

Investment Policy Statement

Prepared on: March 18, 2008

Prepared for:

Sample Trust Client
873 Wood St
Pittsburgh PA 15222

Executive Summary

Client Name: Sample Trust Client
Client Type: Personal Trust
Client Subtype: Personal Trust
Fiduciary Standard of Care: UPIA
State of Domicile: PA
Tax Id: 983212837
Current Assets: \$3,000,000
Modeled Return: 6.5%
1-Yr Loss Limit (Worst case scenario): 9.1%
"Safe Harbor" Compliance Options: Selected

This Investment Policy Statement should be reviewed by an attorney knowledgeable in this specific area of the law. Any change to this policy should be communicated in writing and on a timely basis to all interested parties. If any term or condition of this Investment Policy Statement conflicts with any trust and/or plan document, the document shall control, as long as such term or condition is consistent with the law.

Purpose

The purpose of this Investment Policy Statement (IPS) is to assist the Trustees(s) in effectively supervising, monitoring and evaluating the management of the Investment Portfolio (Portfolio). The trust's investment program is defined in the various sections of this IPS by:

1. Stating in a written document the Trustee(s)'s attitudes, expectations, objectives and guidelines for the investment of all of the trust's assets.
2. Encouraging effective communications between the Trustee(s) and all parties involved with the investment management decisions.
3. Establishing formal criteria to select, monitor, evaluate and compare the performance results achieved by each investment option on a regular basis.
4. Complying with all applicable fiduciary, prudence and due diligence requirements experienced investment professionals would utilize, and with all applicable laws, rules and regulations from various local, state, federal and international political entities that may impact the trust.

Statement of Objectives

Background

The assets covered by this IPS currently total approximately \$3,000,000 in market value.

This IPS has been arrived at upon consideration by the Trustee of a wide range of policies, and describes the prudent investment process the Trustee deems appropriate. This process includes offering various asset classes and investment management styles that, in total, are expected to offer the opportunity to diversify the portfolio in a manner consistent with the specified risk and return requirements of the portfolio.

The objectives of the Portfolio are:

Investment goals and objectives are long term appreciation of assets.

4. Follow general "safe harbor" rules:
 - i. Use prudent experts (registered investment adviser (including mutual funds), bank, or insurance company) to make the investment decisions
 - ii. Demonstrate that the prudent expert was selected by following a due diligence process
 - iii. Give the prudent expert discretion over the assets
 - iv. Have the prudent expert acknowledge their co-fiduciary status (mutual funds are exempt from this requirement – the prospectus is deemed to serve as the fund's fiduciary
 - v. Monitor the activities of the prudent expert to ensure that the expert is performing the agreed upon tasks.

Time Horizon

The investment guidelines are based upon an investment horizon of greater than five years. The Trust's strategic asset allocation is also based on this long-term perspective. Short-term liquidity requirements are anticipated to be non-existent, or at least should be covered by cash inflows.

Risk Tolerances

The Trustee(s) recognize that some risk must be assumed in order to achieve the investment objectives of the trust. In establishing the risk tolerances of the IPS, the ability to withstand short and intermediate term variability were considered. A 1-yr loss limit of 9.1% has been calculated for the portfolio. Statistically speaking, there is a 2.5% chance that the 1-year return will actually be lower than 9.1%.

The trust's long time horizon, current financial condition and several other factors suggest collectively some interim fluctuations in market value and rates of return may be tolerated in order to achieve the longer-term objectives.

Performance Expectations

The desired investment objective is a long-term rate of return on assets that is at least 6.5%. The target rate of return for the Trust has been based upon the assumption that future real returns will approximate the long-term rates of return experienced for each asset class in the IPS. The Trustee(s) realizes market performance varies and a 6.5% rate of return may not be meaningful during some periods. Accordingly, relative performance benchmarks for the investment options are set forth in the "Monitoring" section.

Duties and Responsibilities

Trustee

As a fiduciary to the Trust, the primary investment responsibilities of the Trustee are:

1. Prepare and maintain this investment policy statement.
2. Selecting sufficient asset classes with different and distinct risk/return profiles so that the Portfolio can be prudently diversified.
3. Prudently select investment options.
4. Control and account for all investment, record keeping and administrative expenses associated with the Trust.
5. Monitor and supervise all service vendors and investment options.
6. Avoid prohibited transactions and conflicts of interest.

Custodian

Custodians are responsible for the safekeeping of the trust's assets. The specific duties and responsibilities of the custodian are:

1. Value the holdings.
2. Collect all income and dividends owed to the trust.
3. Settle all transactions (buy-sell orders).
4. Provide monthly reports that detail transactions, cash flows, securities held and their current value, and change in value of each security and the overall trust since the previous report.

Investment Advisor

The Investment Advisor serves as an objective, third-party professional retained to assist the Trustee(s) in managing the overall investment process. The Advisor is responsible for guiding the Trustee(s) through a disciplined and rigorous investment process to enable the Trustee(s) to meet the fiduciary responsibilities outlined above.

Asset Class Guidelines

The Trustee(s) believes long-term investment performance, in large part, is primarily a function of asset class mix. Historically while interest-generating investments, such as bonds, 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.

On the other hand, equity investments, such as common stocks, clearly have a significantly higher expected return but have the disadvantage of much greater year-by-year variability of return. From an investment decision-making point of view, this year-by-year variability may be worth accepting given the trust's long time horizon.

Focusing on balancing the risks and rewards of each broad asset class, the following implementation peer groups were selected and ranked in ascending order of "risk" (least to most) according to the most recent quarter's median 3-year Standard Deviation values.

Short-Term Bond
Intermediate Government
World Bond
High Yield Bond
Long Government
Large Blend
Foreign Large Blend
Mid-Cap Blend
Small Blend
Specialty-Real Estate
Diversified Emerging Mkts

Rebalancing of Strategic Allocation

The percentage allocation to each peer group may vary depending upon market conditions. Please reference the allocation table below for the lower and upper limits for each peer group. When necessary and/or available, cash inflows/outflows will be deployed in a manner consistent with the strategic asset allocation and allocation ranges of the portfolio. If there are no cash flows, the allocation of the portfolio will be reviewed quarterly. If the Trustee(s) judges cash flows to be insufficient to bring the portfolio within the target allocation ranges, the Trustee(s) shall decide whether to effect transactions to bring the allocation of portfolio assets within the threshold ranges.

Peer Group	Strategic Allocation	Lower Limit	Upper Limit
Diversified Emerging Mkts	5%	4%	6%
Foreign Large Blend	18%	17%	19%
High Yield Bond	2%	1%	3%
Intermediate Government	6%	5%	7%
Large Blend	20%	19%	21%
Long Government	8%	7%	9%
Mid-Cap Blend	4%	3%	5%
Short-Term Bond	11%	10%	12%
Small Blend	6%	5%	7%
Specialty-Real Estate	9%	8%	10%
World Bond	11%	10%	12%

Implementation

Each investment option should be managed by: (i) a bank; (ii) an insurance company; (iii) a registered investment company (mutual fund); or, (iiii) a registered investment adviser. The Trustee(s) will apply the following due diligence criteria in selecting each money manager or mutual fund.

Implementation Criteria

1) Fiduciary Score Qtr: Investment must receive a score of less than or equal to 25. (i.e. The fund must place in the top 25% of its peer group) (Required)

Fi360 Fiduciary Score Criteria

- a. Track record: The fund should have a minimum three year history.
- b. Assets in the fund: The fund should have at least \$75 million under management (total across all share classes).
- c. Stability of the organization: The portfolio manager should have at least a two-year tenure. In a management team setting, the most senior manager's tenure should be at least two years.
- d. Composition consistent with asset class: A minimum of 80% of the fund's securities should be consistent with the peer group's asset class. (Only applicable to certain peer groups - See the Fiduciary Score Methodology for specific details)
- e. Style consistency: The fund's category and current style box should be the same. (Only applicable to certain peer groups - See the Fiduciary Score Methodology for specific details)
- f. Expense ratio/fees relative to peers: The expense ratio for the fund should be above the bottom quartile (most expensive) of the peer group.
- g. Risk-adjusted performance relative to peers: The fund's Alpha and Sharpe Ratio should be above the peer group's median.
- h. Performance relative to peers: The fund's 1-, 3- and 5-year trailing performance should be above the peer group's median.

2) Fiduciary Score Avg: Investment must receive a score of less than or equal to 20. (i.e. The fund must place in the top 20% of its peer group) (Required)

3) 1 Year Return: The investment must place in the top 50% of its peer group. (Optional)

4) 3 Year Return: The investment must place in the top 50% of its peer group. (Optional)

5) 5 Year Return: The investment must place in the top 50% of its peer group. (Optional)

6) Alpha: The investment must place in the top 50% of its peer group. (Optional)

7) Sharpe: The investment must place in the top 50% of its peer group. (Optional)

8) Manager Tenure: The investment manager must have at least a 2 year track history (Most senior manager's tenure). (Optional)

Optional Factor Requirements

In addition to meeting all of the required factors, 4 of the 6 optional factors must be satisfied to meet the IPS Criteria.

Monitoring - Performance Objectives

The Trustee(s) acknowledges fluctuating rates of return characterize the securities markets, particularly during short-term time periods. Recognizing that short-term fluctuations may cause variations in performance, the Trustee(s) intends to evaluate investment performance from a long-term perspective.

The Trustee(s) is aware the ongoing review and analysis of the investment options is just as important as the due diligence process. The performance of the investment options will be monitored on an ongoing basis and it is at the Trustee's discretion to take corrective action by replacing a manager if they deem it appropriate at any time.

On a timely basis, but not less than quarterly, the Trustee(s) will meet to review whether each investment; specifically: 1. The investment option's adherence to the Watch List Criteria identified below; 2. Material changes in the investment option's organization, investment philosophy and/or personnel; and, 3. Any legal, SEC and/or other regulatory agency proceedings affecting the investment option's organization.

Monitoring - Benchmarks

The Trustee(s) has determined that performance benchmarks be established for each investment option. Manager performance will be evaluated in terms of an appropriate market

index (e.g. the S&P 500 stock index for large-cap domestic equity manager) and the relevant

peer group (e.g. the large-cap growth mutual fund universe for a large-cap growth mutual fund).

Peer Group	Benchmark Index
Diversified Emerging Mkts	MSCI EM USD
Foreign Large Blend	MSCI World Ex US NR USD
High Yield Bond	Credit Suisse HY USD
Intermediate Government	LB US Government TR USD
Large Blend	Russell 1000 TR USD
Long Government	LB US Government Long TR USD
Mid-Cap Blend	S&P MidCap 400 TR
Short-Term Bond	LB Govt/Credit 1-5 Yr TR USD
Small Blend	Russell 2000 TR USD
Specialty-Real Estate	S&P REIT TR
World Bond	Citi WGBI NonUSD USD

Monitoring - Watch List Criteria

The decision to retain or terminate an investment option cannot be made by a formula. Also, extraordinary events do occur that may interfere with the investment option's ability to prudently manage investment assets. It is the Trustee's confidence in the investment option's ability to perform in the future that ultimately determines the retention of an investment option. An investment option may be placed on a Watch List and a thorough review and analysis of the investment option may be conducted, when:

Monitoring Criteria

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7) Sharpe: The investment must place in the top 50% of its peer group. (Optional)

8) Manager Tenure: The investment manager must have at least a 2 year track history (Most senior manager's tenure). (Optional)

Optional Factor Requirements

In addition to meeting all of the required factors, 4 of the 6 optional factors must be satisfied to meet the IPS Criteria.

Monitoring - Measuring Costs

The Trustee(s) will review at least annually all costs associated with the management of the portfolio, including:

1. Expense ratios of each mutual fund against the appropriate peer group.
2. Administrative Fees; costs to administer the portfolio, including record keeping, custody and trust services.
3. The proper identification and accounting of all parties receiving soft dollars and/or 12b-1 fees generated by the portfolio.

Investment Policy Review

The Trustee(s) will review this IPS at least annually to determine whether stated investment objectives are still relevant and the continued feasibility of achieving the same. It is not expected that the IPS will change frequently. In particular, short-term changes in the financial markets should not require adjustments to the IPS.

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Signature**Client Name****Position****Signature**