

The Barbara McDowell and Gerald S. Hartman Foundation

Investment Policy Statement

Executive Summary

The purpose of this Investment Policy Statement is to assist the Investment Committee and its advisor(s) in effectively supervising, monitoring, and evaluating the management of the The Barbara McDowell and Gerald S. Hartman Foundation's ("the Foundation") investment assets.

Type of Entity: Tax-Exempt

Purpose: To provide funds to tax-exempt organizations that promote the Foundation's mission through litigation designed to have systemic impact in the areas of civil rights, low income housing, political asylum, domestic violence, human trafficking, refugee rights, immigration, rights of children, voting rights, disability rights, educational rights, constitutional rights, and disparities in community services and opportunities for economic development.

Current Assets: \$1,000,000

Time Horizon: Unrestricted (greater than ten years)

Investment Objective: Total return after fees and inflation in excess of 5% annually

Asset Allocation: The asset allocation guidelines for the Foundation assets will be determined by the Investment Committee taking into account anticipated spending, future contributions and current and expected market conditions and prudent risk management considerations. The Investment Committee believes that long-term investment performance, in large part, is a function of asset class mix. Strategic asset allocation targets will be reviewed at least annually and will fall within the ranges below. Recommendations for tactical asset allocation targets and changes to the current allocation will be reviewed quarterly with the Foundation's Investment Advisor(s) and are subject to the approval of the Investment Committee.

Equities:	60% - 90%
Fixed Income:	10% - 50%
Cash:	0% - 20%

Current Investment Advisor: Jonathan E. Farber, Passive Capital Management.

Current Custodian: Charles Schwab

Statement of Objectives

The investment objectives of the Foundation will be established in conjunction with a comprehensive review of expected contributions and current and projected grants made by the Foundation. The current objectives are:

1. Maintain the purchasing power of current assets and any future contributions.
2. Protect the principal corpus of the Foundation assets through diversification of investments and minimization of investment management fees and expenses.
3. Support the Foundation's efforts to increase the assets of the Foundation. Adjustments will be made to these policies and the management of the Fund over that time as Fund's assets increase or decrease.
4. Maximize total return within reasonable and prudent levels of risk.
5. Maintain an appropriate asset allocation based on a total return policy that takes into consideration expected spending of at least 5% of principal annually, guided by the principles of modern portfolio theory, to balance the risks and rewards of each asset class within the portfolio.

Risk Tolerances

The Investment Committee (the "Committee") recognizes and acknowledges that some risk must be assumed in order to achieve its long-term investment objectives, and that there are uncertainties and complexities associated with contemporary investment markets. In establishing the risk tolerances for the Foundation assets, the Committee will consider its ability to withstand short and intermediate term variability in return and asset values. History shows that while interest generating investments such as bond portfolios have the advantage of relative stability of principal value, they provide little opportunity for real long-term capital growth due to their susceptibility to inflation. If additional contributions are likely to be added to the Foundation over time, the Committee may be willing to accept greater exposure to risk in the form of higher allocation to equities in order to obtain growth of invested assets. Risk may be added or mitigated by taking on varying levels of exposure to different investments, including securities and funds in various market sectors, industries, countries and of varying quality and market capitalization. Risk will be actively monitored by the Committee over varying time horizons with the assistance of its advisor(s). The purpose of diversification is to provide reasonable assurance that no single security or class of securities will have a disproportionate impact on the total portfolio ("event risk") and to minimize the implied volatility of the portfolio given a desired targeted return over the investment time horizon.

Expected Return

In general the Committee would like the Foundation portfolio to earn a targeted total return of 8% while taking a prudent level of risk over a long-term time horizon. Furthermore, the objective is to earn a rate of return that is at least 5% greater than the rate of inflation as measured by the Consumer Price Index (CPI), net of costs, measured over three to five-year rolling periods.

Asset Allocation Guidelines

Asset Allocation Guidelines will be reviewed at least annually by the Committee. It is expected that the investment advisor(s) will propose portfolio strategic and tactical allocation recommendations that will generally fall within the broad ranges set forth in the Asset Allocation section of this document. The Committee shall have the authority to revise or restrict the objective and resulting asset allocation at any time within these guidelines. Investments in illiquid strategies such as: private equity, private real estate, hedge funds and private placement securities are not permitted.

Rebalancing of Asset Allocation

The percentage allocation to each asset class may vary from time to time within the ranges specified above, depending on market conditions and as determined appropriate in consultation with the Investment Advisor(s) of the Foundation accounts. The Investment Advisor(s) shall have full discretion to implement tactical asset allocation shifts within approved ranges, with notification to the Committee of any significant change. It is anticipated that these shifts will be infrequent given the long term strategic perspective of the Foundation. When necessary, cash inflows/outflows will be deployed in a manner consistent with the strategic asset allocation of the portfolio. If cash flows are insufficient to bring the strategic asset allocation within threshold ranges, the Investment Advisor(s) will notify the Committee of the need to effect transactions to bring the allocation within the threshold ranges, taking timing and cash flow considerations into account. It is expected that the portfolio will be rebalanced not more than twice annually given normal market conditions in order to minimize transaction costs.

Guidelines for the Management of the Funds

Outside of the provisions of this document, the Investment Advisor(s) will have complete discretion over the Funds, subject to the usual standards of fiduciary practice. The Committee will retain and monitor all advisors hired to assist in managing the Foundation assets. The Investment Advisor(s) will manage the assets under its supervision within the guidelines and objectives outlined in this Investment Policy Statement, including the following:

- A. The objective of the combined allocation to Equities in the Foundation accounts is to outperform the S&P 500 and the MSCI AC World Index (or an approximate equivalent), net of fees. All asset classes except for Fixed

Income and Cash shall be considered Equities. The portfolio will also be compared to a blended benchmark of indices and appropriate other benchmarks. It is recognized that these objectives should be measured over rolling multi-year periods and may be difficult to obtain in every period, but should be attainable over a complete market cycle.

- B. With regard to separate accounts (as opposed to mutual funds or commingled accounts), managers may not engage in securities lending, pledging or hypothecating securities, or purchase letter stock and other unregistered securities, or engage in short sales or margin transactions without prior approval of the Investment Committee.
- C. Cash equivalents shall mean top quality money market funds or short term U.S. Government securities.
- D. Investment in corporate bonds will be primarily in securities rated “A” or better by Moody’s or Standard & Poor’s. The weighted average quality of the portfolio shall be “AA” or above. The investment manager will seek the approval of the Investment Committee before purchasing any bonds denominated in foreign currency. The fixed income portfolio shall be diversified with respect to type, industry and issuer in order to minimize risk exposure, with a maximum of 5% of the portfolio held in any single issue. However, obligations issued or guaranteed by the U.S. Government may be held without limitation.

Investment Committee Duties and Responsibilities

As a fiduciary, the primary responsibilities of the Investment Committee are:

1. Prepare and maintain an investment policy statement with the assistance of investment advisor(s)/manager(s), as approved by the Board.
2. Prudently diversify the Foundation’s assets to meet agreed upon risk/return objectives.
3. Prudently seek expert investment advice, retain investment advisor(s)/manager(s) and select appropriate investment options.
4. Control and account for all investment, record keeping, and administrative expenses with the assistance of outside managers hired to provide such services.
5. Monitor and supervise all service providers.
6. Avoid prohibited transactions and conflicts of interest.
7. Monitor the performance of the portfolios at least quarterly, and, on an annual basis, meet to review whether the manager(s) continue to conform to the criteria established, including:
 - a. The manager’s adherence to the portfolio’s investment guidelines
 - b. Material changes in the manager’s organization, investment philosophy, and/or personnel
 - c. Any legal, SEC and/or other regulatory agency proceedings affecting the manager.