

STATEMENT OF INVESTMENT OBJECTIVES AND POLICY GUIDELINES

For

THE EPISCOPAL CHURCH IN HAWAII
POOLED ENDOWMENT FUND
(TECH)

Amended
April 2007
May 2003
August 1999
August 1997

Adopted by Diocesan Council on May 19, 2007

TABLE OF CONTENTS

	Page
I. Definition.....	1
II. Purpose of the Investment Policy Statement	1
III. Responsibilities of the Client	1
IV. Responsibilities of the Investment Manager.....	2
V. Responsibilities of the Investment Consultant.....	3
VI. Statement of Investment Objectives.....	4
VII. General Investment Guidelines	4
VIII. Investment Guidelines on Managing Risk.....	5
IX. Individually Managed Portfolio	6
X. Standards of Performance Measurement	6
XI. Implementation.....	7
Sub-Statements:	
Exhibit A - Market Index Objectives	8
Exhibit B - Balanced Portfolio	9
Exhibit C - Core Equity Portfolio	12
Exhibit D - International Equities Portfolio.....	14
Exhibit E - Convertible Portfolio	16
Exhibit F - Short Term Fixed Income Portfolio	18

STATEMENT OF INVESTMENT OBJECTIVES AND POLICY GUIDELINES

For

THE EPISCOPAL CHURCH IN HAWAII
POOLED ENDOWMENT FUND

Amended
April 2007
May 2003
August 1999
August 1997

I. DEFINITION

The investment of funds within the Pooled Endowment Fund (the "Fund") of The Episcopal Church in Hawai'i ("TECH") shall be for the exclusive purpose of fulfilling income requirements of The Episcopal Diocese of Hawai'i, its parishes, missions and beneficiaries, and maintaining or enhancing the long-term purchasing value of their assets.

II. PURPOSE OF THE INVESTMENT POLICY STATEMENT

- A. This Statement of Investment Objectives and Policy Guidelines is set forth in order that:
1. TECH (the "Client") and the investment manager have a clear and mutual understanding of the investment objectives and policies of the Fund so as to minimize the chance of the Client being surprised by results which could be expected to occur during various stages of a market cycle.
 2. The investment manager is given guidance and limitations in investing these funds, and
 3. The Client has a meaningful basis for the evaluation of the portfolio management of the investment manager.
- B. The investment objectives and policy guidelines that follow should represent the current consensus of the Client's philosophy regarding the investment of assets of the Fund. The Statement will need to be reviewed and possibly revised from time to time to ensure that the Statement continues to reflect the Client's attitudes, expectations and objectives. All modifications or amendments of the investment policies should be in writing.
- C. It is the intent of this document to state general attitudes, guidelines, and a philosophy, which will guide the investment manager toward the performance desired. It is intended that the investment policies be sufficiently specific to be meaningful, but adequately flexible to be practicable.

III. RESPONSIBILITIES OF THE CLIENT

- A. The specific responsibilities of the Client in the investment process include the following:
1. allocating assets to be managed by the investment manager,
 2. determining the Fund's projected financial needs and communicating them to the investment manager on a timely basis,

3. establishing reasonable investment objectives,
 4. expressing the Fund's risk tolerance level,
 5. developing sound and consistent investment policy guidelines, which the investment manager can use in formulating corresponding investment decisions,
 6. selecting qualified investment manager(s),
 7. communicating clearly the major duties and responsibilities of the investment manager,
 8. monitoring and evaluating performance results to assure that policy guidelines are being adhered to and that objectives are being met,
 9. reviewing the investment objective and guidelines at least once a year and revising them to reflect modifications and revisions which may develop from time to time, and
 10. taking appropriate action to replace an investment manager for failure to perform as mutually expected.
- B. The Client shall select the investment manager from investment advisors registered as such with the Securities and Exchange Commission after due consideration of the manager's prior performance and such manager's performance relative to the performance of similar investment managers and the market place in the investment of assets for similar trusts or funds and after consideration of such other factors as the Client believes relevant. Investment managers who are bank trust companies are not required to be registered with the Securities and Exchange Commission.
- C. The Client recognizes that its role is supervisory, not advisory, and that determination of investment strategy and securities selections must be delegated to the professional investment manager.

IV. RESPONSIBILITIES OF THE INVESTMENT MANAGER

A. Adherence to Statement of Investment Objectives and Policy Guidelines

1. The investment manager is expected to respect and observe the specific limitations, guidelines, attitudes, and philosophies stated herein or as expressed in any written amendments or instructions.
2. The investment manager's acceptance of the responsibility of managing these funds will constitute a ratification of this Statement, affirming its belief that it is realistically capable of achieving the Fund's investment objectives within the guidelines and limitations stated herein.

B. Discretionary Authority

The investment manager will be responsible for making all investment decisions on a discretionary basis regarding all assets placed under its jurisdiction and will be held accountable for achieving the investment objectives indicated herein. Such "discretion" includes decisions to buy, hold and sell securities (including cash equivalents) in amounts and proportions that are reflective of the manager's current investment strategy and compatible with the Fund's investment guidelines.

C. Proxy Voting

The investment manager will be responsible for proxy voting activities. The Client has subscribed to ProxyEdge, a service of the Church Pension Group. ProxyEdge will vote the client's proxies in accordance with the ethical voting guidelines established by The Episcopal Church and executed by the Church Pension Group. The Client will provide the manager with instructions on how to use this service.

D. Communication

1. The investment manager will be expected to keep the Client informed on a timely basis of major changes in its investment outlook, investment strategy, asset allocation, and other matters affecting its investment policies or philosophy.
2. The Client also expects to be informed of any significant changes in the ownership, organizational structure, financial condition, or senior personnel staffing of the investment management firm.
3. Whenever the investment manager believes that any particular guideline should be altered or deleted, it will be the investment manager's responsibility to initiate written communications with the Client expressing its views and recommendations.

E. Reporting

1. The Client expects to receive timely notices of transaction activity as well as quarterly performance reports.
2. In addition, any information needed to assist the Client in conducting its own evaluation of the portfolio management which the manager has agreed to furnish would be expected on a timely basis.

F. Meetings

It is the Client's desire to meet with the investment manager at least annually to review the following:

1. The manager's investment strategy as it relates to its outlook on the economy and stock market.
2. Investment results in context with the Fund's goals, objectives, and policies.
3. Comparative performance figures.

G. Compliance with Appropriate Legislation

The investment manager is expected to:

1. acknowledge in writing its recognition and acceptance of full responsibility as a fiduciary under applicable federal and state legislation,
2. be registered under the Investment Advisory Act of 1940 unless they are a bank trust company.

V. RESPONSIBILITY OF THE INVESTMENT CONSULTANT

The investment consultant's role is that of a non-discretionary advisor to the Resource Development

Department of TECH. Investment advice concerning the investment management of assets of the Fund will be offered by the investment consultant, and will be consistent with the investment objectives, policies, guidelines and constraints as established in this statement. Specific responsibilities of the investment consultant include:

- A. Assisting in the development and periodic review of investment policy.
- B. Conducting investment manager searches when requested by the Resource Development Department.
- C. Monitoring the performance of the investment manager(s) to provide the Resource Development Department with the ability to determine the progress toward the investment objectives.
- D. Communicating matters of policy, manager research, and manager performance to the Resource Development Department.
- E. Reviewing investment history of the Fund, historical capital markets performance and the contents of this investment policy statement to any newly appointed members of the Resource Development Department.

VI. STATEMENT OF INVESTMENT OBJECTIVES

- A. The Client primarily seeks consistency of investment return through an objective with primary emphasis on capital appreciation and secondary emphasis on income.

The Client wants to hedge both income and principal against erosion in buying power resulting from inflation. The Client wishes to generate a reasonable level of current income as practical, while hedging against inflation.

- B. Specific Performance Objectives

- 1. The Client seeks to achieve for the total portfolio a compounded annual total rate of return greater than the return of the market index or +5 percentage points above the return of Consumer Price Index, on a trailing 3 year basis.

For Market Index composition, please see Appendix A.

- 2. Specific investment objectives for the separately managed portfolios of the Fund are identified in the Exhibits.

VII. GENERAL INVESTMENT GUIDELINES

- A. Economy

Over a period of time, the Client anticipates significant changes in the economy, such as varying short- and long-term interest rates and changing rates of inflation.

It will be the responsibility of the investment manager to choose and manage investments within the general guidelines of the Fund that will optimize results and provide a hedge against anticipated inflation.

- B. Safety of Principal

It is believed that the criterion of safety of principal need not be imposed on each commitment. However, the portfolio taken as a whole must be structured primarily to protect it against the long-term erosion of buying power.

C. Liquidity Requirements

The investment manager need not maintain a small reserve in the form of cash equivalents to meet anticipated disbursements from the Fund unless directed.

D. Turnover

It is the responsibility of the investment manager to select the turnover needed to achieve the performance objectives. If performance results meet the Fund's investment rate of return objective, the rate of turnover will not be an evaluative factor.

E. Types of Assets

All assets selected for the portfolio must have a readily ascertainable market value and must be readily marketable. The specific type of securities permitted is detailed in the sub-statements of investment objectives and guidelines. The following types of assets or transactions are expressly prohibited:

- Options -- the purchase and sale of put and call options, except the writing of call options
- Commodities
- Unregistered Letter Stock
- Foreign Securities other than those listed on one of the major U.S. Securities Exchanges
- Private Placements unless approved by the Client overseeing the investment portfolio
- Direct Real Estate Mortgages
- Warrants
- Purchase of Equity Securities on Margin
- Short Selling (except in a market neutral program)

F. Sensitive Issues

As a responsible member of society, the Client wishes to avoid investments in enterprises whose purposes, products or philosophies are deemed destructive to a harmonious and equitable society. Therefore, the investment manager(s) should only purchase investments in companies that do not derive revenues from the production, sale or distribution of liquor, tobacco, or from the ownership or operation of gambling establishments. In addition, the Client has subscribed to the principles and guidelines of Social Responsibility in Investments, a Committee of The Episcopal Church. Client will provide the manager with copies of these principles and guidelines from time to time to inform the manager of any restrictions or specifically excluded investments.

G. Investment Transactions

The Client reserves the right to direct the brokerage transactions to brokerage firms who provide beneficial services to the Fund such as evaluation services recognizing that the cost of such services would otherwise have been paid in hard dollars from the Fund. Commission discounts will therefore be competitively negotiated with this cost in mind to arrive at the "best realized price" basis.

VIII. INVESTMENT GUIDELINES ON MANAGING RISK

A. Definition of Risk

The Resource Development Department realizes that there are many ways to define risk. It believes that any person or organization involved in the process of managing assets of the Fund understands how it defines risk so that the assets are managed in a manner consistent with the Plan's objectives and investment strategy as designed in this statement of investment policy. The Resource Development Department defines risk as:

The probability of not meeting the Fund's liabilities or cash flow requirements. High Volatility (fluctuation) of investment returns.

B. Asset Distribution

The Client sets the following asset mix guidelines, which should be observed:

	<u>Target</u>	<u>Range</u>
Equities	50%	25% to 75%
International Equities	5%	0% to 15%
Convertibles	20%	20% to 50%
Bonds	15%	5% to 50%
Cash or Equivalents	10%	0% to 50%

IX. INDIVIDUALLY MANAGED PORTFOLIO

Consistent with the asset distribution guidelines in Section VII.B., the Client shall allocate the funds to be separately managed by investment managers into designated portfolios.

- A. The purpose of this is to facilitate the delegation of investment management responsibilities to the appropriate investment managers who have been selected to manage certain assets of the Fund and to provide meaningful investment objectives and policy guidelines for the different types of assets that are managed for the purpose of effective supervision.
- B. Sub-investment objectives and policy guidelines for each separately managed portfolio are identified in the Exhibits and will be periodically reviewed. Such sub-investment objectives and policy guidelines shall be established consistent with the Master Statement of Investment Objectives and Policy Guidelines for the Fund.

X. STANDARDS OF PERFORMANCE MEASUREMENT

Portfolio management will be measured on a year to year basis and will be evaluated over a 3-year investment horizon. While measurement of the portfolio's investment return is an essential indicator in the evaluation of the portfolio's performance, the Client believes that on-going qualitative evaluation of the portfolio management is important in the protection of the Fund's assets and in the achievement of the Fund's objectives in future years. Therefore, evaluation of the portfolio's performance and management shall include measurement based on the standards which follows:

1. Total Performance

The extent to which the compounded annual rate of return of the total portfolio over the next 3 year period equals or exceeds the performance objectives of the Fund and of each individually managed portfolio as stated in Section V.B.1. of the Master Statement and Section I of the Exhibits.

2. Equity Performance

The extent to which the equities return equals or exceeds the return of the S&P 500. In the case of international equities, the performance will be measured relative to the MS EAFE Net weighted index.

3. Convertibles Performance

The extent to which the convertibles return equals or exceeds the return of the First Boston Convertibles Securities Index.

4. Fixed Income Performance

The extent to which the fixed income return equals or exceeds the return of the Lehman Brothers Government/Credit Bonds. In the case of the short term fixed income, the performance will be measured relative to the 1-3 year Government Bond Index.

5. Time Weighted Performance

Performance will be measured on a time-weighted basis which:

- a) takes into account any appreciation or depreciation that occurs during the period examined, whether realized through the sale of securities or left unrealized by holding the securities;
- b) recognizes the changes in market value, as well as income received;
- c) eliminates the influence of cash flow or asset transfers (such as employer contributions and withdrawals) that are essentially beyond the control of the investment managers.

5. Independent Evaluation

Evaluation of the portfolio performance and management will be conducted quarterly with the assistance of an independent evaluation service.

6. Manager Evaluation

While the Client intends to fairly evaluate the portfolio's performance over the agreed upon 3 year evaluation period, it reserves the right to change the investment manager(s) if there is unacceptable justification for poor results. The most serious threat to the Client's confidence regarding any investment manager is material breach of the Fund's risk tolerance and investment guide

XI. IMPLEMENTATION

All new monies to be invested for the Client by the investment manager after the adoption of this Investment Policy Statement shall conform to this Statement within 90 days after the delivery of new assets.

* * * * *

EXHIBIT A

Sub-Statement of Market Index Objectives

The Market Index is composed of 50% S&P 500, 5% MSCI EAFE (Net), 20% First Boston Convertible Sec, 15% Lehman Brothers Govt/Credit Bonds and 10% Lehman Brothers 1-3 year Government Bonds.

EXHIBIT B

Sub-Statement of Investment Objectives and Policy Guidelines

For

The Balanced Portfolio

I. STATEMENT OF INVESTMENT OBJECTIVES

A. The investment objective of the balanced portfolio is to seek consistency of investment return through a growth objective with primary emphasis on capital appreciation and secondary emphasis on income. Achievement of this objective should be done in a manner such that the purchasing power of the principal amount of these assets is enhanced over the investment horizon.

B. Specific Performance Objective

The Client seeks to achieve a compounded annual total rate of return greater than the Market Index on a trailing 3 year basis.

The Market Index is composed of 75% S&P 500 and 25% Lehman Brothers Govt/Credit Bond Index.

II. INVESTMENT GUIDELINES ON MANAGING RISK

A. Definition of Risk

The Resource Development Department realizes that there are many ways to define risk. It believes that any person or organization involved in the process of managing assets of the Fund understands how it defines risk so that the assets are managed in a manner consistent with the Plan's objectives and investment strategy as designed in this statement of investment policy. The Resource Development Department defines risk as:

The probability of not meeting the Fund's liabilities or cash flow requirements. High Volatility (fluctuation) of investment returns.

B. Minimum Criteria for the Selection of Bonds

The Client sets the following general guidelines for the selection of Bonds:

1. Criteria for selection of Bonds

- a. Bonds must be readily marketable.
- b. The average S&P or Moody's quality rating of bonds should be BBB or better.
- c. No one issue of the bond should be rated below BB-.
- d. Bond portfolios should have an average duration of 8 years or less.
- e. Non investment grade bonds should not exceed 10% of the portfolio.
- f. The combined allocation of equities and non investment grade bonds should not exceed

the maximum equities allocation.

C. Diversification

Investments in stocks and in fixed income investments should be diversified in a way, which is consistent with the risk tolerance and investment objectives of the portfolio. In addition, the guidelines on diversification shall be as follows:

1. Stock Diversification

- a. Not more than 20% of the total portfolio should be invested in any industry at cost.
- b. Equity investment need not represent a cross section of the economy. However, investments should be diversified in 10 industries or more.
- c. Not more than 5% of the total portfolio should be invested in any one company at cost.

2. Fixed Income Diversification

With the exception of U.S. Treasuries, U.S. Agencies and Government Guaranteed Obligations, fixed income purchases should be limited to not more than 5% of the total portfolio in any one issue and not more than 20% in any industry.

D. Asset Distribution

The Client sets the following asset mix guidelines, which should be observed:

	<u>Target</u>	<u>Range</u>
Equities	75%	40% - 85%
Fixed Income	25%	15% - 35%
Cash or Equivalents	0%	0% - 45%

The investment manager could elect to be 30% in cash or cash equivalents if it were very negative in the intermediate-term prospect of the market.

E. Types of Assets Allowed for Investment

All assets selected for the portfolio must have a readily ascertainable market value and must be readily marketable. In order to provide the investment manager with freedom to invest in various types of assets, the following types of assets are among those approved for investment:

- Common Stocks
- Preferred Stocks
- U.S. Government Securities
- Commercial Paper with A-1 or P-1 Rating
- Convertible Securities including Debentures
- Corporate Bonds
- Certificates of Deposit
- Money Market Funds/Common Trust cash Equivalent Funds
- Common/Convertible Stocks of Foreign Companies - if they are traded in U.S. markets and are acceptable to the custodian bank
- The writing (selling) of covered call options if explicitly approved by the Client

We, the undersigned, concur that the statements above accurately reflect the investment objectives and guidelines for the Balanced Portfolio of the Fund.

Date

We, the undersigned, accept the fiduciary responsibility in providing the investment management for the Balanced Portfolio of the Fund and will seek to attain the objectives of the Fund. We believe we are capable of achieving the investment objectives of the Fund within the investment guidelines expressed above.

Date

Investment Manager

Prepared by:

Consulting Group
A Division of Citigroup Global Markets, Inc.

EXHIBIT C

Sub-Statement of Investment Objectives and Policy Guidelines

For

Core Equities Portfolio

I. STATEMENT OF INVESTMENT OBJECTIVES

A. The investment objective of the equities portfolio is to seek consistency of investment return through a growth objective with primary emphasis on capital appreciation and secondary emphasis on income.

B. Specific Performance Objectives

The Client seeks to achieve for the total equities portfolio a compounded annual total rate of return greater than the S&P 500 Index on a trailing 3 year basis.

II. INVESTMENT GUIDELINES ON MANAGING RISK

A. Definition of Risk

The Resource Development Department realizes that there are many ways to define risk. It believes that any person or organization involved in the process of managing assets of the Fund understands how it defines risk so that the assets are managed in a manner consistent with the Plan's objectives and investment strategy as designed in this statement of investment policy. The Resource Development Department defines risk as:

The probability of not meeting the Fund's liabilities or cash flow requirements. High Volatility (fluctuation) of investment returns.

C. Diversification

Investments in stocks should be diversified in a way, which is consistent with the risk tolerance and investment objectives of the portfolio. The guidelines on diversification shall be as follows:

1. Not more than 20% of the total portfolio should be invested in any industry at cost.
2. Equity investments need not represent a cross section of the economy. However, investments should be diversified in 10 industries or more.
3. Not more than 7% of the total portfolio should be invested in any one company at cost.

D. Asset Distribution

The Client sets the following asset mix guidelines, which should be observed:

	<u>Target</u>	<u>Range</u>
Equities	100%	85% - 100%
Cash or Cash Equivalents	0%	0% - 15%

The investment manager could elect to be 100% in cash or cash equivalents if it were very negative in the intermediate-term prospect of the market.

E. Types of Assets Allowed for Investment

All assets selected for the portfolio must have a readily ascertainable market value and must be readily marketable. In order to provide the investment manager with freedom to invest in various types of assets, the following types of assets are among those approved for investment:

- Common Stocks
- Preferred Stocks
- U.S. Government Securities
- Commercial Paper with A-1 or P-1 Rating
- Convertible Securities including Debentures
- Investment Grade Corporate Bonds
- Certificates of Deposit
- Money Market Funds/Common Trust cash Equivalent Funds
- Common/Convertible Stocks of Foreign Companies - if they are traded in U.S. markets and are acceptable to the custodian bank
- The writing (selling) of covered call options if explicitly approved by the Client.

We, the undersigned, concur that the statements above accurately reflect the investment objectives and guidelines for the Core Equities Portfolio of the Fund.

Date

We, the undersigned, accept the fiduciary responsibility in providing the investment management for the Core Equities Portfolio of the Fund and will seek to attain the objectives of the Fund. We believe we are capable of achieving the investment objectives of the Fund within the investment guidelines expressed above.

Date

Investment Manager

Prepared by:

Consulting Group
A Division of Citigroup Global Markets, Inc.

EXHIBIT D

Sub-Statement of Investment Objectives and Policy Guidelines

For

International Equities Portfolio

II. STATEMENT OF INVESTMENT OBJECTIVES

A. The investment objective of the equities portfolio is to seek consistency of investment return through a growth objective with primary emphasis on capital appreciation and secondary emphasis on income.

B. Specific Performance Objectives

The Client seeks to achieve for the total equities portfolio a compounded annual total rate of return greater than the MSCI EAFE (Net) Index on a trailing 3 year basis.

II. INVESTMENT GUIDELINES ON MANAGING RISK

A. Definition of Risk

The Resource Development Department realizes that there are many ways to define risk. It believes that any person or organization involved in the process of managing assets of the Fund understands how it defines risk so that the assets are managed in a manner consistent with the Plan's objectives and investment strategy as designed in this statement of investment policy. The Resource Development Department defines risk as:

The probability of not meeting the Fund's liabilities or cash flow requirements. High Volatility (fluctuation) of investment returns.

C. Diversification

Investments in stocks should be diversified in a way, which is consistent with the risk tolerance and investment objectives of the portfolio. The guidelines on diversification shall be as follows:

1. Not more than 20% of the total portfolio should be invested in any industry at cost.
2. Equity investments need not represent a cross section of the economy. However, investments should be diversified in 10 industries or more.
3. Not more than 7% of the total portfolio should be invested in any one company at cost.

D. Asset Distribution

The Client sets the following asset mix guidelines, which should be observed:

	<u>Target</u>	<u>Range</u>
Equities	100%	85% - 100%
Cash or Cash Equivalents	0%	0% - 15%

The investment manager could elect to be 100% in cash or cash equivalents if it were very negative in the intermediate-term prospect of the market.

F. Types of Assets Allowed for Investment

All assets selected for the portfolio must have a readily ascertainable market value and must be readily marketable. In order to provide the investment manager with freedom to invest in various types of assets, the following types of assets are among those approved for investment:

- Common Stocks, including ADRs
- Preferred Stocks
- U.S. Government Securities
- Commercial Paper with A-1 or P-1 Rating
- Convertible Securities including Debentures
- Investment Grade Corporate Bonds
- Certificates of Deposit
- Money Market Funds/Common Trust cash Equivalent Funds
- Common/Convertible Stocks of Foreign Companies - if they are traded in U.S. markets and are acceptable to the custodian bank
- The writing (selling) of covered call options if explicitly approved by the Client.

We, the undersigned, concur that the statements above accurately reflect the investment objectives and guidelines for the International Equities Portfolio of the Fund.

Date

We, the undersigned, accept the fiduciary responsibility in providing the investment management for the International Equities Portfolio of the Fund and will seek to attain the objectives of the Fund. We believe we are capable of achieving the investment objectives of the Fund within the investment guidelines expressed above.

Date

Investment Manager

Prepared by:

Consulting Group
A Division of Citigroup Global Markets, Inc.

EXHIBIT E

Sub-Statement of Investment Objectives and Policy Guidelines

For

The Convertibles Portfolio

I. STATEMENT OF INVESTMENT OBJECTIVES

A. The investment objective of the convertibles portfolio is to seek consistency of investment return through a growth objective with equal emphasis on income and appreciation.

B. Specific Performance Objectives

The Client seeks to achieve for the total convertibles portfolio a compounded annual total rate of return greater than the First Boston Convertible Securities Index on a trailing 3 year basis.

II. INVESTMENT GUIDELINES ON MANAGING RISK

A. Definition of Risk

The Resource Development Department realizes that there are many ways to define risk. It believes that any person or organization involved in the process of managing assets of the Fund understands how it defines risk so that the assets are managed in a manner consistent with the Plan's objectives and investment strategy as designed in this statement of investment policy. The Resource Development Department defines risk as:

The probability of not meeting the Fund's liabilities or cash flow requirements. High Volatility (fluctuation) of investment returns.

B. Minimum Criteria for the Selection of Convertibles

The Client sets the following general guidelines for the selection of convertibles:

1. Convertibles must be readily marketable.
2. The minimum of 50% of the portfolio must be investment grade one services.

C. Diversification

Investments in convertible securities should be diversified in a way, which is consistent with the risk tolerance and investment objectives of the portfolio.

D. Asset Distribution

The Client sets the following asset mix guidelines, which should be observed:

	<u>Target</u>	<u>Range</u>
Convertibles	100%	75% - 100%
Cash or Equivalents	0%	0% - 25%

E. Types of Assets Allowed for Investment

All assets selected for the portfolio must have a readily ascertainable market value and must be readily marketable. In order to provide the investment manager with freedom to invest in various types of assets, the following types of assets are among those approved for investment:

- Common Stocks
- Preferred Stocks
- U.S. Government Securities
- Commercial Paper with A-1 or P-1 Rating
- Convertible Securities including Debentures
- Investment Grade Corporate Bonds
- Certificates of Deposit
- Money Market Funds/Common Trust cash Equivalent Funds
- Common/Convertible Stocks of Foreign Companies - if they are traded in U.S. markets and are acceptable to the custodian bank
- The writing (selling) of covered call options if explicitly approved by the Client.

We, the undersigned, concur that the statements above accurately reflect the investment objectives and guidelines for the Convertibles Portfolio of the Fund.

Date

We, the undersigned, accept the fiduciary responsibility in providing the investment management for the Convertibles Portfolio of the Fund and will seek to attain the objectives of the Fund. We believe we are capable of achieving the investment objectives of the Fund within the investment guidelines expressed above.

Date

Investment Manager

Prepared by:

Consulting Group
A Division of Citigroup Global Markets, Inc.

EXHIBIT F

Sub-Statement of Investment Objectives and Policy Guidelines

For

The Short Term Fixed Income Portfolio

I. STATEMENT OF INVESTMENT OBJECTIVES

- A. The investment objective of the money market portfolio is to seek a high total investment return while maintaining a stable principal value and adequate liquidity to meet requirements as periodically communicated by the Client without sacrificing consistency and predictability of investment results.

Achievement of this objective should be done in a manner such that the principal amount of these assets is enhanced over the investment horizon and is protected from volatility in market value.

B. Specific Performance Objectives

The Client seeks to achieve for the total short term fixed income portfolio, a return greater than the Lehman Brothers 1-3 year Government Bond Index, on a trailing 3 year basis.

II. INVESTMENT GUIDELINES ON MANAGING RISK

A. Definition of Risk

The Resource Development Department realizes that there are many ways to define risk. It believes that any person or organization involved in the process of managing assets of the Fund understands how it defines risk so that the assets are managed in a manner consistent with the Plan's objectives and investment strategy as designed in this statement of investment policy. The Resource Development Department defines risk as:

The probability of not meeting the Fund's liabilities or cash flow requirements. High Volatility (fluctuation) of investment returns.

B. Minimum Criteria for the Selection of Bonds

The Client sets the following general guidelines for the selection of bonds:

1. Bonds must be readily marketable.
2. The average S&P or Moody's quality rating of bonds should be BBB or better.
3. No one issue of the bond portfolio should be rated below BB-.
4. Bonds should have a duration of 3 years or less.

C. Diversification

Investments in fixed income investments should be diversified in a way, which is consistent with the risk tolerance and investment objectives of the portfolio. The guidelines on fixed income diversification shall be as follows:

1. With the exception of U.S. Treasuries, U.S. Agencies and Government Guaranteed Obligations, fixed income purchases should be limited to not more than 5% of the total portfolio in any one issue and not more than 20% in any industry.

D. Asset Distribution

The Client sets the following asset mix guidelines, which should be observed:

	<u>Target</u>	<u>Range</u>
Bonds	100%	0% - 100%
Cash or Cash Equivalents	0%	0% - 100%

E. Types of Assets allowed for Investment

All assets selected for the portfolio must have a readily ascertainable market value and must be readily marketable. In order to provide the investment manager with freedom to invest in various types of assets, the following types of assets are among those approved for investment:

- U.S. Treasuries
- U.S. Agencies and Government Guaranteed Obligations
- Investment Grade Corporate Bonds
- Adjustable Rate 30-90 Day Notes
- Commercial Paper with A-1 or P-1 Rating
- Certificates of Deposit
- Money Market Funds/Common Trust Cash Equivalent Funds

We, the undersigned, concur that the statements above accurately reflect the investment objectives and guidelines for the Short Term Fixed Income Portfolio of the Fund.

 Date

We, the undersigned, accept the fiduciary responsibility in providing the investment management for the Short Term Fixed Income Portfolio of the Fund and will seek to attain the objectives of the Fund. We believe we are capable of achieving the investment objectives of the Fund within the investment guidelines expressed above.

 Date

 Investment Manager

Prepared by:

Consulting Group
 A Division of Citigroup Global Markets, Inc.