

Statement of Investment Policy
United Church Foundation, Inc.
(September 2004)

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I. Introduction*

This Statement of Investment Policy sets forth the United Church Foundation's program for investing its own assets and assets it holds as agent and/or trustee for other UCC related entities and individuals. It will be reviewed periodically by the Investment Committee and revised as necessary to ensure that the policies remain consistent with the objectives of the Foundation's program.

The Statement describes:

- A.** The basic purpose of the Foundation.
- B.** The responsibilities of the Investment Committee.
- C.** The structure of the investment program maintained by the Foundation.
- D.** The basic objectives and policies of the Foundation's Funds.
- E.** The guidelines which have been established for each of the Funds managed by the Foundation.
- F.** The process to be followed in reviewing and evaluating the United Church Foundation's investment program.
- G.** Responsibilities of the investment managers.
- H.** Policies on additional investment and related issues.

II. Purpose of the Foundation

The purpose of the United Church Foundation is to advance the religious, charitable, educational and other interests of the United Church of Christ and its affiliated instrumentalities. To that end, the Foundation accepts cash and other assets from qualified participants, invests these assets in one or more of the commingled Funds established by the Foundation and pays out income and/or principal as appropriate. A qualified participant is any tax exempt congregation, association, conference, instrumentality or other institution affiliated with the United Church of Christ, or any trust, gift annuity fund or pooled income fund established in whole or in part for the benefit of a UCC-related entity.

* Changes in the Funds included in the United Church Foundation's investment program, and in the objectives of each Fund, must be approved by the Board of Directors of the Foundation. Notice of any such change will be appropriately communicated to participants in the Funds. Changes in manager objectives, in guidelines and in operating procedures may be made by the Investment Committee.

III. Responsibilities of the Investment Committee

The Investment Committee is authorized by the Board of Directors of the United Church Foundation to supervise the investment program of the Foundation. In performing its responsibilities, the Investment Committee formulates investment objectives and policies, establishes investment guidelines, monitors investment performance, retains and dismisses investment managers, allocates funds among the managers and reports to the Board of Directors on its activities. The Committee fulfills these responsibilities with respect to all Funds maintained by the Foundation.

IV. The Foundation's Investment Program

The United Church Foundation maintains a set of common investment Funds, each with different return/risk characteristics. At the present time the set consists of the UCF Cash and Equivalent Fund, the UCF Fixed-Income Fund, the UCF Equity Fund, the UCF Domestic Core Equity Fund, the UCF Small Cap Equity Fund, the UCF International Equity Fund and the three UCF Balanced Funds, the UCF Conservative Balanced Fund, the UCF Moderate Balanced Fund and the UCF Aggressive Balanced Fund. By allocating assets between these Funds, participants may create an investment program to match their objectives and their levels of risk tolerance.

V. Investment Objectives and Policy[†]

A. The UCF Cash and Equivalent Fund

The UCF Cash and Equivalent Fund seeks to provide the participant with a level of current income consistent with the maintenance of a constant unit value. The Fund carries the least amount of market risk of any of the Foundation's Funds, and correspondingly can be expected to provide the lowest total rate of return of the nine Funds over a long period of time. The Fund invests primarily in high quality, U.S. dollar denominated money market instruments with remaining maturities of thirteen months or less.

[†] Specific long term rate of return expectations for each of the Foundation's Funds are outlined in Appendix A attached to this Statement of Investment Policy.

B. The UCF Fixed-Income Fund

The UCF Fixed-Income Fund seeks to provide the participant with a rate of total return consistent with a broadly diversified portfolio of long term, high quality fixed-income securities. The Fund carries a degree of market risk and an expected total rate of return over a long period of time which are higher than those associated with the UCF Cash and Equivalent Fund, but less than those associated with the UCF Equity Funds and the UCF Balanced Funds. The Fund invests primarily in intermediate and long-term U.S. dollar denominated government and investment grade corporate fixed-income obligations, and it may own short-term fixed-income instruments as well.

C. The UCF Equity Fund

The UCF Equity Fund seeks to provide the participant with a rate of total return consistent with a broadly diversified portfolio of common stocks. The Fund carries a greater degree of market risk than the UCF Cash and Equivalent Fund, the UCF Fixed-Income Fund, and the UCF Balanced Funds, and correspondingly can be expected to provide a higher total rate of return than these funds over a long period of time. The Fund invests primarily in a broadly diversified portfolio of domestic and international common stocks and other equity-type securities that include both small and large capitalization stocks. It may own short-term fixed-income securities as cash reserves.

D. The UCF Domestic Core Equity Fund

The UCF Domestic Core Equity Fund seeks to provide the participant with a rate of total return consistent with a broadly diversified portfolio of large capitalization U.S. common stocks. The Fund carries a degree of market risk and an expected total rate of return over a long period of time that is less than the other UCF equity funds but more than the UCF Fixed-Income or Balanced Funds. The Fund invests primarily in the common stocks and other equity like products of companies headquartered in the U.S., but may hold up to 10% of the portfolio in companies domiciled outside the U.S. The Fund may also own short-term fixed income securities as cash reserves.

E. The UCF Small Cap Equity Fund

The UCF Small Cap Equity Fund seeks to provide the participant with a rate of total return consistent with a diversified portfolio of U.S. small capitalization stocks. The Fund carries the greatest amount of market risk of any of the Foundation's domestic funds, and correspondingly can be expected to provide the highest total rate of return of the domestic equity and fixed-income funds over a long period of time. The Fund invests primarily in U.S. headquartered small capitalization common stocks and other equity-type securities with a weighted average market capitalization that is typically under \$1.5 billion. The Fund may hold up to 10% of the portfolio in companies domiciled outside the U.S. and may also own short-term fixed income securities as cash reserves.

F. The UCF International Equity Fund

The UCF International Equity Fund seeks to provide participants with a rate of total return consistent with a diversified portfolio of international stocks. Participants should recognize that by investing in foreign stocks they gain an opportunity to add the potential for long-term growth and to benefit from broader diversification, but at the same time, they should recognize that foreign stocks are subject to more risks than U. S. stocks. Risk can take the form of currency exchange risk, less liquidity, less stable governments and less developed economies. These risks can result in wider fluctuations in price for foreign stocks relative to comparable U.S. stocks. The Fund invests primarily in foreign common stocks and other equity-type securities issued by companies domiciled in developed countries in Europe, Asia and the Far East. The Fund may hold up to 10% of the portfolio in companies headquartered in the U.S. and may also own short-term fixed income securities as cash reserves.

G. The UCF Balanced Funds

The UCF Balanced Funds seek to provide the participant with a rate of total return as is consistent with a broadly diversified portfolio of long-term high quality bonds and common stocks with varying equity allocations to obtain the desired degree of risk/return tradeoff. The Funds carry a degree of market risk and an expected total rate of return over a long period of time that are higher than those associated with the UCF Fixed-Income Fund, but less than those associated with the UCF Equity Fund. Balanced Fund assets consist of units of the UCF Fixed-Income Fund and the UCF Equity Fund. The UCF Conservative Balanced Fund has the lowest allocation to equities and thus has the lowest return potential of the three Balanced Funds over a long period of time, as well as the lowest market risk. The UCF Aggressive Balanced Fund has the highest allocation to equities and thus the highest return potential as well as the highest market risk over a long period of time. The UCF Moderate Balanced Fund has an allocation to equities that a typical balanced fund would have. Over a long period of time, its market risk and return potential is expected to be higher than the Conservative Balanced Fund but lower than the Aggressive Balanced Fund.

VI. Investment Guidelines

The Investment Committee of the United Church Foundation has established the following guidelines to ensure that the investments in each of the Foundation's Funds meet the ethical, moral and social expectations of the church, and that appropriate diversification within each Fund is maintained. Investment managers retained by the Foundation are expected to adhere to these guidelines unless otherwise specified in a separate written agreement between the Foundation and the manager.

Any manager believing that a change in the guidelines would be beneficial to the participants in the Foundation's Funds should communicate this belief to the Investment Committee. The Committee will consider the manager's recommendations based on the facts and circumstances at the time. Approval of the Investment Committee must be obtained in writing before the investment manager is authorized to deviate from the guidelines.

The assets of the United Church Foundation's Funds may be invested as separately managed accounts or in commingled or institutional mutual funds, depending on investment, administrative and cost considerations. The Investment Committee recognizes that commingled and mutual funds are subject to the diversification and quality guidelines of the investment advisor managing the fund. When selecting such an investment vehicle, the Investment Committee will attempt to select funds with portfolio policies and guidelines which are consistent with the guidelines in this Statement of Investment Policy. If screened investments held in a commingled or mutual fund do not exceed 2% of the assets under management by any manager, the fund will be considered consistent with the guidelines in this Statement of Investment Policy. However, there may be circumstances under which a commingled or institutional mutual fund may not be entirely consistent with the guidelines in the Policy Statement and yet represent the best or only alternative means of participating in a particular asset class. These circumstances may include an asset class where costs, diversification requirements, limited access to available managers and the unavailability of separately managed accounts may necessitate the use of such a fund.

A. Ethical, Moral and Social Guidelines

When selecting investments for any of the United Church Foundation's Funds, the investment manager should favor securities of companies and organizations which in their policies and actions work to promote human health and dignity, environmental integrity and moral responsibility. In its selection process, the investment manager should avoid securities of companies which derive a significant portion (as defined below) of their revenues from the manufacture, sale or distribution of alcohol, tobacco, gambling or military products or services.

Product/Service	Approximate Percentage
Alcohol	10%
Gambling	10%
Tobacco	1%
Military products/services: Conventional Weapons	10%
Military products/services: Nuclear Weapons	5%

B. UCF Cash and Equivalents Fund Guidelines

1. Permissible investments include high quality, marketable U.S. dollar denominated securities of the types listed below with effective remaining maturities of 397 days or less. High quality, broadly diversified commingled or mutual money market funds made available by the Foundation's custodian bank are also permitted investments. Permission to use comparable funds or other cash equivalents vehicles may be requested from the Investment Committee. Written Investment Committee approval is required before the manager may use cash equivalents vehicles other than those listed below or those made available by the Foundation's custodian bank.
 - a. Commercial paper of domestic and foreign issuers.
 - b. Negotiable certificates of deposit, time deposits and bankers acceptances of domestic banks that are subject to regulatory supervision by the United States Government or by state governments, and of foreign banks with branches or agencies in the United States subject to the same supervision.
 - c. Bonds and notes issued by United States or foreign corporations provided they are not subject to foreign withholding tax.
 - d. Obligations issued or guaranteed by the United States Government or its agencies or instrumentalities.
 - e. Obligations issued by foreign sovereign governments or their agencies, instrumentalities, authorities, or political subdivisions.
 - f. Obligations of international banking institutions authorized by national governments to facilitate economic reconstruction, economic development, or trade between nations.

2. Up to 10% of the market value of the portfolio for which each manager is responsible may be invested in U.S. dollar denominated bonds of issuers located outside the United States.
3. All commercial paper must be rated by at least two of the Nationally Recognized Statistical Rating Organizations (NRSRO's), and must carry the highest rating issued by all NRSRO's that rate the issue. All bonds and notes issued by United States or foreign corporations must be rated "AA" or higher by at least two of the Nationally Recognized Statistical Rating Organizations (NRSRO's). In the event that a commercial paper issue held by a manager has its rating downgraded below the required rating, and/or in the event that the comparable debt of the issuer is downgraded, the manager must liquidate the position or report its inability to do so to the Chief Investment Officer.
4. No single issuer's securities should exceed 5% of each manager's portfolio at current market value. Securities issued or guaranteed by the U.S. Government or its agencies or instrumentalities are exempt from this guideline.
5. Each manager's portfolio should be appropriately diversified. This diversification should be demonstrated in the manager's quarterly report to the Investment Committee. The dollar weighted average maturity of the manager's portfolio together with the manager's stated maturity policy should also be included. Under no circumstances, however, should the average maturity of the manager's portfolio exceed 91 days.

C. UCF Fixed-Income Fund Guidelines

1. Permissible investments include U.S. dollar denominated marketable bonds, and notes mortgages and other asset-backed securities, preferred stock and cash equivalent securities. Forward, futures, and options contracts with prior written authorization may be used in certain situations. (See Prohibited Transactions.)
2. Up to 25% of the market value of the portfolio for which each manager is responsible may be invested in U.S. dollar denominated bonds of issuers located outside the United States.
3. At least 90% of each manager's portfolio, measured at current market value, should have an investment grade rating from at least two of the NRSRO's.

4. No single issuer's securities, other than those of the U.S. Treasury or Agencies, should exceed 5% of each manager's portfolio at current market value. There is no limit to the percentage of the manager's portfolio that may be invested in U.S. Treasury securities. No more than 25% of the total portfolio, measured at current market value, may be invested in U.S. Agency securities.
5. Each manager's portfolio should be appropriately diversified. This diversification should be demonstrated in the manager's quarterly reports to the Investment Committee. The duration of each manager's portfolio together with the manager's stated duration policy should also be included.
6. For the cash and equivalent portion of their portfolios, managers are expected to utilize a high quality broadly diversified commingled fund or other high quality investment vehicle made available by the Foundation's custodian bank. Permission to use comparable funds or other cash equivalent vehicles may be requested from the Investment Committee. The request must be accompanied by evidence indicating that the alternative funds or vehicles meet the same or higher standards of quality and diversification that would be achieved by using the custodian bank's vehicles. Written Investment Committee approval is required before a manager may use cash equivalent vehicles other than those made available by the Foundation's custodian bank.

D. UCF Equity Fund Guidelines

1. Permissible investments include common and preferred stock, convertible securities, warrants, and cash equivalent securities. Forward, futures, and options contracts with prior written authorization may be used in certain situations. (See Prohibited Transactions.)
2. Domestic managers should invest no more than 10% of the market value of the portfolios for which they are responsible in the equities of companies headquartered outside the U.S. Both direct investments and depository receipts are permissible in the non-U.S. segment of the portfolio.
3. Foreign managers should invest no more than 10% of the market value of the portfolios for which they are responsible in the equities of companies headquartered inside the U.S. Both direct investments and depository receipts are permissible in the U.S. segment of the portfolio.
4. Investments should be made in equity markets of countries which the manager deems to be politically stable.

5. Securities of foreign issuers held in each manager's portfolio should be traded in markets which in the manager's opinion provide the investor with sufficient liquidity, and which adhere to fair, safe and orderly trading and settlement practices and procedures.
6. With respect to at least 75% of the value of each manager's portfolio, the maximum position in a single issuer's securities should not exceed 5% of total assets at current market value. Each manager has discretion to take more concentrated positions in the remaining 25% of the portfolio, but should not allow any one position to exceed 8% of the portfolio.
7. No more than 20% of each manager's portfolio, at market value, should be invested in companies with a market capitalization of \$100 million or less.
8. No more than 25% of the market value of each manager's portfolio may be invested in companies in which the combined holdings of the manager's clients constitute 10% or more of the outstanding stock.
9. Each manager's portfolio should be appropriately diversified by sector, by industry and by individual company, and it should reflect the investment style of the manager. This diversification and adherence to relevant style characteristics should be demonstrated in the manager's quarterly reports to the Investment Committee.
10. Cash equivalent positions should not exceed 15% of each manager's portfolio, at market value.
11. For the cash and equivalent portion of their portfolios, managers are expected to utilize a high quality broadly diversified commingled fund or other high quality investment vehicle made available by the Foundation's custodian bank. Permission to use comparable funds or other cash equivalent vehicles may be requested from the Investment Committee. The request must be accompanied by evidence that the alternative funds or vehicles meet the same or higher standards of quality and diversification that would be achieved by using the custodian bank's vehicles. Written Investment Committee approval is required before a manager may use cash equivalent vehicles other than those made available by the Foundation's custodian bank.

E. UCF Domestic Core Equity Fund Guidelines

1. Permissible investments include common and preferred stock, convertible securities, warrants, and cash equivalent securities. Forward, futures, and options contracts with prior written authorization may be used in certain situations. (See Prohibited Transactions.)
2. Managers should invest no more than 10% of the market value of the portfolios for which they are responsible in the equities of companies headquartered outside the U.S. Both direct investments and depository receipts are permissible in the non-U.S. segment of the portfolio.
3. Securities of foreign issuers should be made in equity markets of countries which the manager deems to be politically stable and which in the manager's opinion provide the investor with sufficient liquidity, and adhere to fair, safe and orderly trading and settlement practices and procedures.
4. With respect to at least 75% of the value of each manager's portfolio, the maximum position in a single issuer's securities should not exceed 5% of total assets at current market value. Each manager has discretion to take more concentrated positions in the remaining 25% of the portfolio, but should not allow any one position to exceed 8% of the portfolio.
5. Each manager's portfolio should be appropriately diversified by sector, by industry and by individual company, and it should reflect the investment style of the manager. This diversification and adherence to relevant style characteristics should be demonstrated in the manager's quarterly reports to the Investment Committee.
6. Cash equivalent positions should not exceed 15% of each manager's portfolio, at market value.
7. For the cash and equivalent portion of their portfolios, managers are expected to utilize a high quality broadly diversified commingled fund or other high quality investment vehicle made available by the Foundation's custodian bank. Permission to use comparable funds or other cash equivalent vehicles may be requested from the Investment Committee. The request must be accompanied by evidence that the alternative funds or vehicles meet the same or higher standards of quality and diversification that would be achieved by using the custodian bank's vehicles. Written Investment Committee approval is required before a manager may use cash equivalent vehicles other than those made available by the Foundation's custodian bank.

F. UCF Small Cap Equity Fund Guidelines

1. Permissible investments include common and preferred stock, convertible securities, warrants, and cash equivalent securities. Forward, futures, and options contracts with prior written authorization may be used in certain situations. (See Prohibited Transactions.)
2. Managers should invest no more than 10% of the market value of the portfolios for which they are responsible in the equities of companies headquartered outside the U.S. Both direct investments and depository receipts are permissible in the non-U.S. segment of the portfolio.
3. Securities of foreign issuers should be made in equity markets of countries which the manager deems to be politically stable and which in the manager's opinion provide the investor with sufficient liquidity, and adhere to fair, safe and orderly trading and settlement practices and procedures.
4. With respect to at least 75% of the value of each manager's portfolio, the maximum position in a single issuer's securities should not exceed 5% of total assets at current market value. Each manager has discretion to take more concentrated positions in the remaining 25% of the portfolio, but should not allow any one position to exceed 8% of the portfolio.
5. No more than 20% of each manager's portfolio, at market value, should be invested in companies with a market capitalization of \$100 million or less.
6. Each manager's portfolio should be appropriately diversified by sector, by industry and by individual company, and it should reflect the investment style of the manager. This diversification and adherence to relevant style characteristics should be demonstrated in the manager's quarterly reports to the Investment Committee.
7. Cash equivalent positions should not exceed 15% of each manager's portfolio, at market value.
8. For the cash and equivalent portion of their portfolios, managers are expected to utilize a high quality broadly diversified commingled fund or other high quality investment vehicle made available by the Foundation's custodian bank. Permission to use comparable funds or other cash equivalent vehicles may be requested from the Investment Committee. The request must be accompanied by evidence that the alternative funds or vehicles meet the same or higher standards of quality and diversification that would be achieved by using the custodian bank's vehicles. Written Investment Committee approval is required before a manager may use cash equivalent vehicles other than those made available by the Foundation's custodian bank.

G. UCF International Equity Fund Guidelines

1. Permissible investments include common and preferred stock, convertible securities, warrants, and cash equivalent securities. Forward, futures, and options contracts with prior written authorization may be used in certain situations. (See Prohibited Transactions.)
2. Managers should invest no more than 10% of the market value of the portfolios for which they are responsible in the equities of companies headquartered inside the U.S. Both direct investments and depository receipts are permissible in the U.S. segment of the portfolio.
3. Securities of foreign issuers should be made in equity markets of countries which the manager deems to be politically stable and which in the manager's opinion provide the investor with sufficient liquidity, and adhere to fair, safe and orderly trading and settlement practices and procedures.
4. With respect to at least 75% of the value of each manager's portfolio, the maximum position in a single issuer's securities should not exceed 5% of total assets at current market value. Each manager has discretion to take more concentrated positions in the remaining 25% of the portfolio, but should not allow any one position to exceed 8% of the portfolio.
5. No more than 20% of each manager's portfolio, at market value, should be invested in companies with a market capitalization of \$100 million or less.
6. Each manager's portfolio should be appropriately diversified by sector, by industry and by individual company, and it should reflect the investment style of the manager. This diversification and adherence to relevant style characteristics should be demonstrated in the manager's quarterly reports to the Investment Committee.
7. Cash equivalent positions should not exceed 15% of each manager's portfolio, at market value.
8. For the cash and equivalent portion of their portfolios, managers are expected to utilize a high quality broadly diversified commingled fund or other high quality investment vehicle made available by the Foundation's custodian bank. Permission to use comparable funds or other cash equivalent vehicles may be requested from the Investment Committee. The request must be accompanied by evidence that the alternative funds or vehicles meet the same or higher standards of quality and diversification that would be achieved by using the custodian bank's vehicles. Written Investment Committee approval is required before a manager may use cash equivalent vehicles other than those made available by the Foundation's custodian bank.

9. Cash equivalent positions should not exceed 15% of each manager's portfolio, at market value.

10. For the cash and equivalent portion of their portfolios, managers are expected to utilize a high quality broadly diversified commingled fund or other high quality investment vehicle made available by the Foundation's custodian bank. Permission to use comparable funds or other cash equivalent vehicles may be requested from the Investment Committee. The request must be accompanied by evidence that the alternative funds or vehicles meet the same or higher standards of quality and diversification that would be achieved by using the custodian bank's vehicles. Written Investment Committee approval is required before a manager may use cash equivalent vehicles other than those made available by the Foundation's custodian bank.

F. UCF Balanced Funds Guidelines

Because the assets of the UCF Balanced Funds consist of units of the UCF Fixed-Income Fund and the UCF Equity Fund, broad diversification within each asset class is assured by the guidelines pertaining to those two Funds. To maintain the desired diversification between asset classes and risk parameters, the Investment Committee has determined that equity exposure in the Conservative Balanced Fund will remain between 30% and 40% of the total Fund, that equity exposure in the Moderate Balanced Fund will remain between 55% and 65% and that equity exposure in the Aggressive Balanced fund will remain between 70% and 80%. Within these limits, the asset allocation manager is responsible for allocating investments between fixed-income and equity in accordance with its judgment of the potential reward and risk associated with each asset class. Any recommendation to deviate from these limits for equities must be approved by the Investment Committee prior to its implementation.

G. Prohibited Transactions

1. Purchasing or selling commodities, commodity contracts, or illiquid interests in real estate or mortgages.
2. Pledging, mortgaging, or hypothecating any securities except for loans of securities that are fully collateralized.
3. Borrowing money in order to create financial leverage.
4. Purchasing securities on margin or making short sales.
5. Purchasing securities of the investment manager, its parent, or its affiliates.

6. Purchasing private placements without prior written Investment Committee approval. Requests for Committee approval must be made in writing and must include an explanation of the strategies to be employed and the guidelines to be followed.

Purchasing or selling futures, options or forward contracts for speculative purposes or for the purpose of increasing portfolio leverage. The use of various futures and options strategies may be appropriate under certain circumstances. However, written Investment Committee approval is required before a manager may engage in such strategies. Requests for Committee approval must be made in writing and must include an explanation of the strategies to be employed and the guidelines to be followed.

VII. Review and Evaluation Process

The Investment Committee believes that participants in the United Church Foundation's investment program are best served by the adoption of a long-term view of the investment process. The Investment Committee also recognizes that careful monitoring of results and timely decision-making when needed are critical to the program's success. Within this context, The Investment Committee has established the following formal program reviews as part of the ongoing monitoring process.

- A.** During the course of each year, the Investment Committee will review the overall investment program. This review will include an evaluation of:
 1. The structure of the investment program in relation to the needs and desires of participants.
 2. The objectives of each Fund.
 3. The investment structure of each Fund, including the allocation of assets between asset classes, market segments and investment managers.
 4. The performance of each Fund in relation to its objectives.
- B.** At least once each year, the Investment Committee will review the performance of its investment managers. The yearly management review will include an evaluation of:
 1. The manager's investment performance in relation to appropriate indexes and universes. The indexes and universes to be used when evaluating each manager's performance are listed in Appendix B attached to this Statement of Investment Policy.

2. The manager's adherence to its stated investment approach.
 3. The manager's observance of the investment guidelines.
 4. Developments within the investment manager's organization of importance to the United Church Foundation.
- C. At least once every two years the Investment Committee will review the Statement of Investment Policy in its entirety.

VIII. Responsibilities of the Investment Managers

The responsibilities of the investment managers retained by the Investment Committee include:

- A. Managing the assets for which they are responsible in accordance with the objectives and in compliance with the guidelines outlined in this Statement of Investment Policy.
- B. Exercising investment discretion within the context of the objectives and guidelines outlined in this Statement of Investment Policy.
- C. Informing the Investment Committee of all organizational developments which could materially affect the management of the firm or the manager's investment process or performance.
- D. Initiating written communication with the Investment Committee if the manager believes any part of this Statement of Investment Policy should be altered or temporarily suspended.
- E. Furnishing the Investment Committee with the reports listed in Appendix C attached to this Statement of Investment Policy, and with other pertinent reports as requested by the Investment Committee.

Appendices

Appendix A—Rate of Return Expectations by Fund

Over the long-term, the real rate of total return earned on each of the Foundation's Funds is expected to equal or exceed the levels listed in the table below, although no such return can be assured. These expectations assume an economic and financial market climate in the future which is roughly similar to that which has existed in the U.S. throughout most of the twentieth century. Over shorter periods of time, real rates of return may vary considerably from long-term averages because of financial market conditions, changes in the rate of inflation and performance by specific investment managers. The real rate of return is defined as the actual rate of return minus the rate of consumer price inflation.

Fund Expectations

Fund	Expected Long-Term Real Total Return Per Annum
UCF Cash and Equivalent Fund	0.5%
UCF Fixed-Income Fund	2.0%
UCF Equity Fund	6.0%
UCF Domestic Core Equity Fund	5.5%
UCF Small Cap Equity Fund	8.0%
UCF International Equity Fund	6.5%
UCF Conservative Balanced Fund	3.5%
UCF Moderate Balanced Fund	4.5%
UCF Aggressive Balanced Fund	5.0%

Appendix B—Long-Term Diversification Guidelines

The Investment Committee has established the following diversification guidelines in an effort to achieve an appropriate combination of asset classes within Equity and Balanced Funds. Asset classes were identified based on their appropriateness for the United Church Foundation's investment program, their long-term return and volatility characteristics and the diversification benefits offered within a multiple manager and a multiple asset class structure. The Foundation may retain more than one manager within each asset class based on the size of the portfolio and the nature of a particular market segment.

These guidelines are viewed as long term in nature, although they will be reviewed periodically by the Investment Committee to ensure that they continue to serve the best interest of program participants. The actual distribution of assets within Equity and Balanced Funds will be allowed to fluctuate within the policy guidelines, and it may be adjusted as deemed appropriate by the Committee.

1. Equity Fund Structure

Investment Style		Allocation of Equity Fund Assets	
		Minimum	Maximum
<i>Core</i>	Broadly diversified portfolio; broad characteristics similar to the market.	50%	75%
<i>Small Cap</i>	Smaller cap oriented equities with emphasis on growth or value characteristics	15%	25%
<i>International</i>	Equities of non-U.S. companies headquartered in Europe, the Far East and emerging markets countries.	10%	25%

2. Domestic Core Equity Fund Structure

Investment Style		Allocation of Equity Fund Assets	
		Minimum	Maximum
<i>Core</i>	Broadly diversified portfolio; broad characteristics similar to the market.	100%	100%

3. Small Cap Equity Fund Structure

Investment Style		Allocation of Equity Fund Assets	
		Minimum	Maximum
<i>Small Cap Value</i>	Smaller cap oriented equities with emphasis on value characteristics.	45%	55%
<i>Small Cap Growth</i>	Smaller cap oriented equities with emphasis on growth characteristics	45%	55%

4. International Equity Fund Structure

Investment Style		Allocation of Equity Fund Assets	
		Minimum	Maximum
<i>International</i>	Equities of non-U.S. companies headquartered in Europe, Australasia and Far East countries	100%	100%

2. Fixed-Income Fund Structure

Investment Style		Allocation of Fixed-Income Fund Assets	
		Minimum	Maximum
<i>Core</i>	Long-term total return approach incorporating interest rate anticipation, sector concentration, coupon level and credit rating strategies.	100%	100%

3. UCF Conservative Balanced Fund Structure

Asset Class	Allocation of Balanced Fund Assets	
	Minimum	Maximum
<i>Equity</i>	30%	40%
<i>Fixed-Income</i>	60%	70%

3. UCF Moderate Balanced Fund Structure

Asset Class	Allocation of Balanced Fund Assets	
	Minimum	Maximum
<i>Equity</i>	55%	65%
<i>Fixed-Income</i>	35%	45%

3. UCF Aggressive Balanced Fund Structure

Asset Class	Allocation of Balanced Fund Assets	
	Minimum	Maximum
<i>Equity</i>	70%	80%
<i>Fixed-Income</i>	20%	30%

Appendix C—Performance Objectives by Investment Manager

Over appropriate market cycles, typically three to five years, the nominal rate of return earned by each investment manager is expected to exceed the nominal rate of return of an index composed of the types of securities that typically comprise the manager's universe, and the rate of return earned by the manager is expected to be sufficient to place the account for which that manager is responsible in the top 50% of similar accounts managed by a relevant peer group of managers as defined by the Independent Consultant Cooperative Universe (ICC) maintained by State Street. Returns relative to market indices are calculated net of fees, while returns relative to peer groups are calculated before fees. Relevant indexes and manager peer groups are listed in the table below.

Investment Manager Objectives

Fund/Manager(s)	Peer Group (ICC Universe)	Index
UCF Cash and Equivalent Fund Pension Boards - UCC	iMoneyNet/All Taxable - First Tier Institutional	Salomon Brothers 91-Day Treasury Bill
UCF Fixed-Income Fund Pension Boards - UCC	ICC Fixed-income	Lehman Brothers Government/Corporate
UCF Equity Fund Quantitative Management Associates Friess Associates EARNEST Partners Walter Scott & Partners, Ltd LSV Asset Management	ICC Large Neutral ICC Small Growth ICC Small Value WM WM	S & P 500 S & P 500 Russell 2000 Growth Russell 2000 Value MSCI-EAFE
UCF Domestic Core Equity Quantitative Management Associates	ICC Large Neutral	S & P 500
UCF Small Cap Equity Friess Associates EARNEST Partners	ICC Small Growth ICC Small Value	Russell 2000 Growth Russell 2000 Value
UCF International Equity Walter Scott & Partners, Ltd LSV Asset Management	WM WM	MSCI EAFE
UCF Conservative Balanced Fund Quantitative Management Associates Friess Associates EARNEST Partners UCF Fixed-Income Fund LSV Asset Management Walter Scott & Partners	ICC Balanced Funds	35% S & P 500 65%LBGC

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UCF Moderate Balanced Fund Quantitative Management Associates Friess Associates EARNEST Partners UCF Fixed-Income Fund LSV Asset Management Walter Scott & Partners	ICC Balanced Funds	60% S & P 500 40% LBGC
UCF Aggressive Balanced Fund Quantitative Management Associates Friess Associates EARNEST Partners UCF Fixed-Income Fund Walter Scott & Partners	ICC Balanced Funds	75% S & P 500 25% LBGC

Appendix D—Reports from Investment Managers

The following reports with mutually satisfactory formats are expected from each of the investment managers retained by the United Church Foundation.

1. A statement at the end of each calendar year reaffirming the fact that no client of the firm is on a fee schedule which is lower than the fee schedule pertaining to the United Church Foundation.
2. A report on all trades on a daily basis.
3. A report covering all account transactions on a monthly basis.
4. A report showing all account holdings on a monthly basis.
5. A report detailing all appropriate portfolio analytics on a calendar quarterly basis.
6. A report on investment performance on a calendar quarterly basis in accordance with current standards established by the Association for Investment Management and Research.
7. A report showing the allocation of brokerage commissions and commission rates paid on a calendar quarterly basis. This report should indicate any “soft dollar” payments and any payments to affiliated organizations.

Appendix E—Policies on Execution and Soft Dollar Transactions

Execution

Investment managers should seek “best execution” on all investment transactions. For security sales, best execution is defined as maximum net proceeds considering price, commissions or other similar expenses and all other transactions costs. For security purchases, best execution is defined as minimum net cost considering price, commissions or other similar expenses and all other transactions costs.

Soft Dollar Transactions

Soft dollar transactions are permitted under the following guidelines in situations in which the United Church Foundation determines that the service being acquired serves the best interest of participants in the Funds.

1. The trading policy requiring best execution may not be violated.
2. The investment manager will select the broker to be used and will negotiate the hard dollar/soft dollar ratio to be applied to transactions. This ratio will be included in the brokerage allocation report referred to in Appendix C of this Statement of Investment Policy.
3. The investment manager’s normal commission policies will be followed.

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Appendix F—Policies and Guidelines on Securities Lending

The securities held in the UCF Short-Term Bond Fund, the UCF Fixed-Income Fund and the UCF Equity Fund may be lent to approved borrowers in order to increase the total return earned by the Funds. Prior to any lending activity, there must be a properly executed securities lending agreement between the Foundation and the lending agent which includes, but is not limited to, provisions for appropriate collateral and indemnification against borrower defaults.

Non-cash collateral equal to at least 100% of the market value of the loan must consist of U.S. dollar denominated securities issued by the U.S. Government or its agencies or instrumentalities. Collateral in excess of 100% of the loan may be in the form of U.S. dollar denominated letters of credit issued by banks on the lending agent's approved list if the issuing bank's short term debt is rated at least A1.

Guidelines concerning the investment of cash collateral are listed below. All investments made with cash collateral are to be denominated in, or fully hedged into, U. S. dollars. All investments made with cash collateral are to have a remaining life when purchased of no more than 397 days.

Approved Investments With Cash Collateral	Limit (if any)	Rating (if applicable)
1. Obligations of the U. S. Government, its agencies and instrumentalities	No Limit	na
2. Obligations of foreign sovereign governments and their agencies and instrumentalities, if specifically guaranteed by the sovereign government.	10 MM per country	AA
3. High-grade commercial paper, master notes and promissory notes, whether or not registered under the Securities Act of 1933, as amended. These obligations may have fixed or variable rate payment provisions.	10 MM per issuer	A1, P1
4. Marketable high-grade notes and bonds. These obligations may have fixed or variable rate payment provisions.	10 MM per issuer	A or higher
5. Asset-backed securities	10 MM per issuer	AAA
6. Certificates of deposit and time deposits of U.S. banks (including those of The Bank of New York) or branches or subsidiaries of foreign banks	10 MM per issuer	A1, P1

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7. Bankers' acceptances issued by U.S. banks (including those of The Bank of New York) or issued in the U.S. by branches or subsidiaries of foreign banks	10 MM per issuer	A1, P1*
8. Repurchase and reverse repurchase agreements (which may be with The Bank of New York) with respect to the obligations listed above with counterparties to be Primary Dealers only	na	na
9. Securities, units, shares or other participations in money market funds, short-term investment funds, pools or trusts (including those managed by the Bank of New York) which invest exclusively in approved investments.	50 MM per issuer	na

* If the banker's acceptance is not rated, the bank's commercial paper rating must be A1, P1.

Appendix G—Policies and Guidelines for Voting Proxies

1. Social Issues

The Corporate Social Responsibility Committee establishes policy guidelines for voting proxies on issues of social concern. The purpose of these guidelines is to encourage and support corporate policies and actions which promote human health and dignity, environmental integrity and moral responsibility.

Proxies on issues of social concern received from companies held in the portfolio of domestic managers are voted by the Pension Boards in accordance with the policy guidelines. Foreign managers are responsible for voting proxies of companies held in their portfolios using the Corporate Social Responsibility Committee's policies as guidelines, and they are responsible for reporting all votes to the Pension Boards. A record of all votes on issues of social concern is furnished to the Corporate Social Responsibility Committee twice each year.

2. Corporate Governance Issues

The Investment Committee establishes policy guidelines for voting proxies on corporate governance issues. A copy of these guidelines is included as pages 21 through 31. The purpose of these guidelines is to encourage and support corporate policies and actions which maintain or increase shareholder value. A copy of the policy guidelines on corporate governance issues is furnished to each equity manager.

Proxies on corporate governance issues received from companies held in the portfolios of domestic managers are voted by The Pension Boards in accordance with the guidelines unless the manager owning the security in its portfolio advises the Pension Boards of reasons to vote the proxy in some other way. When so advised, The Pension Boards will generally vote in accordance with the manager's recommendation. Foreign managers are responsible for voting proxies of companies held in their portfolios using the Investment Committee's policies as guidelines, and they are responsible for reporting all votes to The Pension Boards. A record of all votes on corporate governance issues is furnished to the Investment Committee once each year.

I. BOARD INDEPENDENCE & LEADERSHIP

A. BOARD SHAREOWNER ACCOUNTABILITY

1. Majority of Independent Directors

- a. We **support** boards where at least two-thirds of the director nominees can be identified as completely independent; if this threshold does not exist, we **oppose** individual non-independent directors.
- b. We **support** proposals seeking to increase the independence of the board.

2. Board Nominees Qualifications

- a. We **support** boards that are composed of qualified individuals who reflect a diversity of experience, gender, race, and age.
- b. We **support** proposals seeking to report on a corporation's efforts to increase board inclusiveness.

3. Separate Chair and CEO Positions

- a. We **support** proposals seeking to separate the positions of chairperson and CEO.
- b. We **support** proposals that call for an independent director to function as board chairperson.

4. Lead Director

In the case where the chairperson of the corporation is also the CEO, we **support** proposals that seek to install a totally independent lead director of the board.

5. Classified Boards

- a. We **oppose** the establishment of classified boards and support annual elections of all directors.
- b. We **support** proposals seeking the declassification of the board.

6. Complete Independence of Key Committees (Audit, Nominating and Compensation Committees)

- a. We **oppose** individual non-independent directors nominated to these three key committees.
- b. We **support** proposals seeking to increase the independence of these key committees.

7. Compensation Consultants

- a. We **support** proposals requiring fuller disclosure of all fees earned by the compensation consultant for all work with the company as well as the consultation regarding executive pay.
- b. We **support** proposals seeking the adoption of a policy that the corporation's independent compensation consultant should not receive fees in excess of 50% of fees earned for consultation regarding executive pay in order to retain independence.
- c. We **support** proposals requiring the compensation consultant to be hired independently by the compensation committee, not by management.

8. Director and Officer Indemnification and Liability Protection

- a. We **oppose** proposals that seek to limit or eliminate directors' and officers' liability for monetary damages for violating the duty of care.
- b. We **oppose** proposals that seek to expand indemnification coverage for intentional acts or criminal acts that are more violations of fiduciary obligation than mere negligence.

9. Size of Board of Directors

- a. We will **support** proposals to fix the size of the board at a specific, reasonably determined number of directors.
- b. We **oppose** proposals that seek to increase or decrease the size of the board without shareholder approval. We **oppose** proposals that seek to reduce the size of the board as a cost-cutting measure.

10. Mandatory Attendance of Directors

Absent compelling and stated reasons, we **oppose** individual director nominees who attended less than 75% of the board and committee meetings that they were scheduled to attend during the previous year.

11. Tenure and Retirement Policies

- a. We will consider proposals seeking to adopt director tenure policies on a case-by-case basis.
- b. We will consider proposals seeking to adopt director retirement policies on a case-by-case basis.

12. Limitations on Multiple Directorships

We **oppose** individual director nominees who face competing time commitments by serving on too many boards. This includes individuals with full-time jobs serving on more than 2 other boards, or other individuals serving on more than 4 boards.

13. Options Backdating

We **oppose** all directors who served as members of the compensation committee where a company has practiced illegal options backdating, and will consider voting against where the option backdating was not illegal and depending on the severity of the practices and the subsequent corrective action on the part of the board.

B. POLICIES FOR AUDITING FIRMS

1. Ratification of Auditing Firm

In most cases, we **support** proposals to ratify auditors. However, we **oppose** ratification if there is reason to believe that the independent auditor has rendered an opinion that is neither accurate nor indicative of the company's financial position.

2. No Consulting by Auditors

- a. We **support** proposals seeking the adoption of a policy that the corporation's independent auditors only provide audit-related services and not provide any other services.

- b. We **support** ratification of a corporation's selection of an auditing firm if that firm does not perform significant (50% of the auditing firm's annual fees) consulting services to the corporation.

C. BOARD COMPENSATION

1. Cash & Stock

We **support** reasonable director compensation packages that are a combination of cash and stock.

2. Mandatory Stock Ownership

- a. We **support** proposals that seek to require that board members own a meaningful position in company common stock, appropriate to their personal circumstances.
- b. We **oppose** proposals to establish minimum stock ownership requirements for directors.

3. Conflicts of Interest

We **support** proposals that seek to ensure that conflicts of interest do not occur with respect to a board member's personal, financial or professional interests, and that board members not serve as a consultant or paid advisor to the corporation. We **support** proposals seeking disclosure of directors' conflicts of interests.

4. Pension for Directors

We **support** proposals that seek to eliminate retirement benefits for non-employee directors.

II. SHAREOWNER RIGHTS

A. VOTING RIGHTS

1. Confidential Voting

We **support** proposals that seek to institute confidential shareholder voting procedures.

2. Independent Tabulation

We **support** proposals that seek to institute independent tabulation shareholder voting procedures.

3. Cumulative Voting

We **support** proposals seeking to institute cumulative voting procedures at a corporation.

4. Supermajority Voting Provisions

We **oppose** proposals that require a supermajority shareholder vote to approve mergers and other significant business combinations and **support** proposals that seek to lower or eliminate these provisions.

5. Majority Voting for the Election of Directors

We **support** proposals requesting that when permissible under state law, companies' charters and by-laws should provide that directors are to be elected by a majority of the votes cast. If state law requires plurality voting (or prohibits majority voting) for directors, boards should adopt policies asking that directors tender their resignations if the number of votes withheld from the candidate exceeds the votes for the candidate, and providing that such directors will not be re-nominated after expiration of their current term in the event they fail to tender such resignation.

6. Supermajority Lock-In Provisions

We **oppose** proposals seeking to adopt supermajority lock-in provision to change certain bylaw or charter provisions.

B. STOCK RELATED PROPOSALS

1. Common Stock Issuance

We will consider proposals seeking to increase the number of authorized shares of common stock on a case-by-case basis.

2. Dual Class Capitalization

We **oppose** the issuance of multiple classes of stock with unequal voting rights.

3. Blank Check Preferred Stock

We **oppose** the authorization or increase of blank check preferred stock.

4. Share Repurchase Plan

- a. We **support** proposals seeking the approval of a share repurchase plan in which all shareowners participate on equal terms.
- b. We **oppose** proposals seeking the approval of a share repurchase plan if the repurchase program is initiated as a takeover defense measure.

5. Preemptive Rights

We **support** the creation or restoration of preemptive rights and **oppose** proposals seeking their elimination.

C. OTHER SHAREOWNER RIGHTS

1. In-Person Annual Meetings

We **support** proposals seeking to affirm the continuation of in-person annual meetings.

2. Right to Call a Special Meeting

We **support** shareowners' rights to call a special meeting and **oppose** proposals seeking the elimination of this right.

3. Right to Act by Written Consent

We **support** shareowners' right to act by written consent and **oppose** proposals seeking the elimination of this right.

4. Rotating Sites

We **support** proposals seeking to alternate the location of a corporation's annual meeting.

III. EXECUTIVE COMPENSATION & STOCK OPTION PLANS

A. EXECUTIVE COMPENSATION

1. Disclosure of Director and Executive Officer Compensation Levels

We **support** proposals requesting additional disclosure of the company's compensation philosophy, and executive officer and director pay information.

2. Shareholder Approval of Director/Executive Compensation

- a. We **support** proposals seeking to bring executive compensation packages to shareholders for ratification.
- b. We **support** proposals seeking shareholder approval of supplemental executive retirement plans.
- c. We **support** proposals seeking shareholder approval of any extraordinary pension benefits for senior executives under the company's supplemental executive retirement plans.

3. Performance-Based Incentive Plans

- a. We **support** proposals seeking to link executive pay with corporate performance, when performance is measured against indicators such as comparable peer groups and objective industry benchmarks.
- b. We **support** proposals that request the board adopt a policy that executive compensation be determined in the future without regard to any amount of "periodic pension income" from a defined-benefit plan that accounting rules may require the company to treat as an addition to its income.

4. Performance Vesting

We **support** proposals that ask directors to adopt a policy that a majority of future equity compensation grants to senior executives be shares of stock that require the achievement of performance goals as a prerequisite to vesting ("performance-vesting shares").

5. Link Executive Pay to Social Performance

We **support** proposals seeking to review, report on, or link executive compensation to non-financial criteria, including social and environmental goals.

6. Golden Parachutes: Limitations & Shareholder Approval

- a. We **support** golden parachute severance agreements that are not in excess of one year's cash base salary.
- b. We **support** proposals asking the board to seek shareholder approval for future executive severance agreements that provide benefits that exceed a specified threshold of 2.99 times the sum of the executive's base salary plus bonus for the most recent year.

7. Limit Director/Executive Pay

We will consider proposals of this nature on a case-by-case basis.

8. Executive Bonus Plans

We will consider proposals and amendments to cash bonus plans on a case-by-case basis. We will generally vote against proposals to approve or amend cash bonus plans if the size of the bonus pool is not disclosed.

9. Recoup Compensation of Payments under Restatement

We will **support** proposals that ask the board to adopt a policy (in the bylaws if practicable) whereby, in the event of a 4% or more negative restatement of earnings the board will recoup, to the fullest extent practicable, for the benefit of the Company, all performance-based bonuses, awards and or severance agreements that were made to senior executives based on having met or exceeded specific performance targets to the extent that the specified performance targets were not met after considering the impact of negative restatements.

B. STOCK OPTION PLANS

1. Shareholder Approval of Stock Option Plans

- a. We **support** proposals seeking greater disclosure of stock option plans.
- b. Generally we **support** proposals seeking the ratification of stock option plans by shareholders.

2. Plans That Exceed a Dilution Level Threshold

We **oppose** proposals seeking to adopt or amend stock option plans if the company's equity overhang, including from this proposal, exceeds the 75th percentile of its peer group.

3. Plans That Allow Discount Exercise Pricing

We **oppose** proposals seeking to adopt or amend stock option plans that provide for the practice of discounting exercise pricing.

4. Plans That Allow Replacing or Re-pricing Underwater Options

- a. We **oppose** proposals seeking to adopt or amend stock option plans that provide for replacing or re-pricing of underwater options.
- b. We will **support** proposals that require shareholder ratification in order to replace or re-price underwater stock options.

5. Plans That Allow Pyramiding

We **oppose** proposals seeking to adopt or amend stock option plans that provide for the practice of pyramiding.

6. Plans That Allow Reload Options

We **oppose** proposals seeking to adopt or amend stock option plans that provide for the practice of reloading.

7. Plans That Allow Accelerated Vesting

We **oppose** proposals seeking to adopt or amend stock option plans that allow the practice of accelerated vesting.

8. Stock Option Holding Periods

- a. We **support** proposals that request the Compensation Committee of the Board of Directors adopt a policy that requires senior executives to retain a significant percentage (at least 75%) of shares acquired through equity compensation programs during their employment.
- b. We **support** proposals seeking a report to shareholders regarding the policy.

9. Plans That Include an Evergreen Feature

We **oppose** proposals seeking to adopt or amend stock option plans that include an evergreen provision.

10. Company Provides Loans to Allow Exercise of Options

We **oppose** proposals seeking to adopt or amend stock option plans if a corporation provides loans to employees or directors to enable the exercise of options.

11. Stock option Plans Developed/ Administered by a Compensation Committee that Includes Non-Independent Directors

We will **oppose** stock option plans if non-independent directors serve on the Compensation Committee of the Board of Directors.

12. Expense Future Stock Options

- a. We **oppose** proposals seeking to adopt or amend stock option plans at companies that do not report options as a compensation expense.
- b. We **support** proposals that seek to require the company to report stock options as a compensation expense.

13. Plan Is Limited To A Small Number Of Senior Employees

We **support** resolutions that seek to limit stock options granted to a single individual to no more than 5% of the total options granted in a single year, and the group of senior executive officers to no more than 10% of the total options granted in a single year.

14. Employee Stock Ownership Plans (ESOPs)

We **support** proposals seeking to create an Employee Stock Ownership Plan, except in cases where they are being used as anti-takeover mechanisms.

15. Advisory Vote on Compensation Committee Reports

We **support** proposals asking the board of directors to adopt a policy that shareholders be given the opportunity at each annual meeting of shareholders to vote on an advisory (non-binding) resolution, to be proposed by management, to approve the report of the Management Development and Compensation Committee set forth in the proxy statement. The policy should provide that appropriate disclosures will be made to ensure that shareholders fully understand that the vote is advisory; will not affect any person's compensation; and will not affect the approval of any other compensation-related proposal submitted for a vote of shareholders at the same or any other meeting of shareholders.

IV. CORPORATE ACTIONS

A. RESTRUCTURING

1. Mergers, Acquisitions, Restructuring, Recapitalization, Spin-Offs, Sales of Assets

We will consider proposals of this nature on a case-by-case basis.

B. REINCORPORATION AND THE DELAWARE OPTION

1. Reincorporation

- a. We generally **support** proposals seeking the ratification of reincorporation for valid business reasons and if the reincorporation is in a state considered more "shareowner friendly."
- b. We **oppose** proposals seeking the ratification of reincorporation if they are to a state that provides for more takeover defense measures.
- c. We **oppose** proposals seeking reincorporation to an offshore location from the United States
- d. We **support** proposals to change the company's jurisdiction of incorporation from an offshore location to a state in the United States

2. Opt-Out Proposals

We **support** proposals seeking to opt out of a state anti-taker statutory provision (including the Delaware takeover law) for valid business reasons.

C. TAKEOVER DEFENSES

1. Payment of Greenmail

We **oppose** the payment of greenmail and **support** proposals seeking to institute anti-greenmail provisions.

2. Poison Pills Shareholder Rights Plans

- a. We **oppose** management proposals that seek to approve or create a poison pill.
- b. We **support** shareholder proposals that ask a corporation to redeem its poison pill or submit its poison pill for shareholder ratification.

3. Fair Price Provisions

We **support** proposals seeking to adopt a fair price provision, as long as the shareholder vote requirement imbedded in the provision is not a supermajority vote.

4. Limited Use of and Shareholder Approval of Targeted Share Placements

- a. We will consider management proposals seeking the limited use of targeted share placements on a case-by-case basis.
- b. We **support** shareholder proposals requesting that a corporation first obtain shareholder authorization of targeted share placements.

D. CHARTER AND BYLAW AMENDMENTS

1. Charter Amendments (resulting in reduction of shareholders' rights)

We **oppose** proposals that seek to amend the corporation's certificate of incorporation if an amendment would adversely affect shareholder rights.

2. By-Law Changes-Requiring a Supermajority Vote

We **oppose** proposals that seek to require a supermajority shareholder vote to approve charter and bylaw amendments.