

INVESTMENT POLICY

Type of Fund:..... Foundation/Endowment

Planning Time Horizon: Greater than 5 years

Expected or Modeled Return:..... 6.0% (3.5% over CPI)

Risk Tolerance:..... Moderate, losses not to exceed -11%/year, statistical confidence level of 95%.

Asset Allocation	Lower Limit	Strategic Allocation	Upper Limit
Domestic Equity	30%	40%	50%
Large Cap Value		8%	
Large Cap Core		16%	
Large Cap Growth		8%	
Small Cap Broad		8%	
International Equity	0%	10%	20%
Domestic Fixed Income	20%	35%	50%
Core Bond		25%	
Short Term Bond		10%	
Liquid Alternatives	0%	10%	20%
Cash	0%	5%	10%

Evaluation Benchmark: Total return to exceed performance of a median Balanced Fund database or a weighted index comprised of: 32% S&P 500; 8% Russell 2000; 10% MSCI EAFE; 35% Barclays Aggregate Bond Index; 10% T-Bills+3%; 5% 90 Day T-Bills.

DESCRIPTION OF ORGANIZATION

The Community Foundation for the Alleghenies is a nonprofit public foundation that works with donors to develop funds that will benefit our community both now and in the future.

Since 1990, donors have entrusted the Foundation to represent their interest in the community and to do so in a manner that combines their philanthropy with others to make their efforts go further.

We serve donors from throughout the country who want to support charitable interests in Bedford, Cambria, and Somerset counties, as well as certain interests in Indiana County. Support is offered through grant making in the areas of the arts and humanities, children and youth, civic affairs, economic development, education, environmental programs, health and human services, heritage, religion, and scholarships. All of these areas help to define community. We work with larger foundations to help support fields of interest, such as the environment and environmentally sustainable business initiatives, throughout all of Western Pennsylvania.

PURPOSE

The purpose of this Investment Policy Statement (IPS) is to assist the Community Foundation's Board of Directors in effectively supervising, monitoring and evaluating the investment portfolio. The Fund's investment program is defined in the various sections of the IPS by:

- Stating in a written document the Board's attitudes, expectations, objectives and guidelines for the investment of all Fund assets.
- Setting forth an investment structure for managing all Fund assets. This structure includes various asset classes, investment management styles, asset allocation and acceptable ranges that, in total, are expected to produce a sufficient level of overall diversification and total investment return over the long-term.
- Providing guidelines for each investment portfolio that control the level of overall risk and liquidity assumed in that portfolio, so that all Fund assets are managed in accordance with stated objectives.
- Encouraging effective communications between the Board, Cornerstone Advisors Asset Management, Inc. (Consultant) and the money managers.
- Establishing formal criteria to monitor, evaluate and compare the performance results achieved by the money managers on a regular basis.
- Complying with all applicable fiduciary, prudence and due diligence requirements that experienced investment professionals would utilize, and with all applicable laws, rules and regulations from various local, state, federal and international political entities that may impact Fund assets.

This IPS has been formulated, based upon consideration by the Board of the financial implications of a wide range of policies and describes the prudent investment process that the members deem appropriate.

AUTHORITY AND RESPONSIBILITY

- The Board of Directors has ultimate responsibility and full authority over institutional assets including the Fund. It, however, appoints an Investment Committee (Committee) and delegates to it authority for general management of the Fund.
- The Committee establishes operational procedures, selects and supervises all service providers; and conducts ongoing assessments of investment manager performance.
- The Committee may retain the use of a consultant to help manage the investment process. The Consultant will supervise the day-to-day activity of the fund within the context of the Investment Policy Statement. The Consultant will acknowledge its fiduciary responsibility in writing.
- The Custodian will be responsible for the safekeeping of all fund assets and the processing of securities transactions as determined by money managers and consultants.

- Money managers will be retained to manage Fund assets within their area of expertise. Managers will be responsible for security selection within the context of the Policy Statement and are expected to exercise the appropriate level of due care in the management of the portfolio.

SPECIFIC ROLE OF THE INVESTMENT COMMITTEE

Recognizing that asset mixes are major determinants of long-term investment returns and of levels of risk, to which the Fund might be exposed, the Committee may:

- Routinely review overall asset allocation ratios and, at the recommendation of the consultant, direct investment managers to shift assets to bring the portfolios within acceptable ranges of risk exposure, or
- Give discretion to the investment consultant, thereby permitting them to use their professional judgments to manage asset allocation and portfolio structure within the context of the Investment Policy Statement.

If the latter option is chosen, the Committee must (1) provide the investment managers with specific objectives relating to overall performance requirements and (2) evaluate actual performance on a regular basis. Such evaluations must be comparative in nature against appropriate indices for asset/security categories.

At a minimum, the Committee shall review performance of all service providers and report its findings to the Board of Directors.

CONDITIONS AND ASSUMPTIONS

- The Committee chooses to adopt an investment policy pursuing a total return approach to the management of assets in the portfolio and elects to be governed by 15 Pa. C.S.A. § 5548(c).
- Some Fund growth is expected from contributions. These contributions, however, are largely a result of long-term efforts. Thus, they cannot be relied upon to provide any specific annual increases.
- Growth via investment appreciation is encouraged. Earnings and growth in excess of the spending policy (a copy of which is attached as an addendum to this agreement) will be reinvested in accordance with the Board's Investment Policy.

STATEMENT OF OBJECTIVES

The objectives of the Investment Committee have been established in conjunction with a comprehensive review of the current and projected financial requirements. The objectives are:

- To maintain the purchasing power of the current assets and all future contributions.
- To maximize return within reasonable and prudent levels of risk.
- To maintain an appropriate asset allocation based on a total return policy that is compatible with a flexible spending policy, while still having the potential to produce positive real returns.
- To minimize costs of administering the Fund and managing the investments.

- The Community Foundation for the Alleghenies is a tax-exempt organization, therefore investments should be managed without consideration of taxes.

Investment results are the critical element in achieving the stated objectives. Investment earnings and future contributions are expected to be used to support organizational objectives.

Time Horizon

The investment guidelines are based upon an investment horizon of greater than five years so that interim fluctuations should be viewed with appropriate perspective. Similarly, the Fund's strategic asset allocation is based on this long-term perspective.

Short-term liquidity requirements have been anticipated and will be handled from contributions and/or the amount allocated to cash.

Risk Tolerances

The Committee recognizes the difficulty of achieving the Fund's investment objectives in light of the uncertainties and complexities of contemporary investment markets. The Committee also recognizes that some risk must be assumed to achieve the Fund's long-term investment objectives. Therefore, the Foundation's prospects for the future, current financial condition, and several other factors, suggest collectively that the Fund can tolerate some interim fluctuations in market value and rates of return in order to achieve long-term objectives.

Performance Expectations

The desired investment objective is a long-term rate of return on assets that is at least 6.0%, net of fees, which is 3.5% greater than the anticipated rate of inflation as measured by the Consumer Price Index (CPI). The target rate of return has been based upon current capital market assumptions and is below the long-term rates of return experienced for each asset class in the IPS.

The Committee realizes that market performance varies and that a 6.0%, net of fees rate of return may not be meaningful during some periods. Accordingly, relative performance benchmarks for the managers are set forth in the "Control Procedures" section.

Over a complete market cycle, the Fund's overall annualized total return, after deducting for advisory, money management, and custodial fees, as well as total transaction costs, should perform above the following benchmarks:

- 3.5% above the trailing 3-year Consumer Price Index, (CPI)
- 6.0% annualized rate of return, net of fees
- Above a customized index comprised of indices weighted by the strategic asset allocation of the fund.
- Above the median of a Balanced Fund universe

Asset Allocation Constraints

The Committee believes that the Fund's risk and liquidity posture is, in large part, a function of asset class mix. The Committee has reviewed the long-term performance characteristics of various asset classes, focusing on balancing the risks and rewards of market behavior. The following asset classes were selected:

- Domestic Large Capitalization Equities
- Domestic Small Capitalization Equities
- International Equities

- Domestic Fixed Income
- Liquid Alternative Investments
- Cash

Based on the Fund's time horizon, risk tolerances, performance expectations and asset class preferences, an efficient or optimal portfolio was identified. The strategic asset allocation of the Fund can be found in the Executive Summary.

Rebalancing of Strategic Allocation

When necessary and/or available, cash inflows/outflows will be deployed in a manner consistent with the strategic asset allocation of the Fund. If there are no cash flows, the allocation of the Fund will be reviewed quarterly.

If the Investment Consultant judges cash flows to be insufficient to bring the Fund within the strategic allocation ranges, the Investment Consultant shall decide whether to effect transactions to bring the strategic allocation within the threshold ranges.

SECURITIES GUIDELINES

These guidelines are designed to apply to those managers with traditional “long only” mandates. Every money manager selected to manage Fund assets must adhere to the following guidelines. The following securities and transactions are not authorized unless receiving prior Investment Committee approval:

- Letter stock and other unregistered securities; commodities or other commodity contracts; and short sales or margin transactions.
- Securities lending; pledging or hypothecating securities;
- Investments in the equity securities of any company with a record of less than three years' continuous operation, including the operation of any predecessor.
- Investments for the purpose of exercising control of management.

Domestic Equities: In General

- Equity holdings in any one company should not exceed more than 5% 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 the broad equity market and to managers following similar style disciplines.
- The manager shall emphasize quality in security selection and shall avoid the risk of a large loss through diversification.
- The managers shall have the discretion to invest a portion of the assets in cash reserves when they deem appropriate. However, the managers will be evaluated against their peers on the performance of the total funds under their direct management.
- The market for individual securities held in the Fund should be large enough to allow for easy liquidation.

Domestic Equities: Prohibited Securities and Transactions

- The buying of securities on margin.
- “Short Selling” of securities.
- The buying and selling of futures contracts in any form unless expressly authorized by the Investment Committee and documented in writing by the Chairperson of the Committee as a hedge against portfolio loss.
- The buying and selling of put and call options on stocks, bonds, indexes, and futures contracts unless expressly authorized by the Investment Committee and documented in writing by the Chairperson of the Committee as a hedge against portfolio loss except for the writing of covered call options (selling call options on shares of stock for which the underlying security is held in the account) as a selling strategy. Options purchases are also permitted as a closing transaction.
- Securities which are not publicly traded such as private placements.

International Equities: In General

- Equity holdings in any one company shall not exceed more than 5% of the international equity portfolio.
- Allocation to any one economic sector shall not be excessive and should be consistent relative to a broadly diversified international equity market and to managers following similar style disciplines.
- Allocations to any specific country shall not be excessive relative to a broadly diversified international equity manager peer group. It is expected that the non-US equity portfolio will have no more than 40% in any one country.

International Equities: Prohibited Securities and Transactions

- The buying of securities on margin.
- “Short Selling” of securities.
- The buying and selling of futures contracts in any form unless expressly authorized by the Investment Committee and documented in writing by the Chairperson of the Committee as a hedge against portfolio loss.
- The buying and selling of put and call options on stocks, bonds, indexes, and futures contracts unless expressly authorized by the Investment Committee and documented in writing by the Chairperson of the Committee as a hedge against portfolio loss except for the writing of covered call options (selling call options on shares of stock for which the underlying security is held in the account) as a selling strategy. Options purchases are also permitted as a closing transaction.
- Securities which are not publicly traded such as private placements.

Domestic Fixed Income: In General

- All fixed-income securities held in the portfolio should have a Moody's, Standard & Poor's or Fitch's credit quality rating of no less than "BBB". U.S. Treasury and U.S. government agencies, which are unrated securities, are qualified for inclusion in the portfolio.

- No more than 20% of the market value of the fixed income portfolio shall be rated less than single "A" quality, unless the manager has specific written authorization.
- The exposure of the portfolio to any one issuer, other than securities of the U.S. government or agencies, shall not exceed 10% of the market value of the fixed income portfolio.
- The market for individual securities held in the Fund should be large enough to allow for easy liquidation.
- The manager may contract to purchase securities for a fixed price at a future date beyond customary settlement provided that cash or cash equivalents are maintained sufficient to make payment in full.

Domestic Fixed Income: Prohibited Securities and Transactions

- The buying of securities on margin.
- "Short selling" of securities
- The buying and selling of futures contracts in any form unless expressly authorized by the Investment Committee and documented in writing by the Chairperson of the Committee as a hedge against portfolio loss.
- The buying and selling of put and call options on stocks, bonds, indexes, and futures contracts unless expressly authorized by the Investment Committee and documented in writing by the Chairperson of the Committee as a hedge against portfolio loss except for the writing of covered call options (selling call options on shares of stock for which the underlying security is held in the account) as a selling strategy. Options purchases are also permitted as a closing transaction.
- The buying and selling of foreign bonds and securities not registered through the SEC filing or not denominated in U.S. dollars.
- All securities not offered through and SEC registration filing except U.S. Government or agency-backed mortgages.
- Derivatives securities including Collateralized Mortgage Obligations (CMO's).

Liquid Alternative Investments:

- Alternative Investments are defined as everything other than traditional long stock and bond portfolios. For the purpose of this document, alternative investments shall include any investment that has a low correlation to the domestic equity and fixed income market. This shall include real estate, private equity, hedged investments, commodities, timber, and tactical asset allocation, among other asset classes. It is the intent of the Committee to achieve this allocation using vehicles as described under the Investment Company Act of 1940.

Cash/Cash Equivalents: In General

- Cash equivalent reserves shall consist of cash instruments having a quality rating of A-2, P-2 or higher. Eurodollar Certificates of Deposits, time deposits, and repurchase agreements are also acceptable investment vehicles.
- Any idle cash not invested by the investment managers shall be invested daily through an automatic interest bearing sweep vehicle managed by the custodian.

SELECTION OF MONEY MANAGERS

The Committee, with the assistance of the Consultant, will select appropriate money managers to manage the Fund's assets. Managers must meet the following minimum criteria:

- Be a bank, insurance company, investment management company, or investment adviser as defined by the Registered Investment Advisers Act of 1940.
- Provide historical quarterly performance numbers 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 performance evaluation reports prepared by an objective third party that illustrate the risk/return profile of the manager relative to other managers of like investment style.
- 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 (RFP) completed by the manager.
- Clearly articulate the investment strategy that will be followed and document that the strategy has been successfully adhered to over time.
- Selected firms shall have no outstanding legal judgments or past judgments, which may reflect negatively upon the firm.

The Committee, with the assistance of the Consultant, may also select appropriate mutual funds to manage a portion of the Fund's assets. Mutual funds must meet the following minimum criteria:

- Funds must correspond to the asset classes outlined in the Board's IPS. For example, the growth component of the IPS must be implemented with a mutual fund invested in growth stocks.
- The fund's manager must have been in place for three years or more.
- The funds must have been following the same investment strategy for at least three years.
- The fund must have sufficient assets under management so that any single client does not represent more than 5% of the fund.

CONTROL PROCEDURES

Duties and Responsibilities of the Money Managers

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

- Managing the Fund assets under its care and/or control in accordance with the IPS objectives and guidelines set forth herein, and also expressed in separate written agreements when deviation is deemed prudent and desirable by the Investment Committee.
- Exercising investment discretion (including holding cash equivalents as an alternative) within the IPS objectives and guidelines set forth herein.
- Promptly informing the Committee and the Consultant in writing regarding all significant and/or material matters and changes pertaining to the investment of Fund assets, including, but not limited to:

- Investment strategy
 - Portfolio structure
 - Tactical approaches
 - Ownership
 - Organizational structure
 - Financial condition
 - Professional staff
 - Recommendations for guideline changes
 - All legal material, 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 set forth herein. Each manager shall keep detailed records of said voting of proxies and related actions and will comply with all regulatory obligations related thereto.
 - Utilize the same care, skill, prudence and due diligence under the circumstances then prevailing that experienced, investment professionals acting in a like capacity and fully familiar with such matters would use in like activities for like Funds with like aims in accordance and compliance with applicable laws, rules and regulations from local, state, and federal entities as it pertains to fiduciary duties and responsibilities.
 - Acknowledge and agree in writing to their fiduciary responsibility to fully comply with the entire IPS set forth herein, and as modified in the future.

Brokerage Policy

All transactions effected for the Fund will be "subject to the best price and execution." Managers will not utilize brokerage from the Fund assets to effect "soft dollar" transactions unless written permission has been received by the Investment Committee and documented in writing by the Chairperson of the Committee.

Performance Objectives

Investment performance will be reviewed at least quarterly to determine the continued feasibility of achieving the investment objectives and the appropriateness of the IPS for achieving those objectives.

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.

Monitoring of Money Managers/Mutual Funds

Quarterly performance will be evaluated to test progress toward the attainment of longer-term targets. It is understood that there are likely to be short-term periods during which performance deviates from market indices.

On a timely basis, but not less than four times a year, the Investment Committee will meet to focus on:

- Manager's adherence to the IPS guidelines;
- Material changes in the mutual fund's/manager's organization, investment philosophy and/or personnel; and,
- Comparisons of the mutual fund's/manager's results to appropriate indices and peer groups, specifically:

<i>Asset Category</i>	<i>Index</i>	<i>Peer Group Universe</i>
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Large Cap Equity	S & P 500	Large Cap Broad
Value	Russell 1000 Value	Large Cap Value
Core	S & P 500	Core Equity
Growth	Russell 1000 Growth	Large Cap Growth
International Equities	MSCI EAFE	International Equity
Domestic Fixed Income	Barclays Aggregate Bond	Core Fixed Income
Liquid Alternative Investments	90 Day T-Bills + 3%	Domestic Balanced Style
Cash	90 Day T-Bills	Money Market Database or Active Cash

The risk associated with each mutual fund's/manager's portfolio, as measured by the variability of quarterly returns (standard deviation), must not exceed that of the benchmark index and the peer group without a corresponding increase in performance above the benchmark and peer group.

In addition to the information covered during the quarterly reviews, the Investment Committee will meet at least annually to focus on:

- The manager's performance relative to managers of like investment style or strategy. Each manager is expected to perform in the upper half of the manager's respective style universe.
- The Fund's investment performance results compared to the manager's overall composite performance figures to determine unaccounted for dispersion between the manager's reported results and the Fund's actual results.

The Committee is aware that the ongoing review and analysis of money managers is just as important as the due diligence implemented during the manager selection process. Accordingly, a thorough review and analysis of a money manager may be conducted, should:

- A Manager perform in the bottom quartile (75th percentile) of their peer group over a 1-year time period.
- A Manager fall in the southeast quadrant of the risk/return scatterplot for a 3-year time period.
- A Manager have a 3-year risk- adjusted return (as measured by the Sharpe Ratio) fall below that of the median manager within the appropriate peer group.

Furthermore, performance which may require the replacement of a Manager include:

- Managers that perform below the bottom quartile (75th percentile) of their peer group over a 3-year time period.
- Managers who perform below the median (50th percentile) of their peer group over a five-year period.
- Managers with negative alphas for a three-year time period.

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

- Change in professionals
- Significant account losses
- Significant growth of new business
- Change in ownership

The performance of investment managers will be monitored on an ongoing basis, and it is at the Committee's discretion to take corrective action by replacing a manager if they deem it appropriate at any time.