OAK PARK-RIVER FOREST COMMUNITY FOUNDATION

Strengthening Our Community Through Philanthropy

GENERAL INVESTMENT POLICY

The policy of the Foundation is to take an investment viewpoint that avoids speculation and seeks to achieve superior risk adjusted total returns. This requires careful and thorough analysis, the anticipation of gains over a long term, the maintenance of appropriate asset allocation levels, and the assumption of moderate risk levels and the corresponding expectation of returns. The Foundation is a not-for-profit organization designated as 501(c)3 by the Internal Revenue and is thereby tax exempt on all income.

Specific types of investments shall include the following: marketable debt or equity securities listed on a registered exchange or widely traded over the counter; cash equivalent securities; the short-term obligations of corporations and the U.S. Government and its agencies thereof; interest-bearing accounts of banks or savings and loan institutions; and mutual funds and investment trusts that themselves invest primarily in the above. When investing in cash equivalent instruments, liquidity and safety shall be valued ahead of yield. Other types of investments received as gifts from donors may also be retained subject to the approval of the Investment Committee.

Investment recommendations and actions shall meet the standards of the "Prudent Investor Rule", the terms of governing instruments, and applicable statutes.

The investment policy of the Foundation shall be applied with flexibility to meet the special considerations of each account. Those special considerations may include the amount of funds available for investment, the need for current income, and/or liquidity, risk tolerance and reward objectives, and specific terms or limitations set forth in the agreement.

Any exceptions to this investment policy must be approved by the Investment Committee.

PROCEDURE

The funds received from a donor shall be invested by the Foundation with investment managers approved by the Investment Committee. (An investment manager shall be a financial institution or appropriately licensed individual of good standing that has been authorized by the Investment Committee to manage investments on behalf of the Foundation and has executed an investment management agreement satisfactory to the standards of the Foundation). If the donor requests that the funds be invested with a specific investment manager the donor's request may be honored if not inconsistent with this policy. If the donor has no preference, the Investment Committee shall select the investment manager.

The Foundation shall sign an Investment Management Agreement (an "IM Agreement") with every duly authorized investment manager. No account shall be managed by an entity that has not executed such an IM Agreement. The investment managers, by virtue of such IM Agreements, shall follow these investment policies and the philosophies stated herein. Any exceptions to these policies must be approved by the Investment Committee.

Each account's individual goals and objectives shall be determined in conjunction with the donor, whenever practical. The Investment Manager shall recommend to the Investment Committee an investment plan that meets these goals and objectives. The Investment Committee shall approve the account's investment plan.

The Investment Committee shall review the performance of each investment manager quarterly. At the request of the President, Treasurer or Finance Committee of the Foundation, reviews of any or all investment managers may be conducted at any time for any reason.

DIVERSIFICATION

The policy of the Foundation is to maintain investment portfolios that emphasize prudent diversification. Such diversification shall take into account security types, security classes, issuers and obligors, industries, maturity dates, and the goals of the fund. Mutual funds, master trusts and other forms of co-mingled investment vehicles are permissible investments so long as they meet other criteria of the Foundation's investment policies. No more than 10% of the market value of a portfolio shall be invested in a single issuer (equities and fixed income combined), except those of the U.S. Government or its agencies.

Additionally, no investment may be made in the securities of any one issuer if, after purchase, the sum of the values of the equity and fixed income securities of that issuer owned by the Foundation would represent more than 5 % of the outstanding equity securities and fixed income obligations of that issuer.

Portfolios will be reviewed annually for adherence to this policy.

TEMPORARY PLACEMENT OF FUNDS

The policy of the Foundation is to invest funds temporarily in an interest earning investment account with a high degree of liquidity, herein referred to as a "cash equivalent security". Cash may remain un-invested only when it is impracticable to invest temporarily.

MARKETABLE SECURITIES

When a donor deposits cash or any marketable security, the policy of the Foundation is to (1) invest the cash immediately into an interest earning investment until such time as the donor's investment goals can be determined and (2) sell the marketable security for cash as soon as practicable, with the cash proceeds being deployed as in (1) above.

The sale of such security, however, shall not be executed until such time as the security's ownership has been duly transferred to the Foundation.

RETENTION OF SECURITIES

When an agreement between a donor and the Foundation requests the retention of donated securities which the donor owned, the policy of the Foundation is to review the securities and terms of retention prior to acceptance of the account.

When an instrument permits the retention of securities which the donor owned, such a provision does not remove the Foundation from pursuing prudent investment standards. Therefore, on accepting such accounts, the Investment Committee initially reviews the accounts within a reasonable time after receiving the assets to determine securities appropriate for the account and eliminating those considered unsuitable. If further retention of an asset becomes imprudent, the policy of the Foundation is to dispose of that asset within a reasonable length of time.

ASSET ALLOCATION

Each account for which the Foundation has given the investment responsibility to an investment manager shall be assigned to an asset allocation category. The decision is based on the investment goals and spending rates and objectives of the account, the expected duration of the account, the donor's investment preferences, and any other relevant information.

The investment manager's investment decisions for an individual account are based on maintaining the recommended asset allocation of the account. The Foundation's suggested asset allocation for endowed funds is:

Equities—60%
Fixed Income—40%

Donors establishing endowed funds of $200,000 or more may be offered the following asset allocation options according to the planned spending rate of their fund.

75%/25% Format – Targeted spending rate is 5%
The asset allocation for this investment is approximately 75% equities and 25% fixed income.

60%/40% Format – Targeted spending rate is 4%
The asset allocation for this investment is approximately 60% equities and 40% fixed income.

40%/60% Format – Targeted spending rate is 3%
The asset allocation for this investment is approximately 40% equities and 60% fixed income.
25%/75% Format – Targeted spending rate is 2%
The asset allocation for this investment is approximately 25% equities and 75% fixed income.

The asset allocations shall be reviewed quarterly by the Investment committee.

In the event of extraordinarily severe economic or market conditions that would negatively impact the Foundation, the investment manager(s) may deviate from the stated asset structure only upon prior written communication and approval from the Investment Committee.

INVESTMENT STANDARDS AND MANAGEMENT

The goal of the Foundation is to invest in and retain an overall portfolio of above average investment quality in order to: (i) to meet the realistic individual income requirements of the various funds and endowments enabling them to fulfill their specific requirements; (ii) to provide sufficient liquidity to meet the distribution requirements of the Foundation and donor recommended grantmaking and (iii) emphasizing the preservation of capital using a total return approach considering both capital appreciation and income.

When determining the suitability of a security purchased or held in an individual account, an overall portfolio view is taken. Assets are judged according to the elements of risk and potential reward they contribute to the portfolio as a whole.

I. Investment Benchmarks

Evaluation of investment manager's performance shall be based on comparison of results against absolute and relative return objectives. Comparisons are to be made to the relevant benchmark.

II. Investment Manager Guidelines

Unless prior written approval is obtained from the Investment Committee to the contrary:

1. Each investment manager shall manage the Foundation's assets on a discretionary basis, but any use of leverage techniques, private placements, short sales, or direct participation plans is prohibited.
2. Each investment manager must satisfy the performance objectives.
3. Each investment manager shall have the full investment discretion with regard to market timing and security selection, consistent with this Investment Policy. Excessive turnover is unacceptable.
4. Each investment manager shall immediately notify the Foundation in writing of any material changes in its investment outlook, strategy, portfolio structure, ownership, or senior personnel.
5. Each investment manager shall maintain compliance with the Asset Allocation guidelines.
6. Each investment manager is prohibited from investing in non-marketable securities. However, assets not otherwise publicly traded can be received from donors and held by the Foundation with prior written approval of the Investment Committee.
7. Each Investment Manager shall make no purchase of an issuer's security that would cause the Foundation to own more than 5% of an issuer's outstanding security.