investment vehicles but should be used only if they meet the following criteria:

Domestic Equities

- Equity holdings in any one company should not exceed 4.00% of the market value of the Fund's equity portfolio.
- Allocation to any one economic sector should not be excessive and should be consistent relative to a broadly diversified equity market and to managers following similar style disciplines.
- The manager shall emphasize quality in security selection and shall avoid risk of large loss through diversification.
- The manager shall have the discretion to invest a portion of the assets in cash reserves when deemed appropriate. However, the manager shall be evaluated against peers on the performance of the total funds under direct management.
- Holdings of individual securities shall be large enough for easy liquidation.

International Equities

- Equity holdings in any one company shall not exceed 7.00% of the market value of the Fund's international equity portfolio.
- Allocation to any one economic sector should not be excessive and should be consistent relative to a broadly diversified international equity market and to managers following a similar style disciplines.
- Allocation to any specific country shall not be excessive relative to a broadly diversified international equity manager peer group. It is expected that the non-U.S. equity portfolio will have no more than 12.00% in any one country.
- The manager may enter into foreign exchange contracts on currency provided that use of such contracts is limited to hedging currency exposure existing within the manager's portfolio. There shall be no direct foreign currency speculation or any related investment activity.

Domestic Fixed-Income

- All fixed-income securities held in the portfolio shall have a Moody's, Standard & Poor's and/or a Fitch credit quality rating of no less than "A." U.S. Treasury and U.S. government agencies, which are unrated securities, are qualified for inclusion in the portfolio.
- The exposure of the portfolio to any one issuer, other than securities of the U.S. government or agencies, shall not exceed 10.00% of the market value of the fixed-income portfolio.
- Corporate bonds shall include only obligations of U.S. corporations. To the extent possible, the corporate bond section of the total Fund shall be diversified by sector.
- The maturity of any single issue shall not exceed 15 years.
- Holdings of individual issues shall be large enough for easy liquidation.

Cash and Cash-Equivalents

- Cash and cash-equivalent reserves should consist of cash instruments having a quality rating of A-1 or P-1. Eurodollar Certificates of Deposit, time deposits and repurchase agreements are also acceptable investment vehicles.
- Any idle cash shall be invested in an interest-bearing vehicle, such as a money market instrument, in a timely manner.

Portfolio Restrictions. Every Investment Manager selected must adhere to the portfolio restrictions established in this IPS. The following securities and transactions are not authorized unless receiving prior approval:

Prohibited Assets

Prohibited investments include, but are not limited to the following:

- Unregistered securities and/or letter stock.
- Futures contracts.
- Private placements.
- Commodities.
- Companies in operation less than five years.
- Foreign real estate.

Prohibited Transactions

Prohibited transactions include, but are not limited to the following:

- Margin transactions.
- Short selling.
- Uncovered put or call options.

Professional Money Managers

Selection Criteria

Caution must be used in selecting appropriate money managers to manage the Fund's assets. At a minimum, the money manager must meet the following criteria:

- Is an investment management company, bank, insurance company, or Investment Consultant as defined by the Registered Investment Advisors Act of 1940.
- Provide historical quarterly performance data calculated on a time-weighted basis, based on a composite of all fully discretionary accounts of similar investment style, and reported net and gross of fees.
- Provide detailed information on the history of the firm, key personnel, fee schedules and support personnel.
- Have no outstanding legal judgments that may reflect negatively on the firm.

More specifically, money managers must clearly articulate the investment strategy to be followed. It must be documented that the chosen strategy has been successfully adhered to over time. In doing so, the manager must demonstrate:

- Clearly defined investment philosophies.
- Logical buy and sell disciplines.
- Adequate experience and academic credentials among management team members.

Control Procedures: Duties and Responsibilities of the Money Managers

The duties and responsibilities of each money manager retained by the Fund include the following:

- Managing the assets of the Fund under its care and control in accordance with the investment objectives and guidelines set forth herein and also expressed in separate written agreements when deviation is deemed prudent and desirable by the Fund.
- Exercising investment discretion, including holding cash equivalents as an alternative within the investment policy objectives and guidelines set forth herein.
- Revealing information to the Investment Committee and/or Investment Consultant regarding all significant matters and changes which could have an effect on the Fund's assets including, but not limited to:
 - Investment Strategy
 - Portfolio structure
 - Tactical approaches
 - Ownership
 - Organizational structures
 - Financial condition
 - Professional staff
- All legal matters, SEC and other regulatory agency proceedings affecting the firm
- Promptly voting all proxies and related actions in a manner consistent with the long-term interests and objectives of the Fund. Each money manager shall keep detailed records of said voting of proxies and related actions and will comply with all related regulatory obligations.
- Utilizing the same care, skill, and prudence that experienced investment professionals acting in a like capacity and fully familiar with such matters would use for funds with similar aims in accordance and in compliance with all applicable laws, rules and regulations from local, state, federal and international political entities as it pertains to fiduciary duties and responsibilities.

- Acknowledge in writing, if so desired by the Fund, of the fiduciary responsibility to fully comply with this entire IPS, including any amendments or modifications made in the future.

Performance Monitoring

Quarterly performance evaluation reports, prepared by an objective third party, should be reviewed at least annually to evaluate and measure progress toward attainment of long-term goals. It is understood that there are likely to be short-term periods during which performance deviates from market indices. During such times, greater emphasis shall be placed on peer-performance comparisons with money managers employing similar investment styles. On a time basis, the Investment Consultant shall meet with the Investment Committee to focus on:

- The money manager's adherence to stated investment policy guidelines.
- Material changes in the money management organization's investment philosophy and personnel.
- The money manager's performance relative to like investment style or strategy. Each manager is expected to perform comparably well with respect to the proper style universe. The money managers selected to fulfill the role of each investment style described in the Asset Allocation section of this Statement shall be monitored against a relative index as follows:
 - Large-Cap Stocks = Russell 1000 Index
 - Mid-Cap Stocks = S&P 400 Midcap Index
 - Small-Cap Stocks = Russell 2000 Index
 - Government Bonds = Lehman Govt/Credit Bond Index
 - International Bonds = MSCI/EAFE
 - Municipal Bonds = Lehman Municipal Bond Index

It is understood that ongoing review of the selected money managers is required. A thorough analysis of an investment management organization will be conducted given the following circumstances:

- Failure to adhere to any aspect of this IPS.
- Consistent underperformance compared to a peer group over an extended period of time.
- Deviation from the investment style or discipline the Fund understands to be in place.
- Unsatisfactory communication and service resulting in the Fund's needs not being met.
- Changes in the Fund's objectives where the manager no longer meets the necessary profile.

Major organization changes also warrant immediate review of the manager, including:

- Changes in senior investment personnel.
- Material changes in investment process, discipline or style.
- Considerably inconsistent management across the Fund's portfolios.
- Significant personnel turnover.
- Excessive growth of the firm.

- Substantial account turnover.
- Changes in ownership.

While performance of the Fund's Investment Managers will be monitored on an ongoing basis, it is at the Fund's discretion to take corrective action by replacing a money manager if the Fund deems it appropriate at any time.

Investment Policy Review

To assure continued relevance of the guidelines, objectives, financial status and capital markets expectations as established in this IPS, the Investment Committee plans to review the Investment Policy Statement at least annually.