THE ST. BARNABAS ENDOWMENT FOUNDATION

Statement of Investment Policies and Objectives

June 20, 2007

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I. INTRODUCTION

The purpose of this Statement of Policies and Objectives ("Statement") is to establish policies and objectives for supervising, implementing, evaluating, and monitoring the investments of The St. Barnabas Endowment Foundation, hereafter referred to as the Foundation ("Foundation").

The Foundation is a tax exempt organization under Section 501(c)(3) of the United States Internal Revenue Code.

It is the policy of the Foundation to treat all assets of the organization, including those funds that are legally unrestricted, as though they are held by the Foundation in a fiduciary capacity for the purpose of accomplishing the organization's tax-exempt mission. As such, the policies described in this Statement are to be interpreted in light of that overall sense of stewardship, and the investment standards of the Foundation shall be those of a prudent investor.

The Foundation's Board of Directors ("Board") has delegated some of its responsibilities to the Foundation Investment Committee ("Committee"). This Statement provides a list of the primary responsibilities of various parties related to the investments of the Foundation. Recognizing that the Board may hold some assets in cash or cash equivalents for liquidity needs and Foundation expenses, this Statement shall not apply to assets of the Foundation withheld from investment as determined by the Board.

This Statement will be reviewed at least annually, and, if appropriate, can be amended to reflect changes in the capital markets, Foundation objectives, or other factors relevant to the Foundation.

II. DUTIES AND RESPONSIBILITIES

A. Investment Committee

The Board of Directors of the Foundation has delegated supervisory authority over its investing activities to the Investment Committee ("Committee") of the Board. The Committee is responsible for regularly reporting on the organization's investments to the Board.

The Committee may recommend to the Board an investment counselor or investment manager to assume the investment management function. In accordance with any Board approval, the Committee may enter into agreements with, delegate investment authority to, pay compensation to, and receive reports from one or more investment counselors and/or investment managers.

The Committee shall consist of one or more members appointed by the Board of Directors. The Committee may call upon the advice of other Directors on a case-by-case basis. The Committee will meet at least annually and maintain a record of its activities. The Committee will report at least annually to the Board of Directors.

The Committee is responsible for managing the Foundation's investments:

1. In compliance with the Foundation's mission and purpose;

2. In compliance with applicable laws and regulations; and
3. In a manner that preserves, protects and invests the investments by earning an appropriate rate of return consistent with the guidelines and parameters set forth in this Statement.

The Committee is granted with the authority and charged with the responsibility to:

- Administer the Foundation's investment program;
- Develop an investment program with diverse risk characteristics across a variety of asset classes;
- Recommend to the Board the hiring and termination of any investment managers, trustees, financial consultants, custodians, auditors, and legal advisors;
- Supervise and direct the investment and management of Foundation assets:
    - recommend to the Board asset allocation ranges and targets;
    - authorize periodic asset rebalancing;
    - establish investment performance benchmarks;
    - monitor investment performance;
    - supervise and evaluate Investment Manager performance; and
    - recommend changes to the Foundation; and
- Review and report to the Board regarding contracts with financial service providers.

B. <u>Investment Manager</u>

"Investment Manager" means the investment manager or investment counselor to whom the Committee has delegated overall investment responsibility. Unless otherwise approved by the Board, the Investment Manager will be a financial institution.

The Investment Manager, when designated by the Committee, shall:

1. Advise the Committee on matters relating to the design, construction and implementation of investment portfolios, including performance measurement benchmarks and the allocation of assets;
2. Implement the portfolio consistent with the directives set out by the Board from time to time (current Board directives are attached hereto as Attachment A);
3. To the extent applicable, screen, hire, supervise, monitor, evaluate and replace fund managers ("Fund Managers");
4. Periodically rebalance assets among portfolios and Fund Managers to maintain asset allocation within guidelines;
5. Measure and report performance of portfolios and Fund Managers;
6. Ensure that Fund Managers act in a manner consistent with the intentions of the Foundation and this Statement;
7. Meet or report at least semi-annually with the Committee or otherwise as designated by the Board;
8. Act as a fiduciary for Foundation assets; and
9. Carry the appropriate level of insurance coverage, if any, as determined by the Committee.

III. INVESTMENT MANAGEMENT

A. Investment Objectives and Guidelines

The Investment objectives of the Foundation shall be established by the Board from time to time in accordance with this Statement, which will be manifest in the asset allocation targets recommended by the Committee and approved by the Board. The overall investment performance objective is to meet or exceed the total fund portfolio benchmark return over a market cycle, consistent with acceptable volatility characteristics.

In order to meet its needs, the Foundation emphasizes total return; that is, the aggregate return from capital appreciation and dividend and interest income. The investment guidelines for the Foundation include:

1. For each investment category, to meet or exceed the benchmark established by the Committee that most closely corresponds to the style of investment management;

2. To display an overall level of risk in the portfolio which is consistent with the risk associated with the applicable benchmark;

3. Understanding that risk is present in all types of securities and investment styles, the Foundation recognizes that some risk is necessary to produce long-term investment results that are sufficient to meet the Foundation's objectives. However, the Investment Manager should make reasonable efforts to control risk, and Fund Managers are expected to adhere to the investment management styles for which they were hired;

4. Fund Managers shall be selected by the Investment Manager with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent man acting in like capacity of like character and with like aims; and

5. Investments shall be diversified as to minimize the risk of large losses, unless under the circumstances it is clearly prudent not to do so.

The asset allocation limits established from time to time for the Foundation's investment program reflect the risk tolerance of the Board, as determined by the current and anticipated financial strength of the Foundation, the funded status of the Foundation, the Foundation's spending practices, and investment time horizons. The proportion of total assets allocated to equity investments and other assets will be a major determinant of the risk level of the investment program. Exposure to both the equity and fixed income markets will be maintained, recognizing that historical results indicate that equities (primarily common stocks) have higher expected returns than fixed income investments. It is, however, recognized that the expected higher equity returns may be accompanied by higher volatility of equity asset values.

Subject to Committee authorization, the Investment Manager may periodically adjust the allocation of assets ("rebalance") depending on net new money available for investment, the relative performance of asset classes, and current asset allocation targets approved by the Board. Rebalancing may take place between asset classes and Fund Managers of differing style subject to the target weights.

B. Investment Selection and Performance Benchmarks

The Foundation's assets may be invested in a wide range of investment options that will span the risk/return spectrum. The broad asset classes to be offered include:

- US Equity
- International Equity
- Fixed Income
- Cash Equivalents

For diversification purposes, the investments in each of these categories will be accomplished using a fund managed by a Fund Manager, as selected by the Investment Manager. The committee should establish one or more overall portfolio benchmarks. By way of example, Attachment B presents the benchmarks for the total portfolio currently established by the Committee.

The following guidelines have been developed for use in specific asset classes.

EQUITY

1. Equity investments are permitted to increase yield and diversify assets in the portfolio. To diversify investments and to limit exposure to any one manager, investment style, or security, US equity investments may be allocated to several Fund Managers within each sector of the US equity market (i.e., large cap, mid cap and small capitalization stocks). Use of index funds is also permitted.
2. Investment returns in the equity asset class are expected to meet or exceed benchmark returns for each asset category over a full market cycle.

INTERNATIONAL EQUITY

1. Use of international equity investments is an acceptable way to diversify the equity portfolio. Utilizing one international Fund Manager is permissible for a segment of the portfolio. However, if appropriate to diversify investments and to limit exposure to any one manager, investment style, or security, international equity investments may be allocated to several Fund Managers. Use of index funds is also permitted.
2. Investment returns in this asset class are expected to meet or exceed the benchmark returns over a full market cycle.

FIXED INCOME

1. Fixed income investments are permitted to increase yield and reduce volatility. To diversify investments and to limit exposure to any one manager, fixed income investments may be allocated to several Fund Managers. Use of index funds also is permitted.

2. Investment returns in this asset class are expected to meet or exceed the benchmark returns over a full market cycle.

CASH EQUIVALENT SECURITIES

1. Any cash equivalent securities must be investment grade and rated at least A1/P1 with the exception of (unrated) securities issued by the U.S. government or its agencies. Securities of any one (non-governmental) issuer shall not exceed a maximum of 10% of the market value of the fixed income portfolio.
2. Money market funds are an acceptable investment for this category.

DERIVATIVE SECURITIES AND ALTERNATIVE INVESTMENTS

Derivative securities are defined as synthetic securities whose price and cash flow characteristics are based on the cash flows and price movements of other underlying securities. Most derivative securities are derived from equity or fixed income securities and are packaged in the form of options, futures, CMOs (PAC bonds, IOs, POs, residual bonds, etc.), and interest rate swaps, among others. The Investment Committee feels that many derivative securities are relatively new and therefore have not been observed over multiple economic cycles. Due to this uncertainty, the Investment Committee will take a conservative posture on derivative securities.

PROHIBITED ASSETS AND TRANSACTIONS

Unless such assets are purchased by a Fund Manager in limited amounts and only for the primary purpose of reducing risk, the Investment Manager may not purchase the investments or funds consisting primarily of:

1. Commodities and Futures Contracts
2. Private Placements
3. Options
4. Limited Partnerships
5. Venture-Capital Investments
6. GIC's, or
7. Interest-Only (IO), Principal-Only (PO), and Residual Tranche CMOs

Unless the following transactions are executed by a Fund Manager in limited amounts, the Investment Manager may not engage in:

1. Short Selling
2. Margin Transactions

C. **Performance Review and Evaluation**

The Investment Manager will review and evaluate investment performance quarterly in the context of the current investment environment and the long-term investment horizon of the Foundation. Performance evaluation will be done at the total Foundation level, for each asset class, and for each fund. The performance review at the fund level will evaluate total fund performance versus a benchmark. The performance review at the asset class level will evaluate asset class performance versus a benchmark. The performance review at the collective fund or manager level will evaluate fund or manager performance versus appropriate investment style benchmarks and stated investment approaches.

D. <u>Accounting Treatment</u>

All investments acquired by donation to the Foundation shall initially be recorded at their fair market value as of the date of the donation. Donated investments shall be recorded as unrestricted, temporarily restricted, or permanently restricted income and net assets based on the existence or absence of such restrictions.

Subsequent to acquisition, it shall be the policy of the Foundation to carry all equity securities with readily determinable market values and all debt securities at their market values. Adjustments to market value shall be made in the accounting records and financial statements on a quarterly basis.

Adjustments to market value result in unrealized gains and losses on investments. Such gains and losses resulting from contributed investments shall be classified as unrestricted, temporarily restricted or permanently restricted based on the existence or absence of explicit restrictions on such appreciation and depreciation from the donor.

ATTACHMENT A:
INVESTMENT TARGET ALLOCATION AS OF JUNE, 2007

The following targets are to be applied to the allocation of Foundation assets until such time as the Board revises this Attachment:

Category	Lower Limit	Target Allocation	Upper Limit
Equity Investments:			
Large Cap U.S. Equity Mid Cap U.S. Equity Small Cap U.S. Equity		65%	
International Equity		15%	
Total Equity	65%	80%	85%
Fixed Income Investments:			
Short Term		5%	
Intermediate Term		15%	
Total Fixed Income	15%	20%	35%
Cash Equivalent Securities:	0%	0%	5%
Total		100%	

The overall investment mix should be maintained within the lower and upper parameters set forth above (rounded up to the nearest 1%).

ATTACHMENT B:
INVESTMENT PERFORMANCE BENCHMARKS AS OF JUNE, 2007

Overall Portfolio:

Blended yield of:

MSCI US Broad Market Index
Total International Composite Index
Lehman Aggregate Bond Index
Citicorp Treasury Bill – 3 month

Large Cap U.S. Equity:

MSCI Large 300

Mid Cap U.S. Equity:

MSCI Mid/Small 2200
MSCI Mid 450

Small Cap U.S. Equity:

MSCI Small 1750

International Equity:

Total International Composite Index

Fixed Income:

Lehman Brothers Aggregate Bond Index

Short Term Investments:

Citigroup 3 Month T-Bill Index