Estate Planning Council of Greater Miami

Presents:

"Investment Policy Statement for Trusts"

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Note: This analysis is provided for illustration and discussion purposes only and does not represent any legal advice.

Introduction

The primary purpose of this outline is to define a prudent process for investment by fiduciaries. It is intended to be a reference guide for knowledgeable investment decision making individuals, as opposed to a "how to" manual for persons who are not familiar with basic investment management procedures.

A fiduciary (trustee) is a person or entity that has been entrusted with managing the affairs, mainly financial, of another individual whether they are dead or alive. The fiduciary manages the property for the benefit of another person, exercises discretionary authority or control over those assets or acts in a professional capacity of trust providing continuous investment advice. Fiduciaries use their discretion to follow the guidelines as provided in the governing instrument, i.e. Will, Trust, and are governed by statutes, case law and regulatory opinion letters. As a result, a fiduciary undergoes tremendous scrutiny from multiple directions and for various reasons, the main one being whether the fiduciary followed prudent investment practices. A fiduciary is expected to demonstrate thought and good judgment by the process through which investment decisions are made rather than by showing that investment products and techniques were chosen because they were labeled as "prudent". The way in which these investments are used and how decisions as to their use are made, is what will be examined to determine if the prudence standard has been met.

What is a written Investment Policy Statement?

- A written investment policy statement (IPS) creates a framework for the prudent interpretation and ongoing administration of the trust's investment portfolio. The IPS sets forth written and objective guidelines for the acquisition, review and monitoring of assets and is the blueprint for how to build a portfolio at the risk and reward level most appropriate for the requirements of the trust and its beneficiaries.

What is the need for a written IPS?

- The preparation and maintenance of the IPS is one of the most critical functions of the fiduciary. The IPS should be viewed as the business plan and the essential management tool for directing and communicating the activities of the trust investments. The IPS should have sufficient detail that a third party would be able to implement the investment strategy; be flexible enough that it can be implemented in a complex and dynamic environment; and yet not be so detailed it requires constant revisions and updates. The IPS develops a sound, long-term, investment discipline for the trust and prevents a fiduciary from making emotional decisions as a result of volatile market conditions.

What are the benefits of a written IPS?

- The benefits to having a written IPS are many. A written IPS indicates that the fiduciary made conscious decisions regarding the overall risk and reward profile appropriate for the trust. It documents the care, skill and caution used to select and retain specific investments and most importantly, provides a set of objectives guidelines that indicate that decisions were well conceived rather than ad hoc. In addition, potential disputes are changed into matters of fact and circumstance rather than matters of mere opinion.

What are a Trustee's responsibilities regarding investments?

- A Trustee has full responsibility over a trust's investments and must identify appropriate procedures for:

    - Selecting investment managers and advisors;
    - Diversifying the portfolio across multiple asset classes and peer groups;
    - Evaluating investment managers and their fees and expenses;
    - Terminating investment managers and advisors that are no longer appropriate

For many years, the investment of trust assets was guided by the prudent person rule. The prudent person rule required trustees to examine trust investments on an asset-by-asset basis. That evaluation involved an inquiry as to whether an asset was productive of reasonable income and was safe to principal. Since trustees were judged on an asset-by-asset basis, they were risk averse: they could be surcharged if an asset decreased in value, even if the portfolio as a whole increased in value. Because there was no specific skill required of fiduciaries, delegation of investment responsibility was prohibited.

- A Trustee may delegate certain investment decisions to professional manager or investment advisor (FS 518.112). However, a trustee can never abdicate these primary responsibilities:

    - Determining a trust's investment goals and objectives;
    - Choosing an appropriate asset allocation strategy;
    - Establishing an explicit, investment policy consistent with the goals and objectives;
    - Approving "prudent experts" i.e investment manager/advisor to implement the policy;
    - Monitoring the activities of the overall investment policy for compliance with the trust's goals and objectives;
    - Avoiding conflicts of interest and prohibited transactions

A model Uniform Prudent Investor Act ("UPIA") was promulgated in 1994 and is now the law governing the investment of trust assets in most states. The Prudent Investor Act shifted the law away from the traditional prudent person rule to a modern portfolio theory and guides fiduciaries toward a total return approach to investment decisions. Evaluation of a fiduciary's conduct is based on a strategy for the total portfolio, rather than on the selection of individual assets. The Act also makes several fundamental changes to the criteria for fiduciary investment.

- A Trustee must act in conformity with applicable Uniform Principal and Income Act (UPIA) standards and the Prudent Investor Principles (FS 518.11) which requires them to:
    - Develop a strategy in accordance with risk and return objectives suitable to the trust;
    - View each investment holistically and not in isolation;
    - Consider the estimated duration of the fiduciary relationship (time horizon)
    - Consider the conflicting needs of income and remainder beneficiaries (current and future cash needs)
    - Analyze the tax consequences of investment decisions and distributions;
    - Analyze the general economic environment
    - Maximize total return having regard to both income generation and capital appreciation
    - Preserve purchasing power
    - Diversify assets unless the trustee reasonably determines that it is in the best interests of the beneficiaries not to diversify
    - Consider related trusts and the income and resources of the beneficiaries
- If a Trustee is dealing with a flexible power to adjust or total return unitrust regime under UPIA, the IPS will need to reflect the appropriate investment objective that would be most suitable for that type of structure.
    - For either the power to adjust or total return unitrust, the Trustee has the most flexibility in allocating the trust investments between growth and income;
    - The appropriate investment objective for either one of these regimes will depend on the time horizon for the trust.

Designing the Investment Policy Statement:

- In designing an investment policy statement, a fiduciary should first review the terms of the governing instrument and determine the answers to the following questions:
    - Are there any investment restrictions in the instrument? If so, are they manageable and in compliance with applicable law and standards of practice?

- Who are the current and remainder beneficiaries. What are the distribution provisions for each of these beneficiaries? Do they get along?
- What is the time horizon for the trust?

- In drafting the IPS, the fiduciary should describe the following:
  - Purpose of the IPS;
  - Policy and identify the objectives and expectations;
  - Applicable rules, laws, and standards of practice that may impact the policy;
  - Risk tolerance for the trust;
  - Constraints, i.e liquidity needs, tax considerations;
  - Special needs, circumstances, preferences;
  - Asset allocation policy and allowable investments;
  - Diversification and rebalancing guidelines;
  - Performance measurement benchmarks and time frame for review;
  - Miscellaneous provisions to the policy, i.e. how the IPS can be amended and for what reason, accounting to the beneficiaries, etc.

Implementing the Investment Policy Statement:

- When implementing an IPS the fiduciary will need to consider several factors such as:
  - The composition of the existing trust assets;
  - Structure of assets as compared to the plan;
  - Timeline and ability for changing asset allocation; and
  - Current economic conditions

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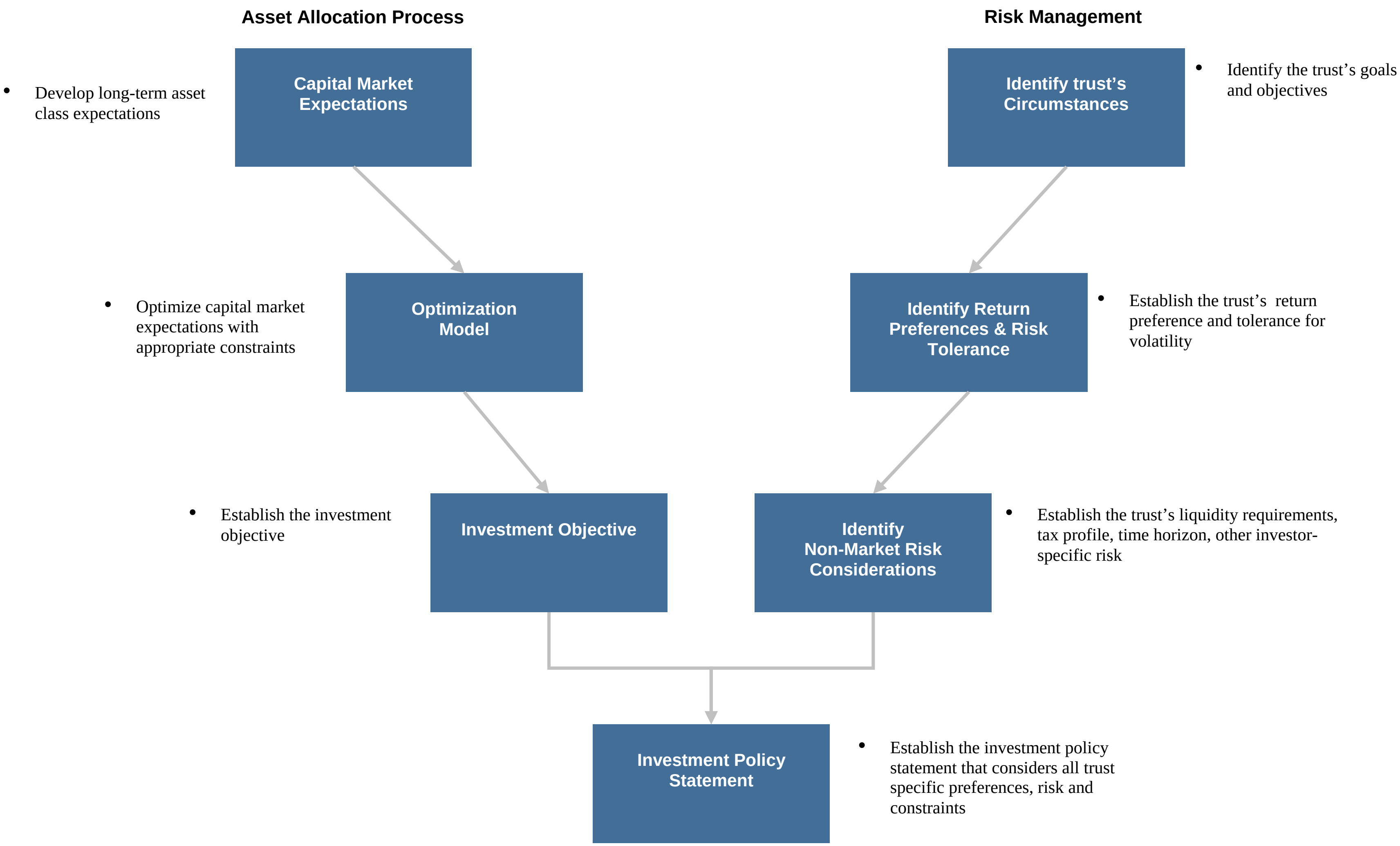
Investment Policy Process

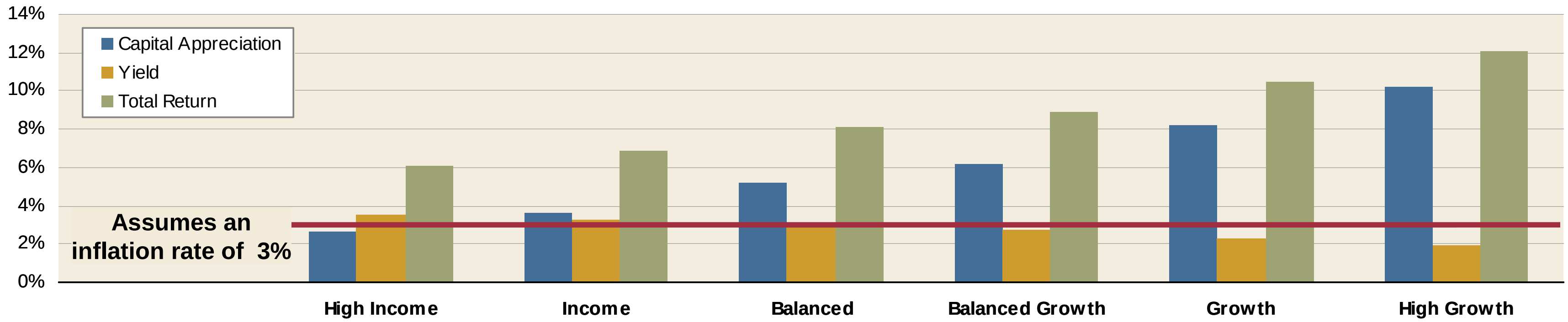


Developing an Investment Strategy—Start with the Prudent Investor Act

The Trustee's Obligations are:

1. To Preserve Purchasing Power
2. To Produce Reasonable Income

Target Portfolios	High Income (75% fixed income 25% equities)	Income (65% fixed income 35% equities)	Balanced (50% fixed income 50% equities)	Balanced Growth (40% fixed income 60% equities)	Growth (20% fixed income 80% equities)	High Growth (100% equities)
Capital Appreciation	2.6%	3.6%	5.2%	6.2%	8.2%	10.2%
Yield	3.5%	3.3%	3.0%	2.7%	2.3%	1.9%
Total Return	6.1%*	6.9%	8.1%	8.9%	10.5%	12.1%



* Total reflects rounding

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Approach the Plan Strategically—Chasing the Winner or Concentrating in an Asset Class Can Be Painful

- Perhaps nothing better illustrates the need for a diversified asset allocation plan than the chart below, which shows how various asset classes performed on a year-by-year basis from 1991 through 2010. The best performing asset class is at the top of each column. Consider bonds, the leading asset class in 2002 and 2008, but last in 1994, 1996, 2003, 2004, 2005, 2006, 2009 & 2010.

- To take advantage of the strong returns of each year's "winners," it is important to develop a well-balanced portfolio with investments across all asset classes.

Annual Total Returns of Key Asset Classes 1991–2010[1]
Ranked in order of performance from best to worst

	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000
Best	Small Growth Stocks 51.19%	Small Value Stocks 29.14%	Foreign Stocks 32.94%	Foreign Stocks 8.06%	Large Growth Stocks 38.13%	Large Growth Stocks 23.97%	Large Growth Stocks 36.53%	Large Growth Stocks 42.16%	Small Growth Stocks 43.09%	Small Value Stocks 22.83%
	Small Stocks 46.04%	Small Stocks 18.41%	Small Value Stocks 23.77%	Large Growth Stocks 3.13%	Large Stocks 37.58%	Large Stocks 22.96%	Large Stocks 33.36%	Large Stocks 28.58%	Large Growth Stocks 28.25%	Bonds 11.63%
	Small Value Stocks 41.70%	Large Value Stocks 10.53%	Small Stocks 18.88%	Large Stocks 1.32%	Large Value Stocks 37.00%	Large Value Stocks 21.99%	Small Value Stocks 31.78%	Foreign Stocks 20.33%	Foreign Stocks 27.30%	Large Value Stocks 6.08%
	Large Growth Stocks 38.37%	Small Growth Stocks 7.77%	Large Value Stocks 18.60%	Large Value Stocks -0.64%	Small Growth Stocks 31.04%	Small Value Stocks 21.37%	Large Value Stocks 29.98%	Large Value Stocks 14.67%	Small Stocks 21.26%	Small Stocks -3.02%
	Large Stocks 30.47%	Large Stocks 7.62%	Small Growth Stocks 13.37%	Small Value Stocks -1.54%	Small Stocks 28.45%	Small Stocks 16.49%	Small Stocks 22.36%	Bonds 8.69%	Large Stocks 21.04%	Large Stocks -9.10%
	Large Value Stocks 22.56%	Bonds 7.40%	Large Stocks 10.08%	Small Stocks -1.82%	Small Value Stocks 25.75%	Small Growth Stocks 11.26%	Small Growth Stocks 12.95%	Small Growth Stocks 1.23%	Large Value Stocks 12.72%	Foreign Stocks -13.96%
	Bonds 16.00%	Large Growth Stocks 5.07%	Bonds 9.75%	Small Growth Stocks -2.43%	Bonds 18.47%	Foreign Stocks 6.36%	Bonds 9.65%	Small Stocks -2.55%	Bonds -0.82%	Large Growth Stocks -22.08%
Worst	Foreign Stocks 12.50%	Foreign Stocks -11.85%	Large Growth Stocks 1.68%	Bonds -2.92%	Foreign Stocks 11.55%	Bonds 3.63%	Foreign Stocks 2.06%	Small Value Stocks -6.45%	Small Value Stocks -1.49%	Small Growth Stocks -22.43%

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Best	Small Value Stocks 14.03%	Bonds 10.26%	Small Growth Stocks 48.54%	Small Value Stocks 22.25%	Foreign Stocks 14.02%	Foreign Stocks 26.86%	Foreign Stocks 11.63%	Bonds 5.24%	Small Growth Stocks 34.47%	Small Growth Stocks 29.09%
	Bonds 8.44%	Small Value Stocks -11.43%	Small Stocks 47.25%	Foreign Stocks 20.70%	Large Value Stocks 5.82%	Small Value Stocks 23.48%	Large Growth Stocks 9.13%	Small Value Stocks -28.92%	Foreign Stocks 32.46%	Small Stocks 26.85%
	Small Stocks 2.49%	Foreign Stocks -15.66%	Small Value Stocks 46.03%	Small Stocks 18.33%	Large Stocks 4.91%	Large Value Stocks 20.80%	Small Growth Stocks 7.05%	Small Stocks -33.79%	Large Growth Stocks 31.57%	Small Value Stocks 24.50%
	Small Growth Stocks -9.23%	Small Stocks -20.48%	Foreign Stocks 39.17%	Large Value Stocks 15.71%	Small Value Stocks 4.71%	Small Stocks 18.37%	Bonds 6.97%	Large Growth Stocks -34.92%	Small Stocks 27.17%	Large Value Stocks 15.10%
	Large Value Stocks -11.71%	Large Value Stocks -20.85%	Large Value Stocks 31.79%	Small Growth Stocks 14.31%	Small Stocks 4.55%	Large Stocks 15.79%	Large Stocks 5.49%	Large Stocks -37.00%	Large Stocks 26.46%	Large Stocks 15.06%
	Large Stocks -11.89%	Large Stocks -22.10%	Large Stocks 28.68%	Large Stocks 10.88%	Small Growth Stocks 4.15%	Small Growth Stocks 13.35%	Large Value Stocks 1.99%	Small Growth Stocks -38.54%	Large Value Stocks 21.18%	Large Growth Stocks 15.05%
	Large Growth Stocks -12.73%	Large Growth Stocks -23.59%	Large Growth Stocks 25.66%	Large Growth Stocks 6.13%	Large Growth Stocks 4.00%	Large Growth Stocks 11.01%	Small Stocks -1.57%	Large Value Stocks -39.22%	Small Value Stocks 20.58%	Foreign Stocks 8.21%
Worst	Foreign Stocks -21.21%	Small Growth Stocks -30.26%	Bonds 4.10%	Bonds 4.34%	Bonds 2.43%	Bonds 4.33%	Small Value Stocks -9.78%	Foreign Stocks -43.06%	Bonds 5.93%	Bonds 6.54%

[1]Source: © 2011 Morningstar. Large stocks are represented by the S&P 500; Large growth stocks are represented by the S&P 500/Barra Growth Index until 1995 and the S&P 500 Growth Index thereafter; Large value stocks are represented by the S&P 500/Barra Value Index until 1995 and the S&P 500 Value Index thereafter; Small stocks are represented by the Russell 2000® Index; Small growth stocks are represented by the Russell 2000 Growth Index; Small value stocks are represented by the Russell 2000 Value Index; Foreign stocks are represented by the MSCI EAFE Index; and Bonds are represented by the Barclays Capital U.S. Aggregate Index. Indexes are unmanaged and one cannot invest directly in an index.

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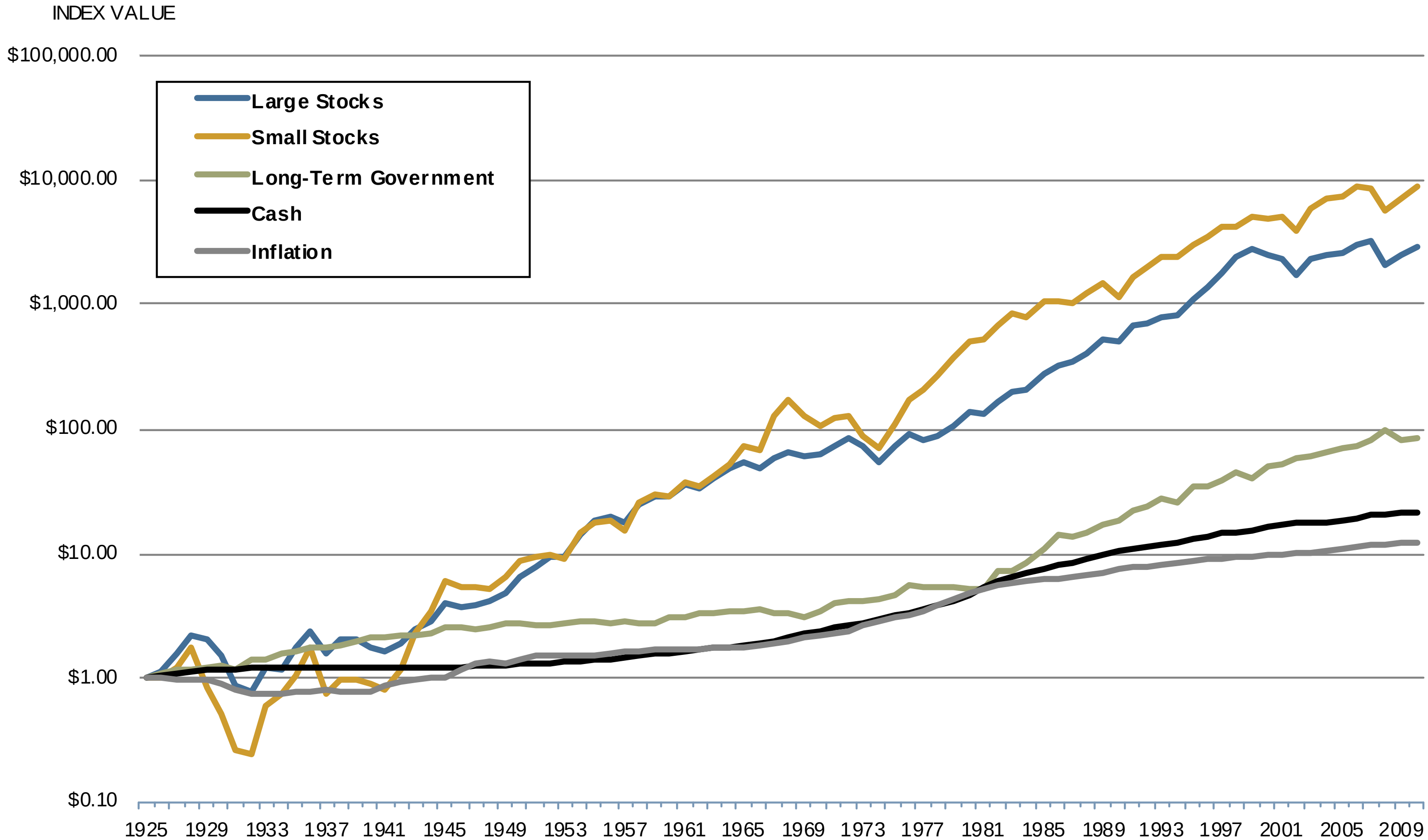
Approach the Plan Strategically—Determine Appropriate Asset Classes

Wealth Indices of Investments in the U.S. Capital Markets 1925—December 2010*



Source: Ibbotson Associates
* Values of $1 invested at year-end 1925.
(Assumes reinvestment of income and no transaction cost or taxes)

Historical performance data does not guarantee future results and results may differ over future time periods.
Indices are unmanaged and one cannot invest directly in an index.
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Developing an Investment Strategy—Hypothetical Long Term Asset Class Expectations

Asset Class	Yield	Capital Appreciation	Total Return	Standard Deviation
U.S. Large Cap Equity	2.0%	8.5%	10.5%	17.0%
U.S. Small Cap Equity	1.0%	12.0%	13.0%	22.0%
International Large Cap Equity	2.3%	9.0%	11.0%	19.0%
International Small Cap Equity	2.0%	12.0%	13.5%	22.0%
Global REITS	4.5%	4.0%	8.5%	17.0%
Emerging Markets Equity	2.0%	14.0%	15.0%	27.0%
U.S. Municipal Bonds	4.0%	0.3%	4.3%	4.0%

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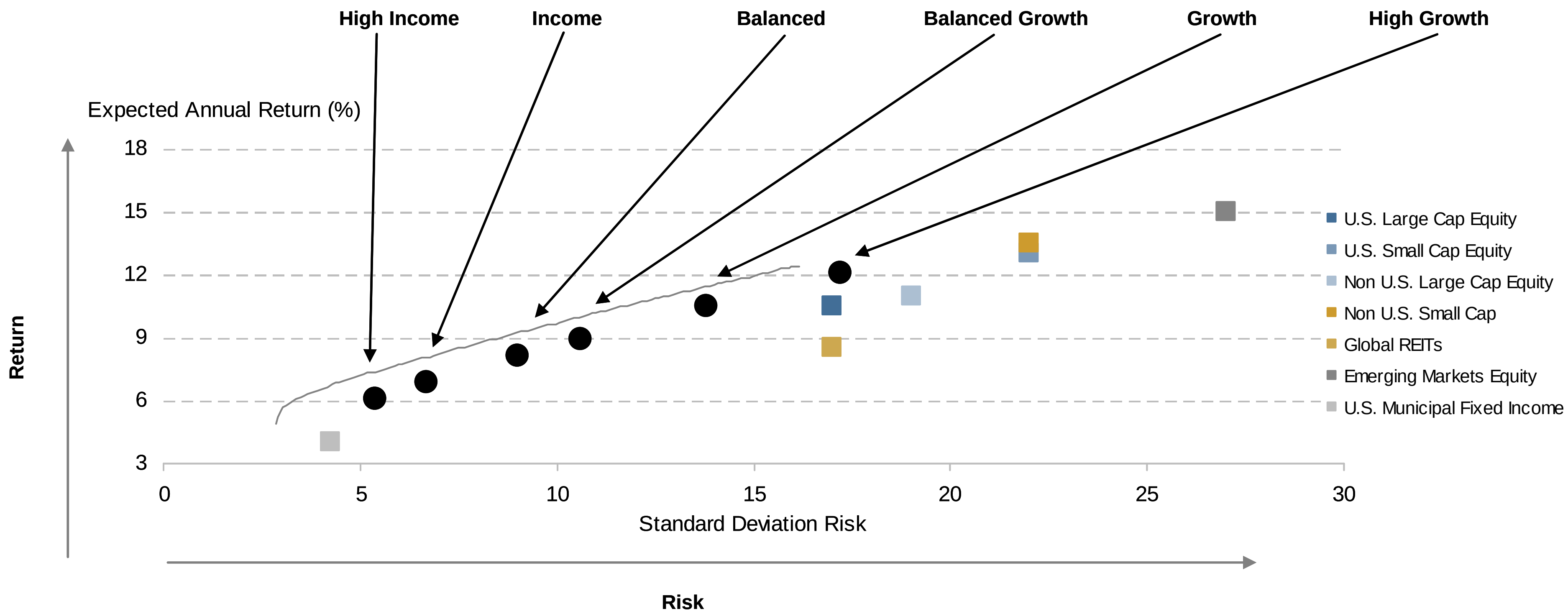
Developing an Investment Strategy—Putting It All Together



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Presenters’ Biographies

Alex F. Bahamonde, CTFA, *Managing Director, Trust Advisory Services*. Prior to joining Fiduciary Trust in 1998, Mr. Bahamonde held various positions within the tax, estate and personal trust administration departments at Northern Trust Bank of Florida. He earned his Bachelor's degree in business administration from Florida International University and a Master's Degree in finance from Barry University. Mr. Bahamonde is a graduate of the Florida Bankers Association Graduate Trust School and the American Bankers Association National Graduate Trust School and has his Certified Trust and Financial Advisor (CTFA) designation. He is a member of the Estate Planning Council of Greater Miami.

Julie Min Chayet, *Managing Director and Trust Counsel*, practiced law in both New York and Connecticut before joining Fiduciary Trust in 2004. She specialized in estate planning, estate settlement, real estate and provided advice on charitable and philanthropic endeavors for corporations, nonprofit institutions and individuals. A graduate of Haverford College (B.A. 1991), she also earned a master’s degree in public policy administration from the School of International and Public Affairs of Columbia University (M.P.A. 1995), and a law degree from Fordham Law School (J.D. 1998). Ms. Chayet is President of the Alumni Association of Haverford College and acts as co-chair for the Class of 1991 Annual Giving Fund. She is a member of the Columbia University Club of Fairfield County, Connecticut and volunteers as an alumni mentor for the Fordham Law School Minority Mentor Program. She is the former By-Laws Chair and UNICEF coordinator of the Weston Women’s League of Weston, Connecticut and contributes to the Advisory Council of Lower Fairfield County for the American Heart Association. Ms. Chayet was recently elected to the Board of the Estate Planning Council of New York City, Inc. She is a member of the New York Bar Association and the Connecticut Asian Pacific American Bar Association.

EXHIBIT "A"

The ABC Irrevocable Trust
Investment Policy Statement
As of _________________

Purpose:

BBC as Trustee (the "Trustee") of the ABC Irrevocable Trust (the "Irrevocable Trust") adopted the following Investment Policy Statement (the "IPS"), effective as of ____________.

The Policy:

1. states clearly the investment objectives and expectations; and
2. provides guidance in the management of the assets in the Trust's portfolio; and
3. provides a consistent, objective basis for evaluating investment performance.

This IPS has been developed by the Trustee after considering the terms of the Irrevocable Trust, the Florida laws applicable to trusts and pertinent investment philosophies.

Because future circumstances may change in respect to the Irrevocable Trust's needs and resources, the economy, capital markets and business conditions, this IPS is not intended to be unduly restrictive. Indeed, it is expected that the IPS itself will come under review at least every two years, as well as with the ongoing review of the investments. The Trustee intends that this IPS will encourage ongoing discussion and understanding between the Trustee and its investment managers.

Objectives:

A. Management of Investments by Trustee

The Trustee acknowledges that she should obtain investment advice from professional investment advisors or investment managers (collectively "Investment Advisor") and all investment decisions shall be made after consultation with such investment advisors. The Irrevocable Trust investments will be monitored with the objectives of the IPS.

The Trustee recognizes the volatility of the investment market and the need for the Investment Advisor to be able to act quickly to protect the value of the investment portfolio. Therefore the Trustee will grant discretionary authority to each Investment Advisor to purchase and sell investments under their management without prior Trustee approval. The Trustee will review actions taken by the Investment Advisor on a quarterly basis.

B. Florida Law-Prudent Investor Act

Florida Law, as is the case in many states, provides that a trustee has "a duty to invest and manage investment assets as a prudent investor would, considering the purposes, terms, distribution requirements and other circumstances of the trust." This standard requires the exercise of reasonable care and caution and is to be applied to investments not in isolation, but in the context of the investment portfolio as a whole, as part of an overall investment strategy that should incorporate risk and return objective reasonable suitable to the trust...(Further), the fiduciary (trustee) has a duty to diversify the investments...(and) to pursue an investment strategy that considers both the reasonable production of income and safety of capital, consistent with...the purposes of the trust...The circumstances that the fiduciary (trustee) may consider in making investment decisions include, without limitation, the general economic conditions, the possible effect of inflation, the expected tax consequences of investment decisions or strategies, the role each investment or course of action plays within the overall portfolio, the expected total return, including both income yield and appreciation of capital, and the duty to incur only reasonable and appropriate costs."

C. Risk Tolerance

The IPS recognizes that a target rate of return and compliance with the investment philosophy of the Prudent Investor Act cannot be obtained only through guaranteed investments. Therefore, the portfolio will necessarily consist of assets expected to fluctuate in value. In order to minimize and control these risks, the allocation of the portfolio primarily between cash, fixed income securities and equities as well as certain guidelines will be adhered to in investing the Irrevocable Trust assets.

Constraints

A. Time Horizon: It is the view of the Trustee that the time horizon is approximately 10-15 years, based on the life expectancy of the primary beneficiary designated in the Trust. Therefore a long-term time horizon for its investments is suitable.

B. Liquidity: Liquid assets shall include cash, money market mutual funds and fixed income securities coming due within one year. Liquidity shall be maintained at a level of 3-5% of the market value of the Irrevocable Trust’s market value. Additional reserves of liquid assets may be held at the investment manager's discretion as warranted by market conditions.

C. Tax Considerations: Since the distributions to the beneficiary may be a combination of net income and principal with net income distributed first, the beneficiary will receive all tax consequences of the income generated. Therefore, determination of investments should be made in consideration of the respective implications of tax status of the beneficiary. Capital gains generated within the portfolio will be taxed within the portfolio, unless determined differently by prevailing IRS rules and regulations.

Special Needs, Circumstances and Preferences

A. Asset Allocation

The Irrevocable Trust’s portfolio shall be diversified across a "strategic" set of asset classes considering the relationship between asset classes over long periods of time. The general Investment Objective is balanced which permits net income to be generated while also maintaining a growth perspective.

B. Allowable Investments

Fixed income investments shall be rated by S&P as investment grade "BBB" or better at the time of purchase, and reviewed if the rating lowers. Investments not meeting this criterion may be considered by the trustee on a case by case basis. There may be bonds rated as less than investment grade within a mutual fund.

Investment in any single fixed income investment shall not exceed 10% of the total portfolio. U.S. Government securities or securities of its agencies and cash and cash equivalents shall be excluded from this diversification guideline.

The maturities of fixed income investments shall be laddered to provide for periodic maturities and provide regular reinvestment at existing market rates unless deemed by the investment manager and concurred by the Trustee to be invested in an alternative strategy due to economic conditions. Maximum maturities of fixed income investments will be left to the discretion of the investment managers.

The Irrevocable Trust may invest in any type of mutual fund, as may be recommended from time to time, due to the lack of individual investments that cannot be purchased, or would not be economically feasible to be purchased, to accomplish the equivalent investment strategy as the mutual fund.

The Irrevocable Trust may invest in Exchange Traded Funds (ETFs) as the investment advisor determines to be prudent to achieve the trust's investment objective.

The investment in equities will adhere to the principles of the Prudent Investor Act. Investment in any single security shall not exceed 10% of the total portfolio. Industry allocations should fall within a range of plus or minus ten percent (10%) as measured against the Standard & Poor's 500 industry ratings. If market conditions cause the portfolio to be out of balance, the investment managers shall rebalance the portfolio in a prudent manner.

C. Performance Measurement Benchmarks

Portfolio performance will be compared over the period of time being measured with the return of a market index or blended index in proportions similar to the long-term asset allocation.

Fixed income performance shall be measured against the Barclays Capital US Government & Credit (1-5 years) Index or suitable equivalent.

Equity performance shall be measured against the S&P 500 Index and the MSCI All Country World Index (ex US) or suitable equivalent.

D. General Responsibilities and Communication

This IPS is intended to describe general, mutual understandings regarding investment management of the portfolio and is not an absolute, inviolable commitment by either the Trustee or its investment managers. However, any significant deviations from prescribed policies and procedures must be promptly reported to the Trustee by the investment managers and addressed as the Trustee directs.

The Trustee has reviewed the IPS and will review it preferably annually and at least every two years and amend it as deemed appropriate.

Monthly statements on the portfolio will be mailed to the Trustee, unless requested more frequently as to any investment. Annual statement of the account, detailing an investment review, plus receipts and distributions shall be provided to all Irrevocable Trust remaindermen. The performance of the investment managers will be subject to review annually.

The investment manager will be responsible in providing information as requested by the Trustee relating to both the investments within the portfolio and anticipated economic market conditions.

When the Trustee finds it necessary for the well being of the Trust, she may take appropriate actions, even though such actions might be in conflict with the standing IPS.

E. Approval of Investment Policy

I, BBC, do affirm that this IPS was duly adopted by me as Trustee of the Irrevocable Trust as of ___________________, 2011.

____
BBC, Trustee of the ABC Irrevocable Trust
u/a/d 1/1/11

EXHIBIT "B"

Statement of Objectives, Policies and Guidelines for the Investments of the Religious Trust

Introduction

The Religious Trust ("Religious Trust") seeks to invest funds in a socially responsible manner which reflects broadly the values inherent in Catholic social teaching. As such, Religious Trust sets for itself the following investment policies.

Purpose of the Fund and Statement of Investment Objectives

The Religious Trust shares in the mission of proclaiming the Good News of Jesus Christ by providing information, education, and a forum for discussion.

While shorter term investments results will be monitored, adherence to a sound long-term investment policy, which balances short-term liquidity needs with the preservation of the real (inflations-adjusted) value of assets, is crucial to the long-term success of Religious Trust.

The investment goals for Religious Trust, ranked in order of priority, shall be:

1. The portfolio's primary goal is to grow the purchasing power of the Religious Trust assets over a long-term investment horizon. Achievement of this goal will be measured over three-year rolling periods, as well as a complete market cycle. The total return of the portfolio should exceed inflation as measured by CPI by 3.00%, net of all fees and expenses.

2. A secondary goal is to provide reserve liquidity to Religious Trust on an as needed basis.

Distribution Policy

The Religious Trust anticipates reinvesting all current income earned by the portfolio for the foreseeable future. Religious Trust representatives will communicate any expected changes in this policy so that the Advisor may position the portfolio accordingly.

Statement of Responsibility

The Religious Trust has fiduciary responsibility for the Funds and must ensure that appropriate policies governing the management of the Funds are in place and that these policies are being effectively implemented. To implement these responsibilities, Religious Trust sets and approves the Investment Policy Statement while continually monitoring investment results. At least annually, Religious Trust will review the Investment Policy Statement and will be responsible for overseeing the administrative and investment management of the Fund. This includes, but is not limited to, any proposed changes or adjustments to the following areas: selection of appropriate asset classes, target allocation ranges of holdings by asset class, individual managers, and the definition of acceptable securities, investment performance expectations, as well as monitoring compliance with the stated policy and with state and federal investment regulations. Religious Trust will communicate investment policy, guidelines, and performance expectations to its consultant and investment manager(s).

In addition, they will also review and evaluate investment performance regularly to assure the Fund's policy is being followed and progress is being made toward achieving the objectives.

Consultants ("Consultant") may be retained for rendering advice on the Fund's investment program, in addition to providing other advisory services. Such advice and services include the following: (1) the assistance in the development and/or modification of the Fund's investment policy, objectives, and guidelines; (2) asset allocation review, analysis and rebalancing; (3) the selection of and monitoring of performance of individual investment managers; and (4) the measuring and evaluating of performance of the total portfolio relative to the objectives and guidelines described herein.

Investment managers ("Manager") may be retained to make investment decisions (purchasing, holding or selling securities) for the sole interest and exclusive purpose of providing returns for the Fund. The assets of this Fund shall be invested in a manner consistent with customary fiduciary standards; namely, the safeguards and diversity to which a prudent investor would adhere. In addition, the investment managers are expected:

1. To acknowledge in writing their recognition and acceptance of full responsibility as a fiduciary;
2. To be covered by liability and fiduciary insurance; and
3. To have their employees bonded, unless otherwise exempted by law or governmental regulation.

The custodian ("Custodian") will physically (or through agreement with a sub-custodian) 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.

Fiduciary Duty

In seeking to attain the investment objectives set forth in the policy, its members shall exercise prudence and appropriate care in accordance with the Prudent Investor Rule. All investment actions and decisions must be based solely in the interest of the Fund. Fiduciaries must provide full and fair disclosure to Religious Trust of all material facts regarding any potential conflicts of interests.

Socially Responsible Investments

In addition to exercising a standard degree of prudence when making investment decisions, it shall be part of the investment policy of our Fund that no direct investments shall be made in securities of corporations whose operations are not consistent with Catholic moral teaching or whose behavior raises serious questions concerning social justice, weapons production, abortion, underprivileged / third world countries and protecting the environment.

Policies and Restrictions

The Religious Trust intends to use the investment policies and restrictions presented in this statement as a framework to help achieve the investment objectives at a level of risk deemed acceptable. These policies and restrictions are designed to minimize interfering with the manager's efforts to attain the overall objectives, and to minimize risk without excluding the manager(s) from appropriate investment opportunities. When appropriate, Religious Trust also gives to the manager(s) broad responsibility to shift the commitment of industry sectors and individual securities to pursue opportunities presented by changes in the capital markets.

The overall asset allocation strategy shall be to diversify investments to provide a balance that will enhance long-term total return while avoiding undue risk or concentration in any single asset class or investment strategy. The Fund has approved five distinct asset classes for inclusion in the portfolio. They are as follows: domestic equity (large, small and mid cap), domestic fixed income, international equity and cash.

In order to adequately diversify the Religious Trust portfolio, multiple asset managers may be utilized. The engagement of such managers will be the decision of Religious Trust, with the consultation of outside consultants.

The following standards will be used to allocate capital and evaluate manager(s) performance as measured at market value over a rolling three year periods.

Asset Mix Table

Asset Class	Minimum	Maximum	Target	Rep. Index
Large Cap Equities	30%	60%	35%	S&P 500
International Equities	0%	25%	20%	MSCI EAFE
Small-to-Mid Cap Equities	0%	20%	10%	Russell 2000
Fixed Income	20%	60%	35%	Barclays Agg.
Cash & Equivalents	0%	20%	0%	3 Month T-Bill

Religious Trust Expenses

The Religious Trust will review, at least annually, costs associated with the management of the Portfolio's investment program, including:

1. Expense ratios of each investment option against the appropriate peer group,
2. Custody fees: The holding of the assets, collection of the income and disbursement of payments, and
3. Investment Managers are required to pursue "best execution" in trading securities.

Rebalancing

The Religious Trust staff, with the assistance of the Investment Manager, will monitor the allocations for compliance with the stated ranges on an ongoing basis. This analysis will occur at least quarterly, and could occur more frequently during periods of abnormally high volatility. Rebalancing will occur when an asset class moves outside of its allowable range or via direct instruction from Religious Trust.

Voting of Proxies

Investment Manager(s) shall have the right to vote any and all proxies solicited in connection with securities held by Religious Trust.

Confidentiality

All information or advice furnished by either party to the other pursuant to this agreement shall be treated as confidential and shall not be disclosed to third parties unless as required by law.

Permissible Investments

Domestic Equity

1. Equity investments shall be made with a view towards achieving a total rate of return (appreciation plus dividend income). All equity investments shall be in companies whose respective market capitalizations are consistent with the manager's specific guideline benchmark.

2. The investment manager(s) may not invest in private placements (unless specifically allowed), direct real estate investments (unless specifically allowed), direct oil, gas and mineral exploration investments, and nominally public issues for which the market is severely restricted.

3. All securities shall be of a class listed on a national securities exchange (NYSE, AMEX) or traded in the over-the-counter market.

4. Industry and sector allocations should ensure prudent diversification and risk control.

5. Investment in any issuer must be limited to 5% of the market value of the equity portfolio.

6. The maximum investment in any one company shall be less than 5% of that company's outstanding voting stock and less than 5% in value of all outstanding shares of all classes of stock of the issuer (assuming all conversions had been made by the Fund).

7. The investment manager(s) are prohibited from investing in letter or restricted stock, options, futures and forward contracts and/or any other derivative instrument; or from engaging in short sales, margin transactions or other specialized investment activities.

8. The investment manager(s) shall not purchase securities whose issuers have filed a petition for bankruptcy. Securities of issuers that file for bankruptcy subsequent to purchase resulting in violation of this restriction may be held at the investment manager's discretion. However, written notice including the investment manager's position on the issue and intended action shall be promptly submitted to Religious Trust.

9. The investment manager(s) may invest in equity securities of foreign issuers (ADRs) subject to the above restrictions and to a maximum of 25% of the market value of the equity portfolio at the time of purchase. These holdings shall be limited to those denominated in U.S. dollars and listed and traded on major domestic exchanges.

Domestic Fixed Income

1. Direct issues of the United States Treasury.

2. Government Agencies or Instrumentalities including Mortgage Backed Securities and their derivative products, investment grade corporate and asset-backed bonds. Mortgage-backed and asset-backed securities not issued by an agency of the Federal Government must be A rated or better by a Nationally Recognized Statistical Rating Organization (NRSRO).

3. The average quality rating of the fixed income portfolio shall be A+ or better by an NRSRO.

4. Only corporate debt issues that hold a rating in one of the four highest classifications by two of the three NRSRO's (Moody's, S&P and Fitch) may be purchased. For bonds with split ratings, the middle rating will apply. The investment manager should avoid investing in securities that hold a

rating that is less than BBB by two of the three NRSRO's, except in the case of unanticipated downgrades. The investment manager should immediately alert Religious Trust and consultant when any bond held in the portfolio is downgraded below these limits and should outline the course of action anticipated for that security.

5. Other than securities of the U.S. Government or its agencies, the fixed income portfolio shall not exceed three percent (3%) of any one issuer.

6. At the discretion of the fixed income manager, up to 20% (combined) of the fixed income portfolio may be allocated to professionally managed fund(s) that invest in non-investment grade, international, and/or emerging markets debt instruments.

Non-U.S. Equity (International Developed Markets)

1. The market value of an individual country may not exceed fifty percent (50%) of the total value of the non-US equity portfolio.

2. No more than thirty percent (30%) of the portfolio's market value will be invested in any Industry as defined by Morgan Stanley Capital International, Inc. ("MSCI') Europe Australasia Far East ("EAFE").

3. The market value of an individual security may not exceed five percent (5%) of the total market value of the non-US equity portfolio.

4. No more than fifteen percent (15%) of the portfolio's market value will be invested in emerging markets.

5. Developed markets are defined as those included in the Morgan Stanley EAFE Index.

Commingled Funds

In recognition of the benefits of commingled funds as investment vehicles (e.g., the ability to diversify more extensively than in a small, direct investment account and the lower costs that can be associated with these funds) managers may, from time to time, elect to invest in such funds. Religious Trust recognizes that the practices of such funds will be in accordance with the funds' prospectus or investment guidelines. However, in general, the practices of such funds as identified in the funds' prospectus or investment guidelines shall be similar to this Policy. The consultant shall monitor the holdings of such funds to determine whether or not they are consistent with this Policy.

In making this determination, the consultant shall be entitled to rely upon the quarterly report it receives from the commingled funds without reviewing the actual holdings of such commingled funds. If the quarterly report does not provide sufficient detail for the consultant to be able to make such a determination, the consultant shall be responsible for obtaining such additional information from the investment manager.

Policy on Hiring, Monitoring and Terminating Investment Managers

The following procedures have been adopted by Religious Trust, with reference to selection and review of investment managers. Religious Trust, with assistance from the consultant, has selected, and will select, appropriate investment managers to manage Fund assets. The following minimum criteria must be met by the investment manager to be considered by Religious Trust:

1. Is a regulated bank, insurance company, investment management company, or a registered investment advisor as defined by the Investment Advisers Act of 1940, as amended.

2. Provide detailed information on the history of the firm, assets under management, background of key personnel, clients, fee schedule, ownership structure, client communication and servicing, and support personnel.

3. Provide historical performance data as compared to appropriate benchmarks.

4. Clearly articulate the investment process that will be followed and document that the strategy has been successfully adhered to over time.

The Religious Trust is aware that ongoing review and analysis of investment managers is as important as the due diligence utilized during the manager selection process. Ongoing, the consultant will provide the Religious Trust with a review of the investment manager's performance based on the following criteria:

- Over rolling three-year periods, the total return of each portfolio asset class should meet or exceed the underlying benchmark (net of fees).

- Additionally, on average over three year rolling periods, the total return of each asset class should, at a minimum, exceed the return of the median manager within a universe of similar style managers.

The following events also warrant immediate review of the manager:

1. Change of ownership or investment professionals.

2. Investment style changes.

3. Dramatic change in level of assets managed by the firm.

4. Any breach of fiduciary or ethical duties to Religious Trust.

Communications

The Religious Trust and consultant must receive information about changes in the following topics: manager's investment philosophy, management, ownership, and key personnel in a timely fashion. This notification should be immediate. Meetings will be held as requested by Religious Trust and consultant to discuss:

1. Manager's investment performance and risk levels in light of the stated policies and objectives.

2. Manager's views on important developments within the economy and securities markets, and their potential effect on the investment strategy, asset allocation, and portfolio performance.

3. The effects of changes within manager's organization on investment philosophy, strategy, and performance.

4. Proposed amendments to the policies and objectives presented in this Statement.

5. The Investment Manager is to provide timely notification to Religious Trust of a decrease in the total market portfolio value of 10% or more within ten days of the occurrence.

Management of Cash and Equivalents for all Managed Accounts

Manager may invest in commercial paper, bankers' acceptances, repurchase agreements, Treasury Bills, certificates of deposit, and money market funds to provide income, liquidity for expense payments and preservation of the portfolio's principal value. All such assets must represent maturities of one year or less at the time of purchase. Standard & Poor’s and Moody’s must rate commercial paper A-1 or P-1, respectively. Banker’s acceptances and certificates of deposits should be purchased from larger, well-capitalized domestic and foreign banks with a minimum of an A rating from one of the major rating agencies. Manager may not purchase short-term financial instruments considered to contain speculative characteristics (uncertainty of principal and/or interest). Manager also may not invest more than 5% of the portfolio’s market value in the obligations of a single issuer, with the exception of the U.S. Government and its agencies. Uninvested cash reserves should be kept to minimum levels. Within the limitations mentioned above, manager has complete discretion to allocate and select short-term cash and equivalent securities.

Acknowledgements

By acknowledging in writing the receipt of this Investment Policy Statement, the manager(s) agree to its terms and conditions. Should the investment manager(s) believe at any time that changes, additions, or deletions to this Statement are advisable; the manager(s) will be responsible for communicating these in writing for review by Religious Trust.

This statement shall be reviewed by Religious Trust on an annual basis. Any modifications to this policy shall be reviewed with the investment manager(s) prior to implementation.

The signatures below affirm that this statement has been read, understood and adopted this __ day of March, 2011.

The Religious Trust, Inc.

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Signature

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Print

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Title

Investment Advisor

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Signature

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Print

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Title